

NOTICE OF MEETING

Meeting: AUDIT COMMITTEE

Date and Time: FRIDAY, 13 FEBRUARY 2026, AT 10.00 AM

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

Enquiries to: E-mail: democratic@nfdc.gov.uk
Democratic Services

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, 10 February 2026.

Kate Ryan
Chief Executive

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

AGENDA

Apologies

1. MINUTES

To confirm the minutes of the meeting held on 31 October 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. AUDIT RESULTS REPORT YEAR ENDED 31 MARCH 2025 (Pages 5 - 50)

To receive the Audit Results Report for the year ended 31 March 2025.

5. FINAL ANNUAL FINANCIAL REPORT 2024/25 INCLUDING FINAL ANNUAL GOVERNANCE STATEMENT (Pages 51 - 192)

To agree the final Annual Financial Report 2024/25 including the Final Annual Governance Statement.

6. AUDITORS ANNUAL REPORT YEAR ENDED 31 MARCH 2025 (Pages 193 - 226)

To receive the Auditors Annual report for the year ended 31 March 2025.

7. INTERNAL AUDIT PROGRESS REPORT 2025-26 (DECEMBER 25) (Pages 227 - 248)

To agree the Internal Audit Progress Report 2025 – 26.

8. EXTERNAL QUALITY ASSESSMENT - FINAL REPORT (Pages 249 - 282)

To receive the External Quality Assessment Final Report.

9. TREASURY MANAGEMENT STRATEGY 2026-27 (Pages 283 - 318)

To agree the Treasury Management Strategy 2026-27.

10. INVESTMENT STRATEGY 2026/27 (Pages 319 - 330)

To agree the Investment Strategy 2026/27.

11. PRINCIPAL RISK REGISTER (Pages 331 - 358)

To review the Principal Risk Register.

12. AUDIT COMMITTEE WORK PLAN (Pages 359 - 360)

To consider the Audit Committee's Work Plan.

13. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

To:	Councillors	Councillors
	Alan Alvey (Chairman)	Caroline Rackham
	John Adams (Vice-Chairman)	Janet Richards
	Kate Crisell	Malcolm Wade
	Jacqui England	Richard Young
	Alan O'Sullivan	

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New Forest District Council

Audit results report

Year ended 31 March 2025

January 2026



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



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Agenda Item 4



Members of the Audit Committee
New Forest District Council
Appletree Court
Beaulieu Road
Lyndhurst
SO43 7PA

28 January 2026

Dear Audit Committee Members

2024/25 Audit results report

We attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 13 February 2026 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2024/25 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on New Forest District Council (the Council's) accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements; and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We draw Audit Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their financial statements.

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 the contents of this report with you at the Audit Committee meeting on 13 February 2026.

Yours faithfully

Simon Mathers
Partner, For and on behalf of Ernst & Young LLP
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Contents

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

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



01 Executive Summary

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Executive Summary – Context for the audit

Scope update

In our Audit Planning Report presented at the 27 June 2025 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

- Changes in materiality: We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross revenue expenditure on services, we have updated our overall materiality assessment to £2.73 million (Audit Planning Report – £2.62 million). This results in updated performance materiality, at 75% of overall materiality, of £2.05 million, and an updated threshold for reporting misstatements of £0.137 million.

Status of the audit

Our audit work in respect of the group opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Completion of our work over journals;
- Completion of our testing of PPE additions samples;
- Issues to resolve on our testing of creditors samples;
- Completion of our procedures over going concern;
- Completion of final review procedures across a number of areas which could lead to further issues to resolve;
- Review of the final version of the financial statements to ensure all adjustments have been made correctly;
- Completion of subsequent events review; and
- Receipt of the signed management representation letter

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

Executive Summary (cont'd)

Value for Money

In our Audit Planning Report dated 29 April 2025, we reported that we had completed our value for money (VFM) risk assessment and we had identified no risks of significant weaknesses in arrangements. Having updated and completed the planned procedures in these areas we did not identify a significant weakness. See Section 03 of the report for further details.

Audit differences

- There were no uncorrected misstatements.
- Management have corrected a relatively small number other misstatements, one of which is material to the financial statements.
- We identified relatively small number of misstatements in disclosures, most of which were adjusted by management.
- Further details of adjusted misstatements are set out in section 5.

Other reporting issues

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

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts.

Executive Summary (cont'd)

Areas of audit focus

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

Risk	Status of our work
Fraud Risk - Presumptive risk of management override of controls	Based on our work completed to date we have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the council's normal course of business. Our work to test journals remains outstanding at the date of this report.
Fraud Risk - Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	- Based on our work completed to date on additions and REFCUS testing, we have not identified any material weaknesses in controls or evidence of inappropriate capitalisation of revenue expenditure. - We identified a factual misstatement on the REFCUS balance in relation to spend on a Council-owned asset.
Significant Risk - Implementation of IFRS 16	Our work in this area is complete. No issues have been noted.
Risk of material misstatement - Valuation of property, plant and equipment (PPE) and investment property land and buildings valued at Existing Use Value (EUV) and Fair Value (FV)	Based on our work completed on PPE and IP valuations, a disclosure misstatement has been identified in relation to the presentation of derecognition of land values related to peppercorn leases that have been newly recognised as right of use assets.
Risk of material misstatement - Valuation of Council Dwellings	Our work in this area is complete. No issues have been noted.
Risk of material misstatement - Pension Liability Valuation	Our work in this area is complete. Hampshire Pension Fund's actuary had identified a discrepancy in their actuarial valuations which impacted all IAS19 reports for employers within the same accounting period. As a result, a further IAS 19 report was requested by the Council.

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

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

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

Executive Summary (cont'd)

Control observations

During the audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls. We have provided further details in Section 06.

- From all previous recommendations communicated in the 2023/24 Audit Results Report, only one has been fully actioned by management. The provision of proper breakdowns of the closing position of debtors and creditors and the streamlining of journal postings have been partially actioned. Management failed to prepare for the transition to IFRS 16 before the publication of the draft financial statements despite the urgency stressed in our recommendation in the previous year.

Independence

Please refer to Section 08 for our update on Independence.

Factors impacting the execution of the audit

Management, and the Audit Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

Executive Summary (cont'd)

Factors impacting the execution of the audit (cont'd)

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the draft financial statements	Ineffective			There were minimal non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements that demonstrates effective internal quality review prior to publication. However, the published draft financial statements were incomplete due to the failure to make adjustments for the implementation of IFRS 16.	We consider this further in our VFM reporting. See Section 03. We have also raised a related control recommendation in Section 06.
13 Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement			Most working papers were provided to the agreed timetable. However, due to the IFRS 16 implementation still being in progress, we received working papers for property, plant and equipment three weeks after the commencement of the year end visit. This caused significant delay in our testing of property, plant and equipment.	We expect to raise a scale fee variation in respect of this. See Section 08 for further details.
Quality of working papers and supporting evidence	Requires improvement			Working papers and supporting evidence were generally of a good standard. However, we faced significant difficulty trying to map income and expenditure ledger codes as part of extracting transactional data from the Council's ledger that is needed to deliver the audit. This caused a significant delay in our testing of cost of services income and expenditure.	We expect to raise a scale fee variation in respect of this. See Section 08 for further details. We have also raised a related control recommendation in Section 06
Timeliness and quality of evidence supporting key accounting estimates	Effective			Working papers and supporting evidence supporting key accounting estimates were generally of a good standard.	N/A
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement			There were no significant issues with access to the finance team and key personnel, apart from the first three weeks of the audit when the finance team were still working on IFRS 16 implementation and therefore had less availability to support our audit.	We expect to raise a scale fee variation in respect of this. See Section 08 for further details.
Volume and value of identified misstatements	Effective			A small number of material misstatements were detected as a result of our work which have been corrected by management.	See Section 05 for details of corrected misstatements.
Volume of misstatements in disclosure	Effective			A small number of misstatements in disclosure were detected in our work.	N/A



02 Areas of Audit Focus

Areas of Audit Focus

Presumptive risk of management override of controls (Fraud risk)



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 is the status of our work?

Our audit work in this area is ongoing.

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

Our testing in respect of other identified key accounting estimates and judgements (including the Pension Assets and Liabilities valuation and NNDR Appeals Provision valuation) is complete. No issues were identified.

In addition, our testing of journal entries remains ongoing.

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

Our response to the key areas of challenge and professional judgement

We:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considered 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.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Undertaken procedures to identify significant unusual transactions.
- Considered whether management bias was present in the key accounting estimates and judgments in the financial statements.

What else did we do and further relevant information

For our testing of journals, we obtained downloads of all financial ledger transactions posted in the year. We performed completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then reviewed and sorted transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

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' were required. See the following page for the results of our work in this area.

Areas of Audit Focus (cont'd)

Inappropriate capitalisation of revenue expenditure (Fraud risk)



Significant Risk

What is the risk?

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

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

Our response to the key areas of challenge and professional judgement

We:

- Tested Property, Plant and Equipment (PPE)/Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assessed 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.
- Considered whether any development or other related costs that have been capitalised are reasonable to capitalise, i.e., the costs incurred are directly attributable to bringing the asset into operational use.
- Tested REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Sought 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.

What are our conclusions?

Our testing of additions and REFCUS is complete and has not identified any evidence of inappropriate capitalisation of revenue expenditure. However, we identified a factual misstatement in relation to spend which is capital in nature but wrongly classified as REFCUS instead of a PPE addition.

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

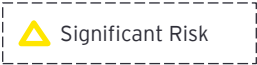
What else did we do and further relevant information

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

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

Areas of Audit Focus (cont'd)

IFRS 16 Implementation (Significant risk)



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.

Our response to the key areas of challenge and professional judgement

We:

- Gained an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We have paid particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- Reviewed the discount rate that is used to calculate the right of use asset and liability and assessed its reasonableness.
- Reviewed 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.
- Gained assurance over the right of use asset included in the 2024/25 financial statements.
- Sample tested leases to ensure that transition arrangements have been correctly applied.
- Considered 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.

What else did we do and further relevant information

We have done a two-way completeness check to ensure that all relevant leases disclosed in the previous year exist in the current year lease working papers and vice versa.

What is the status of our work?

Our work in this area is complete. This detailed testing includes focusing on the reasonableness of the underlying assumptions used for valuation of right of use assets on peppercorn leases. No issues were identified. However, as set out on page 9 the published draft financial statements were incomplete due to the failure to make adjustments for the implementation of IFRS 16. We have raised a related control recommendation for improvement in Section 06.

Areas of Audit Focus (cont'd)

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

What is the risk?

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.

What are our conclusions?

Our work in this area is complete.

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

We identified a disclosure misstatement in relation to the presentation of derecognition of land values related to peppercorn leases that have been newly recognised as right of use assets.

Our response to the key areas of challenge and professional judgement

We:

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their competence, capability and objectivity;
- Considered 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 tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered 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 considered if there were any specific changes to assets and that these have been communicated to the valuer;
- Reviewed any EUV assets not subject to valuation in 2024/25 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed and disclosed in the financial statements.

What else did we do and further relevant information

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

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

The Council revalued 27 land and building (L&B) assets, 5 using DRC and 22 using EUV and all 13 investment properties in 2024/25. We sample tested 1 L&B asset valued using DRC and 4 L&B assets using EUV achieving coverage of 18% and 59% of the assets in value. We also sample tested 4 investment properties covering 19% of the assets in value.

Areas of Audit Focus (cont'd)

Pension Liability / Asset Valuation (Risk of material misstatement)

What is the risk?

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

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2025 this totalled £5.2 million.

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

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

What are our conclusions?

Hampshire Pension Fund's actuary had identified a discrepancy in their actuarial valuations which impacted all IAS19 reports for employers within the same accounting period. As a result, a further IAS 19 report was requested by the Council. Based on the revised report, management have agreed to update related disclosures. We are satisfied this revised valuation is accurate within a reasonable tolerance.

Our response to the key areas of challenge and professional judgement

We have:

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

What else did we do and further relevant information

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

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



03 Value for Money

Value for Money

The Authority's responsibility for Value for Money (VFM)

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

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

Risk assessment and status of our work

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

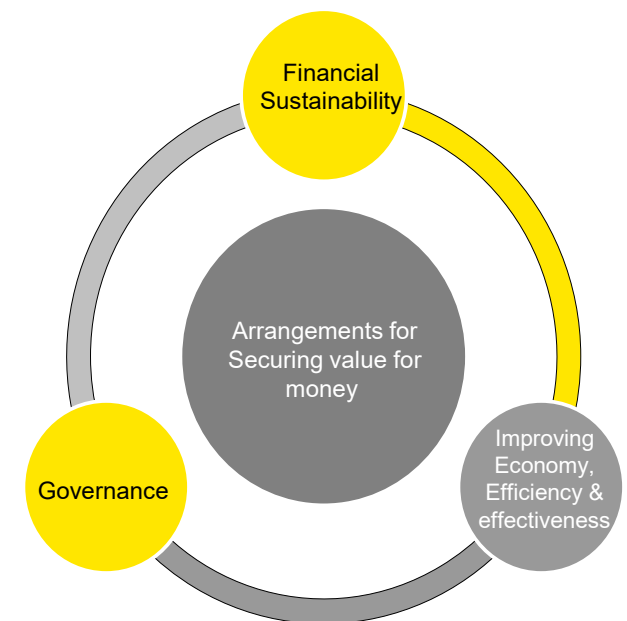
Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on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

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

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

We have completed our detailed VFM work and identified no risks of significant weaknesses in arrangements and therefore expect to have no matters to report by exception in our audit report.

We gave serious consideration as to whether the failure to include IFRS 16 entries and disclosures in the draft financial statements published by the statutory deadline constituted a significant weakness in the Council's governance arrangements for external statutory reporting. We have ultimately concluded that this is not a matter to report by exception in our audit report and recognise the hard work of the finance team to update the financial statements while also supporting the execution phase of the audit. However, it is important that the Council's arrangements are improved such that this does not reoccur in the future if and when new financial reporting standards are adopted in the financial reporting framework for local government. We have raised a related control recommendation for improvement in Section 06 of the report.





04 Audit Report

22

Expected modification to the audit report

As reported in our 2023/24 Auditors Annual Report to Those Charged with Governance, we issued a disclaimed audit report on the Council’s financial statements for 2023/24 under the arrangements to reset and recover local government audit.

As a result of the 2023/24 disclaimed audit report, we do not have assurance over all the brought forward balances from 2023/24 (the opening balances). This means we do not have assurance over 2024/25 in-year movements and some closing balances. We also do not have assurance over the 2023/24 comparative amounts disclosed in the 2024/25 financial statements.

We are aiming to complete all planned procedures for 2024/25 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the usable and unusable reserves of the Council reported in the financial statements.

We therefore anticipate issuing a disclaimed 2024/25 audit opinion.



05 Audit Differences

Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £136,677 which have been corrected by management that were identified during the course of our audit:

- £161,138 overstatement of REFCUS due to spend incurred on a Council-owned asset wrongly recognised as REFCUS instead of additions to property, plant and equipment (PPE).
- £3.99 million understatement of net cash flows from investing activities due to inclusion of liabilities recognised on IFRS16 transition within purchase of PPE.

There were no uncorrected misstatements.



06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

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

We have identified a recurrence of some control issues, reported in our 2023/24 Audit Results Report findings. These include:

- Management's approach to journal entry posting is not efficient. To address this the Council should continue to seek to group, automate or eliminate the postings made.
- Management cannot provide breakdowns of the closing position of creditors at year end. Specifically, we were only transaction reports showing transactions posted during the financial year rather than outstanding balances at year-end.

Further to this, we identified the following control deficiencies in the current year:

- Management have not included purchaser's costs in their valuations of Investment Properties or Land and Buildings valued using the EUV method.
- Although declarations of interests are obtained annually from Councillors, the register of interests for Councillors are not up to date on the Council's website, with some not being updated since 2019.

These matters have been discussed with management for resolution in future years, see further detail on the following pages.

We had no further matters to report.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Assessment of Control Environment (cont'd)

Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
Management have not included purchaser's costs in their valuations of Investment Properties or Land and Buildings valued using the EUV method. This increases the risk of material misstatement of valuations.	Moderate			Include purchaser's costs in the valuations of Investment Properties and Land and Buildings valued using the EUV method.	The Council's valuers will continue to have due regard to RICs guidance around purchase costs and the need or otherwise to reflect these in EUV methodology.
Declarations of interests are obtained annually from Councillors. However, the register of interests for Councillors are not up to date on the Council's website. Some of the registers having not been updated since 2019.	Low			Update register of interests as and when new interests are declared by Councillors or at least on an annual basis.	The Council notes the observations and will review the guidance around the register of interests to determine whether an annual update is required.
Entries and disclosures needed to adopt IFRS 16 were not included in the draft financial statements initially published. This delayed commencement of the audit, with finance team capacity needed to address this during the execution phase of the audit. This has had an adverse impact on audit delivery.	High			Where there are known future changes to the financial reporting framework likely to have a material impact on the financial statements, ensure that a timely, properly resourced and monitored project plan is established to ensure required changes are completely reflected in the published draft financial statements.	The Council's finance team will appropriately consider future changes to the financial reporting framework and will consider the use of a project plan to ensure the necessary changes are resourced, and timely.
Transactional breakdowns of creditor balances included brought forward balances which needed to be eliminated before we were able to select samples for detailed testing. This was a time-consuming process and increases the risk of error in the year end balance.	Moderate			Ensure that breakdowns of creditor balances outstanding at year-end are readily available and support the outstanding position as opposed to in-year movements. This recommendation is partially repeated from the prior year.	The Council will try to ensure that all information pertaining to creditors is presented in the format as desired by the auditor.

Grading	Definition
High	Matters and/or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
Moderate	Matters and/or issues considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
Low	A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.

Assessment of Control Environment (cont'd)

Summary of control observations and recommendations (cont'd)

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
Our current year work continued to identify thousands of journals made to income and expenditure ledger codes that need to be eliminated before we can perform sampling procedures on the income and expenditure transactional data. The exercise of eliminating the irrelevant journals or account codes has proven difficult for management. This also required further time to be input by us and caused further delays in completion of the audit.	High			The Council should consider whether its current approach to journal entry posting is the most efficient and seek to group, automate or eliminate the postings made. This recommendation is repeated from the prior year.	The number of journal posting has significantly reduced over the last 2 financial year cycles, in accordance with previous recommendations. It is also worthy of note that batch journals are posted, not individual lines one by one. Any further changes will require a far more significant overhaul of financial reporting and budget setting and so is not something that we consider appropriate so close to LGR, which ultimately would render this significant work abortive. Efforts will however be made to further streamline our reporting and working papers to the auditor.

Grading	Definition
High	Matters and/or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
Moderate	Matters and/or issues considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
Low	A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.

Assessment of Control Environment (cont'd)

Status of previous year's recommendations

Recommendation	Grading			Update
	H	M	L	
Ensure that all assets are subject to a full revaluation on a significantly regular basis to ensure material accuracy of the Property, Plant and Equipment valuation in accordance with the entity's own accounting policies and the CIPFA Code.	Moderate			Based on our audit procedures performed on PPE valuations, we can confirm that all assets have been fully revalued within a 5-year cycle. We are satisfied the recommendation is addressed.
Ensure that breakdowns of debtor and creditor balances outstanding at year-end are readily available and support the outstanding position as opposed to in-year movements.	Low			Based on our audit procedures performed on debtors, brought forward balances have been eliminated from the breakdowns provided to us, hence only the items related to the outstanding balance remain at year end. This aspect of the recommendation is therefore addressed. However, this was not the case for creditors, where brought forward balances remained in the breakdowns. We have therefore repeated this as a control recommendation in the current year on the previous page. We now consider the recommendation priority to be moderate rather than low.
Accelerate the rate of progress in arrangements for the implementation of IFRS 16 so the Council is able to comply fully with the requirements of the standard in its 2024/25 financial statements.	High			We have concluded that this recommendation was not implemented. The draft financial statements submitted for audit did not include IFRS 16 related entries and disclosures. We have considered the impact of this on our current year reporting by exception on the Council's VFM arrangements. See further details in section 03.
The Council should consider whether its current approach to journal entry posting is the most efficient and seek to group, automate or eliminate the postings made. This recommendation was originally raised as part of the 2021/22 audit. Although a review of internal recharging process was undertaken designed to reduce the overall number of journal entries, we had not concluded the recommendation to be fully addressed at the end of 2023/24.	Moderate			This recommendation has not been implemented. Our current year work continued to identify thousands of journals made to income and expenditure ledger codes that need to be eliminated before we can perform sampling procedures on the income and expenditure transactional data. The exercise of eliminating the irrelevant journals or account codes has proven difficult for management. This also required further time to be input by us and caused further delays in completion of the audit.

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07

Other Reporting Issues

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Other Reporting Issues

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

We must give an opinion on the consistency of the financial and non-financial information in the New Forest District Council Statement of Accounts 2024/25 with the audited financial statements

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

Financial information in the New Forest District Council Statement of Accounts 2024/25 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

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

We have not yet performed the procedures required by the NAO on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete, and the NAO has confirmed no further procedure are required.

Other powers and duties

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

We did not identify any issues which required us to issue a report in the public interest or statutory recommendations under Schedule 7.



08 Independence

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Independence

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

Relationships

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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

Independence

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

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

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

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

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

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year	Prior Year
	£	£
Scale Fee - Code Work	180,610	165,261
Additional work not considered by the scale fee to assess the council's adoption of IFRS 16 and to consider related disclosures in the financial statements	TBD Note 2	
Other scale fee variations due to the issues identified through the 2024/25 audit	TBD Note 3	
Scale fee variation determined for the 2023/24 audit		36,013 Note 1
Total fees	TBD	201,274

All fees exclude VAT

(1) As set in our 2024/25 Audit Planning Report a scale fee variation was submitted to PSAA covering the following areas:

- Additional procedures to implement the revised ISA 315 (UK) auditing standard.
- Additional procedures to consider the Council's readiness for the implementation of IFRS 16.
- 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 a misstatement.
- Additional procedures required as a result of the number of recharge journals posted by the Council.

That scale fee variation has now been determined at a total value of £36,013.

(2) An in-year scale fee variation will be submitted in relation to the work to comply with the requirements of IFRS 16. We will report our final proposed scale fee variation on completion of our work.

(3) An in-year scale fee variation will be submitted in relation to the work performed in the year, the issues identified and specialists involved in the audit. The main issues requiring additional time and leading to delay are detailed on page 9 of this report. They are:

- A failure to provide a complete set of draft financial statements containing adjustments for the implementation of IFRS 16 by the deadline for accounts publication.
- The need for us to eliminate thousands of journals and account codes from the income and expenditure listings before we can proceed with sampling.
- The need for us to eliminate opening balances from the creditor transactional reports before we can proceed with sampling.

We are continuing to raise control recommendations for improvement in the current year in each of these areas.



09 Appendices

Appendix A – Progress to full assurance

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.

2023/24



Disclaimer opinion

- Pervasive gaps over opening balances, comparators, and in-year movements.
- Lack of assurance over:
 - PPE
 - Comprehensive Income and Expenditure
 - Collection Fund
 - Housing Revenue Account
 - Income and Expenditure
 - Financial Statement Disclosures
 - Cash Flow Statement
- Lack of assurance over Reserves (cumulative nature)

Current audit year
2024/25



Disclaimer or qualified opinion

- Continuing impact from 2023/24:
- Lack of assurance over all the comparator I&E transactions, PPE (where cyclical) and reserves.
 - Due to gaps in PPE assurance, there is a likely lack of assurance over related in-year transactions.
 - Potential for qualified except for, but more likely to be disclaimed

2025/26



Qualified (except for) opinion

- Assurance in place over opening and closing balances, and assurance gained over each in-year movement.
- Likely gap over specific comparator balances may remain on PPE due to the extent items have not been valued since 2022/23. The impact on the CIES & reserves would require to be assessed.
- However, with the anticipation of incorporating build-back guidance focusing on reserves, there is increasing probability that gaps in assurance can be specifically identified, leading to higher likelihood of a qualified report (not disclaimed).

2026/27



Unqualified opinion

- Expectation that all items resolved.
- Auditor will need to reassess the PPE cyclical valuation impact - but may be able to work with the authority to ensure that items previously valued in 2022/23 were revalued by this time or would be immaterial.

DISTRICT COUNCIL

- The Council's progress is in line with the expected timescales for rebuilding assurance set out in LARRIG 01.
- The main areas where further work is necessary to rebuild assurance are valuation of property, plant and equipment, assurance over Income & Expenditure entries relating to PPE, and assurance over reserves.
- Appendix B sets out in more detail the assurance we have gained by accounts area.

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EXPECTED STATUS

Appendix B – Updated summary of assurances

Summary of Assurances

The table below summarises the audit work we have completed on the 2023/24 and 2024/25 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Property, Plant and Equipment ('PPE')	Partial	Partial*	We have completed testing of the 2023/24 and 2024/25 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2023/24 and 2024/25 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets; however, until we are able to rebuild assurance over PPE additions, disposals and revaluations in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2025.
Investment Property	Partial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Long Term Investments	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Long Term Debtors	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Investments	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Debtors	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash and Cash Equivalents	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

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

Appendix B – Updated summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Creditors (short and long term)	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Borrowings (short and long term)	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Provisions (short and long term)	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Local Government Pension Scheme Liability	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Collection Fund	Partial	Partial*	We have completed our planned audit procedures in this area. As we do not have assurance over the closing balance position at 31 March 2023 or at 31 March 2024, we do not have assurance over the opening position at 1 April 2024. Whilst we have tested and obtained assurance over all of the in-year movements recorded in the 2024/25 financial statements, the lack of assurance over the opening position means that we do not have substantial assurance over the closing position at 31 March 2025.
Comprehensive Income and Expenditure Statement (including the Housing Revenue Account and REFCUS but excluding NCOS expenditure)	Partial	Partial*	We completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 and 2024/25 but, as we do not have full assurance over income and expenditure entries relating to PPE and intangible assets, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Comprehensive Income and Expenditure Statement (NCOS expenditure)	None	Partial*	We completed our planned testing on the Comprehensive Income and Expenditure Statement in 2024/25 but, as we do not have full assurance over income and expenditure entries relating to PPE and intangible assets, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Reserves	None	None*	We have completed our work on the movements in reserves in 2022/23 and 2023/24 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We do have full assurance over the closing 2024/25 position of the Pensions Reserve.
Financial Statement Disclosures	Partial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash Flow Statement	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

Appendix C – Required communications with those charged with governance

Required communications with those charged with governance

There are certain communications that we must provide to those charged with governance. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report - April 2025
Planning and audit approach	Communication of: - 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	Audit Planning Report - April 2025
Significant findings from the audit	- 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	Audit Results Report - January 2026
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: - Whether the events or conditions constitute a material uncertainty related to going concern - Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements - The appropriateness of related disclosures in the financial statements	Audit Results Report - January 2026

Appendix C – Required communications with those charged with governance (cont'd)

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		Our Reporting to you
Required communications	What is reported?	When and where
Misstatements	- 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 - January 2026
Fraud	- 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: - Management; - Employees who have significant roles in internal control; or - 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 - January 2026
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: - 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 - January 2026

Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▪ 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 Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Audit Planning Report - April 2025 Audit Results Report - January 2026
External confirmations	▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report - January 2026
Consideration of laws and regulations	▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ 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 - January 2026
Significant deficiencies in internal controls identified during the audit	▪ Significant deficiencies in internal controls identified during the audit.	Audit Results Report - January 2026

Appendix C – Required communications with those charged with governance (cont'd)

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		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	- An overview of the type of work to be performed on the financial information of the components - An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components - Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work - Any limitations on the group audit, for example, where the group engagement team's access to 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.	Audit Results Report - January 2026
Written representations we are requesting from management and/or those charged with governance	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - January 2026
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report - January 2026
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - January 2026
Auditors report	- 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 - January 2026

Appendix D – Regulatory update

The English Devolution and Community Empowerment Bill – Audit Measures

Background

On 16 December 2024, the Government published the English Devolution White Paper. The White Paper outlines how England is one of the most centralised countries in the world and contends that over-centralisation is holding back the prosperity of the regions. As a result, there is an intention from Government to widen and deepen devolution to local areas across England. The English Devolution and Community Empowerment Bill (the Bill) is intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

- Part 1 introduces the new devolution architecture for England, centred around the new category of “strategic authorities” (SAs). These are organisations designated by Government to have responsibility for strategy development and programme delivery over larger functional economic areas.
- Part 2 outlines the powers and duties which existing and future SAs will have, and the new process by which new powers and duties can be conferred on SAs by Government in the future.
- Part 3 is focused on measures designed to strengthen local government and communities.
- Part 4 is intended to strengthen the accountability of the local government sector by reforming the local audit system, including the establishment of the Local Audit Office (LAO) as the body responsible for overseeing local audit.
- Part 5 concerns the banning of upwards only rent review clauses for commercial leases to prevent vacant shops and regenerate high streets in communities across England.
- Part 6 contains the technical sections related to the Bill, including on regulations, commencement and extent.

The draft legislation can be found in full at [English Devolution and Community Empowerment Bill](#).

Part 4 of the Bill - Reforming local audit

The Bill is intended to overhaul the local audit system as is part of the wider measures to address the backlog in local government audit previously considered by this report. Specifically:

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate ‘lead individuals’ and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Audit Committees will be developed by LAO in conjunction with the Local Government Association, CIPFA and other relevant bodies.

We will continue to keep you updated as these arrangements develop.

Appendix E – Draft management representation letter

Draft management representation letter

As the audit work is ongoing, we have included below an indicative version of the draft letter.

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Simon Mathers
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of New Forest District Council ("the Council") for the year ended 31 March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of New Forest District Council as of 31 March 2025 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

Appendix E – Draft management representation letter

Draft management representation letter

As the audit work is ongoing, we have included below an indicative version of the draft letter.

Management Rep Letter

6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

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

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

continue to operate, or to avoid material penalties;

- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Governance committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].

Appendix E – Draft management representation letter

Draft management representation letter

As the audit work is ongoing, we have included below an indicative version of the draft letter.

Management Rep Letter

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

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

E. Going Concern

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

F. Subsequent Events

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

Appendix E – Draft management representation letter

Draft management representation letter

As the audit work is ongoing, we have included below an indicative version of the draft letter.

Management Rep Letter

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 2024/25 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2024/25 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, aligned with the statements we have made in the other information or other public communications made by us (see section G).

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

J. Reserves

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

K. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners or examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

Appendix E – Draft management representation letter

Draft management representation letter

As the audit work is ongoing, we have included below an indicative version of the draft letter.

Management Rep Letter

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the property, plant and equipment and investment property valuations, the IAS 19 liability, and the business rates appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

1. We confirm that the significant judgments made in making the property, plant and equipment and investment property valuations, the IAS 19 liability, and the business rates appeals provision estimates have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the property, plant and equipment and investment property valuations, the IAS 19 liability, and the business rates appeals provision estimates.
3. We confirm that the significant assumptions used in making the property, plant and equipment and investment property valuations, the IAS 19 liability, and the business rates appeals provision estimates appropriately reflect our intent and ability to carry out any specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

5. We confirm that appropriate specialized skills or expertise has been applied in making the property, plant and equipment and investment property valuations, the IAS 19 liability, and the business rates appeals provision estimates.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

N. Retirement benefits

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

Yours faithfully,

(Chief Financial Officer)

(Chairman of the Audit Committee)

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Ernst & Young LLP

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UKC-038208 (UK) 03/25. Creative UK.
ED None

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Audit Committee – 13 February 2026

Final Annual Financial Report 2024/25 including Final Annual Governance Statement

Purpose	For Decision
Classification	Public
Executive Summary	This report sets out the requirements and reasoning for the request for authority to be given for the approval of the final 2024/25 Annual Financial Report (including the Letter of Representation) and additionally recommends that the final Annual Governance Statement 2024/25 be approved.
Recommendation(s)	It is recommended that Audit Committee: 1. Agree that the Strategic Director Corporate Resources (Section 151 Officer), in consultation with the Chairman of the Audit Committee, be given authority to review and consider the 2024/25 Audit Completion Report from the Council’s external auditor. 2. Agree that the Strategic Director Corporate Resources (Section 151 Officer) and the Chairman of the Audit Committee, approve: a. the Annual Financial Report for 2024/25; and b. the 2024/25 letter of representation 3. Agree the Final Annual Governance Statement 2024/25 be approved by the Chief Executive and Leader of the Council.
Reasons for recommendation(s)	The Council is required to prepare, and have externally audited, an Annual Financial Report for each year and to prepare an Annual Governance Statement.

	This report seeks authority for the Strategic Director Corporate Resources (Section 151 Officer) to 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 the financial year's audit. Additionally, it is a requirement for the Final Annual Governance Statement to be approved.
Ward(s)	All
Portfolio Holder(s)	Councillor Jeremy Heron – Finance and Corporate
Strategic Director(s)	Alan Bethune – Strategic Director Corporate Resources (Section 151 Officer)
Officer Contact	Paul Whittles Assistant Director – Finance 02380 285766 paul.whittles@nfdc.gov.uk

Introduction and background

1. This report provides an update to the Audit Committee on the audit of the 2024/25 Annual Financial Report and set out recommendations for the conclusion of the audit process.
2. Previous reports to the Audit Committee have set out the background to the national backlog of local authority audits.
3. For New Forest District Council all Annual Financial Reports, up to and including the 2023/24 financial year, have been produced and approved as final.
4. The government instigated a number of back stop dates to resolve the audit backlog. The backstop date for 2024/25 audits is 27 February 2026.

Authorisation of the financial statements

5. In order to be in a position to approve the suite of financial statements relevant to 2024/25 the Council has or will undertake these steps:

- a. Approval of the Annual Financial Report for audit by the s151 Officer, this was originally completed on 30 June 2025.
 - b. Publishing the Annual Financial Report, this was originally completed on 30 June 2025.
 - c. Holding a minimum 30-day public inspection period for the Annual Financial Report, this was originally undertaken between 1 July and 11 August 2025.
 - d. The Annual Financial Report was republished on 13 November 2025 following updates regarding the implementation of IFRS 16 – Leases, with a further inspection period undertaken between 14 November and 29 December 2025.
 - e. Providing updated assurances related to the year in question, this information has been sought from the Chairman of the Audit Committee, s151 Officer, Monitoring Officer and Internal Audit Manager. No issues were identified that require reporting.
 - f. Reviewing and providing comments on the external auditor's Audit Completion Report – this is required to be done prior to the approval of the accounts in a timely manner in order to meet the 27 February 2026 backstop date.
 - g. Approving a final Annual Financial Report in a timely manner in order to meet the 27 February 2026 backstop date and is a subject of this report. This will be signed by the Chairman of the Audit Committee and s151 Officer.
 - h. Signing a Letter of Representation, normal practice is to complete this at the time the audit is finalised. This is a subject of this report and will be signed by the Chairman of the Audit Committee and s151 Officer.
 - i. Signing the final Annual Governance Statement. This is a subject of this report and will be signed by the Chief Executive and Leader of the Council.
 - j. Publishing the final auditor's report and completion report with the final approved Annual Financial Report, plus the Annual Governance Statement for 2024/25, this is required to be completed by 27 February 2026.
6. The Annual Financial Report including the Annual Governance Statement is attached as an annex to this report. Ernst & Young are anticipating that their opinion will be issued on the accounts as they are currently presented.

7. Updates to the draft Annual Governance Statement have been made to reflect:
 - a. the newly adopted Executive Management Team structure;
 - b. additional legal capacity that has been created to take effect from February 2026; and
 - c. a change in the action plan to remove budget system development, with a focus instead on training users on the existing system functionality

Corporate plan priorities

8. 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.
9. 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.
10. 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.
11. 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

12. The options in this report are:
13. Option 1: to give authority to the Strategic Director Corporate Resources (Section 151 Officer), in consultation with the Chairman of the Audit Committee, to review and consider the 2024/25 Audit Results Report and to approve the 2024/25 Annual Financial Report and associated letter of representation; and for the Annual Governance Statement 2024/25 be approved by the Chief Executive and Leader of the Council in order to meet the statutory deadlines.
14. Option 2: to review and consider the 2024/25 Audit Results Report and not to approve the 2024/25 Annual Financial Report and associated letter of representation, and not to approve the signing of the Annual Governance Statement, which could lead to the council not complying with its statutory duties by the deadline.

Options Appraisal

15. The Annual Financial Report was prepared in accordance with CIPFA guidance and the Accounting Policies that were approved by the Audit Committee. The processes used were the same as those that have produced robust accounts in previous years.
16. Ernst & Young LLP anticipate issuing a disclaimed audit opinion for 2024/25 following the 2023/24 disclaimed audit report, as they do not have assurance over the brought forward balances and thus the 2024/25 in-year movements and some closing balances, as well as lack of assurance over the 2023/24 comparative amounts disclosed in the 2024/25 financial statements. The next meeting of the audit committee is not until after the 27 February 2026 backstop deadline and Ernst & Young anticipate completing their work within this timescale.
17. Therefore, Option 1, to give authority to the Strategic Director Corporate Resources (Section 151 Officer), in consultation with the Chairman of the Audit Committee, to review and consider the 2024/25 Audit Results Report and to approve the 2024/25 Annual Financial Report and associated letter of representation, and for approval of the Annual Governance Statement by the Chief Executive and Leader of the Council is the recommended option.

Consultation undertaken

18. Consultation between the council and our external auditors and advisors has been continuous throughout as the audit has developed.
19. Audit Committee has been appraised of the progress to date at each opportunity.

Financial and resource implications

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

Legal implications

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

Risk assessment

22. 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

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

Equalities implications

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

Crime and disorder implications

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

Data protection / Information governance / ICT implications

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

Appendices:

Appendix 1 - Annual Financial
Report 2024/25 including Annual
Governance Statement 2024/25

Background Papers:

None



Annual Financial Report **2024/2025**



NEW FOREST DISTRICT COUNCIL
ANNUAL FINANCIAL REPORT - YEAR ENDED 31 MARCH 2025

CHAIRMAN OF THE COUNCIL

Councillor J Sleep

LEADER OF THE COUNCIL

Councillor J Cleary

CHIEF EXECUTIVE Mrs K Ryan

CHIEF FINANCE OFFICER (s151) Mr A Bethune

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STATEMENT OF RESPONSIBILITIES

1. The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Responsible Financial (s151) Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

I confirm that these accounts were approved by Members of the Audit Committee at the meeting held on 27 June 2025.

Cllr A Alvey
Chairman of the Audit Committee

Date 13 February 2026

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

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Responsible Financial (s151) Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the statement of accounts presents a true and fair view of the financial position of New Forest District Council at 31 March 2025 and the income and expenditure for that year ended.

Mr A Bethune FCCA
Chief Finance Officer (s151)

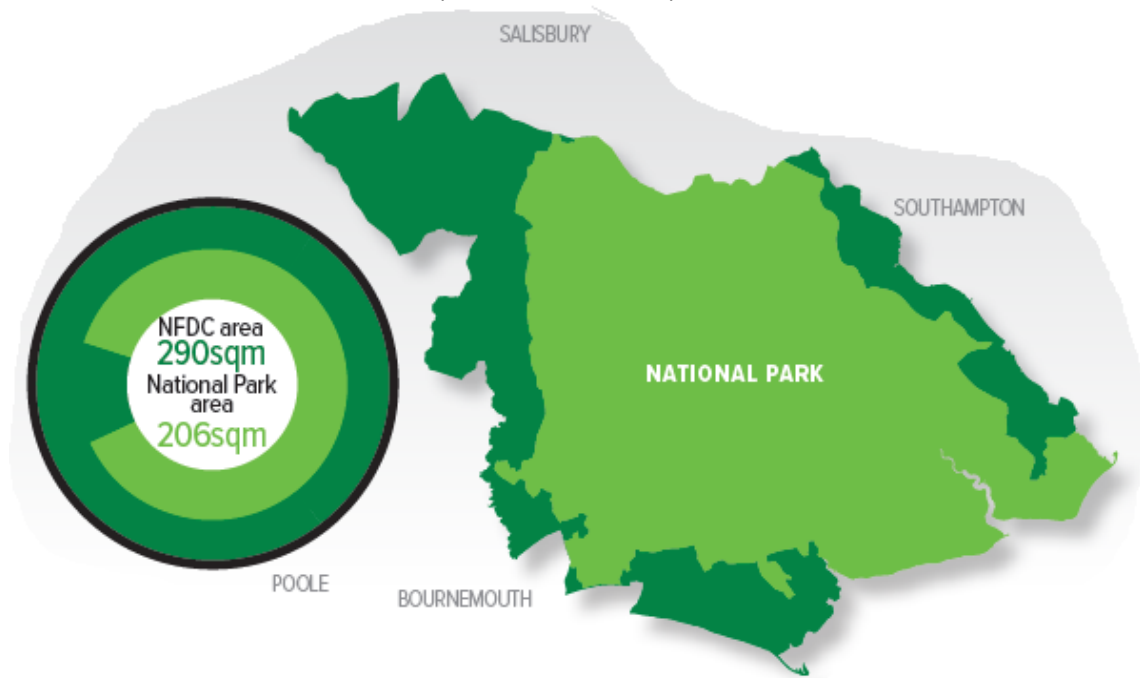
Date 13 February 2026

NARRATIVE STATEMENT

1. Foreword from the Council's Responsible Financial Officer

The New Forest

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



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

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

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

NARRATIVE STATEMENT

The district council is located between the two major conurbations of Southampton and Bournemouth. Sites on the New Forest Waterside are key contributors to the successful delivery of the Solent Freeport which is intended to unlock billions of pounds of investment, create thousands of jobs and will secure the future of the Port of Southampton as a globally important trading hub. The district council has remained engaged in the activity of the Freeport throughout 2024/25, with regular attendance at Solent Freeport Board meetings and sub-committees.

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

Corporate Plan and Council Priorities

The Council is led by 48 Councillors. The current Political make-up of the Council is: 26 Conservative, 14 Liberal Democrats, a new Independent group of 4, a Green Group of 2, a single Labour councillor and one non-aligned councillor.

A new [Corporate Plan](#) covering 2024 to 2028 was adopted in April 2024 focusing on our priority themes: People, Place and Prosperity and underpinned by our Future New Forest transformation programme.

The plan's vision is to secure a better future by supporting opportunities for the people and communities we serve, protecting our unique and special place, and securing a vibrant and prosperous New Forest.

This shall be supported by our new LEAF values (Learning, Empathy, Ambition and Fairness) fostering and promoting the right behaviours to deliver the council's vision and priorities.

Key achievements realised during 2024/25 against the Portfolios are outlined in the Annual Performance Report, to be reported to Cabinet in Summer 2025.

During 2024/25 the council positively engaging with the Local Government Reorganisation and devolution agenda whilst responsibly reviewing activity in light of the announcement. This included pausing certain capital schemes and creating a dedicated reserve to fund the necessary preparations.

Throughout the year the council provided over a quarter of a million pounds in community grants and allocated over £5 million of Community Infrastructure Levy, supporting a range of community projects and improvements to public realm and facilities.

The new garden waste collection service went live in 2024/25, and significant preparatory work, including district wide communications, in the lead up to the roll out of the new waste collection service was undertaken. This was supported throughout by an officer steering group and a member led programme board, which also oversaw the review of working practices in light of the significant changes to frontline service delivery and the use of wheeled bins.

The new multi-million depot at Hardley opened at the end of the year, enhancing working facilities for council staff and improving the service delivery for residents.

NARRATIVE STATEMENT

Future Financial Outlook

The Council continues to deliver essential front-line services to the circa 180,000 residents of the New Forest, despite significant funding reductions from Central Government since austerity measures were introduced, now over 15 years ago. Significant efficiencies have been realised over the period and income generation has increased. This Council has an excellent track record of delivering the same, or in some instances improved services, at a lower overall cost.

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

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

The latest Medium Term Financial Plan, that accompanied the setting of the 2025/26 budget, highlighted the negative impact on the Council's finances due to the new approach to the Governments Funding Guarantee and inadequate support to fund changes in National Insurance contributions. Furthermore, the financial challenges the Fair Funding Review and the potential that a 'hard' Business Rates reset will have on the Council's finances remains. Despite this, the plan outlined options to address the funding gap and demonstrate the ability to set a balanced budget through to 2028/29. Options include, income growth through yield, the generation of new additional income through the Commercial and Residential Property Strategies and Council Tax increases, with the additional comfort of holding sufficient reserves, through long standing prudent financial management, should they be required.

Group Accounts

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

NARRATIVE STATEMENT

Climate and Nature Emergency

During 2021/22, the Council declared a Climate and Nature Emergency. A Climate Action Manager was recruited in 2022, and subsequently an initial action plan drawn up and adopted. The Council's budget includes £250,000 per annum to promote activity in this area.

Utility and Cost of Living Crisis

In reflection of continued high utility costs, utility budgets for 2024/25 were uplifted, with spend for the year being managed within those increased budgets. The Council was also able to continue supporting its Leisure Operator as a result of exceptionally and unforeseen high utility costs.

The Council's internal 'Cost of Living' group met monthly throughout 2024/25. We also continue to work with our key external partners, as part of a wider cost of living steering group.

2. The Statement of Accounts

The accounts comprise the following statements:

- **Comprehensive Income and Expenditure Statement**

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

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

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

- **Movement in Reserves Statement**

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

NARRATIVE STATEMENT

- **Balance Sheet**

This statement shows the value, as at the Balance Sheet date, of the Council's recognised assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category is usable reserves, i.e. those reserves that the Council may use to provide services, subject to any statutory limitations and the need to maintain prudent reserve levels. The second category is reserves that the Council cannot use to provide services. This category includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

- **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of the services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

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

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

- **Collection Fund**

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

NARRATIVE STATEMENT

3. Financial Performance during the Year

As at 31 March 2025 the Council had net assets of £465 million.

The majority of this net worth is within Council Dwellings, valued at £443 million, offset with a debt liability of £128 million. Operational Land and Buildings total £80 million, Investment Properties £28 million and other long-term assets and investments total £46 million. Cash and short-term investments total £25 million. The Council has a net pension liability of £5.234 million. This is explained in more detail in section 4 of this narrative statement.

Usable reserves total £53 million (an increase of £1 million from 2023/24), with £4 million of the total being earmarked to support the visible delivery of the General Fund (£3 million) and Housing Revenue Account (£1 million).

From 1 April 2024, an asset representing the right to use the item over the lease term was recognised for all leases, except for those that are for low value items or whose term is less than one year. Liabilities were also recognised in the Balance Sheet for the obligations that the Council has to pay for the rights acquired, which are discounted to their present value. Further details are provided in note 45 of the Statement of Accounts, commencing on page 93.

- **General Fund**

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

The 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.

Net income and expenditure variations in services during the year were £1.878 million (£3.145 million net underspend in services offset by net direct transfers to reserves variations of £1.267 million). In addition, net additional interest earnings of £1.297 million, additional business rates income of £438,000, an increase of £659,000 in revenue financing of capital and other net savings of £44,000 resulted in overall net savings of £2.999 million, which was transferred to the Capital Programme Reserve.

NARRATIVE STATEMENT

	Original Budget	Actual	Variation
	£000	£000	£000
Net Service Expenditure	22,708	19,563	(3,145)
Revenue Financing of Capital	3,519	4,177	659
Interest Earnings (Net)	(1,282)	(2,579)	(1,297)
Other Unringfenced Government Grants	(22)	(31)	(9)
Net Budget Requirement	24,923	21,130	(3,793)
Transfer to/(from) Earmarked Revenue Reserves	(410)	543	953
Transfer to/(from) Capital Programme Reserve	0	2,999	2,999
Contributions to/(from) Reserves	(410)	3,542	3,952
General Fund Budget	24,513	24,672	159
Council Taxpayers	(14,459)	(14,459)	0
Council Tax Support Grants	(1,225)	(1,260)	(35)
Collection Fund from previous years - Council Tax	(179)	(179)	0
Non-Domestic Rates Redistribution	(8,650)	(9,088)	(438)
Collection Fund from previous years - Business Rates	1,305	1,305	0
Transfer to/(from) Business Rates Equalisation Reserve	(1,305)	(991)	314
(Increase)/Decrease in General Fund Balance	0	0	0

• Housing Revenue Account

The Housing Revenue account surplus for 2024/25 was £1.268 million compared with an original break-even budget. Income was £554,000 higher than originally budgeted and supervision and management costs £603,000 lower than estimate. In addition, capital financing costs were £91,000 lower than budget and other net savings variations were £20,000. After allowing for net transfers of £151,000 from earmarked reserves and the transfer of £1.419 million to the Acquisitions and Development Reserve the balance on the Housing Revenue Account on 31 March 2025 was £1 million. The budget for 2025/26 anticipates a break-even position.

	Original Budget	Actual	Variation
	£000	£000	£000
Income	(36,180)	(36,734)	(554)
Expenditure:			
Repairs and Maintenance	6,806	6,809	3
Supervision and Management	9,678	9,075	(603)
Capital Financing Costs	9,673	9,582	(91)
Other Expenditure	323	348	25
	(9,700)	(10,920)	(1,220)
Revenue Financing of Capital	9,700	9,652	(48)
(Surplus)/Deficit	0	(1,268)	(1,268)
Transfer to/(from) Earmarked Revenue Reserves	0	(151)	(151)
Transfer to/(from) Acquisitions and Development Reserve	0	1,419	1,419
(Increase)/Decrease in Housing Revenue Account Balance	0	0	0

NARRATIVE STATEMENT

4. Pension Liability

The Council's Balance Sheet shows a net pension liability of £5.234 million, a reduction of £6.979 million from 31 March 2024. The reduction has arisen following an increase in the discount factor which reduced the liabilities significantly, offset by the effect of the introduction of an asset reduction ceiling. Whilst the deficit has a substantial impact on the net worth of the Council, as recorded in the Balance Sheet, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions over the working lives of employees.

5. Long Term Asset Impairments/Revaluations

In 2024/25 net increases in asset values credited to the Income and Expenditure Statement were £3.118 million. These were offset by capital expenditure not enhancing value of £16.777 million, to arrive at a net impairment of £13.659 million. This compares with a net impairment of £12.394 million in 2023/24. These items are reflected in the Net Cost of Services. In addition, a net £18.808 million was credited to the Revaluation Reserve, (£31.620 million debited in 2023/24). In 24/25 this included £2.679 million for the revaluation of newly recognised Right of Use Assets.

	2023/24	2024/25
	£000	£000
Income and Expenditure Statement / Capital Adjustment Account		
Revaluation Increases	(12,118)	(10,679)
Revaluation Decreases	4,431	7,561
Net Revaluation (Increases)/Decreases	(7,687)	(3,118)
Transfer to/(from) Revaluation Reserve	(353)	0
Capital Expenditure not enhancing asset value	20,434	16,777
Total Income and Expenditure Statement Impairments	12,394	13,659
Revaluation Reserve		
Revaluation of newly recognised Right of Use Assets	0	(2,679)
Revaluation Increases	(1,645)	(17,051)
Revaluation Decreases	32,912	922
Transfer to/(from) Capital Adjustment Account	353	0
Total Revaluation Reserve	31,620	(18,808)
Total Impairments/Revaluations	44,014	(5,149)

NARRATIVE STATEMENT

6. Capital Expenditure

The level of approved capital expenditure is reviewed regularly throughout the year, to ensure that it is achievable within the estimated resources available. The original Capital Programme for 2024/25 (including the gross value of the Coastal Regional Monitoring Programme) was £48.959 million. This was initially supplemented by rephasings of £3.299 million from 2023/24. A review of the programme during the year, as reported through Financial Monitoring, reduced the approved budget to £52.725 million. Actual expenditure of £46.277 million was £6.448 million less than the last approved budget, including £1.931 million of schemes rephased into future years.

	Original Budget	Expenditure	Variance
	£000	£000	£000
Housing Revenue Account			
Major Repairs	13,030	9,697	(3,333)
Public Sector Disabled Adaptations	950	949	(1)
Acquisition and Development Programme	18,200	17,824	(376)
Environmental Enhancements	200	182	(18)
	32,380	28,652	(3,728)
Environment and Sustainability			
Coast Protection*	3,227	2,762	(465)
Waste Strategy Container Rollout	1,025	1,018	(7)
Public Conveniences	300	8	(292)
Sustainability Fund	250	63	(187)
Cemeteries	0	375	375
	4,802	4,226	(576)
Finance and Corporate			
Depots	4,622	6,441	1,819
Commercial Property Investment	0	279	279
Offices	160	122	(38)
Vehicles, Plant and Equipment	2,987	2,963	(24)
	7,769	9,805	2,036
Housing and Homelessness			
Private Sector Disabled Adaptations/Home Repair Loans	1,500	1,062	(438)
	1,500	1,062	(438)
Leader			
Rural England Prosperity Fund	300	370	70
UK Shared Prosperity Fund	208	303	95
	508	673	165
Planning and Economy			
Open Space	0	59	59
Partnership and Other Projects	2,000	1,800	(200)
	2,000	1,859	(141)
	48,959	46,277	(2,682)
Less:			
Coastal Regional Monitoring Programme*	(3,007)	(2,465)	542
	45,952	43,812	(2,140)

NARRATIVE STATEMENT

The actual expenditure was financed by:

	£000	%
Capital Reserve	6,089	13.91
Revenue Contributions to Capital	1,075	2.45
Loan - General	10,862	24.79
Capital Receipts	6,086	13.89
Grant	8,173	18.65
Developers' Contributions	1,302	2.97
Community Infrastructure Levy	572	1.31
Other (HRA Repairs and Maintenance)	9,653	22.03
	43,812	100.00

7. Funding of Future Capital Expenditure

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

As at 31 March 2025 the Council had usable reserves/receipts of £37.971 million for capital expenditure purposes (Housing Acquisitions and Development Reserve £5.787 million, Capital Programme Reserve £8.432 million, Developers' Contributions and Community Infrastructure Levy £14.096 million, Capital Grants Unapplied £4.416 million and Capital Receipts Reserve £5.240 million). These reserves may be supplemented by loans raised under Prudential Borrowing, grants, new capital receipts and contributions from the revenue accounts.

The approved original capital expenditure budget for 2025/26 is £50.231 million, including £30.820 million of schemes to be funded from Housing Revenue Account resources. The estimated total resources for 2025/26 will be sufficient to finance the Council's planned expenditure.

In February 2017, the Council approved a strategy to invest in commercial property. The strategy set out a £30 million fund and an intention to invest within the District, for the purpose of economic redevelopment, support and regeneration, and income generation. Following a number of successful acquisitions and the development of the Platinum Jubilee Business Park, the level of approved investment was increased by £20 million, to £50 million, in December 2022. In December 2017, the Council also approved a strategy to invest up to £10 million in residential property, giving it the opportunity to become a private sector landlord with the benefit of a proven track record in rental property management. The financing of the future capital expenditure in relation to the roll-out of both investment strategies will be an appropriate mix of use of capital reserves, internal and prudential borrowing. No acquisition or development activity was undertaken during 2024/25.

The Capital Financing Requirement (detailed in Note 34) provides a measure of the cumulative amount of capital expenditure that has been incurred, and credit arrangements entered into, that have yet to be funded from cash resources. The Capital Financing Requirement has increased by £7.2 million at the end of 2024/25, to stand at £167.4 million at 31 March 2025. The Capital Financing Requirement has increased by £2.853 million for assets acquired under lease arrangements, mainly because of the implementation of International Financial Reporting Standard 16 Leases. The totality of the Capital Financing Requirement will be charged to future year's revenue budgets over the period the associated expenditure and credit arrangements provide benefit.

NARRATIVE STATEMENT

8. Current Economic Climate / Future Service Delivery

The Council's General Fund balance reserve as shown within these 2024/25 accounts and as included in the setting of the 2025/26 budget is £3 million and is available to support the budget and delivery of services in any given year. Other General Fund earmarked reserves total £19.523 million. The Housing Acquisitions and Development Reserve balance is £5.787 million and the Housing Revenue Account balance is £1 million. In addition, the Housing Revenue Account ICT reserve is £185,000 as at 31 March 2025.

The Council's Medium Term Financial Plan as adopted in February 2025 included a forecast on the latest expectations with regards to Retained Business Rate income, pay and price expenditure pressures, and laid out areas of work underway that would make a significant contribution towards achieving a balanced budget over the Medium Term.

Pay award pressures will continue into 2025/26. A base assumption of a percentage uplift was included in the detailed budget planning for 2025/26, and a separate pay award contingency figure allowed for in addition. The National Joint Council's current offer falls inside the Council's budgeted pay award allowance.

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

The Council's Medium Term Financial Plan shows the authority's financial position to be healthy and therefore the need for a Section 114 notice is unlikely.

9. National Non-Domestic Rates (Business Rates)

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

The legislation that governs Collection Fund accounting means that these reliefs result in a deficit in the Collection Fund in the year, which will not be charged to the Council's General Fund until the following year. The additional Section 31 grant is credited to the Council's General Fund in the year that it is received, resulting in an inflated year end General Fund position.

The reliefs are shown as a deficit within the Collection Fund Adjustment Account. £1.750 million was transferred from the Business Rates Reserve in 2023/24 for the impact from 2022/23; and £991,000 was transferred into the Reserve in 2023/24 to cover the impact on the General Fund in 2024/25. No transfers were made at the end of 2024/25 as the special arrangements implemented during COVID have ceased and variations are not material.

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		7,462	(2,791)	4,671
17,349	(7,970)	9,379	Environment and Sustainability		19,788	(9,362)	10,426
34,146	(29,873)	4,273	Finance and Corporate		38,820	(29,726)	9,094
9,084	(6,956)	2,128	Housing and Homelessness		9,176	(6,757)	2,419
1,418	(360)	1,058	Leader		2,142	(715)	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		82,811	(51,885)	30,926
38,293	(32,286)	6,007	Housing Revenue Account		33,499	(36,145)	(2,646)
110,866	(82,082)	28,784	Cost of Services		116,310	(88,030)	28,280
			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)	
	0		(Gains)/Losses on the disposal of Right of Use Assets	45	4,130	(1,861)	
	(668)		VAT Assessment / (Refund)			0	
		5,357	Total Other Operating Expenditure				7,791
			Financing and Investment Income and Expenditure				
			Interest Payable and Similar Charges:				
4			- General Fund		57		
4,731			- HRA		5,019		
0			- Right of Use Assets	45	183		
			Interest Receivable and Similar Income:				
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)	
	0		Right of Use Assets	45		(100)	
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				1,424
			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)	
	0		Capital Grants and Contributions - Right of Use Assets	45		(2,021)	
		(35,552)	Total Taxation and Non-Specific Grant Income				(47,870)
124,256	(124,216)	40	(Surplus)/Deficit on the Provision of Services	5	134,694	(145,069)	(10,375)
31,620			(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets			(18,808)	
	(9,958)		Re-measurement of the defined benefit liability/(asset)	35		(7,678)	
		21,662	Other Comprehensive Income and Expenditure				(26,486)
		21,702	Total Comprehensive Income and Expenditure				(36,861)

Mr A Bethune FCCA – Chief Finance Officer (S151)

Date 13 February 2026

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

	Income and Expenditure chargeable to the General Fund and HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure for the equivalent amounts in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
2024/25:			
Community Safety and Wellbeing	2,910	1,761	4,671
Environment and Sustainability	8,884	1,542	10,426
Finance and Corporate	4,932	4,162	9,094
Housing and Homelessness	2,993	(574)	2,419
Leader	1,197	230	1,427
Planning and Economy	2,882	7	2,889
General Fund	23,798	7,128	30,926
Housing Revenue Account	(10,242)	7,596	(2,646)
Cost of Services	13,556	14,724	28,280
Total Other Operating Expenditure	8,389	(598)	7,791
Total Financing and Investment Income and Expenditure	592	832	1,424
Total Taxation and Non-Specific Grant Income	(33,473)	(14,397)	(47,870)
(Surplus)/Deficit on the Provision of Services	(10,936)	561	(10,375)
Other Comprehensive Income and Expenditure	13,206	(39,692)	(26,486)
Total Comprehensive Income and Expenditure	2,270	(39,131)	(36,861)
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)		

See Note 5 for further analysis.

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	(3,965)	0	(6,410)	0	0	0	0	(10,375)	0	(10,375)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(26,486)	(26,486)
Total Comprehensive Income and Expenditure	(3,965)	0	(6,410)	0	0	0	0	(10,375)	(26,486)	(36,861)
Adjustments between accounting basis and funding basis under regulations (note 7)	6,263	0	6,092	807	(1,918)	(2,878)	950	9,316	(9,316)	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	2,298	0	(318)	807	(1,918)	(2,878)	950	(1,059)	(35,802)	(36,861)
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	807	(1,918)	(2,878)	950	(1,059)	(35,802)	(36,861)
Balance at 31 March 2025	(3,000)	(25,495)	(1,000)	(5,240)	(4,416)	(11,405)	(2,547)	(53,103)	(412,335)	(465,438)

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	80,191
5,453		Vehicles, Plant and Equipment	9	8,692
2,252		Infrastructure	9	2,110
534		Community Assets	9	535
8,359		Assets Under Construction	9	13,938
0	518,737	Right of Use Assets	9	5,055
				553,423
	30,325	Investment Property	10	28,256
	9,568	Long-Term Investments	11	9,752
	4,393	Long-Term Debtors	12	6,081
	563,023	Total Long-Term Assets		597,512
		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		633,861
		Current Liabilities		
(4,155)		Short-Term Borrowing	16	(17,334)
(27,755)		Short-Term Creditors	17	(26,265)
	(31,910)	Total Current Liabilities		(43,599)
		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)
0		Long-Term Right of Use Assets	45	(1,725)
	(135,071)	Total Long-Term Liabilities		(124,824)
	428,577	Net Assets		465,438
		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	5,240
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
				53,103
		Unusable Reserves		
85,727		Revaluation Reserve	22	100,664
304,478		Capital Adjustment Account	23	314,957
(608)		Financial Instruments Revaluation Reserve	24	(407)
475		Deferred Capital Receipts Reserve	25	2,255
(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		412,335
				465,438

Mr A Bethune FCCA – Chief Finance Officer (S151)

Date 13 February 2026

CASH FLOW STATEMENT

2023/24			2024/25
£000		Notes	£000
40	Net (surplus) or deficit on the provision of services		(10,375)
(23,143)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	28	(10,278)
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)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and the Service Reporting Code of Practice 2024/25 supported by International Financial Reporting Standards (IFRS).

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

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

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

- Income from fees, charges and rents is recognised when the Council provides the relevant goods or services.
- Supplies and services expenditure is recorded as expenditure when the supplies or services are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

NOTES TO THE ACCOUNTS

iii) Cash and Cash Equivalents

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

The Council will treat the following as cash and cash equivalents:

- Instant Access Call Accounts
- Instant Access Money Market Funds
- Deposits with one day to maturity

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

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

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

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

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

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

v) Charges to Revenue for Non-Current Assets

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

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

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

NOTES TO THE ACCOUNTS

vi) Contingent Assets

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

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

vii) Contingent Liabilities

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

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

viii) Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

NOTES TO THE ACCOUNTS

Post Employment Benefits

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

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

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

- The liabilities of the Hampshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a calculated discount rate based on a series of calculations for high quality corporate bonds over a range of periods.
- The assets of Hampshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pension liability is analysed into the following components:
- **Service cost comprising:**
 - **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
 - **Net interest on the net defined benefit liability (asset)** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. It is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

NOTES TO THE ACCOUNTS

Re-measurements comprising:

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

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

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

ix) Events after the Balance Sheet Date

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

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

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

x) Exceptional Items

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

NOTES TO THE ACCOUNTS

xi) Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

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

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

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

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

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

Fair value through profit and loss – all other financial assets

xii) Foreign Currency Translation

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

xiii) Government Grants and Contributions

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

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

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

NOTES TO THE ACCOUNTS

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

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

xiv) Heritage Assets

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

xv) Intangible Assets

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

xvi) Inventories

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

xvii) Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

NOTES TO THE ACCOUNTS

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xviii) Leases

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.

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

xix) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2024/25 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

xx) Property, Plant and Equipment

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

Recognition

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

NOTES TO THE ACCOUNTS

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.

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

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

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

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

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

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

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

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

Impairment

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

NOTES TO THE ACCOUNTS

Where impairment losses are identified, they are accounted for:

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- * Non-HRA dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- * HRA Dwellings – componentisation applied and depreciated according to the average remaining useful life expectancies.
- * vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- * infrastructure – coast protection - straight-line allocation over 20 years.
land drainage and public lighting - straight-line allocation over 40 years.
street furniture – straight-line allocation over 50 years.

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

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

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

NOTES TO THE ACCOUNTS

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

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

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

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

Type of Asset	Remaining Useful Asset Life at 31 March 2025
Council Dwellings	Up to 60 years
Council Garages	60 years
Depots	60 years
Public Conveniences	Up to 50 years
Offices	60 years
Cemeteries	Indefinite
Health and Leisure Centres	60 years
Equipment	Up to 24 years
Coastal Protection Works	Up to 7 years
Land Drainage Works	Up to 20 years
Public Lighting Works	Up to 18 years
Street Furniture	Up to 50 years
Residential Dwellings	An average of 46 years
Investment Properties	50+ years

xxi) Disposals and Non-Current Assets Held for Sale

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

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

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

NOTES TO THE ACCOUNTS

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

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xxii) Private Finance Initiative (PFI) and Similar Contracts

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

xxiii) Provisions

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

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

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

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

NOTES TO THE ACCOUNTS

xxiv) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to show against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

xxv) Revenue Expenditure Funded from Capital Under Statute

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

xxvi) Value Added Tax (VAT)

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

xxvii) Fair Value Measurements

The Council measures some of its non-financial assets, such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability, assuming those market participants were acting in their economic best interest.

NOTES TO THE ACCOUNTS

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

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

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

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

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

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

- IAS21 The Effects of Changes in the Foreign Exchange Rate (Lack of Exchangeability) which was issued in 2023. The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- IFRS17 Insurance Contracts was issued in May 2017, it replaces IFRS4 and sets out the principles for recognition, measurement, presentation and disclosure of insurance contracts.
- Changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS16 Property, Plant and Equipment and IAS38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment in standards, which would normally be disclosed under IAS8. However, the adaptations also include a relief from the requirements of IAS8 following a change in accounting policy as confirmed in the Code.

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

NOTES TO THE ACCOUNTS

3. JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

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

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

4. UNCERTAINTIES RELATING TO ASSUMPTIONS AND ESTIMATES USED

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
Doubtful Debt Allowances	The Council has made allowances for doubtful debts of £3.013 million in 2024/25 (£3.049 million in 2023/24) based on what it believes to be a prudent but realistic level. The allowances are based on: Council Tax and Non-domestic rate payers – ranges from 5% of debts at bill stage to 50% of debts at Liability Order stage. Sundry Debtors including Overpaid Housing Benefits -100% of debts over 1 year. Housing Rents - Former tenants 95%, current tenants, various percentages ranging from 0% on debts up to £100 and 95% on debts over £1,000.	If debt collection rates were to deteriorate or improve, a 5% change in the allowances would require an adjustment of £151,000 (£152,000 in 2023/24).
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions' liability of changes in individual assumptions are detailed in Note 35. During 2024/25, the Council's actuaries advised that the net pension liability had reduced by £2.657 million due to estimates being corrected, as a result of experience and reduced by £38.074 million due to updating of the assumptions used in the calculations but this impact was offset by £31.532 million from changes in the effect of the asset ceiling.

NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
Accumulating Absences	The calculated figure is comprised of annual leave entitlement and flexi/lieu time. The carried forward leave on the system has been used to calculate the accrual for annual leave. The number of days taken in flexi leave/lieu time has been used as the base for calculating the accrual at the end of the relevant year.	The accumulated absences amount recorded for 2024/25 is £420,000. A 5% increase in the accrual would amount to £21,000. This would not impact on the usable reserves of the Council.
Business Rates Appeals Provision	The provision of £1.448 million made by the Council is its 40% share of an overall provision of £3.620 million provision made in the Collection Fund. The overall figure is based on estimated appeals numbers supplied by a national business rates consultancy and adjusted by officer local knowledge.	The Council would be impacted by circa 20% of any under or over provision, but any loss would be restricted to a reduction in resources of £3.236 million before Safety Net Grant arrangements apply.
Housing Stock Valuation	The Council adopts the Beacon methodology to annually revalue the Housing stock owned by the Council. The method adopted divides Towns and Parishes across the District into 5 pools, with a single pool being used to inform the Beacon indices each year on a cyclical basis. The pools include Towns and Parishes across the District, rather than being heavily weighted to a specific geographical area. Each year, it is recognised that the Beacon indices may well result in differing valuations when making a comparison against the national house price benchmark.	Over the 5 year period of valuation, the methodology does result in a fair market average valuation being carried in the Council's balance sheet. In any one year however, depending on the pool used to inform the Beacon indices, a variation can occur against the Land Registry house price benchmark. In 2024/25, the NFDC Beacon indices totaled 3.7%, whereas the South East benchmark totaled 5.3%. The resultant difference in these figures equates to circa £6.720 million.

NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
Property, Plant and Equipment	The Council carries out a rolling programme of valuations for PPE and £495 million of assets were valued in 2024/25 Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	A 1% change to the PPE valuations made for the year would change the reported value of PPE by £4.95 million. If the useful life of assets is reduced, depreciation increases and the carrying value of the asset falls. It is estimated that the annual depreciation charge for PPE would increase by £279,000 if the useful lives were reduced by one year.
Investment Properties	The Council values its investment properties annually and the fair value at 31 March 2025 was £28.3 million.	A 1% change in the valuation of investment properties would change the reported value by £283,000.

5. NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

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

Adjustments for Capital Purposes

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

Net Change for Pensions Adjustments

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

Other Differences

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

NOTES TO THE ACCOUNTS

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

Adjustment between Funding and Accounting Basis				
	Adjustment for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
2024/25:				
Community Safety and Wellbeing	1,753	13	(5)	1,761
Environment and Sustainability	1,526	21	(5)	1,542
Finance and Corporate	4,156	15	(9)	4,162
Housing and Homelessness	(577)	11	(8)	(574)
Leader	226	3	1	230
Planning and Economy	0	20	(13)	7
General Fund	7,084	83	(39)	7,128
Housing Revenue Account	7,586	26	(16)	7,596
Net Cost of Services	14,670	109	(55)	14,724
Other Income and Expenditure from the Expenditure and Funding Analysis	(45,195)	(7,088)	(1,572)	(53,855)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(30,525)	(6,979)	(1,627)	(39,131)
2023/24:				
Community Safety and Wellbeing	(793)	26	(5)	(772)
Environment and Sustainability	1,208	41	2	1,251
Finance and Corporate	24	29	(2)	51
Housing and Homelessness	(48)	23	3	(22)
Leader	43	5	5	53
Planning and Economy	0	44	1	45
General Fund	434	168	4	606
Housing Revenue Account	12,556	54	2	12,612
Net Cost of Services	12,990	222	6	13,218
Other Income and Expenditure from the Expenditure and Funding Analysis	18,292	(9,172)	(391)	8,729
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	31,282	(8,950)	(385)	21,947

NOTES TO THE ACCOUNTS

Expenditure and Income Analysed by Nature:

2023/24		2024/25
£000	Expenditure	£000
29,326	Employee benefits expenses	31,177
54,737	Other services expenses	55,388
3,104	Support Service recharges	3,921
24,021	Depreciation, amortisation and impairment	25,840
5,521	Interest Payments	5,849
7,548	Precepts and Levies	8,388
0	Loss on the disposal of assets	4,130
0	Payments to Housing Capital Receipts Pool	1
124,257	Total Expenditure	134,694
	Income	
(51,730)	Fees, charges and other service income	(55,997)
(1,523)	Gain on the disposal of assets	(4,728)
(4,392)	Interest and investment income	(4,440)
(21,693)	Income from council tax	(23,034)
(44,879)	Government grants and contributions	(56,870)
(124,217)	Total Income	(145,069)
40	(Surplus) or Deficit on the Provision of Services	(10,375)

Segmental Income:

	Government Grant and Other Income	Fees, Charges and Other Service Income	Total
	£000	£000	£000
2024/25:			
Community Safety and Wellbeing	(104)	(2,687)	(2,791)
Environment and Sustainability	(385)	(8,977)	(9,362)
Finance and Corporate	(27,054)	(2,672)	(29,726)
Housing and Homelessness	(3,032)	(3,725)	(6,757)
Leader	(709)	(6)	(715)
Planning and Economy	(570)	(1,964)	(2,534)
General Fund	(31,854)	(20,031)	(51,885)
Housing Revenue Account	(18)	(36,127)	(36,145)
	(31,872)	(56,158)	(88,030)
2023/24:			
Community Safety and Wellbeing	(189)	(2,634)	(2,823)
Environment and Sustainability	(465)	(7,505)	(7,970)
Finance and Corporate	(27,078)	(2,795)	(29,873)
Housing and Homelessness	(2,784)	(4,172)	(6,956)
Leader	(226)	(134)	(360)
Planning and Economy	(261)	(1,553)	(1,814)
General Fund	(31,003)	(18,793)	(49,796)
Housing Revenue Account	(19)	(32,267)	(32,286)
	(31,022)	(51,060)	(82,082)

NOTES TO THE ACCOUNTS

6. EVENTS AFTER THE REPORTING PERIOD

The Annual Financial Report was authorised for issue by Chief Finance Officer (S151) on 13 February 2026.

Events taking place after the date the statements were presented to the Audit Committee are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for any events which took place after 31 March 2025.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

NOTES TO THE ACCOUNTS

2024/25	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	(2,978)	(3)	0	0	(9,653)	0	0	12,634
Revaluation Gains / (Losses) on Property, Plant and Equipment	(4,800)	8,367	0	0	0	0	0	(3,567)
Initial Recognition Donated Right of Use Assets	2,021	0	0	0	0	0	0	(2,021)
Capital Expenditure not enhancing value	(823)	(15,954)	0	0	0	0	0	16,777
Movements in the market value of Investment Properties	(449)	0	0	0	0	0	0	449
Movement in the Fair Value of Investments	201	0	0	0	0	0	0	(201)
Revenue expenditure funded from capital under statute	(3,336)	0	0	0	0	0	0	3,336
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,133)	(2,253)	0	0	0	0	0	6,386
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Provision for the financing of capital investment	3,102	4,549	0	0	0	0	0	(7,651)
Capital expenditure charged against the General Fund and HRA balances	6,215	949	0	0	0	0	0	(7,164)
Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	8,285	5,609	0	(10,091)	0	(3,451)	(352)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	8,173	0	573	1,302	(10,048)

NOTES TO THE ACCOUNTS

2024/25	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (net of administration costs of disposal)	167	4,956	(5,123)	0	0	0	0	0
Transfer of cash proceeds from non PPE assets	48	9	(57)	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	6,086	0	0	0	0	(6,086)
Adjustments primarily involving the Deferred Capital Receipts Reserve:								
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,861	18	(99)	0	0	0	0	(1,780)
Adjustments primarily involving the Major Repairs Reserve:								
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	9,653	0	0	(9,653)
Adjustments primarily involving the Pension Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,656)	(1,453)	0	0	0	0	0	6,109
Employer's pensions contributions and direct payments to pensioners payable in the year	3,918	1,282	0	0	0	0	0	(5,200)
Health and Leisure Contractor Payment to Fund	210	0	0	0	0	0	0	(210)

NOTES TO THE ACCOUNTS

2024/25	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Collection Fund Adjustment Account:								
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	1,372	0	0	0	0	0	0	(1,372)
Adjustments primarily involving the Accumulating Absences Adjustment Account:								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	38	16	0	0	0	0	0	(54)
Total Adjustments	6,263	6,092	807	(1,918)	0	(2,878)	950	(9,316)

NOTES TO THE ACCOUNTS

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

NOTES TO THE ACCOUNTS

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

NOTES TO THE ACCOUNTS

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

NOTES TO THE ACCOUNTS

8. EARMARKED RESERVES

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

	Balance 1 April 2023	Transfers Out 2023/24	Transfers In 2023/24	Balance 31 March 2024	Transfers Out 2024/25	Transfers In 2024/25	Balance 31 March 2025
	£000	£000	£000	£000	£000	£000	£000
Building Control Surplus	(181)	170	0	(11)	11	0	0
Business Rates Equalisation	(2,699)	0	0	(2,699)	0	0	(2,699)
Business Rates Reserve	(1,750)	1,750	(990)	(990)	990	0	0
Committed Schemes	(969)	969	(1,886)	(1,886)	1,886	(1,102)	(1,102)
Community Housing Fund	(832)	13	0	(819)	29	0	(790)
Contain Outbreak Management	(214)	0	0	(214)	214	0	0
Corporate Priorities Reserve	0	0	(1,500)	(1,500)	0	(346)	(1,846)
Council Tax Hardship Reserve	(58)	0	0	(58)	0	0	(58)
Devolution and Local Government Reorganisation	0	0	0	0	0	(500)	(500)
Historic Buildings	(7)	0	0	(7)	0	0	(7)
Homes for Ukraine Reserve	(269)	0	(715)	(984)	314	(367)	(1,037)
Household Support Fund	(41)	0	0	(41)	0	0	(41)
Housing Needs Survey	(108)	0	0	(108)	9	0	(99)
Insurance Reserve	(40)	0	(40)	(80)	0	(40)	(120)
Local Development Framework	(370)	0	0	(370)	154	(681)	(897)
Lymington Synthetic Turf Pitch	(24)	0	(24)	(48)	0	(24)	(72)
Open Space Maintenance	(415)	56	(138)	(497)	56	(321)	(762)
Planning - Monitoring and Inspections	(121)	0	(65)	(186)	0	(33)	(219)
Private Housing Stock Condition Survey	(59)	0	0	(59)	0	0	(59)
Quadrennial Election	(132)	132	0	0	0	(64)	(64)
Recreation Mitigation Maintenance	(431)	0	0	(431)	12	0	(419)
Treasury Management	(38)	0	(262)	(300)	0	0	(300)
UK Shared Prosperity Fund	(86)	86	(112)	(112)	112	0	0
Capital Programme Reserve	(9,808)	0	(765)	(10,573)	5,140	(2,999)	(8,432)
General Fund	(18,652)	3,176	(6,497)	(21,973)	8,927	(6,477)	(19,523)
HRA ICT	(185)	0	0	(185)	0	0	(185)
Housing Acquisitions and Development	(8,278)	2,961	0	(5,317)	949	(1,419)	(5,787)
Total Reserves	(27,115)	6,137	(6,497)	(27,475)	9,876	(7,896)	(25,495)

NOTES TO THE ACCOUNTS

9. PROPERTY, PLANT AND EQUIPMENT ASSETS AND IMPAIRMENTS

Valuation of Property, Plant and Equipment

The Council operates a rolling programme of property revaluations, which are carried out over a 5-year period. In 2024/25 this work was carried out by the Council's valuer P. Marston, MRICS, Registered Valuer. The revaluation programme for 2024/25 principally comprised the majority of the Council's land and buildings, as well as 20% of dwellings using the Beacon method of valuation. The remainder of dwellings' values were uplifted in line with the resultant Beacon indices.

a) Analysis of Assets

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

2023/24		2024/25
5,237	Council Dwellings	5,250
2	Main Office Blocks	2
2	Other Offices	2
5	Depots and Administrative Buildings	7
5	Health and Leisure Centres	5
51	Car Parks	51
8	Cemeteries	8
23	Public Conveniences	23
218	Vehicles	254
1,742	Garages	1,742

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

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure	Community Assets	Assets Under Construction	Right of Use Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000		£000
Carried at Historic Cost (Net of Depreciation)			8,692	2,110	535	13,938	2,845	28,120
Valued at Fair Value as at:								
2024/25	442,902	48,889					2,210	494,001
2023/24		1,031						1,031
2022/23		8,112						8,112
2021/22		19,962						19,962
2020/21		2,197						2,197
Total Cost or Valuation	442,902	80,191	8,692	2,110	535	13,938	5,055	553,423

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

NOTES TO THE ACCOUNTS

c) Movement on Property, Plant and Equipment Assets

The Council has adopted IFRS 16 Leases with effect from 1 April 2024. Although the Code requires that the Council applies IFRS 16 retrospectively, as if the Accounting Standard had always been recognised, comparative figures for the prior year are not restated. Instead, the Code requires the cumulative effect to be recognised as at 1 April 2024.

Movements for purchases and disposals for the year were as follows:

Movements in 2024/25:	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure	Community Assets	Assets Under Construction	Right of Use Assets	Total Property, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2024	426,440	75,978	13,163	19,839	534	8,359	0	544,313
Restatement of opening balances on transition to IFRS16								
Reclassification of assets as Right of Use assets		(1,620)					1,620	0
Recognition of Right of Use assets on transition							6,009	6,009
Remeasurement of lease liabilities								0
Disposal of Right of Use assets on transition							(4,130)	(4,130)
Revaluation increases/(decreases) recognised in:								
Revaluation Reserve		(844)					2,679	1,835
Surplus/Deficit on the provision of services		(1,015)						(1,015)
Adjusted balance as at 1 April 2024	426,440	72,499	13,163	19,839	534	8,359	6,178	547,012
Accumulated Depreciation and Impairment								
Balance as at 31 March 2024	0	(279)	(7,710)	(17,587)	0	0	0	(25,576)
Reclassification of assets as Right of Use assets								0
Disposal of Right of Use assets on transition								0
Revaluation increases/(decreases) recognised in:								0
Revaluation Reserve								0
Surplus/Deficit on the provision of services								0
Adjusted balance as at 1 April 2024	0	(279)	(7,710)	(17,587)	0	0	0	(25,576)

NOTES TO THE ACCOUNTS

Movements in 2024/25:								
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure	Community Assets	Assets Under Construction	Right of Use Assets	Total Property, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
Adjusted balance as at 1 April 2024	0	(279)	(7,710)	(17,587)	0	0	0	(25,576)
Adjusted balance as at 1 April 2024	426,440	72,499	13,163	19,839	534	8,359	6,178	547,012
Additions	18,199	6,527	4,455	428	0	10,588	0	40,197
Revaluation increases / (decreases) recognised in the Revaluation Reserve	14,637	2,336	0	0	1	0	0	16,974
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	804	(3,785)	0	0	0	(2,089)	0	(5,070)
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(15,954)	(515)	2	(317)	0	0	0	(16,784)
Derecognition - disposals	(2,253)	0	(1,173)	0	0	0	0	(3,426)
Other movements in cost or valuation	1,029	3,505	292	0	0	(2,920)	0	1,906
At 31 March 2025	442,902	80,567	16,739	19,950	535	13,938	6,178	580,809
Accumulated Depreciation and Impairment								
Adjusted balance as at 1 April 2024	0	(279)	(7,710)	(17,587)	0	0	0	(25,576)
Depreciation charge	(9,653)	(97)	(1,507)	(253)	0	0	(1,123)	(12,633)
Depreciation written out to the Surplus / Deficit on the Provision of Services	9,653	0	0	0	0	0	0	9,653
Derecognition - disposals	0	0	1,170	0	0	0	0	1,170
At 31 March 2025	0	(376)	(8,047)	(17,840)	0	0	(1,123)	(27,386)
Net Book Value								
at 31 March 2025	442,902	80,191	8,692	2,110	535	13,938	5,055	553,423
at 1 April 2024 adjusted	426,440	72,220	5,453	2,252	534	8,359	6,178	521,436

NOTES TO THE ACCOUNTS

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

NOTES TO THE ACCOUNTS

d) Impairments

Valuation reductions of Property, Plant and Equipment Assets in 2024/25 were £8.483 million (Council Dwellings £2.089 million, Council Depots £3.365 million and General Fund Assets £3.029 million), but valuation increases were £27.730 million (Council Dwellings £25.015 million, Council garages £79,000, other HRA Assets £27,000 and General Fund Assets £2.609 million).

Increasing the net valuation impairments was non-enhancing capital expenditure of £15.954 million on Council Dwellings, and £823,000 on General Fund Assets, which was impaired via the Comprehensive Income and Expenditure Statement in the year.

On initial recognition the net valuation impairments of Right of Use assets were £2.679 million.

Net valuation impairments of Investment Properties in 2024/25 were £449,000.

e) Capital Expenditure Contract Commitments

As at 31 March 2025, the Council was committed through contracts to future capital expenditure in respect of the following major schemes:

	Period of investment	£000
Environment and Coastal Services		
Aerial Photography	2025/26	250
Data Management	2025/26	180
Data Management	2026/27	42
Hydrodynamics	2025/26	440
Hydrodynamics	2026/27	333
Finance and Corporate		
Vehicles	2025/26	4,890
Housing and Homelessness Services		
Brockhills Lane, New Milton	2026/27	4,537
Brockhills Lane, New Milton	2027/28	1,696
Brockhills Lane, New Milton	2028/29	2,305
Hythe Medical Centre	2025/26	2,255
Hythe Medical Centre	2026/27	150
Old Milton Road, New Milton	2025/26	1,711
Old Milton Road, New Milton	2026/27	34
Parsonage Barn Lane	2025/26	540
Salisbury Road, Totton	2025/26	2,673
Salisbury Road, Totton	2026/27	105
Station Road, Fordingbridge	2025/26	3,425
Station Road, Fordingbridge	2026/27	831
Station Road, Fordingbridge	2027/28	831
Total		27,228

NOTES TO THE ACCOUNTS

10. INVESTMENT PROPERTIES

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

2023/24		2024/25
£000		£000
(1,376)	Rental income from investment property	(1,613)
185	Direct operating expenses arising from investment property	343
115	Capital expenditure not enhancing value	(7)
360	Net (gains)/losses from fair value adjustments	449
(716)	Net (gain)/loss	(828)

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

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

2023/24		2024/25
£000		£000
30,685	Balance at start of the year	30,325
	Additions:	
115	Construction	279
(115)	Capital expenditure not enhancing value	7
(360)	Net gains/(losses) from fair value adjustments	(449)
	Transfers:	
0	(to)/from Property, Plant and Equipment	(1,906)
30,325	Balance at end of the year	28,256

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

NOTES TO THE ACCOUNTS

11. LONG-TERM INVESTMENTS

The Council is permitted to invest and lend a proportion of its funds for more than 364 days. At 31 March 2025 the Council had 4 loans which had a remaining maturity term of more than one year.

2023/24		2024/25
£000		£000
14,608	Opening Balance	9,568
44	Revaluations Gains	199
(321)	Revaluations Losses	(15)
(4,763)	Repayments	0
9,568	Closing Balance	9,752

12. LONG-TERM DEBTORS

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

31 March 2024		31 March 2025
£000		£000
7	Car Loans	19
200	New Forest Enterprise Centre	0
473	Rent to Mortgages House Purchases	490
0	Right of Use Assets	1,859
3,713	Appletree Property Holdings	3,713
4,393	Total	6,081

13. SHORT-TERM INVESTMENTS

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

2023/24		2024/25
£000		£000
2,988	Opening Balance	10,106
14,801	Purchases	5,500
63	Revaluations Gains	18
(16)	Revaluations Losses	0
129	Movement in Accrued Interest	(129)
(7,859)	Repayments	(13,453)
10,106	Closing Balance	2,042

NOTES TO THE ACCOUNTS

14. SHORT-TERM DEBTORS

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

31 March 2024		31 March 2025
£000		£000
1,267	Central Government Bodies (a)	2,715
	Local Authorities:	
549	Hampshire County Council (b)	186
30	Police and Crime Commissioner for Hampshire	24
69	New Forest National Park Authority	115
15	Other Local Authorities	7
127	Public Corporations and Trading Funds	221
	Other Entities and Individuals:	
816	Council Tax Payers	860
690	Business Rate Payers	540
1,382	Housing Tenants' Rents	1,644
7,420	Other Debtors and Payments in Advance (c)	7,815
12,365	Total	14,127

Short-term debtors were higher at the 31 March 2025 by £1.762 million when compared to 31 March 2024, the main contributing factors to this were:

- (a) Central Government Bodies debtors increased by £1.448 million. This was principally due to accruals for UK Shared Prosperity Fund grants totalling £672,000, and for funds due from the Department for Works and Pensions of £472,000.
- (b) Hampshire County Council debtors decreased mainly because no accrual was required for the waste management partnership, which had been £382,000 at the end of 2023/24.
- (c) Other Debtors and Payments in Advance has increased in the main due to payments in advance for ICT software licences being £126,000 more than at the end of 2023/24 and to high value Community Infrastructure Levy invoices.

The bad debts provision is shown below:

31 March 2024		31 March 2025
£000		£000
(351)	Council Tax Payers	(361)
(179)	Business Rate Payers	(155)
(980)	Housing Tenants' Rents	(1,030)
(1,539)	Other Debtors	(1,467)
(3,049)	Total	(3,013)

NOTES TO THE ACCOUNTS

15. CASH AND CASH EQUIVALENTS

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

31 March 2024		31 March 2025
£000		£000
1	Cash held by the Council	0
561	Bank current accounts	1,246
12,158	Short-Term deposits with building societies/banks and other financial institutions	21,339
12,720	Total	22,585

16. BORROWING

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

In 2012/13 the Council borrowed £142.7 million for the Housing Revenue Account financing settlement. At 31 March 2025, £109.904 million of this amount is outstanding, of which a £4.1 million annual repayment instalment is due within 12 months.

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

In March 2024 the Council borrowed £10 million to part fund its Housing Revenue Account Development Programme and in December 2024 borrowed an additional £13 million, short term, to further fund the Development Programme and to support anticipated cash flow.

In addition, total accrued interest of £233,901 on short-term and long-term borrowing is also payable within 12 months and is included in this category.

2023/24			2024/25	
Short-Term	Long-Term		Short-Term	Long-Term
£000	£000		£000	£000
(4,344)	(114,004)	Balance at 1 April	(4,154)	(119,904)
0	(10,000)	Loans Raised	(13,000)	0
4,301	0	Loans Repaid	4,100	0
(4,100)	4,100	Transferred between Long-Term and Short-Term	(4,100)	4,100
(11)	0	Movement in accrued interest on all Borrowing	(180)	0
(4,154)	(119,904)	Balance at 31 March	(17,334)	(115,804)

NOTES TO THE ACCOUNTS

17. SHORT-TERM CREDITORS

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

31 March 2024		31 March 2025
£000		£000
(10,257)	Central Government Bodies (a)	(9,042)
	Local Authorities:	
(852)	Hampshire County Council	(961)
(51)	Police and Crime Commissioner for Hampshire	(57)
(54)	Hampshire and Isle of Wight Fire and Rescue Service	(67)
(31)	New Forest National Park Authority	(54)
(113)	Developers' Contributions Open Space Maintenance	(129)
(3,030)	Other Local Authorities (b)	(1,039)
0	NHS Bodies	(2)
(10)	Public Corporations and Trading Funds	(38)
	Other Entities:	
(355)	Council Tax Payers	(400)
(1,182)	Business Rate Payers (c)	(760)
(11,820)	Other Creditors and Receipts in Advance (d)	(13,716)
(27,755)	Total	(26,265)

Short term creditors have decreased by £1.490 million from 2023/24 to 2024/25:

- (a) The Central Government Bodies balance is £1.215 million lower principally due to £0.944 million regarding National Non-Domestic Rates (Business Rates).
- (b) Other Local Authorities is £1.991 million less mainly due to movements in the Regional Coastal Monitoring Programme.
- (c) Business Rate Payers receipts in advance were lower by £422,000.
- (d) Other Creditors and Receipts in Advance have increased by £1.896 million. This was due an accrual regarding Waste Strategy containers for £851,000 and following the introduction from 1 April 2024 of IFRS16 Leases this then included £1.127 million at 31 March 2025.

NOTES TO THE ACCOUNTS

18. PROVISIONS

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

	Balance 1 April 2023	Additional Provisions Made 2023/24	Amounts Used 2023/24	Unused Amounts Reversed 2023/24	Balance 31 March 2024	Additional Provisions Made 2024/25	Amounts Used 2024/25	Unused Amounts Reversed 2024/25	Balance 31 March 2025
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Business Rates	(4,077)	(623)	2,556	0	(2,144)	(586)	1,282	0	(1,448)
Health and Leisure Centres	(400)	0	0	0	(400)	0	0	0	(400)
Private Sector Leasing Dilapidations	(50)	0	0	0	(50)	0	0	0	(50)
Redundancy	0	0	0	0	0	(19)	0	0	(19)
Total Provisions	(4,527)	(623)	2,556	0	(2,594)	(605)	1,282	0	(1,917)

Business Rates

On 1 April 2013 the Government introduced the Business Rates Retention Scheme, which required the Council to make a provision in the Collection Fund for successful appeals against rating valuations. The total provision made at 31 March 2025 was £3.620 million, of which £1.448 million relates to this Council's share of anticipated refunds.

Health and Leisure Centres

The Health and Leisure Centre management contract includes a net income adjustment arrangement which allows the Council to make additional payments to the contractor. In addition, an energy painshare arrangement has been agreed. Due to the current economic climate and recovery from COVID being slower than anticipated an additional contract payment is expected. Based on performance to the end of March 2025, provision has been made for an additional payment of up to £400,000.

Private Sector Leasing Dilapidations

The Council is responsible for ensuring the repair of private sector houses that are leased. The Council had possible obligations on 116 properties at 31 March 2025. A revenue budget of £196,000 exists in 2025/26 for void repairs and dilapidation costs but a provision of £50,000 is also held to cover the potential for additional costs should a large number of dilapidations occur in any particular year.

Redundancy

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

NOTES TO THE ACCOUNTS

19. CAPITAL RECEIPTS RESERVE

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

2023/24				2024/25		
General Fund	Housing Revenue Account	Total		General Fund	Housing Revenue Account	Total
£000	£000	£000		£000	£000	£000
(2,381)	(3,805)	(6,186)	Balance at 1 April	(1,404)	(4,643)	(6,047)
(23)	(2,838)	(2,861)	New Receipts (including interest)	(167)	(5,014)	(5,181)
1,000	2,000	3,000	Financing of Capital Expenditure	1,473	4,515	5,988
(1,404)	(4,643)	(6,047)	Balance at 31 March	(98)	(5,142)	(5,240)

20. CAPITAL GRANTS UNAPPLIED

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

2023/24				2024/25		
Government Grants	Other Grants/Contributions	Total		Government Grants	Other Grants/Contributions	Total
£000	£000	£000		£000	£000	£000
(2,944)	0	(2,944)	Balance at 1 April	(2,498)	0	(2,498)
(4,919)	(250)	(5,169)	New Receipts	(9,677)	(414)	(10,091)
5,365	250	5,615	Financing of Capital Expenditure	7,759	414	8,173
(2,498)	0	(2,498)	Balance at 31 March	(4,416)	0	(4,416)

NOTES TO THE ACCOUNTS

21. DEVELOPERS' CONTRIBUTIONS / COMMUNITY INFRASTRUCTURE LEVY UNAPPLIED

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

2023/24			2024/25	
CIL	DCs		CIL	DCs
£000	£000		£000	£000
(8,032)	(4,243)	Balance at 1 April	(8,527)	(3,497)
(1,150)	(400)	New Receipts	(4,055)	(504)
257	1,012	Financing of Capital Expenditure	572	1,302
61	134	Financing of Revenue Expenditure	209	152
226	0	Payments to Town and Parish Councils	396	0
111	0	Transfers to Other Earmarked Reserves	0	0
(8,527)	(3,497)	Balance at 31 March	(11,405)	(2,547)

22. REVALUATION RESERVE

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

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

The opening balance on the Revaluation Reserve has been restated because of implementing the requirements of IFRS 16 Leases with retrospective effect, but with the cumulative impact being recognised on 1 April 2024.

NOTES TO THE ACCOUNTS

2023/24				2024/25		
General Fund	Housing Revenue Account	Total		General Fund	Housing Revenue Account	Total
£000	£000	£000		£000	£000	£000
(27,031)	(90,394)	(117,425)	Balance at 1 April	(27,215)	(58,512)	(85,727)
			Restatement of opening balance on transition to IFRS 16			
0	0	0	Revaluation of newly recognised Right of Use Assets	(2,679)	0	(2,679)
0	0	0	Accumulated gains on assets disposed on transition	3,449	0	3,449
0	0	0	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	844	0	844
(27,031)	(90,394)	(117,425)	Restated Balance at 1 April	(25,601)	(58,512)	(84,113)
(1,609)	(36)	(1,645)	Upward revaluation of assets	(2,387)	(14,664)	(17,051)
1,185	31,727	32,912	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	78	0	78
(424)	31,691	31,267	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(2,309)	(14,664)	(16,973)
353	0	353	Adjusting Amounts written out to the Capital Adjustment Account	0	0	0
(116)	116	0	Movement of property	0	0	0
3	75	78	Accumulated gains on assets sold or scrapped	0	422	422
(27,215)	(58,512)	(85,727)	Balance at 31 March	(27,910)	(72,754)	(100,664)

23. CAPITAL ADJUSTMENT ACCOUNT

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

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

The opening balance on the Capital Adjustment Account has been restated because of implementing the requirements of IFRS 16 Leases with retrospective effect, but with the cumulative impact being recognised on 1 April 2024.

NOTES TO THE ACCOUNTS

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

2023/24			2024/25	
£000	£000		£000	£000
	(303,314)	Balance at 1 April		(304,478)
		Restatement of opening balance on transition to IFRS 16		
		Revaluation of newly recognised right of use assets		
0		Disposal of right of use assets on transition	680	
0		Right of use assets recognised as donated	(2,021)	
0		Revaluation (Gains) / Losses on Property, Plant and Equip.	1,015	
	(303,314)	Restated Balance at 1 April		(304,804)
		Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:		
11,756		Charges for depreciation and impairment of non-current assets	11,510	
(8,047)		Revaluation (Gains) / Losses on Property, Plant and Equip.	(4,582)	
20,434		Capital Expenditure not enhancing value	16,777	
0		Amortisation of intangible assets	1,123	
2,458		Revenue expenditure funded from capital under statute	3,337	
0		Right of use assets recognised as donated	1	
1,204		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,834	
	27,805	Net written out amount of the cost on non-current assets consumed in the year		30,000
	(353)	Adjusting Amounts written out of the Revaluation Reserve		0
		Capital financing applied in the year:		
(3,000)		Use of the Capital Receipts Reserve to finance new capital expenditure	(6,086)	
(10,192)		Use of the Major Repairs Reserve to finance new capital expenditure	(9,653)	
(6,884)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(10,048)	
(1,730)		Provision for the financing of capital investment charged against the General Fund balance	(2,415)	
0		Provision for the financing of capital investment for Right of Use Assets	(1,136)	
(3,030)		Provision for the financing of capital investment charged against the HRA balance	(4,100)	
(4,140)		Capital expenditure charged against the General Fund and HRA balances	(7,164)	
	(28,976)			(40,602)
		Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		449
	360			
	(304,478)	Balance at 31 March		(314,957)

NOTES TO THE ACCOUNTS

24. FINANCIAL INSTRUMENTS REVALUATION RESERVE

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

2023/24		2024/25
£000		£000
378	Balance at 1 April	608
(91)	Upward revaluation of investments	(217)
321	Downward revaluation of investments	15
0	Expected credit loss on investments	1
230	(Surplus) or deficit on revaluation of investments	(201)
608	Balance at 31 March	407

25. DEFERRED CAPITAL RECEIPTS RESERVE

The Deferred Capital Receipts Reserve represents the amount of capital receipts owed to the Council that have not yet been received. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

The opening balance on the Deferred Capital Receipts Reserve has been restated because of implementing the requirements of IFRS 16 Leases with retrospective effect, but with the cumulative impact being recognised on 1 April 2024.

2023/24		2024/25
£000		£000
(503)	Balance at 1 April	(475)
0	Revaluations upon recognising Right of Use Assets	(1,861)
(503)	Restated Balance at 1 April	(2,336)
27	New Receipts/Revaluations	(17)
1	Transfer to the Capital Receipts Reserve upon receipt of cash	98
(475)	Balance at 31 March	(2,255)

NOTES TO THE ACCOUNTS

26. PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Full details of the Pension Scheme are set out in Note 35.

2023/24		2024/25
£000		£000
21,162	Balance at 1 April	12,213
(9,958)	Remeasurement of the net defined liability / (asset)	(7,678)
6,102	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	6,109
(4,856)	Employer's pensions contributions and direct payments to pensioners payable in the year	(5,200)
(237)	Health and Leisure Contractor Payment into Fund	(210)
12,213	Balance at 31 March	5,234

27. COLLECTION FUND ADJUSTMENT ACCOUNT

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

31 March 2024				31 March 2025		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
1,238	0	1,238	Central Government	(467)	0	(467)
222	(678)	(456)	Hampshire County Council	(84)	(710)	(794)
0	(117)	(117)	Police and Crime Commissioner for Hampshire and Isle of Wight	0	(121)	(121)
25	(38)	(13)	Hampshire and Isle of Wight Fire and Rescue Authority	(9)	(38)	(47)
1,485	(833)	652	New Forest District Council	(560)	(869)	(1,429)
991	(138)	853		(374)	(146)	(520)
2,476	(971)	1,505		(934)	(1,015)	(1,949)

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

NOTES TO THE ACCOUNTS

28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2023/24		2024/25
£000		£000
(11,756)	Charges for depreciation and impairment	(12,633)
8,046	Revaluation Gains/(Losses) on Property, Plant and Equipment	3,567
0	Initial Recognition Donated Right of Use Assets	2,021
353	Transfer between Capital Adjustment Account and	0
74	Revaluation/Movement in Deferred Debtors	1,923
(231)	Revaluation Gains/(Losses) on Investments	201
(20,434)	Capital Expenditure not enhancing value	(16,777)
(360)	Movements in the value of Investment Properties	(449)
4,946	Capital grants applied to the financing of Capital Expenditure	12,376
(1,282)	Carrying amount of Non-Current Assets sold	(6,386)
40	Increase/(Decrease) in Inventories	215
151	Increase/(Decrease) in Debtors	1,762
129	Increase/(Decrease) in Investments Accrued Interest	(129)
(183)	(Increase)/Decrease in impairment for Provision for Bad Debts	36
(4,195)	(Increase)/Decrease in Creditors	1,908
635	Adjustment to Creditors re Capital Expenditure	972
(1,009)	Movement in Pension Liability	(699)
0	Movement in Long Term Liability - Right of Use Assets	1,137
1,933	Other non-cash items charged to the net surplus or deficit on the provision of services	677
(23,143)	Adjustment to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	(10,278)

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

2023/24		2024/25
£000		£000
2,803	Proceeds adjustment from the sale of property, plant and equipment and investment property	5,123
2,803		5,123

The cash flows for operating activities include the following items:

2023/24		2024/25
£000		£000
(2,537)	Interest received	(2,618)
3,955	Interest paid	4,310
1,418		1,692

NOTES TO THE ACCOUNTS

29. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2023/24		2024/25
£000		£000
29,775	Purchase of property, plant and equipment, investment property and intangible assets	39,505
14,801	Purchase of short-term and long-term investments	5,500
9	Other payments for investing activities	19
(2,803)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,123)
(12,623)	Proceeds from short-term and long-term investments	(13,452)
(5,251)	Other receipts from investing activities	(12,631)
23,908	Net cash flows from investing activities	13,818

30. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2023/24		2024/25
£000		£000
(10,001)	Cash receipts of short- and long-term borrowing	(13,000)
4,301	Repayments of short and long-term borrowing	4,100
5,017	Other payments for financing activities	747
(683)	Net cash flows from financing activities	(8,153)

31. AGENCY SERVICES

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

2023/24		2024/25		
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
0	Hampshire County Council - Highways	380	(380)	0
0	Agency Expenditure	380	(380)	0

32. CONTINGENT ASSETS

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

NOTES TO THE ACCOUNTS

33. CONTINGENT LIABILITIES

In April 2012 the Dibden Golf Course staff transferred to Mytime Active, who gained admitted body status to the Hampshire County Council Government Pension Scheme. New Forest District Council is the sponsoring body, acting as guarantor for any contributions to the Pension Fund should they not be paid by Mytime Active. As at 31 March 2025 no such guarantee has been exercised.

The Health and Leisure staff transferred to Freedom Leisure in July 2021 but remain in the Hampshire County Council Government Pension Scheme under a pooling arrangement with the Council. As such, assets and liabilities relating to those staff remain on the Council's balance sheet and Freedom Leisure operate with defined contributions. In addition, New Forest District Council act as guarantor for any contributions to the Pension Fund should they not be paid by Freedom Leisure. No such guarantee has been exercised as at 31 March 2025.

34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

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

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

New vehicles, plant and equipment, above a de minimis level of £10,000, are funded by a future borrowing requirement. In order to make a provision to repay this future requirement a revenue provision is made. This sum was £1.390 million in 2024/25 and was charged to the General Fund together with £435,000 in relation to investment property acquisitions, £141,000 in relation to expenditure at Health and Leisure Centres and £449,000 from the Housing Revenue Account. In addition, £4.1 million for principal repayment was made regarding the Housing Revenue Account Self-Financing Settlement.

NOTES TO THE ACCOUNTS

The opening Capital Financing Requirement has been restated because of implementing the requirements of IFRS 16 Leases with retrospective effect, but with the cumulative impact being recognised on 1 April 2024 and an in-year £1.136 revenue provision has been made for right of use assets.

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

	2023/24		2024/25	
	£000	£000	£000	£000
Opening Capital Financing Requirement		156,353		160,245
Restatement of opening Balance				
Liabilities newly recognised on transition to IFRS 16		0		3,989
Restated Opening Balance as at 1 April		156,353		164,234
Capital Investment				
Property, Plant and Equipment Assets	30,410		40,477	
REFCUS	2,458	32,868	3,336	43,813
Sources of Finance				
Capital Receipts	(3,000)		(6,086)	
Government Grants	(5,615)		(8,173)	
Revenue Contributions	(4,140)		(7,164)	
Major Repairs Reserve	(10,192)		(9,653)	
Developers' Contributions	(1,012)		(1,302)	
Community Infrastructure Levy	(257)	(24,216)	(572)	(32,950)
Other Adjustments for the Repayment of Debt				
Repayment of Loan Principal		(3,030)		(4,100)
Repayment of Principal - Right of Use Assets		0		(1,136)
Revenue Provision		(1,730)		(2,415)
Closing Capital Financing Requirement		160,245		167,446

Explanation of movements in Year	2023/24	2024/25
	£000	£000
Restatement of Opening Balance - Right of Use Assets	0	3,989
Increase in underlying need to borrow (unsupported by Government financial assistance)	8,652	10,863
Reduction (-)/increase in need to borrow because of:		
- Repayment of Loan Principal	(3,030)	(4,100)
- Revenue Provision	(1,730)	(3,551)
	3,892	7,201

NOTES TO THE ACCOUNTS

35. DEFINED BENEFIT PENSION SCHEME

a) Participation in Pension Scheme

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

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

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, New Forest District Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

NOTES TO THE ACCOUNTS

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

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

	2023/24	2024/25
	£ million	£ million
Comprehensive Income and Expenditure Statement		
Cost of Services		
Service cost comprising:		
Current service cost	5.310	5.514
Past service cost	0.006	0.005
Financing and Investment Income and Expenditure		
Net Interest expense	0.786	0.590
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	6.102	6.109
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(9.384)	1.521
Actuarial (Gains) / Losses arising on changes in demographic assumptions	(4.730)	(0.431)
Actuarial (Gains) / Losses arising on changes in financial assumptions	0.081	(37.643)
Actuarial (Gains) / Losses due to liability experience	4.075	(2.657)
Changes in the effect of the asset ceiling	0.000	31.532
Total Net Defined Benefit Liability Re-measured	(9.958)	(7.678)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(3.856)	(1.569)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	8.712	6.769
Actual amount charged against the General Fund		
Balance for pensions in the year		
Employer's contributions payable to scheme	4.856	5.200

NOTES TO THE ACCOUNTS

c) Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Assets and Liabilities	31 March 2024	31 March 2025
	£ million	£ million
Present value of the defined benefit obligation	(246.532)	(246.374)
Fair value of plan assets	234.319	241.140
Net liability arising from defined benefit obligation	(12.213)	(5.234)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment retirement benefits. The total net liability of £5.234 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

	2023/24	2024/25
	£ million	£ million
Opening balance at 1 April	(238.592)	(246.532)
Current Service Cost	(5.310)	(5.514)
Past Service Cost	(0.006)	(0.005)
Interest Cost	(10.943)	(11.761)
Contributions from scheme Participants	(1.702)	(1.794)
Remeasurement (Gains) and Losses:		
Actuarial Gains/(Losses) arising from changes in financial assumptions	(0.081)	37.643
Actuarial Gains/(Losses) due to liability experience	(4.075)	2.657
Actuarial Gains/(Losses) arising from changes in demographic assumptions	4.730	0.431
Changes in the effect of the asset ceiling	0.000	(31.532)
Benefits Paid	9.447	10.033
Closing balance at 31 March	(246.532)	(246.374)

NOTES TO THE ACCOUNTS

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

	2023/24	2024/25
	£ million	£ million
Opening fair value of scheme assets at 1 April	217.430	234.319
Interest Income	10.157	11.171
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	9.384	(1.521)
Contributions from employer	4.856	5.200
Contributions from employees into the scheme	1.702	1.794
Contributions from Health and Leisure Contract Employer	0.237	0.210
Benefits paid	(9.447)	(10.033)
Closing fair value of scheme assets at 31 March	234.319	241.140

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

31 March 2024		Assets	31 March 2025	
£ million	%		£ million	%
1.88	0.8	Cash and Cash Equivalents	4.68	1.9
107.36	45.8	Equity Investments	80.30	33.3
33.98	14.5	Government Bonds	35.13	14.6
0.00	0.0	Corporate Bonds	22.30	9.3
38.87	16.6	Property	22.01	9.1
52.21	22.3	Other Assets	76.72	31.8
234.30	100.0	Total Assets	241.14	100.0

e) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hyman Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The main assumptions used in their calculations have been:

Financial Assumptions	31 March 2024	31 March 2025
	%	%
Rate of inflation - CPI	2.8	2.8
Rate of increase in salaries	3.8	3.8
Rate of increase in pensions	2.8	2.8
Pension Accounts Revaluation Rate	2.8	2.8
Rate of discounting scheme liabilities	4.8	5.8

NOTES TO THE ACCOUNTS

Mortality Assumptions	31 March 2024	31 March 2025
	Years	Years
Pensioner member aged 65 at accounting date		
Males	22.1	22.0
Females	24.7	24.7
Active member aged 45 at accounting date		
Males	22.6	22.5
Females	25.7	25.6

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

Impact on the Defined Benefit Obligation in the scheme	Increase in Assumption	Decrease in Assumption
	£ million	£ million
Longevity (increase or decrease in 1 year)	8.59	(8.59)
Rate of inflation (increase or decrease by 0.1%)	3.45	(3.45)
Rate of increase in salaries (increase or decrease by 0.1%)	0.07	(0.07)
Rate of increase in pensions (increase or decrease by 0.1%)	3.45	(3.45)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(3.43)	3.43

f) Impact on the Authority's Cash Flows

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

The Council anticipates paying standard contributions of £4.998 million to the fund for the accounting period ending 31 March 2026. In addition, estimated Strain on Fund contributions will be £390,000.

The weighted average duration of the defined benefit obligation for scheme members is 17.0 years (17.0 years 2023/24).

Further information on the Pension Fund can be obtained from:

Pensions Services
Hampshire County Council
The Castle
Winchester
SO23 8UB Telephone: (01962) 845588

NOTES TO THE ACCOUNTS

36. EXTERNAL AUDIT COSTS

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

2023/24		2024/25
£000		£000
165	External audit services carried out by the appointed auditor	181
27	Certification of grant claims and returns	35
192		216

37. GRANTS INCOME

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

2023/24		2024/25
£000		£000
	Service Specific Revenue Grants and Contributions	
	(included in cost of services)	
	Department for Levelling Up, Housing and Communities	
(141)	Council Tax Benefits Admin	(150)
(100)	Digital Planning Improvement Fund	0
(1,388)	Disabled Facilities Grants	(1,585)
(102)	Family Annex Grant	(108)
0	Green Belt Review	(70)
(953)	Homelessness Prevention Grant	(972)
(208)	Local Council Tax Support Grant	0
0	Local Plans Fund	(228)
(51)	New Burdens Energy Bills Support Scheme Alternative Funding	0
(79)	New Burdens Alternative Fuel Payment Alternative Funding	0
(72)	Next Steps Accommodation	(72)
(288)	NNDR Collection	(288)
0	Planning Skills Delivery Grant	(100)
(371)	Rough Sleepers	(404)
0	Rural Prosperity Fund	(167)
(139)	UK Shared Prosperity Fund	(505)
(205)	Other MHCLG	(131)
	<u>Department for Work and Pensions</u>	
(322)	Housing and Council Tax Benefit Administration	(323)
(25,925)	Housing Benefit Subsidy	(25,869)
(203)	Discretionary Housing Payments	(203)
(83)	Other DWP	(79)
	<u>Other Government Grants</u>	
0	Sports England Lottery Fund	(107)
(58)	Apprenticeship Levy	(62)
(27)	Other	(70)
(30,715)	Total Government Grants	(31,493)
	<u>Other Grants and Contributions</u>	
(415)	Project Integra - Recycling	(26)
(134)	Developers' Contributions	(152)
0	Disabled Facilities Grants	(55)
0	Transitional Resources Funding	(352)
0	Other	(2)
(549)	Total Other Grants and Contributions	(587)
(31,264)	Total Service Revenue Grants and Contributions	(32,080)

NOTES TO THE ACCOUNTS

2023/24		2024/25
£000	Non-Ringfenced Revenue Government Grants	£000
	<u>Non Domestic Rates Income and Expenditure</u>	
31,413	Tariff	34,028
(22,014)	Retention Scheme Income	(24,210)
(5,715)	Surplus Business Rates Distributed from Pool	(5,648)
(11,718)	S31 Grant (New Forest District Council proportion)	(13,317)
(8,034)		(9,147)
	<u>Department for Levelling Up, Housing and Communities</u>	
(1)	Revenue Support Grant	(1)
(16)	New Homes Grant	(22)
(8)	Council Tax Freeze Grant	(8)
(162)	Services Grant	(28)
(692)	Guarantee Grant	(1,232)
(879)		(1,291)
(8,913)	Total Non-Ringfenced Revenue Government Grants	(10,438)
	Capital Grants and Contributions	
0	Appletree Court Roof	(73)
(161)	Coast Protection	(70)
(1,414)	Housing Acquisitions and Development	(4,928)
(324)	Hythe Hospital Brownfield	0
(1,309)	Local Authority Housing Fund	(590)
(69)	Public Conveniences - Changing Places	0
0	Queensway, New Milton - Refurbishment	(287)
(212)	Rural England Prosperity Fund	0
0	St Georges Hall	(161)
(250)	Ukraine Housing Fund	0
(42)	UK Shared Prosperity Fund	(204)
0	Waste Strategy Vehicles and Containers	(1,806)
0	Water Efficiency Grant	(90)
(270)	Developers' Contributions	(642)
(864)	Community Infrastructure Levy	(3,451)
(31)	Capital Receipts	(74)
(4,946)	Total Capital Grants and Contributions	(12,376)
(45,123)	Total Grants and Contributions Income	(54,894)

The Council received additional grant funding as part of the government's response to the COVID-19 pandemic and the ongoing economic position, some to cover the Council's own expenditure/income shortfalls and some for passing on to local businesses and individuals. The Council made judgements about whether it acted as principal or agent in relation to this funding. Where the Council acted as principal the grant receipts were recognised as income and associated payments as expenditure. Where the Council acted as agent the grant receipts and corresponding payments were not included in the Comprehensive Income and Expenditure Statement, other than any element of the funding relating to administration costs.

The table above excludes agent grants for 2023/24 from Central Government of £2.4 million for business support grants where the Council acted as an agent of the Government in administering the funds and £2.9 million of S31 Business Rate Reliefs grant. The latter was paid to the Council to enable continuation of payment to relevant parties their share of business rates income, as without may have caused cash flow problems due to the award of significant additional reliefs to support particular business sectors during the pandemic.

NOTES TO THE ACCOUNTS

38. MEMBERS' ALLOWANCES

During 2024/25, payments to Members of the Council amounted to £516,002. For 2023/24 the equivalent amount was £518,332.

39. SIGNIFICANT INTEREST

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

40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Financial Liabilities

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

FINANCIAL LIABILITIES	Long-Term		Short-Term	
	31 March 2024	31 March 2025	31 March 2024	31 March 2025
	£000	£000	£000	£000
Loans at amortised cost:				
PWLB principal sum borrowed	119,904	115,804	4,100	17,100
Accrued Interest	0	0	55	234
Total Borrowing	119,904	115,804	4,155	17,334
Liabilities at amortised cost:				
Trade Creditors	0	0	8,725	10,392
Total Financial Liabilities	119,904	115,804	12,880	27,726

NOTES TO THE ACCOUNTS

Financial Assets

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

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

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

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

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

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

FINANCIAL ASSETS	Long-Term		Short-Term	
	31 March 2024	31 March 2025	31 March 2024	31 March 2025
	£000	£000	£000	£000
At amortised cost:				
Principal	0	0	7,972	20
Accrued Interest	0	0	130	0
At fair value through profit & loss:				
Fair value	9,567	9,751	2,004	2,022
Total Investments	9,567	9,751	10,106	2,042
At amortised cost				
Cash	0	0	562	1,246
Cash equivalents	0	0	3,989	4,230
Accrued interest	0	0	9	20
Loss Allowance	0	0	0	(1)
At fair value through profit & loss:				
Fair value	0	0	8,160	17,090
Total Cash and Cash Equivalents	0	0	12,720	22,585
Loans and receivables:				
Trade Debtors	0	0	7,344	7,735
Total Financial Assets	9,567	9,751	30,170	32,362

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

NOTES TO THE ACCOUNTS

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

	2023/24				2024/25			
	Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Fair Value through Profit and Loss	Total	Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expense	3,957	0	0	3,957	4,492	0	0	4,492
Losses from change in fair value	0	0	309	309	0	0	16	16
Impairment losses	0	0	0	0	0	0	1	1
Interest payable and similar charges	3,957	0	309	4,266	4,492	0	17	4,509
Interest Income	0	(564)	0	(564)	0	(800)	0	(800)
Dividend Income	0	0	(1,931)	(1,931)	0	0	(1,744)	(1,744)
Gains from changes in fair value	0	0	(52)	(52)	0	0	(217)	(217)
Interest and Investment Income	0	(564)	(1,983)	(2,547)	0	(800)	(1,961)	(2,761)
Net Impact on surplus/deficit on provision of services	3,957	(564)	(1,674)	1,719	4,492	(800)	(1,944)	1,748
Impact on Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0
Net (Gain)/Loss for the year	3,957	(564)	(1,674)	1,719	4,492	(800)	(1,944)	1,748

Financial Instruments Key Risks

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

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

NOTES TO THE ACCOUNTS

The main risks covered are:

- Credit Risk – the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk – the possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk – the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rate movements or equity prices.

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

Credit Risk - Investments

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

A limit of £7 million of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK Government). For unsecured investments in banks, building societies, registered providers and companies, a smaller limit of £3.5 million applies. The Council also sets limits on investments in certain sectors. No more than £30 million in total can be invested for a longer period than one year. These limits were set and implemented for 2024/25 on 24 February 2025.

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

Counterparty	Balance invested as at 31 March 2025					
	Call Accounts	Up to 1 month	> 1 month and < 6 months	> 6 months and < 12 months	> 12 months	Total
	£000	£000	£000	£000	£000	£000
Banks	4,249		20			4,269
Money Market Funds	17,090					17,090
Pooled Funds	2,022				8,384	10,406
Appletree Property Holdings					1,367	1,367
Total	23,361	0	20	0	9,751	33,132

NOTES TO THE ACCOUNTS

Bond Ratings	Long-term		Short-term	
	31 March 2024	31 March 2025	31 March 2024	31 March 2025
	£000	£000	£000	£000
AAA	0	0	1,952	0
AA-	0	0	3,977	3,272
A+	0	0	21	977
A	0	0	21	20
AAA Money Market Funds	0	0	8,160	17,090
Unrated local authorities	0	0	6,129	0
Total	0	0	20,260	21,359
Credit Rate Not Applicable	9,567	9,751	2,004	2,022
Total Investments	9,567	9,751	22,264	23,381

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 52% (2024 86%) to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent.

At 31 March 2025, £646 (2024 £454) of loss allowances related to treasury investments.

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

Bond Ratings	Amount at 31 March 2025	Historical experience of default	Market Conditions at 31 March 2025	Estimated maximum exposure to default
	£000	%	%	£000
Trade Debtors	7,735	0.76%	1.68%	130
Total	7,735			130

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

NOTES TO THE ACCOUNTS

Trade Debtors

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

	31 March 2024	31 March 2025
	£000	£000
Less than three months	3,502	2,742
Three months to one year	1,044	2,410
More than one year	2,798	2,583
Total	7,344	7,735

The Council initiates a legal charge on property where tenants have amounts due on a Council mortgage used for the purchase of their Council dwelling. The total collateral at 31 March 2025 was £2,033.

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

Liquidity Risk

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

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

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

	31 March 2024	31 March 2025
	£000	£000
Less than one year	22,264	23,381
No fixed maturity date	9,567	9,751
Total	31,831	33,132

All trade and other payables (£7.735 million) are due to be paid in less than one year and are not shown in the table above.

NOTES TO THE ACCOUNTS

Refinancing and Maturity Risk

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

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

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

	Approved maximum limits 2024/25		Actual 31 March 2024		Actual 31 March 2025	
	£m	%	£m	%	£m	%
Less than one year	57	25	4.1	3	17.1	13
Between one and two years	58	25	4.1	3	4.1	3
Between two and five years	57	25	12.3	10	12.3	9
Between five and ten years	80	35	20.5	17	20.5	15
Between ten and twenty years	230	100	41.0	33	41.0	31
Between twenty and forty years	230	100	32.0	26	27.9	21
Over forty years	230	100	10.0	8	10.0	8
Total			124.0	100	132.9	100

The minimum limits have been set at zero and the maximum limit for more than 10 years at 100%. This is to facilitate the premature repayment and replacement of all PWLB loans with a longer maturity profile should this be required. The 25%/35% maximum limits on the other periods of less than 10 years is to ensure an even maturity profile of short and medium-term borrowing.

Market Risk

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

- Borrowings at variable rates – the interest charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall

NOTES TO THE ACCOUNTS

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2025, all the £132.904 million (2024: £124.003 million) of principal borrowed was at fixed rates.

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

	2023/24	2024/25
	£000	£000
Increase in interest payable on variable rate borrowings	0	70
Increase in interest receivable on variable rate investments	(176)	(210)
Decrease in fair value of investments held at FVPL	28	43
Impact on Surplus or Deficit on the Provision of Services	(148)	(97)
Decrease in fair value of investments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure Account	(148)	(97)
Decrease in fair value of loans and investments at amortised cost*	30	0
Decrease in fair value of fixed rate borrowing*	(10,444)	(8,578)

* No impact on Comprehensive Income and Expenditure

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

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

The Council's investments in pooled property funds are subject to the risk of falling commercial property prices. This risk is limited by the Council's investment strategy. A 5% fall in commercial property prices at 31 March 2025 would result in a £0.29 million (2024: £0.30 million) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Financial Instruments Revaluation Reserve.

The Council's investments in pooled equity funds are subject to the risk of falling share prices. This risk is limited by the Council's investment strategy. A 5% fall in share prices at 31 March 2025 would result in a £0.07 million (2024: £0.06 million) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Financial Instruments Revaluation Reserve.

Foreign Exchange Risk – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

NOTES TO THE ACCOUNTS

Fair value of Assets and Liabilities carried at Amortised Cost

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For money market funds and pooled funds the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2025, using the following methods and assumptions:

- Loans from the PWLB have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term investments, including trade payables and receivables is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

	Fair Value Level	31 March 2024		31 March 2025	
		Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
Financial liabilities held at amortised cost:					
Loans from PWLB	2	(124,059)	(107,747)	(119,958)	(96,655)
Total		(124,059)	(107,747)	(119,958)	(96,655)
Liabilities for which fair value is not disclosed				(13,180)	
Total Financial Liabilities		(124,059)		(133,138)	
Recorded on balance sheet as:					
Short-term borrowing		(4,155)		(17,334)	
Long-term borrowing		(119,904)		(115,804)	
Total Financial Liabilities		(124,059)		(133,138)	

NOTES TO THE ACCOUNTS

The fair value of short-term financial liabilities held at amortised cost, is assumed to approximate to the carrying amount.

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

	Fair Value Level	31 March 2024		31 March 2025	
		Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
Financial assets held at fair value:					
Money market funds	1	8,160	8,160	17,090	17,090
Bond, equity and multi-asset funds	1	3,244	3,244	3,347	3,347
Property Funds	2	6,961	6,961	7,059	7,059
Appletree Property Holdings	1	1,367	1,367	1,367	1,367
Financial assets held at amortised cost:					
Long-term loans to local authorities, housing associations and Appletree Property Holdings	2	4,393	4,614	4,222	4,222
Total		24,125	24,346	33,085	33,085
Assets for which fair value is not disclosed*		20,006		15,110	
Total Financial Assets		44,131		48,195	
Recorded on balance sheet as:					
Long-term investments		9,568		9,752	
Long-term debtors		4,393		6,081	
Short-term investments		10,106		2,042	
Cash and cash equivalents		12,720		22,585	
Short-term trade debtors		7,344		7,735	
Total Financial Assets		44,131		48,195	

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

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

The fair value adjustment is a note to the accounts only; no accounting entry is required.

NOTES TO THE ACCOUNTS

41. OFFICERS' REMUNERATION

The senior employees whose salary exceeded £50,000 per annum for 2024/25 are shown in the table below.

2024/25	Notes	Salary (including fees and allowances)	Bonuses	Total Remuneration excluding pension contributions	Pension contributions	Total Remuneration including pension contributions
		£	£	£	£	£
Chief Executive	a	140,941	2,000	142,941	26,301	169,242
Returning Officer		7,757		7,757	0	7,757
		148,698	2,000	150,698	26,301	176,999
Strategic Director - Corporate Resources, S151 and Transformation	b	106,571		106,571	19,609	126,180
Strategic Director - Housing, Communities and Governance		96,689		96,689	17,791	114,480
Strategic Director - Place, Operations and Sustainability		108,510		108,510	19,966	128,476
Assistant Director - Governance - Monitoring Officer		82,213		82,213	15,127	97,340
		542,681	2,000	544,681	98,794	643,475

The Employer's Pension Contributions were 18.40% for 2024/25 and 2023/24.
There were no benefits in kind paid in 2024/25.

- a) The Chief Executive undertook the Returning Officer role in 2024/25.
- b) The Strategic Director Housing and Communities and the Assistant Director Governance – Monitoring Officer were both in post from 1 April 2024.

NOTES TO THE ACCOUNTS

The figures for 2023/24 were:

2023/24	Notes	Salary (including fees and allowances)	Compensation for loss of office	Total Remuneration excluding pension contributions	Pension contributions	Total Remuneration including pension contributions
		£	£	£	£	£
Chief Executive		137,504	0	137,504	25,301	162,805
Returning Officer	c	16,087	0	16,087	0	16,087
		153,591	0	153,591	25,301	178,892
Strategic Director - Corporate Resources, S151 and Transformation		97,049	0	97,049	17,857	114,906
Strategic Director - Housing, Communities and Governance	d	82,764	0	82,764	14,674	97,438
Strategic Director - Place, Operations and Sustainability		105,863	0	105,863	19,479	125,342
		439,267	0	439,267	77,311	516,578

There were no bonuses or benefits in kind paid during 2023/24.

- c) The Chief Executive undertook the Returning Officer role in 2023/24.
- d) The Strategic Director Housing, Communities and Governance was in post until 18 January 2024, the annualised salary for the post was £99,887.

The other officers whose remuneration, including termination benefit costs but excluding pension contributions, was above £50,000 were:

Remuneration Band	Number of Employees			
	2023/24		2024/25	
	Left During Year	Total	Left During Year	Total
£ 50,000 - £ 54,999	1	17	1	29
£ 55,000 - £ 59,999	2	20	0	19
£ 60,000 - £ 64,999	0	5	0	8
£ 65,000 - £ 69,999	0	3	0	3
£ 70,000 - £ 74,999	0	7	0	9
£ 75,000 - £ 79,999	0	3	0	2
£ 80,000 - £ 84,999	0	0	0	1
	3	55	1	71

NOTES TO THE ACCOUNTS

42. TERMINATION BENEFITS

The Council terminated the contracts of 12 employees in 2024/25, incurring costs of £57,424 (16 employees, £42,185 in 2023/24). The redundancy provision was £18,915 at the end of 2024/25 (£0 at the end of 2023/24).

Within 2024/25 there is £6,389 of Pension cost that related to 2023/24 that was not included in the 2023/24 note.

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band £
2024/25				
£0 - £40,000	3	9	12	57,424
Total	3	9	12	57,424
2023/24				
£0 - £20,000	3	13	16	42,185
Total	3	13	16	42,185

43. ASSETS HELD FOR SALE

There were no assets held for sale at 31 March 2025.

NOTES TO THE ACCOUNTS

44. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council; it is responsible for providing the statutory framework within which the Council operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in note 37.

The Council has a wholly owned group subsidiary consisting of an active holding company, Appletree Holdings Limited, that has two subsidiaries, Appletree Property Lettings Limited has been active since 2019/20 and Appletree Residential Developments Limited which is a dormant company. Each has the same Board of Directors comprised solely of Council members and officers. As 31 March 2025 the Council had a long-term debtor of £3.713 million and investment of £1.367 million, both have remained unchanged since 31 March 2024.

During 2024/25 the Council provided office accommodation, financial services (including Internal Audit), human resources and ICT system support to the New Forest National Park Authority. The total income received for 2024/25 was £333,000 (£309,000 for 2023/24). Income due at 31 March 2025 amounted to £52,000 (£41,000 at 31 March 2024). The New Forest National Park Authority provided Ranger and Archaeology services and Land Charges reports to the Council which amounted to £62,000 for 2024/25 (in 2023/24 £58,700). No debts were outstanding owed to the New Forest National Park Authority at 31 March 2025 (£3,750 owed at 31 March 2024).

Members of the Council have direct control over the Council's financing and operating policies. The total of members' allowances paid is shown in note 38. During 2024/25 and 2023/24 no money was paid to companies in which members had an interest. In 2024/25 and 2023/24, no payments were paid to organisations in which members had an interest, but on which there is no Council representative. One member, who was a councillor until the elections in May 2023, was employed by the Council's bank; this contract was tendered and commenced in December 2014, a new contract then began in December 2024. There were no material transactions with any chief officers during the year.

NOTES TO THE ACCOUNTS

45. RIGHT OF USE ASSETS AND LEASES

International Financial Reporting Standard 16 Leases

The Council has applied International Financial Reporting Standard 16 Leases (IFRS16) for the first time in 2024/25, as required by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

The main consequence of adopting IFRS16 is to extend the accounting treatment previously applied to finance to all leases, except those that are for low value items or whose term is less than one year.

Note 9 provides information on the assets recognised on the Council's Balance Sheet for the rights the Council has secured to use items over their respective lease terms.

Liabilities are also recognised in the Balance Sheet for the obligations that the Council has, to pay rents for the rights acquired, discounted to their present value.

Although the Code requires that the Council applies IFRS 16 retrospectively, as if the accounting standard had always been recognised, comparative figures for the prior year are not restated. Instead, the Code requires cumulative effect to the recognised as at 1 April 2024. The adjustments to the opening Balance Sheet are shown overleaf.

The newly recognised liabilities of £3.988 million differ from the operating lease commitments of £667,000 as at 31 March 2024 that were disclosed in the 2023/24 Statement of Accounts. The reconciliation between these two figures is as follows:

	£000
Operating lease liabilities as at 31 March 2024	667
Adjustments to existing Operating Lease liabilities on transition to IFRS 16	
Adjustment to discount liabilities to present value	436
Operating lease liabilities not previously recognised	2,885
Opening balance on transition to IFRS 16	3,988

In making the transitional adjustments the Council has applied the following practical expedients in the CIPFA Code of Practice on Local Authority Accounting:

- Leases due to expire before 1 April 2025 have been treated as short-term leases, irrespective of their overall term
- Hindsight has been applied in determining the lease term where the lease contains options to extend or terminate.

NOTES TO THE ACCOUNTS

The transitional adjustments to the opening Balance Sheet for the year are summarised as follows:

	Balance as at 31 March 2024	Adjustments to opening balances						Adjusted opening balance as at 1 April 2024
		Reclassification of Right of Use assets	Leases newly recognised	Donated Right of Use assets	Revaluation of Right of Use assets	Disposal of Right of Use assets	Finance lease receivables	
	£000	£000	£000	£000	£000	£000	£000	£000
Long-Term Assets								
Property, Plant and Equipment:								
Council Dwellings	426,440							426,440
Other Land and Buildings	75,699	(1,620)			(1,858)			72,221
Vehicles, Plant and Equipment	5,453							5,453
Infrastructure	2,252							2,252
Community Assets	534							534
Assets Under Construction	8,359							8,359
Right of Use Assets	0	1,620	3,988	2,021	2,679	(4,130)		6,178
Total Property, Plant and Equip	518,737	0	3,988	2,021	821	(4,130)	0	521,437
Investment Property	30,325							30,325
Long-Term Investments	9,568							9,568
Long-Term Debtors	4,393						1,860	6,253
Total Long-Term Assets	563,023	0	3,988	2,021	821	(4,130)	1,860	567,583
Current Assets								
Short-Term Investments	10,106							10,106
Inventories	393							393
Short-Term Debtors	12,365						1	12,366
Bad Debt Provision	(3,049)							(3,049)
Cash and Cash Equivalents	12,720							12,720
Total Current Assets	32,535	0	0	0	0	0	1	32,536
Total Assets	595,558	0	3,988	2,021	821	(4,130)	1,861	600,119
Current Liabilities								
Short-Term Borrowing	(4,155)							(4,155)
Short-Term Creditors	(27,755)		(1,127)					(28,882)
Total Current Liabilities	(31,910)	0	(1,127)	0	0	0	0	(33,037)
Long-Term Liabilities								
Long-Term Borrowing	(119,904)							(119,904)
Provisions	(2,594)							(2,594)
Developers Contributions Rec in Adv	(360)							(360)
Net Pensions Liability	(12,213)							(12,213)
Long-Term Right of Use Assets	0		(2,861)					(2,861)
Total Long-Term Liabilities	(135,071)	0	(2,861)	0	0	0	0	(137,932)
Net Assets	428,577	0	0	2,021	821	(4,130)	1,861	429,150

NOTES TO THE ACCOUNTS

	Balance as at 31 March 2024	Adjustments to opening balances						Adjusted opening balance as at 1 April 2024
		Reclassification of Right of Use assets	Leases newly recognised	Donated Right of Use assets	Revaluation of Right of Use assets	Disposal of Right of Use assets	Finance lease receivables	
	£000	£000	£000	£000	£000	£000	£000	£000
Usable Reserves								
General Fund Balance	3,000							3,000
Earmarked Reserves	27,475							27,475
Housing Revenue Account Balance	1,000							1,000
Capital Receipts Reserve	6,047							6,047
Capital Grants Unapplied	2,498							2,498
CIL Unapplied	8,527							8,527
Developers' Contributions Unapplied	3,497							3,497
Total Usable Reserves	52,044	0	0	0	0	0	0	52,044
Unusable Reserves								
Revaluation Reserve	85,727				1,836	(3,450)		84,113
Capital Adjustment Account	304,478			2,021	(1,015)	(680)		304,804
Financial Instruments Revaluation Reserve	(608)							(608)
Deferred Capital Receipts Reserve	475						1,861	2,336
Pensions Reserve	(12,213)							(12,213)
Collection Fund Adjustment Account	(852)							(852)
Accumulating Absences Adjustment Account	(474)							(474)
Total Unusable Reserves	376,533	0	0	2,021	821	(4,130)	1,861	377,106
Total Reserves	428,577	0	0	2,021	821	(4,130)	1,861	429,150

COUNCIL AS LESSEE

Restatement of opening lease liabilities on transition to IFRS16

The following table shows the impact of restating the opening lease liabilities as at 1 April 2024 on transition to IFRS16:

	Properties	
	Short term	Long term
	£000	£000
Balance as at 31 March 2024		
Remeasurement of opening balances		
Leases newly recognised on transition	1,127	2,861
Restated balance as at 1 April 2024	1,127	2,861

NOTES TO THE ACCOUNTS

Lease liabilities

The lease liabilities are as follows:

01 April 2024		Comprehensive income and expenditure statement	31 March 2025	
Short Term	Long Term		Short Term	Long Term
£000	£000		£000	£000
(1,127)	(2,861)		(1,127)	(1,725)

Land & Buildings

Transactions under finance lease

The Council incurred the following expenses and cash flows in relation to leases during 2024/25:

2023/24	Comprehensive income and expenditure statement	2024/25
£000		£000
0 Interest expense on lease liabilities		183
0 Income from subletting right-of-use assets		(100)
	Cash flow statement	
0 Minimum lease payments		1,136

Maturity analysis of lease liabilities

The lease liabilities, measured at the undiscounted amounts of expected cash payments, are due to be settled over the following periods:

01 April 2024	Repayment Period	31 March 2025
£000		£000
(1,320)	Within 1 year	(1,276)
(2,717)	Between 2-5 years	(1,526)
(220)	Between 5-10 years	(157)
(107)	Between 10-15 years	(102)
(91)	Between 15-20 years	(92)
(92)	Between 20-25 years	(86)
(20)	Between 25-30 years	(10)
(222)	Over 30 years	(220)
(4,789)	Total	(3,469)

NOTES TO THE ACCOUNTS

The total undiscounted lease liabilities measured at the undiscounted amounts of expected cash payments, reconcile to the net lease liability as follows:

01 April 2024		31 March 2025
£000		£000
(4,789)	Total undiscounted lease receivables	(3,469)
802	Unearned finance income	617
(3,987)	Net investment in leases	(2,852)

COUNCIL AS LESSOR

Nature of leasing activities

Prior to IFRS 16 the Council has no finance leases as lessor.

Following implementation of IFRS 16, five land and buildings leases have been reclassified as finance leases.

The Council has also leased out properties under the terms of an operating lease for the provision of community services and economic development.

Restatement of opening lease liabilities on transition to IFRS16

The following table shows the impact of restating the opening lease liabilities as at 1 April 2024 on transition to IFRS16:

	Properties	
	Short term	Long term
	£000	£000
Balance as at 31 March 2024		
Remeasurement of opening balances		
Leases newly recognised on transition	1	1,860
Restated balance as at 1 April 2024	1	1,860

Lease liabilities

The lease liabilities are as follows:

01 April 2024			31 March 2025	
Short Term	Long Term		Short Term	Long Term
£000	£000		£000	£000
		Comprehensive income and expenditure statement		
		Land & Buildings		
1	1,860		1	1,859

NOTES TO THE ACCOUNTS

Transactions under leases

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

2023/24		2024/25
£000		£000
	Finance leases	
0	Finance income on the net investment in the lease	(1)
	Operating leases	
(1,850)	Total lease income	(2,071)

Net investment in finance leases

The Council experienced the following changes in the carrying amount of its net investment in finance leases during the year:

2023/24		2024/25
£000		£000
0	Net investment at 1 April	0
0	New leases entered into	1,861
0	Payments by lessees	(1)
0	Net investment at 31 March	1,860

Maturity of lease receivables

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

01 April 2024			31 March 2025	
Operating leases £000	Finance leases £000		Operating leases £000	Finance leases £000
1,848	99	Repayment Period		
5,374	302	Within 1 year	2,071	99
19,461	10,949	Between 2-5 years	4,744	302
		Over 5 years	18,512	10,850
26,683	11,350	Total	25,327	11,251

NOTES TO THE ACCOUNTS

The total undiscounted receivables for finance leases reconcile to the net investment in finance leases as follows:

01 April 2024		31 March 2025
£000		£000
11,350	Total undiscounted lease receivables	11,251
(9,489)	Unearned finance income	(9,391)
1,861	Net investment in leases	1,860

46. GOING CONCERN

These accounts have been prepared on a going concern basis that the authority will continue in operational existence for the foreseeable future. However, it should be noted that, following the publication of the English Devolution White Paper including plans for Local Government Reorganisation and Hampshire's inclusion in the Government's Devolution Priority Programme, New Forest District Council shall likely cease to exist in its current form and will become part of a yet undefined larger unitary council in 2028. This future change does not detract from our confidence in the council's finances being prepared on a going concern basis.

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

The agreed balanced budget for 2024/25 and the Medium Term outlook to 2028/29 are supported by robust financial planning, estimates and assumptions. The Council has plans to address the forecast deficit over the period and as confirmed within the Section 25 statement of the Medium Term Financial Plan, adequate reserves will be maintained above minimum levels. The updated Treasury Management and Investment Strategies pick up on the forecast cashflow position, taking into account the Council's Capital Programme aspirations, covering the period to the end of April 2025. The Council will optimise the cash balances it has and has the option to prudentially borrow to support Capital Programme financing when required.

The Appletree Property Holdings group of companies depend upon the Council for ongoing financial support. The Council is committed to providing this support in the short to medium term as the companies assist with the provision of housing in the New Forest. Provision of expected loan drawdowns and other financial support has been incorporated into the Council's cash flow forecasts and medium-term financial plans.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2023/24		2024/25
£000	Notes	£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)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING REVENUE ACCOUNT ASSETS

a) Categorised by type of accommodation

31 March 2025	Houses	Bungalows	Flats	Total
Bedsits	0	0	210	210
1 Bedroom	5	356	863	1,224
2 Bedrooms	747	498	461	1,706
3 Bedrooms	1,963	18	7	1,988
4+ Bedrooms	121	1	0	122
Total	2,836	873	1,541	5,250

31 March 2024	Houses	Bungalows	Flats	Total
Bedsits	0	0	210	210
1 Bedroom	5	358	859	1,222
2 Bedrooms	742	497	456	1,695
3 Bedrooms	1,964	18	7	1,989
4+ Bedrooms	120	1	0	121
Total	2,831	874	1,532	5,237

b) Vacant Possession Value of Dwellings

The following analysis shows the value of dwellings within the HRA if they were sold on the open market with vacant possession.

	1 April 2023 £000	1 April 2024 £000
Council Housing Assets		
Standard Dwellings	1,233,201	1,158,583
Restricted Housing	89,542	83,316
Special Housing	11,295	10,571
Garages	8,036	6,043
	1,342,074	1,258,513
Other Assets		
Investment Property	179	179
Land and Other Buildings	952	501
	1,131	680
	1,343,205	1,259,193

NOTES TO THE HOUSING REVENUE ACCOUNT

c) Gross Value and Number by Type of HRA Assets

This analysis shows the gross value and number by types of dwelling within the HRA. The Balance Sheet value differs from the open market value, reflecting the economic cost to government of providing council housing at less than open market rents.

	1 April 2024		31 March 2025	
	Number of Units	Value £000	Number of Units	Value £000
Council Housing Assets				
Standard Dwellings	4,606	382,332	4,616	397,100
Restricted Housing	554	27,494	557	28,816
Special Housing	77	10,571	77	10,865
Garages	1,742	6,043	1,742	6,122
	6,979	426,440	6,992	442,903
Other Assets				
Investment Property	1	179	1	179
Land and Other Buildings	10	501	11	528
	11	680	12	707
Total	6,990	427,120	7,004	443,610

d) Capital Expenditure

Housing Revenue Account capital expenditure was applied to:

	2023/24	2024/25
	£000	£000
Major Repairs	11,259	9,697
Environmental Enhancements	110	182
Acquisition and Development Programme	13,979	17,824
Disabled Adaptations	1,034	949
Total	26,382	28,652

e) Funding of HRA Capital Expenditure

	2023/24	2024/25
	£000	£000
Revenue Contributions	2,333	949
Major Repairs Reserve	10,192	9,653
Loan	8,000	8,000
Grant	3,858	8,051
Capital Receipts	1,999	1,999
Total	26,382	28,652

NOTES TO THE HOUSING REVENUE ACCOUNT

2. RENT ARREARS

	31 March 2024	31 March 2025
	£000	£000
Rent Arrears	953	1,182
- current tenants	429	462
- former tenants		
	1,382	1,644
Less provision for bad debts	(980)	(1,030)
Anticipated collectable arrears of rent	402	614

3. HOUSING REPAIRS

The following table shows expenditure for the different categories of work undertaken on housing repairs:

	2023/24	2024/25
	£000	£000
Cyclical Maintenance	1,513	1,751
Reactive Maintenance	4,893	5,058
Total	6,406	6,809

The Council also undertook £9.696 million of housing works, which were treated as capital expenditure. The main categories of work were central heating, windows, doors and roof replacements and kitchen and bathroom modernisations.

4. HRA DEPRECIATION AND IMPAIRMENT OF FIXED ASSETS

a) Depreciation

The figures below show the depreciation charged to the Housing Revenue Account analysed over type of asset.

	2023/24	2024/25
	£000	£000
Standard Accommodation	9,262	8,779
Restricted Accommodation	673	631
Special Housing	257	243
	10,192	9,653
Other (included in Supervision and Management costs)	1	1
Total	10,193	9,654

NOTES TO THE HOUSING REVENUE ACCOUNT

b) Impairment

In 2024/25 there was a net increase in housing asset values credited to the Housing Revenue Account of £8.368 million but these were offset by capital expenditure not enhancing value of £15.954 million to arrive at a net valuation impairment of £7.586 million. This compares to a net impairment of £12.556 million in 2023/24. In 2024/25 other net housing asset valuation increases credited to the Revaluation Reserve were £14.664 million (£31.691 million decrease in 2023/24).

	2023/24	2024/25
	£000	£000
Housing Revenue Account/Capital Adjustment Account		
Revaluation Increases	(10,192)	(10,457)
Revaluation Decreases	3,097	2,089
Net Revaluation (Increases)/Decreases	(7,095)	(8,368)
Capital Expenditure not enhancing asset value	19,651	15,954
Total Housing Revenue Account Impairment	12,556	7,586
Revaluation Reserve		
Revaluation Increases	(36)	(14,664)
Revaluation Decreases	31,727	0
Total Revaluation Reserve	31,691	(14,664)
Total HRA Impairments/Revaluations	44,247	(7,078)

5. HRA CONTRIBUTION TO/FROM THE PENSION RESERVE

The Council has applied IAS19 to the Housing Revenue Account. This means that service expenditure reflects the appropriate allocation of retirement costs earned in the year rather than actual employer's contributions made. An appropriation has been made from the Pensions Reserve to negate the impact on the Housing Revenue Account balance of all items. The following transactions have been made in the HRA:

	2023/24	2024/25
	£000	£000
Net Cost of Services:		
Current service cost	1,232	1,308
Net Operating Expenditure:		
Net Interest Expense	197	144
Net Defined Benefit Liability Remeasured		
Return on plan assets (excluding the amount included in the net interest expense)	(1,667)	279
Actuarial (Gains) / Losses arising on changes in demographic assumptions	(840)	(79)
Actuarial (Gains) / Losses arising on changes in financial assumptions	14	(6,909)
Actuarial (Gains) / Losses due to liability experience	724	(488)
Changes in the effect of asset ceiling	0	5,788
Amounts to be met from Government Grants and Local Taxation		
Movement on pensions reserve	1,517	1,239
Actual amount charged against dwelling rents for pensions in the year:		
Employers' contributions payable to scheme	1,178	1,282

NOTES TO THE HOUSING REVENUE ACCOUNT

6. MAJOR REPAIRS RESERVE

The following table shows the movements on the Major Repairs Reserve.

	2023/24	2024/25
	£000	£000
Balance 1 April	0	0
Transferred to Reserve	10,192	9,653
Debits in respect of capital expenditure on land, houses and other property	(10,192)	(9,653)
Balance 31 March	0	0

7. CAPITAL RECEIPTS

The following table shows the income from Capital Receipts. Total Capital Receipts in respect of the Housing Revenue Account are shown after adjustments for administration and other costs.

	2023/24	2024/25
	£000	£000
Sale of Land	4	0
Sale of Council Houses	2,172	4,424
Discount Repaid	19	0
Shared Ownership	604	531
Mortgages Repaid	1	1
Disabled Facilities Grants	0	9
Usable Capital Receipts	2,800	4,965

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 Crime Commissioner for Hampshire and Isle of Wight	18,922	
5,813		Hampshire and Isle of Wight Fire And Rescue Authority	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 Authority	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)
		Contributions:		
	(976)	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)

NOTES TO THE COLLECTION FUND

1. GENERAL

Any surplus or deficit in respect of Council Tax at the end of the year is, during the next year distributed between the billing authority and major precepting authorities in proportion to their precepts in the year the surplus or deficit occurred.

Any surplus or deficit in respect of Business Rates at the end of the year is distributed in accordance with the percentage allocations set out in note 5 below.

2. CALCULATION OF THE TAX BASE

The Council Tax charge for the year is calculated by dividing the Council's budget requirement by the Council's tax base.

The tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.

New Forest District Council's tax base for tax setting purposes was calculated as follows:

Band	Estimated number of Taxable Properties *	Ratio	Number of Band D Equivalent Properties
Disabled A	28.00	5/9	15.80
A	5,870.00	6/9	3,913.50
B	10,684.00	7/9	8,310.00
C	16,448.00	8/9	14,620.60
D	17,536.00	9/9	17,536.20
E	12,566.00	11/9	15,358.60
F	6,668.00	13/9	9,631.80
G	4,366.00	15/9	7,276.90
H	570.00	18/9	1,140.20
Total	74,736.00		77,803.60
Less: Adjustment for collection rates			874.71
Less: Council Tax Reduction Scheme			4,557.39
Council Tax Base			72,371.50

- * after adjusting for the effects of discounts and anticipated changes during the year for new properties, demolitions, disabled persons relief, exempt properties and successful appeals against valuations.

NOTES TO THE COLLECTION FUND

3. ACCOUNTING FOR THE COLLECTION FUND BALANCE – COUNCIL TAX

The opening balance on the Collection Fund for 2024/25 was a £971,000 surplus. The surplus at the end of the year is split between Hampshire County Council, New Forest District Council, Police and Crime Commissioner for Hampshire and Hampshire and Isle of Wight Fire and Rescue Service.

In the Balance Sheet at 31 March 2025, the Council included the £1,015,000 surplus on a disaggregated basis as a creditor of £869,000 and a £146,000 attributable surplus within the Collection Fund Adjustment Account balance.

4. PRECEPTS AND DEMANDS ON THE COLLECTION FUND – COUNCIL TAX

2023/24				2024/25		
Precept £000	Share of Surplus £000	Total £000		Precept £000	Share of Surplus £000	Total £000
105,535	678	106,213	Hampshire County Council	110,963	710	111,673
18,173	117	18,290	Police Crime Commissioner for Hampshire and Isle of Wight	18,922	121	19,043
5,813	38	5,851	Hampshire and Isle of Wight Fire and Rescue Authority	5,995	38	6,033
21,568	138	21,706	New Forest District Council (including town and parish council requirements)	22,848	146	22,994
151,089	971	152,060		158,728	1,015	159,743

5. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate determined by the Government. The total amount, less certain reliefs and other reductions is paid into the Collection Fund before being distributed to Central Government (50%), New Forest District Council (40%), Hampshire County Council (9%) and Hampshire and Isle of Wight Fire and Rescue Service (1%).

The total non-domestic rateable value at 31 March 2025 was £195.230 million. The national non-domestic multiplier was 54.6p. This gave a potential business rate yield of £106.596 million. After allowing for items such as rateable value amendments, empty properties, small property reductions, additional reliefs as a result of the pandemic and transitional and charitable reliefs, the net amount of business rates collectable was £74.885 million.

NOTES TO THE COLLECTION FUND

6. ACCOUNTING FOR THE COLLECTION FUND BALANCE – BUSINESS RATES

The 2024/25 year-end surplus balance on the Collection Fund was £934,000. The Council's share is a surplus of £374,000 and Central Government, Hampshire County Council and Hampshire and Isle of Wight Fire and Rescue Service share a surplus balance of £560,000. Within the balance sheet the Council's share is shown within the Collection Fund Adjustment Account balance and the partners' share is netted off within creditors.

7. DEMANDS ON THE COLLECTION FUND – BUSINESS RATES

2023/24				2024/25		
Demand	Share of	Total		Demand	Share of	Total
	Surplus /				Surplus /	
	(Deficit)				(Deficit)	
£000	£000	£000		£000	£000	£000
36,975	(1,238)	35,737	Central Government	38,628	467	39,095
6,655	(223)	6,432	Hampshire County Council	6,953	84	7,037
739	(25)	714	Hampshire and Isle of Wight Fire and Rescue Authority	773	9	782
29,580	(990)	28,590	New Forest District Council	30,902	374	31,276
73,949	(2,476)	71,473		77,256	934	78,190

**NEW FOREST DISTRICT COUNCIL
SUPPLEMENTARY STATEMENTS
GROUP ACCOUNTS**

The group accounts contain core financial statements similar to those included in the Council's single entity statements but which represent the consolidated position of the group.

The group accounts are presented in the following pages and include:

	Page
Group Comprehensive Income and Expenditure Statement	112
Group Movement in Reserves Statement	113
Group Balance Sheet	114
Group Cash Flow Statement	115

Notes to the group accounts:

- 1 Overview
- 2 Accounting Policies
- 3 Group Property, Plant and Equipment
- 4 Group Long Term Debtors

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This account summarises the resources generated and consumed in providing services and managing the Group during the year.

2023/24				2024/25		
Gross Expend £000	Gross Income £000	Net Expend £000		Gross Expend £000	Gross Income £000	Net Expend £000
5,144	(2,823)	2,321	Community Safety and Wellbeing	7,462	(2,791)	4,671
17,349	(7,970)	9,379	Environment and Sustainability	19,788	(9,362)	10,426
34,125	(30,058)	4,067	Finance and Corporate	38,781	(29,942)	8,839
9,084	(6,956)	2,128	Housing and Homelessness	9,176	(6,757)	2,419
1,418	(360)	1,058	Leader	2,142	(715)	1,427
5,432	(1,814)	3,618	Planning and Economy	5,423	(2,534)	2,889
72,552	(49,981)	22,571	General Fund	82,772	(52,101)	30,671
38,293	(32,286)	6,007	Housing Revenue Account	33,499	(36,145)	(2,646)
110,845	(82,267)	28,578	Cost of Services	116,271	(88,246)	28,025
			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)	
			(Gains)/Losses on the disposal of Right of Use Assets	4,130	(1,861)	
	(668)		VAT Assessment / (Refund)		0	
			Car Parks Non Domestic Rates Refund			
		5,357	Total Other Operating Expenditure			7,791
			Financing and Investment Income and Expenditure			
			Interest Payable and Similar Charges:			
4			- General Fund	57		
4,731			- HRA	5,019		
0			- Right of Use Assets	183		
			Interest Receivable and Similar Income:			
	0		Expected Credit (Gain)/Loss on Investments	1		
321	(90)		Changes in the fair value of Investments	15	(217)	
	(3,393)		Other Investment Income		(3,100)	
	0		Right of Use Assets		(100)	
786			Net interest on the net defined benefit liability/(asset)	590		
	(716)		Income, expenditure and changes in the fair value of Investment Properties		(828)	
		1,643	Total Financing and Investment Income and Expenditure			1,620
			Taxation and Non-Specific Grant Income			
	(21,693)		Council Tax Income (incl. Parish precepts)		(23,035)	
	(8,034)		Non-Domestic Rates Income and Expenditure		(9,147)	
	(879)		Unringfenced Government Grants		(1,291)	
	(4,946)		Capital Grants and Contributions		(12,376)	
	0		Capital Grants and Contributions - Right of Use Assets		(2,021)	
		(35,552)	Total Taxation and Non-Specific Grant Income			(47,870)
124,235	(124,209)	26	(Surplus)/Deficit on the Provision of Services	134,655	(145,089)	(10,434)
	31,540		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets		(19,017)	
	(9,958)		Re-measurement of the defined benefit liability/(asset)		(7,678)	
		21,582	Other Comprehensive Income and Expenditure			(26,695)
		21,608	Total Comprehensive Income and Expenditure			(37,129)

GROUP MOVEMENT IN RESERVES STATEMENT

This schedule shows the movement in the year of the Council's single entity usable and unusable reserves as well as the Council's share of the group reserves.

	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's share of the Reserves of Subsidiaries	TOTAL GROUP RESERVES
	£000	£000	£000	£000	£000
Balance at 31 March 2023	(52,520)	(397,759)	(450,279)	566	(449,713)
Movement in reserves during 2023/24					
(Surplus)/deficit on the provision of services	232	0	232	(206)	26
Other comprehensive income and expenditure	0	21,662	21,662	(80)	21,582
Total Comprehensive Income and Expenditure	232	21,662	21,894	(286)	21,608
Adjustment between group accounts and authority accounts	(192)	0	(192)	192	0
Net (Increase)/Decrease before transfers	40	21,662	21,702	(94)	21,608
Adjustments between accounting basis and funding basis under regulations	436	(436)	0	0	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	476	21,226	21,702	(94)	21,608
Transfers to/(from) earmarked reserves	0	0	0	0	0
(Increase) / Decrease in Year	476	21,226	21,702	(94)	21,608
Balance at 31 March 2024	(52,044)	(376,533)	(428,577)	472	(428,105)
Movement in reserves during 2024/25					
(Surplus)/deficit on the provision of services	(10,186)	0	(10,186)	(248)	(10,434)
Other comprehensive income and expenditure	0	(26,486)	(26,486)	(209)	(26,695)
Total Comprehensive Income and Expenditure	(10,186)	(26,486)	(36,672)	(457)	(37,129)
Adjustment between group accounts and authority accounts	(189)	0	(189)	189	0
Net (Increase)/Decrease before transfers	(10,375)	(26,486)	(36,861)	(268)	(37,129)
Adjustments between accounting basis and funding basis under regulations	9,316	(9,316)	0	0	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	(1,059)	(35,802)	(36,861)	(268)	(37,129)
Transfers to/(from) Earmarked Reserves	0	0	0	0	0
(Increase) / Decrease in Year	(1,059)	(35,802)	(36,861)	(268)	(37,129)
Balance at 31 March 2025	(53,103)	(412,335)	(465,438)	204	(465,234)

GROUP BALANCE SHEET

This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group.

2023/24			2024/25	
£000	£000		£000	£000
		Long-Term Assets		
		Property, Plant and Equipment:		
426,440		Council Dwellings	442,902	
80,502		Other Land and Buildings	85,286	
5,453		Vehicles, Plant and Equipment	8,692	
2,252		Infrastructure	2,110	
534		Community Assets	535	
8,359		Assets Under Construction	13,938	
0	523,540	Right of Use Assets	5,055	558,518
	30,325	Investment Property		28,256
	8,201	Long-Term Investments		8,385
	680	Long-Term Debtors		2,368
	562,746	Total Long-Term Assets		597,527
		Current Assets		
		Assets Held For Sale - Property		
10,106		Short-Term Investments	2,042	
393		Inventories	608	
12,155		Short-Term Debtors	13,901	
(3,049)		Bad Debt Provision	(3,013)	
12,737		Cash and Cash Equivalents	22,596	
	32,342	Total Current Assets		36,134
	595,088	Total Assets		633,661
		Current Liabilities		
(4,155)		Short-Term Borrowing	(17,334)	
(27,757)		Short-Term Creditors	(26,269)	
	(31,912)	Total Current Liabilities		(43,603)
		Long-Term Liabilities		
(119,904)		Long-Term Borrowing	(115,804)	
(2,594)		Provisions	(1,917)	
0		Capital Grants - Receipts in Advance	0	
(360)		Developers' Contributions - Receipts in Advance	(144)	
(12,213)		Net Pensions Liability	(5,234)	
0		Long-Term Right of Use Assets	(1,725)	
	(135,071)	Total Long-Term Liabilities		(124,824)
	428,105	Net Assets		465,234
		Usable Reserves		
3,000		General Fund Balance	3,000	
27,193		Earmarked Reserves	25,190	
1,000		Housing Revenue Account Balance	1,000	
6,047		Capital Receipts Reserve	5,240	
2,498		Capital Grants Unapplied	4,416	
8,527		Community Infrastructure Levy Unapplied	11,405	
3,497	51,762	Developers' Contributions Unapplied	2,547	52,798
		Unusable Reserves		
85,897		Revaluation Reserve	101,042	
304,098		Capital Adjustment Account	314,660	
(588)		Financial Instruments Revaluation Reserve	(387)	
475		Deferred Capital Receipts Reserve	2,255	
(12,213)		Pensions Reserve	(5,234)	
(852)		Collection Fund Adjustment Account	520	
(474)	376,343	Accumulating Absences Adjustment Account	(420)	412,436
	428,105	Total Reserves		465,234

GROUP CASH FLOW STATEMENT

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

2023/24		2024/25
£000		£000
26	Net (surplus) or deficit on the provision of services	(10,434)
(23,116)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(10,213)
2,803	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5,123
(20,287)	Net cash flows from Operating Activities	(15,524)
23,908	Investing Activities	13,818
(683)	Financing Activities	(8,153)
2,938	Net (increase) or decrease in cash and cash equivalents	(9,859)
(15,675)	Cash and cash equivalents at the beginning of the reporting period	(12,737)
(12,737)	Cash and cash equivalents at the end of the reporting period	(22,596)

NOTES TO THE GROUP ACCOUNTS

1. OVERVIEW

New Forest District Council chooses to deliver its services through a variety of delivery models, either under ultimate control or in partnership with other organisations. The financial statements consider the New Forest District Council as a single entity, thus any business interests in other organisations are reflected in terms of the level of the Council's investment and not their financial performance, year-end balances and exposure to risk. In order to reflect a full picture of the Council's financial activities and business relationships, group financial statements are produced to reflect the extent of New Forest District Council's involvement in group undertakings.

The Group

The relevant accounting standards have been applied in determining how the organisations are included in the group boundary. The extent of the Council's interest and control over the entity was considered as was the materiality of the financial impact on the Council's group accounts and the transparency of less material entities to allow the reader to understand the Group's consolidated position. Following this assessment, the following has been identified as being within the Council's group for financial reporting purposes.

- Subsidiaries – where the Council either wholly or majority control an entity. Therefore, in the 2024/25 and 2023/24 group accounts the Appletree Property Holdings Group Limited is included.

The Council does not have business interests in any other organisations that are not included in the group accounts.

NOTES TO THE GROUP ACCOUNTS

2. ACCOUNTING POLICIES

The group accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and those International Financial Reporting Standards where CIPFA had provided guidance notes.

The accounting policies used in preparing the group accounts reflect those used by New Forest District Council in its single entity financial statements, these can be found in Note 1 of the New Forest District Council financial statements. In order to ensure consistency of accounting treatment and the alignment of policies across the group the following policies have been adopted:

Consolidation of Subsidiaries

Subsidiaries have been consolidated using the acquisition accounting basis. This is the full, line by line consolidation of financial transactions and balances of the Council and its subsidiary companies. To avoid overstating balances within the group financial statements all transactions and balances between the Council and group companies have been eliminated.

Alignment of accounting framework and policies

Where the accounting framework used by group companies differs from that of the Council, FRS102 rather than IFRS, including the accounting policies and the impact of such differences would have a material impact on the group financial statements then the relevant balances from the group companies will be adjusted to bring the accounting treatment in line with that applied by the Council.

Unrealised profits from intra-group transactions:

Any unrealised profit reflected in the carrying amount of property, plant and equipment and inventory arising from trading between the Council and its group companies will be eliminated to avoid the double counting of gains.

Company losses Accounting Treatment:

Appletree Property Holdings Limited included in the consolidation has reported losses in the year. The losses have been reported in accordance with IAS28 to the extent that all the losses have been recognised in the group accounts. These annual losses are reflected in the Group Comprehensive Income and Expenditure Account.

NOTES TO THE GROUP ACCOUNTS

3. GROUP PROPERTY, PLANT AND EQUIPMENT

Valuation of Property, Plant and Equipment

The Council subsidiary operates an annual programme of property revaluations; in 2024/25 this work was carried out by the Council's valuer P. Marston, MRICS, Registered Valuer.

Movement on Property, Plant and Equipment Assets

Purchases and disposals during the year were as follows:

Movements in 2024/25:	Council Property, Plant and Equipment	Council Share of Subsidiary Property, Plant and Equipment	Total Group Property, Plant and Equipment
Cost or Valuation	£000	£000	£000
Balance as at 31 March 2024	544,313		544,313
Restatement of opening balances on transition to IFRS16			
Reclassification of assets as Right of Use assets	0		0
Recognition of Right of Use assets on transition	6,009		6,009
Remeasurement of lease liabilities	0		0
Disposal of Right of Use assets on transition	(4,130)		(4,130)
Revaluation increases/(decreases) recognised	0		0
Revaluation Reserve	1,835		1,835
Surplus/Deficit on the provision of services	(1,015)		(1,015)
Adjusted balance as at 1 April 2024	547,012	4,803	551,815
Accumulated Depreciation and Impairment			
Balance as at 31 March 2024	(25,576)		(25,576)
Reclassification of assets as Right of Use assets	0		0
Disposal of Right of Use assets on transition	0		0
Revaluation increases/(decreases) recognised	0		0
Revaluation Reserve	0		0
Surplus/Deficit on the provision of services	0		0
Adjusted balance as at 1 April 2024	(25,576)		(25,576)

NOTES TO THE GROUP ACCOUNTS

Movements in 2024/25:	Council Property, Plant and Equipment	Council Share of Subsidiary Property, Plant and Equipment	Total Group Property, Plant and Equipment
Cost or Valuation	£000	£000	£000
Adjusted balance as at 1 April 2024	547,012	4,803	551,815
Additions	40,197	0	40,197
Revaluation increases / (decreases) recognised in the Revaluation Reserve	16,974	209	17,183
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(5,070)	83	(4,987)
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(16,784)	0	(16,784)
Derecognition - disposals	(3,426)	0	(3,426)
Other movements in cost or valuation	1,906	0	1,906
At 31 March 2025	580,809	5,095	585,904
Accumulated Depreciation and Impairment			
Adjusted balance as at 1 April 2024	(25,576)	0	(25,576)
Depreciation charge	(12,633)	0	(12,633)
Depreciation written out to the Surplus / Deficit on the Provision of Services	9,653	0	9,653
Derecognition - disposals	1,170	0	1,170
At 31 March 2025	(27,386)	0	(27,386)
Net Book Value			
At 31 March 2025	553,423	5,095	558,518
at 1 April 2024 adjusted	521,436	4,803	526,239
at 31 March 2024	518,737	4,803	523,540

NOTES TO THE GROUP ACCOUNTS

Comparative Movements in 2023/24:	Council Property, Plant and Equipment	Council Share of Subsidiary Property, Plant and Equipment	Total Group Property, Plant and Equipment
Cost or Valuation	£000	£000	£000
At 1 April 2023	569,412	4,662	574,074
Additions	30,296	0	30,296
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(31,267)	80	(31,187)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(2,145)	61	(2,084)
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(20,320)	0	(20,320)
Derecognition - disposals	(1,663)	0	(1,663)
Other movements in cost or valuation	0	0	0
At 31 March 2024	544,313	4,803	549,116
Accumulated Depreciation and Impairment			
At 1 April 2023	(24,393)	0	(24,393)
Depreciation charge	(11,757)	0	(11,757)
Depreciation written out to the Surplus / Deficit on the Provision of Services	10,192	0	10,192
Derecognition - disposals	382	0	382
At 31 March 2024	(25,576)	0	(25,576)
Net Book Value			
At 31 March 2024	518,737	4,803	523,540
at 31 March 2023	545,019	4,662	549,681

NOTES TO THE GROUP ACCOUNTS

4. GROUP ACCOUNTS LONG TERM DEBTORS

Group long term debtors were as follows:

31 March 2024		31 March 2025
£000		£000
7	Car Loans	19
200	New Forest Enterprise Centre	0
473	Rent to Mortgages House Purchases	490
0	Right of Use Assets	1,859
680	Total	2,368

GLOSSARY OF TERMS

Budget

The Council's plans set out in financial terms. Both revenue and capital budgets are prepared and are used to control and monitor expenditure and performance.

Capital Expenditure

Expenditure on the purchase of assets, which will be of use or benefit to the Council/Community for longer than one year.

Capital Financing

The raising of money to pay for capital expenditure.

Capital Receipts

Proceeds from the sale of long-term assets e.g. land or buildings.

Direct Revenue Financing

Financing of capital expenditure by a direct charge to a revenue account. This method of finance avoids borrowing.

General Fund

The section of the Council's accounts that covers services paid for by the Council Tax, Non-Domestic Rate and Revenue Support Grant.

Housing Revenue Account

The account which records the income and expenditure relating to the provision of council housing.

Impairment

At the end of each year each asset is reviewed. Impairment is accounted for if there is evidence that there has been a reduction in value.

International Financial Reporting Standards (IFRS)

Accounting practices recommended by the major accounting bodies.

Lease

A method of financing capital expenditure where a rental charge is paid for the use of an asset over a specified period of time. This rental covers a proportion of the capital cost of the asset, together with a return on the finance provided by the leasing company.

Long-term Assets

An asset that has a life of more than one year.

GLOSSARY OF TERMS

Long-term Investments

Loans that the Council has given that are repayable after 364 days of the start of the financial year.

PWLB Debt

Borrowing that is raised from the Public Works Loan Board, a UK Central Government organisation.

Revenue Support Grant (RSG)

Grant paid by the Government to local authorities to help them finance the cost of their services. The system is designed so that if all local authorities spend at the level determined by the Government, the council tax would be the same across the country.

Revenue Expenditure/Income

The costs or income relating to the day-to-day provision of services.

Short-term Investments

Investments that the Council has made that are repayable within 364 days from the date of the original investment.

Short-term Loans

Loans that the Council has raised that are repayable within 364 days of the start of the financial year.

Support Services

The costs of professional, administrative and technical support given to the departments that provides services to the public.

**THE 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 and Strategic Director Place, Operations and Sustainability both 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 Executive Management Team also changed at the end of 2025, with the addition of a new role. The Chief Operations Officer and Deputy Chief Executive position was recruited to internally with the post holder commencing this new role from 1 November 2025. Backfill arrangements for the vacated Strategic Director position are being serviced through interim cover, whilst external recruitment is underway. The statutory officer group has continued to meet monthly in accordance with recommended best practise.

The Council's overview and scrutiny arrangements remain in place following the formation of the new Council in May 2023. The three 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 Resources. 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. To further support the Council's legal expertise and capacity, an interim Head of Legal Services (Deputy Monitoring Officer) role has been contracted, with the post holder due to start with the Council in February 2026.

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, 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.

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 1 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.

<i>Signed:</i>		<i>Signed:</i>	
	Leader of the Council		Chief Executive
<i>Date:</i>		<i>Date:</i>	

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. Action: COMPLETE	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. Action: IN PROGRESS	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. Action: IN PROGRESS	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 to be made available for example in the operation of the Unit 4 financial system to enable more accessible budget information. Action: NOT STARTED	S151 Officer	December 2025
Financial Management Code assessment	To revisit the requirements of the Code for 2025/26. Action: IN PROGRESS	S151 Officer	March 2026

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New Forest District Council

Auditor's Annual Report
Year ended 31 March 2025
January 2026



Shape the future
with confidence



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



Members of the Audit Committee
New Forest District Council
Appletree Court
Beaulieu Road
Lyndhurst
SO43 7PA

28 January 2026

Dear Audit Committee Members

2024/25 Auditor's Annual Report

We are pleased to attach our draft Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for New Forest District Council. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2024/25. As the financial statements audit is still in progress as at 28 January 2026, this report has been issued as draft and will be finalised as part of issuing the 2024/25 audit report.

This report is intended to draw to the attention of the Council any relevant issues arising from our work up to the date of issuing the report. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 13 February 2026.

The [2025 Transparency Report](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 30 June 2025.

Yours faithfully

Simon Mathers

Partner, For and on behalf of Ernst & Young LLP

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01 Executive Summary

02 Audit of financial statements

03 Value for Money Commentary

04 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 sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01 Executive Summary

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Executive Summary

Purpose

The Auditor's Annual Report summarises the year's audit work, including value for money commentary and confirmation of the financial statement opinion. It also references any use by the auditor of their additional powers and duties under the Local Audit and Accountability Act 2014. In line with the NAO Code of Audit Practice 2024 ("the 2024 Code") and Auditor Guidance Note 03 (AGN 03), this report provides an overview to New Forest District Council and the public, detailing current recommendations and a review of prior years' actions, including our assessment of whether they have been satisfactorily implemented.

Auditors must issue their draft annual report to those charged with governance by 30 November each year, reflecting the audit position and value for money assessment at that time, even if the 2024/25 audit is ongoing.

Responsibilities of the appointed auditor

We have undertaken our 2024/25 audit work in accordance with the Audit Plan that we issued on 29 April 2025. We have complied with the 2024 Code, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the year; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework.

Reporting by exception:

- if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- the use of additional powers and duties, for example making written recommendations under Section 24 and Schedule 7 of the Act or making a report in the public interest; and
- if we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for the preparation of the financial statements, including the narrative statement and governance statement, in accordance with the CIPFA Code and for having internal controls in place to ensure these financial statements are free from material error. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (cont'd)

2024/25 conclusions

Financial statements	As reported in our 8 January 2025 Audit Results Report we issued a disclaimer of opinion on the Council's 2023/24 financial statements, and as reported in our 30 October 2024 Audit Completion Report we issued a disclaimer of opinion on the Council's 2022/23 financial statements under the arrangements to reset and recover local government audit. In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. Taking into account the requirement to conclude our work by the 2024/25 backstop date, we will not be able to rebuild assurance over these balances as part of the 2024/25 audit. It is therefore likely that we will continue to issue a disclaimed audit report in 2024/25. This is consistent with LARRIG01 and the illustrative timescale for progress to full assurance, which sets out that there is potential for qualified except for, but more likely to be disclaimed. Our work to audit the 2024/25 financial statements remains ongoing at the date of this report.
Going concern	We have not yet considered the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.
Consistency of the other information published with the financial statements	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts, subject to final review.
Value for money (VFM)	Based on work undertaken to date we have no matters to report by exception on the Council's VFM arrangements but have yet to fully complete our work on the Council's financial statements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We are satisfied that the annual governance statement was consistent with our understanding of the Council subject to full completion of our 2024/25 financial statements procedures.

Executive Summary (cont'd)

2024/25 conclusions (cont'd)

Additional powers and duties	We had no reason to use our auditor powers at the date of this report.
Whole of Government Accounts	We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.
Certificate	We will issue our certificate on full completion of our work.

Executive Summary (cont'd)

Value for money scope

Under the 2024 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.

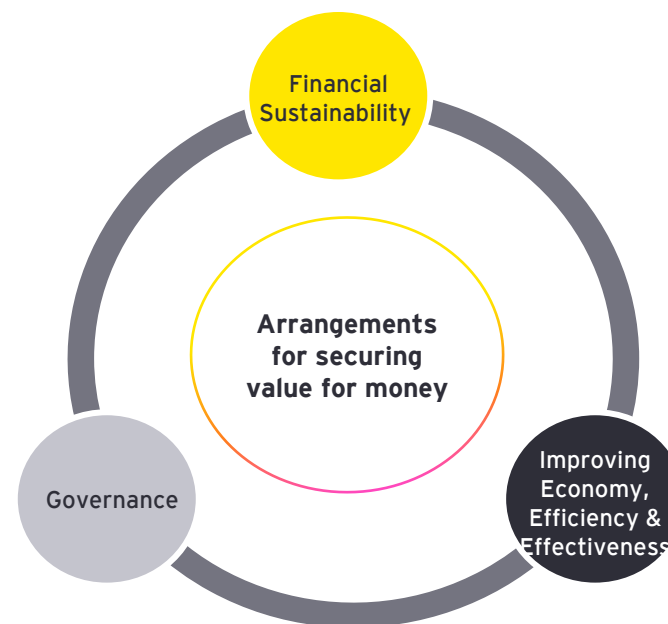
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

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.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Chief Executive and Chief Finance Officer;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.



Executive Summary (cont'd)

Reporting

Our commentary for 2024/25 is presented in Section 03. This section provides a summary of our understanding of the arrangements at the Council, as determined from our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2024/25 and up to the date of issuing this draft Auditor's Annual Report, which must be issued in draft by 30 November. The recommendations we have agreed upon with the Council are included in Appendices A and B.

The final version of this report will be issued alongside the signed audit report concluding on the 2024/25 year.

In compliance with the 2024 Code, we are required to provide commentary against the three specified reporting criteria. The table below outlines these criteria, indicates whether a significant risk of weakness was identified during our planning procedures, and details our current conclusions regarding any significant weaknesses within your arrangements.

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified at the planning stage of the audit.	We gave serious consideration as to whether the failure to include IFRS 16 entries and disclosures in the draft financial statements published by the statutory deadline constituted a significant weakness in the Council's governance arrangements for external statutory reporting. We have ultimately concluded that this is not a matter to report by exception in our audit report and recognise the hard work of the finance team to update the financial statements while also supporting the execution phase of the audit. However, it is important that the Council's arrangements are improved such that this does not reoccur in the future if and when new financial reporting standards are adopted in the financial reporting framework for local government.
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	No significant risks identified	No significant weakness identified

Executive Summary (cont'd)

Local Government Reorganisation

Local Government Reorganisation is expected to pose challenges for local authorities over the next year. During this period of change, the Council must maintain essential services and fulfil statutory duties. According to MHCLG guidance issued in July 2025, decisions made by the Council prior to reorganisation regarding ongoing service delivery and the medium-term financial strategy should focus on providing value for money for taxpayers and avoid limiting future decisions or sustainability of new councils.

The government has stated that it will issue directions under section 24 of the 2007 Act after Structural Changes Orders are made, specifying a person authorized to give consent on relevant matters and outlining how this authority should be exercised. MHCLG has noted these directions will follow previous precedents, requiring written consent from the successor council for land disposals and contracts exceeding a specified value.

To comply with MHCLG guidance and forthcoming directions, councillors and statutory officers need to be aware of their responsibilities and ensure that appropriate accounting and governance systems are maintained.

Independence

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

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2025

Ernst & Young (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 year end 30 June 2025:

[EY UK 2025 Transparency Report](#)



02 Audit of financial statements

Audit of financial statements

Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

Our audit of the 2024/25 financial statements is currently in progress. We will report further findings and conclusions verbally to the 13 February 2026 Audit Committee.

Financial statement risks	
Significant risk or area of focus	Conclusion
Misstatements due to fraud or error - Management override of controls	Based on our work completed to date, we have not identified any instances of inappropriate judgements or estimates being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.
Misstatements due to fraud or error - capitalisation of revenue expenditure	Our work did not identify any material weaknesses in controls or evidence of material management override concerning the capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied. We identified a factual misstatement due to error on the REFCUS balance in relation to spend on a Council-owned asset.
Significant Risk - Implementation of IFRS 16	Our work in this area is complete. No issues have been noted.
Risk of material misstatement - Valuation of property, plant and equipment (PPE) and investment property land and buildings valued at Existing Use Value (EUV) and Fair Value (FV)	Based on our work completed on PPE and IP valuations, a disclosure misstatement has been identified in relation to the presentation of derecognition of land values related to peppercorn leases that have been newly recognised as right of use assets.
Risk of material misstatement - Valuation of Council Dwellings	Our work in this area is complete. No issues have been noted.
Risk of material misstatement - Pension Liability Valuation	Our work in this area is complete. Hampshire Pension Fund's actuary had identified a discrepancy in their actuarial valuations which impacted all IAS19 reports for employers within the same accounting period. As a result, a further IAS 19 report was requested by the Council.

Audit of financial statements

Financial Statement reporting assessment

Management, and the Audit Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. We note the draft financial statements originally published did not include the transitional adjustments and disclosures required to implement IFRS 16 which has been adopted for the first time in 2024/25 as part of the financial reporting framework in local government. We had raised the Council's failure to quantify the likely impact of the transition to IFRS 16 in the 2023/24 Audit Results Report and raised an associated control recommendation for improvement. As at the date of this report the Council has now quantified the impact of the transition to IFRS 16 in an updated set of 2024/25 financial statements. They have been republished on the Council's website together with a notice of the updated public inspection period. We gave serious consideration as to whether the initial publication of draft financial statements excluding IFRS 16 entries and the amount of time taken to address this constitutes a significant weakness in the Council's governance arrangements to support its statutory financial reporting requirements. We have included a full qualitative assessment of the Council's financial reporting arrangements over-page.

Page 15 sets out the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, the reasons for that and what still needs to be done to successfully rebuild assurance is set out on page 15. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024. We will set out our view of the Council's progress against this timeline in our 2024/25 Audit Results Report and final Auditor's Annual Report following completion of our audit of the financial statements.

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Audit of financial statements

Financial Statement reporting assessment

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the draft financial statements	Ineffective			There were minimal non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements that demonstrates effective internal quality review prior to publication. However, the published draft financial statements were incomplete due to the failure to make adjustments for the implementation of IFRS 16.	We consider this further in our VFM reporting. See Section 03.
Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement			Most working papers were provided to the agreed timetable. However, due to the IFRS 16 implementation still being in progress, we received working papers for property, plant and equipment three weeks after the commencement of the year end visit. This caused significant delay in our testing of property, plant and equipment.	We expect to raise a scale fee variation in respect of this. See our Audit Results Report for further details.
Quality of working papers and supporting evidence	Requires improvement			Working papers and supporting evidence were generally of a good standard. However, we faced significant difficulty trying to map income and expenditure ledger codes as part of extracting transactional data from the Council's ledger that is needed to deliver the audit. This caused a significant delay in our testing of cost of services income and expenditure.	We expect to raise a scale fee variation in respect of this. See our Audit Results Report for further details.
Timeliness and quality of evidence supporting key accounting estimates	Effective			Working papers and supporting evidence supporting key accounting estimates were generally of a good standard.	N/A
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement			There were no significant issues with access to the finance team and key personnel, apart from the first three weeks of the audit when the finance team were still working on IFRS 16 implementation and therefore had less availability to support our audit.	We expect to raise a scale fee variation in respect of this. See our Audit Results Report for further details.
Volume and value of identified misstatements	Effective			A small number of material misstatements were detected as a result of our work which have been corrected by management.	N/A
Volume of misstatements in disclosure	Effective			A small number of misstatements in disclosure were detected in our work.	N/A

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Audit of financial statements

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.

2023/24



Disclaimer opinion

- Pervasive gaps over opening balances, comparators, and in-year movements.
- Lack of assurance over:
 - PPE
 - Comprehensive Income and Expenditure
 - Collection Fund
 - Housing Revenue Account Income and Expenditure
 - Financial Statement Disclosures
 - Cash Flow Statement
- Lack of assurance over Reserves (cumulative nature)

Current audit year
2024/25



Disclaimer or qualified opinion

- Continuing impact from 2023/24:
- Lack of assurance over all the comparator I&E transactions, PPE (where cyclical) and reserves.
 - Due to gaps in PPE assurance, there is a likely lack of assurance over related in-year transactions.
 - Potential for qualified except for, but more likely to be disclaimed

2025/26



Qualified (except for) opinion

- Assurance in place over opening and closing balances, and assurance gained over each in-year movement.
- Likely gap over specific comparator balances may remain on PPE due to the extent items have not been valued since 2022/23. The impact on the CIES & reserves would require to be assessed.
- However, with the anticipation of incorporating build-back guidance focusing on reserves, there is increasing probability that gaps in assurance can be specifically identified, leading to higher likelihood of a qualified report (not disclaimed).

2026/27



Unqualified opinion

- Expectation that all items resolved.
- Auditor will need to reassess the PPE cyclical valuation impact - but may be able to work with the authority to ensure that items previously valued in 2022/23 were revalued by this time or would be immaterial.

CURRENT AUDIT STATUS OF NEW FOREST DISTRICT COUNCIL

- The Council's progress is in line with the expected timescales for rebuilding assurance set out in LARRIG 01.
- The main areas where further work is necessary to rebuild assurance are valuation of property, plant and equipment, assurance over Income & Expenditure entries relating to PPE, and assurance over reserves.

2025
EXPECTED STATUS



03 Value for Money commentary

Value for Money

The 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.

Our responsibilities

Under the revised 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 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. Our summary is below:

	Significant risk identified	Significant weakness identified	Other matters identified
 Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.	None, subject to full completion of our 2024/25 financial statements procedures.	None, subject to full completion of our 2024/25 financial statements procedures.	None, subject to full completion of our 2024/25 financial statements procedures.
 Governance How the Council ensures that it makes informed decisions and properly manages its risks.	None, subject to full completion of our 2024/25 financial statements procedures.	We gave serious consideration as to whether the initial publication of draft financial statements excluding IFRS 16 entries and the amount of time taken to address this constitutes a significant weakness in the Council's governance arrangements to support its statutory financial reporting requirements.	None, subject to full completion of our 2024/25 financial statements procedures.
 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.	None, subject to full completion of our 2024/25 financial statements procedures.	None, subject to full completion of our 2024/25 financial statements procedures.	None, subject to full completion of our 2024/25 financial statements procedures.



VFM commentary: Financial Sustainability

Financial sustainability: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Financial Sustainability sub-criteria set out in AGN03:

- How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the body plans to bridge its funding gaps and identifies achievable savings;
- How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for financial sustainability. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed to date, the Council had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services.



Financial Sustainability considerations

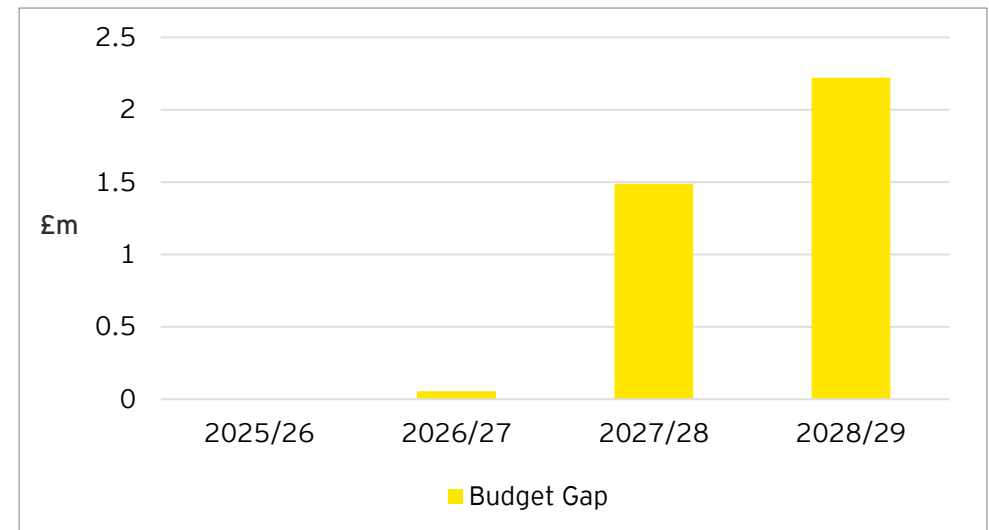
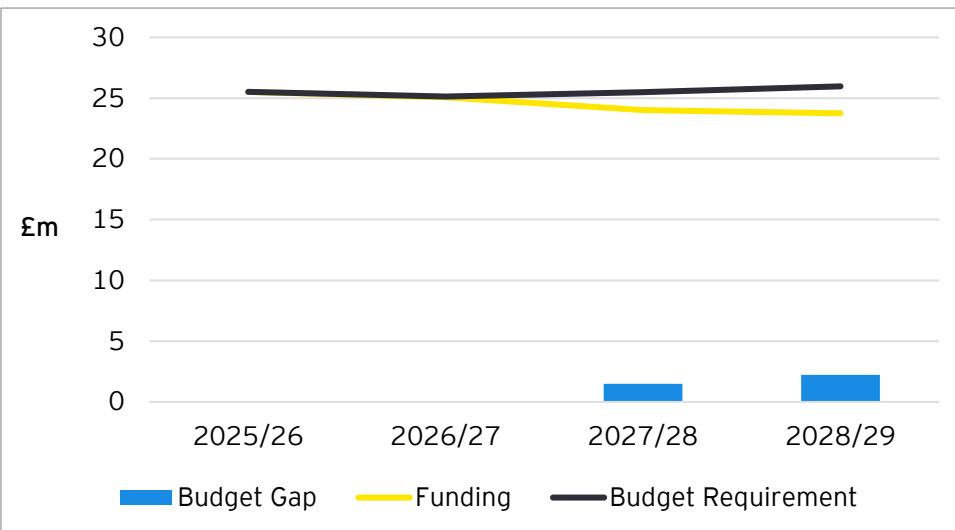
Medium Term Financial Plan

The Council presented an updated Medium Term Financial Plan (MTFP) in February 2025. The MTFP highlights the continuing levels of financial uncertainty across the sector. The current funding gap over the period to 2028/29 was £2.222 million, but significant risks remained, including uncertainty surrounding the assumed compensation for the increase in National Insurance costs and the potential re-design of the Business Rate retention scheme (in replacement of all other central funding).

The Council had identified one option to close this gap. This is through targeted fees and charges growth of £300k per annum from 2026/27, with a further £300k per annum in 2027/28 and an additional £300k per annum in 2028/29 generating a planned total of £900k by 2028/29. This growth scheme has therefore resulted headroom to support capital of £244k in 2026/27. If necessary, the Council is also able to call on the equalisation reserve to close the forecast cumulative deficit to 2028/29 of £2.222m if this cannot be addressed by the other measures or sources set out in the MTFP, which are:

- Taking appropriate opportunities regarding commercial and residential property strategies to bring valuable new sources of additional income into the Council.
- Crystallising savings and efficiencies from the council's Transformation Programme.
- Ongoing growth in all Council fees and charges income in line with policy.
- Maximising revenues through local taxation.

Exhibit A: The Council's MTFP outlines a cumulative gap of £2.222 million by 2028/29





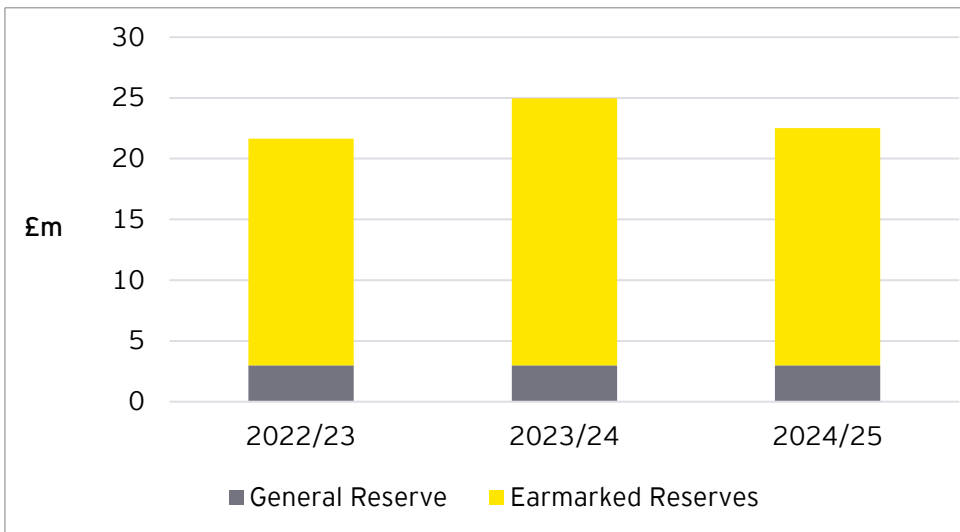
Financial Sustainability considerations

Reserves position

The Council's Reserves Strategy outlines that the minimum reserves to be held as uncommitted general funds is £3m. In 2024/25 the Council delivered a general fund net spend of £22.040 million against an original budget of £24.513 million, a positive variation of £2.473 million. The Housing Revenue Account provisional position confirmed income for the year of £36.752 million, an increase of £565,000 from the original budget, and revenue spend for the year of £21.265 million, a decrease of £681,000 from the original budget. Despite this positive in-year performance against budget, the Council's earmarked General Reserves decreased by £2.450 million, to £19.523 million. This was mainly due to financing of the capital programme from earmarked revenue reserves, in accordance with the Council's approved capital strategy.

The Council has a budget equalisation reserve which is available to offset any shortfall and balance the budget. This is contained within the Council's general fund earmarked reserves of £19.523m at 31/03/2025 and therefore, is sufficient to cover any shortfall.

Exhibit B: The Council's earmarked General Reserves fell by £2.450 million in 2024/25





VFM commentary: Governance

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Governance: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Governance sub-criteria set out in AGN03:

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's governance arrangements. In prior years, no significant weaknesses were identified. We gave serious consideration as to whether the initial publication of draft financial statements excluding IFRS 16 entries and the amount of time taken to address this constitutes a significant weakness in the Council's governance arrangements to support its statutory financial reporting requirements. We raised four recommendations relevant to the Council's arrangements to support its statutory financial reporting in 2023/24 as set out in Appendix B. Three of these recommendations have not yet been fully implemented. The Council's underlying arrangements in relation to governance are not significantly different in 2024/25.

Overview of our conclusions

We have considered the adequacy of the Council's arrangements to support its statutory financial reporting. Based on our considerations in page 24 of this report, we concluded that the above issue does not lead to a significant weakness in the Council's arrangements to support its statutory financial reporting.

Outside of this we are satisfied the Council had proper arrangements in place in 2024/25 to make informed decisions and properly manage its risks.



Governance considerations

Annual Governance Statement

The Annual Governance Statement (AGS) is prepared by the s151 Officer with assistance from the Monitoring Officer. The AGS goes through various review stages from stakeholders to ensure that there is sufficient knowledge of the entity reflected in the AGS. The AGS remains live, with updates made as required until the final point of approval by the Audit Committee in line with the close of the audit.

We noted that there are significant governance issues which the Council has disclosed in the 2024/25 AGS through the following required actions:

- To review reporting arrangements in respect of council owned companies, to ensure the Cabinet, as shareholders, have appropriate oversight.
- To review the effectiveness of new governance arrangements in support of Capital, Change, Transformation and Local Government Reorganisation.
- 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.
- 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.
- To re-visit the Financial Management Code assessment.

We do not consider the issues identified as being indicative of an absence of proper arrangements and are satisfied that actions plans have been established to address the issues which are regularly monitored.

Risk Management

The Council has sought to develop systems to identify, evaluate and mitigate risks which threaten its Council's ability to meet its objectives to deliver services to the public. To ensure that risks are appropriately mitigated, a Risk Register has been developed.

These risks are regularly reviewed. The register details the risks facing the Council and the impact on critical services. The Strategic Risk Register is managed by the Council's Executive Management Team (EMT) and Portfolio leads. This risk register is formally agreed by Cabinet and reviewed by the Audit Committee who make comments when required to Cabinet on the efficacy of the arrangements for managing risk at the Council. Management of the risks is an active process, including through EMT and the Council's performance management framework.

We have noted that, as a result of weaknesses in the Council's risk management arrangements identified by Internal Audit, the presentation of the risk register has changed during the year. A Strategic Risk Register was presented to Cabinet in September 2024 containing the register as dated in June 2024. A Principal Risk Register dated January 2025 was presented in April 2025. Principal Risks are now clearly defined as the highest-level risks to the Council, and fundamental to the delivery of the Council's strategic objectives set out in its Corporate Plan (Community Matters Corporate Plan 2020-24).

We have reviewed the register presented to Cabinet in April 2025 and noted that this allows for the monitoring of risks by the Council. This register is also presented to Cabinet on a regular basis. We note that there are five risks that have been red rated.



Governance considerations

Internal audit arrangements

There is an established internal audit function, performed by the Southern Internal Audit Partnership (SIAP), and programme of work is delivered and an annual opinion on internal control given by the Head of Internal Audit. There is also an Internal Audit Charter which describes the purpose, authority, and responsibility of internal audit activity.

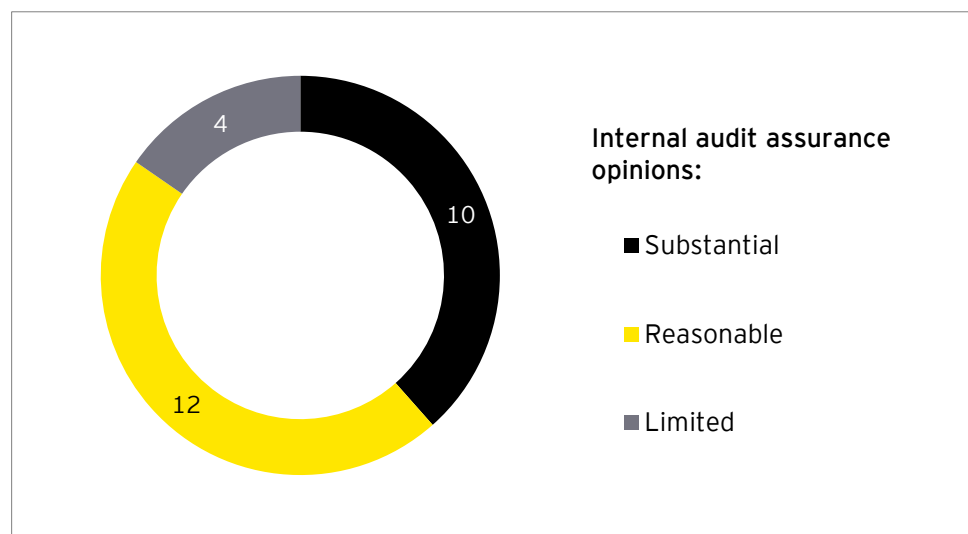
Internal Audit set out their testing approach at the beginning of each financial year, detailing the areas they will focus on. The audit plan has been developed having regard to the Council's 'Vision, Priorities and Values', the Council's risk management framework and areas of Corporate or national significance such as climate Change.

We have considered the Internal Audit Plan and Charter for 2024/25. We note that the plan remains appropriately risk-based, with coverage spanning key areas such as core financial systems, governance, IT, and services.

We have reviewed the annual fraud report presented to the Audit Committee in June 2025. The report covers key risk areas including internal staff fraud, housing fraud, council tax and benefit fraud, and procurement fraud. Training is provided regularly, and all staff must complete fraud awareness modules every two years.

The annual internal audit opinion for 2024/25 provided reasonable assurance overall, with 4 limited assurance ratings identified out of a total of 26 reviews undertaken. In relation to the 4 limited assurance areas, Internal Audit have agreed appropriate corrective actions and a timescale for improvement with the responsible managers. For risk management specifically, all agreed actions that were still applicable have been implemented.

Exhibit C: Internal audit's assurance opinions for 2024/25





Governance considerations

Informed decision making and member challenge

Decisions are taken by the committees of the Council, and are informed by detailed reports produced by officers, with key decisions on Council Policy taken by the Cabinet or Council in accordance with the Council's constitution, which is regularly reviewed and updated as appropriate. It was last reviewed during May 2023.

There is a monthly Cabinet meeting, to ensure leadership is regularly updated on the Council's position.

There are established Overview and Scrutiny Panels and the Audit Committee is the body formally charged with governance at the Council. The role of the Scrutiny Panels is to undertake reviews of the Council's policies, either on their own initiative or at the request of the Council or the Cabinet, advise on policy development, and review executive decisions to make sure the Cabinet does not exceed its powers.

The Audit Committee combines overview of both internal and external audit, the adequacy of risk management arrangements, and governance functions, for example promoting and maintaining high standards of conduct by Councillors and any co-opted members and assisting the Councillors and co-opted members to observe the Members' Code of Conduct.

Statutory financial reporting requirements

The draft 2024/25 financial statements originally published did not include the transitional adjustments and disclosures required to implement IFRS 16 which has been adopted for the first time in 2024/25 as part of the financial reporting framework in local government. We had raised the Council's failure to quantify the likely impact of the transition to IFRS 16 in the 2023/24 Audit Results Report and raised an associated control recommendation for improvement. Subsequently, the Council quantified the impact of the transition to IFRS 16 in an updated set of 2024/25 financial statements. They have been republished on the Council's website together with a notice of the updated public inspection period. We gave serious consideration as to whether the initial publication of draft financial statements excluding IFRS 16 entries and the amount of time taken to address this constitutes a significant weakness in the Council's governance arrangements to support its statutory financial reporting requirements.

We raised four recommendations relevant to the Council's arrangements to support its statutory financial reporting in 2023/24 as set out in Appendix B. We have updated progress against those recommendations in Appendix B.

We have considered the adequacy of the Council's arrangements to support its statutory financial reporting. Based on our work completed to date we found the updated financial statements, including the disclosures related to IFRS 16, to be of good quality, see page 14. There were minimal non-material internal inconsistencies, typographical and arithmetic errors in the statements that demonstrates effective internal quality review prior to publication. We also have no uncorrected misstatements to report to date, subject to full completion of the audit, and identified a relatively small number of material misstatements that management have agreed to correct. All working papers and evidence to support the financial statements were provided to us on a timely basis. However, we faced significant difficulty trying to map income and expenditure ledger codes as part of extracting transactional data from the Council's ledger that is needed to deliver the audit. This caused a significant delay in our testing of cost of services income and expenditure. Arrangements also need to be improved to reduce the time taken to eliminate contra journals and remove opening balances from creditor listings provided to facilitate our testing.

Given the quality of the statements and working papers, and relatively small number of findings in other areas of the financial statements, we concluded that the above issue does not lead to a significant weakness in the Council's arrangements to support its statutory financial reporting. However, it is important that the Council's arrangements to support the execution of the audit as set out in more detail in the table on page 14.



VFM commentary: Improving economy, efficiency and effectiveness

Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the body evaluates the service it provides to assess performance and identify areas for improvement;
- How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess where it is meeting its objectives; and
- Where the body commissions or procures services, how it assesses whether it is realising the expected benefits.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to improving economy, efficiency and effectiveness are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 in how it uses information about its costs and performance to improve the way it manages and delivers its services.



Improving economy, efficiency and effectiveness considerations

Financial and performance information

The Council produces a report of its Strategic Key Performance Indicators (KPIs) within its annual performance report. These KPIs are linked back to the key priorities within the Corporate Plan. The KPIs are organised by portfolio and a performance summary is Red/Amber/Green (RAG) rated. The scorecard is used to flag areas of required improvement, devise actions to address any weakness identified and monitor progress. Service performance against Council priorities is considered regularly throughout the year through the Quarterly Financial Monitoring Report.

The Council also produces an Annual Performance Report which enables the Council and the public to identify services or capital programmes that are, or are not, performing as expected by reference to KPI outcomes against targets which are based on the Council's strategic priorities as per the Corporate Plan. Monitoring arrangements therefore present a complete picture of both business and financial performance. KPIs include the current and previous year performance, and a RAG rating to clearly identify those items that are underperforming or perhaps require closer monitoring. The indicators are refreshed and reassessed annually within the Corporate Plan updates, to ensure they align to the priorities for the year.

Partnership working

Partnerships are included, as appropriate, within the Council's Corporate Plan. All priority areas have an emphasis on working in partnership with other bodies for the benefit of the District as a whole. There is also a governance structure in place to ensure performance expectations for partnerships are met.

The Council is part of the Partnership for South Hampshire, which is made up of 12 local authorities in the Solent area with the aim of collectively improving the environmental, cultural, and economic performance of the South Hampshire area. This partnership comes together approximately five times a year through a joint committee. The partnership focuses on areas not in the remit of the Solent Local Economic Partnership (LEP), particularly on sustainable housing development and environmental sustainability.

One of the largest projects the Council has partnered in is the Solent Freeport. In March 2022, an outline business case was approved by New Forest DC Full Council at an extraordinary meeting, with a full business case submitted to Government soon after. It is noted the case was approved with Solent Freeport fully designated in December 2022. The Solent Freeport has a designated board, and the Council have one seat on the board. There are 16 members in total including a Chief Executive Officer and independent chair with the other seats being allocated to other stakeholders including other local authorities involved in the Freeport.



Improving economy, efficiency and effectiveness considerations

Procurement and commissioning of services

The Council purchases goods and services from a variety of suppliers. Details of significant procurements are reported on the Council's website, which also includes the Council's overall Procurement Strategy. This is aligned to the delivery of the Council's Corporate Plan objectives. The website also includes details on the terms and conditions for contract management and an overview of the Council's procurement process.

The Council shares information on upcoming tenders as well as details of existing contracts at Southeast Business Portal (SEBP) which is used by over 35 other local authorities. Proposals for asset maintenance expenditure are supported by a business case, as are requests for new revenue resources. These are scrutinised initially by the Executive Management Team and the relevant Service Portfolio Holder prior to inclusion within the budget setting process. The financial planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels before final budgetary proposals and council tax levels are considered and approved by the Council each year.

All procurement processes and contract awards must comply with the Council's Contract Standing Orders (CSOs) as contained in the Council's Constitution, which also sets out the limited circumstances and processes that need to be followed for those requirements to be waived. Internal Audit considers compliance with procurement and contract management rules as part of its annual programme of work.



Improving economy, efficiency and effectiveness considerations

Performance assessment and areas for improvement

Service performance against Council priorities is considered regularly throughout the year through the Quarterly Financial Monitoring Report.

The Council also produces an Annual Performance Report which enables members, the public and other stakeholders to identify services or capital programmes that are, or are not, performing as expected by reference to KPI outcomes against targets. Those targets are based on the Council's strategic priorities as per the Corporate Plan. Monitoring arrangements therefore present a complete picture of both business and financial performance. KPIs include the current and previous year performance, and a RAG rating to clearly identify those items that are underperforming or perhaps require closer monitoring. KPIs are refreshed and reassessed annually within Corporate Plan updates, to ensure they properly align to the priorities for the year.

New waste collection service

The Council began a phased rollout of a new waste collection service for residents in June 2025 as part of a wider waste management strategy and programme. The waste strategy was agreed at a meeting of the Council in July 2022 with an update considered in February 2024. The policies to support the strategy were agreed at a meeting of the Council in July 2023. In keeping with the approved strategy, the project proposed to roll-out the service over three phases:

- Phase 1 (Lymington Depot area) commenced June 2025
- Phase 2 (Ringwood Depot area) commenced October 2025
- Phase 3 (Totton/Hardley Depot area) commencing March 2026

After the implementation of Phase 1, on 4 August 2025, six District Councillors submitted a request to the Chairman of the Council to call an extraordinary meeting of the Council to urgently review the roll-out of the new waste and recycling service. Numerous issues were cited by those Members including missed collections, overflowing bins, interference from animals, confusion about collection points, impacts in phase 2 and 3 areas including call waiting times, and impact on Council staff. The scale of service disruption arising exceeded the level deemed acceptable, and a number of incidents attracted elevated media attention. In response to this, both officers and members of the Cabinet sought to take ongoing management steps to address issues as they arose.

The costs and risks of a delay in phases 2 and 3 were laid out by management. Estimated costs associated with a delay in rollout was in the range of £1.116 million to £1.261 million. The Cabinet considered the contents of the report presented to them by management, and the summary of the debate at the Extraordinary Council meeting. In considering the motion, the Cabinet noted that the options appraisal in the above report identified that phases 2 and 3 should proceed as planned, with the mitigations and improvements noted in the action plan in the report. Key learnings from phase 1 are to be taken forward in phase 2. There is a clear programme governance in place, with risk management, budget assurance, and operational updates through the Waste Programme Board, and the linked Steering Groups with the frequency of these meetings having increased in tune to the emergence of issues during roll-out.

We reviewed the latest financial monitoring report to understand the financial impact of the waste collection service rollout. The overall impact of all variations from the refuse and recycling programme results in an updated General Fund Budget of £25.767 million; an increase of £258,000 from the original estimate. At this stage, the additional budget requirement will be funded from reserves.



04 Appendices

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Appendix A – Recommendations from current year

Recommendations from 2024/25

The table below sets out the recommendations arising from the value for money work for the year 2024/25. All recommendations have been agreed by management.

Issue	Recommendation	Management response
Management have not included purchaser's costs in their valuations of Investment Properties or Land and Buildings valued using the EUV method. This increases the risk of material misstatement of valuations.	Include purchaser's costs in the valuations of Investment Properties and Land and Buildings valued using the EUV method. We consider this recommendation to be relevant to the Council's Governance arrangements to support its statutory financial reporting.	The Council's valuers will continue to have due regard to RICs guidance around purchase costs and the need or otherwise to reflect these in EUV methodology.
Declarations of interests are obtained annually from Councillors. However, the register of interests for Councillors are not up to date on the Council's website. Some of the registers having not been updated since 2019.	Update register of interests as and when new interests are declared by Councillors or at least on an annual basis. We consider this recommendation to be relevant to the Council's Governance arrangements to support its statutory financial reporting.	The Council notes the observations and will review the guidance around the register of interests to determine whether an annual update is required.
Entries and disclosures needed to adopt IFRS 16 were not included in the draft financial statements initially published. This delayed commencement of the audit, with finance team capacity needed to address this during the execution phase of the audit. This has had an adverse impact on audit delivery.	Where there are known future changes to the financial reporting framework likely to have a material impact on the financial statements, ensure that a timely, properly resourced and monitored project plan is established to ensure required changes are completely reflected in the published draft financial statements. We consider this recommendation to be relevant to the Council's Governance arrangements to support its statutory financial reporting.	The Council's finance team will appropriately consider future changes to the financial reporting framework and will consider the use of a project plan to ensure the necessary changes are resourced, and timely.
Transactional breakdowns of creditor balances included brought forward balances which needed to be eliminated before we were able to select samples for detailed testing. This was a time-consuming process and increases the risk of error in the year end balance.	Ensure that breakdowns of creditor balances outstanding at year-end are readily available and support the outstanding position as opposed to in-year movements. This recommendation is partially repeated from the prior year. We consider this recommendation to be relevant to the Council's Governance arrangements to support its statutory financial reporting.	The Council will try to ensure that all information pertaining to creditors is presented in the format as desired by the auditor.

Appendix A – Recommendations from current year

Recommendations from 2024/25 (cont'd)

Issue	Recommendation	Management response
Our current year work continued to identify thousands of journals made to income and expenditure ledger codes that need to be eliminated before we can perform sampling procedures on the income and expenditure transactional data. The exercise of eliminating the irrelevant journals or account codes has proven difficult for management. This also required further time to be input by us and caused further delays in completion of the audit.	The Council should consider whether its current approach to journal entry posting is the most efficient and seek to group, automate or eliminate the postings made. This recommendation is repeated from the prior year. We consider this recommendation to be relevant to the Council's Governance arrangements to support its statutory financial reporting.	The number of journal posting has significantly reduced over the last 2 financial year cycles, in accordance with previous recommendations. It is also worthy of note that batch journals are posted, not individual lines one by one. Any further changes will require a far more significant overhaul of financial reporting and budget setting and so is not something that we consider appropriate so close to LGR, which ultimately would render this significant work abortive. Efforts will however be made to further streamline our reporting and working papers to the auditor.

Appendix B – Recommendations from previous years

Recommendations brought forward from previous years		
The table below sets out the recommendations arising from the value for money work in the prior year, 2023/24, and progress made in the current year.		
Issue	Recommendation	Progress made in 2024/25
Valuation of Property, Plant and Equipment	Management should ensure that all assets are subject to a full revaluation on a significantly regular basis to ensure material accuracy of the Property, Plant and Equipment valuation in accordance with the entity's own accounting policies and the CIPFA Code. We consider this recommendation to be relevant to the Council's Governance arrangements to support its statutory financial reporting.	Based on our audit procedures performed on PPE valuations, we can confirm that all assets have been fully revalued within a 5-year cycle. We are satisfied the recommendation is addressed.
Preparation of Debtors and Creditors Listings at Year-End	The Council should ensure that breakdowns of debtor and creditor balances outstanding at year-end are readily available and support the outstanding position as opposed to in-year movements. We consider this recommendation to be relevant to the Council's Governance arrangements to support its statutory financial reporting.	Based on our audit procedures performed on debtors, brought forward balances have been eliminated from the breakdowns provided to us, hence only the items related to the outstanding balance remain at year end. This aspect of the recommendation is therefore addressed. However, this was not the case for creditors, where brought forward balances remained in the breakdowns. We have therefore repeated this as a control recommendation in the current year in Appendix A.
Implementation of IFRS 16 (Leases)	Accelerate the rate of progress in arrangements for the implementation of IFRS 16 so the Council is able to comply fully with the requirements of the standard in its 2024/25 financial statements. We consider this recommendation to be relevant to the Council's Governance arrangements to support its statutory financial reporting.	We have concluded that this recommendation was not implemented. The draft financial statements submitted for audit did not include IFRS 16 related entries and disclosures. We have considered the impact of this on our current year reporting by exception on the Council's VFM arrangements. See further details in section 03.
Journal Entry Processing	The Council should consider whether its current approach to journal entry posting is the most efficient and seek to group, automate or eliminate the postings made. This recommendation was originally raised as part of the 2021/22 audit. Although a review of internal recharging process was undertaken designed to reduce the overall number of journal entries, we had not concluded the recommendation to be fully addressed at the end of 2023/24. We consider this recommendation to be relevant to the Council's Governance arrangements to support its statutory financial reporting.	This recommendation has not been implemented. Our current year work continued to identify thousands of journals made to income and expenditure ledger codes that need to be eliminated before we can perform sampling procedures on the income and expenditure transactional data. The exercise of eliminating the irrelevant journals or account codes has proven difficult for management. This also required further time to be input by us and caused further delays in completion of the audit.

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Audit Committee – 13 February 2026

Internal Audit Progress Report 2025-26 (December 25)

Purpose	For Decision
Classification	Public
Executive Summary	In accordance with the Global Internal Audit Standards in UK Public Sector this report presents the Internal Audit Progress Report to 31st December 2025. The Internal Audit Progress Report, attached as Appendix 1, provides the Audit Committee with an overview and key updates of internal audit activity and assurance work completed in accordance with the approved audit plan.
Recommendation(s)	The Audit Committee are requested to 1. note the Internal Audit Progress Report 2025-26 (December 2025) and 2. approve the proposed changes to the audit plan.
Reasons for recommendation(s)	To keep the Audit Committee appraised of internal audit activity and key updates relevant to the discharge of the Committee's role in relation to internal audit.
Ward(s)	All Wards
Portfolio Holder(s)	Councillor Jeremy Heron – Finance and Corporate
Strategic Director(s)	Alan Bethune, Strategic Director of Corporate Resources. S151 Officer
Officer Contact	Antony Harvey, Deputy Head of Southern Internal Audit Partnership 07784 265289 antony.harvey@hants.gov.uk

Introduction and background

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

'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. From 1 April 2025, the 'standards or guidance' in relation to internal audit are those laid down in the Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).
3. The Southern Internal Audit Partnership have been externally assessed against conformance with the Global Internal Audit Standards in the UK Public Sector which concluded:

*'SIAP has achieved an excellent result of **'generally achieves'** in this EQA in relation to the GIAS and Application Note. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."*

*Given SIAP's high level of performance and achievement with the GIAS, **I do not make any formal recommendations in this report.***

***I am delighted to confirm that SIAP fully achieves 46 of the 52 Standards and generally achieves the remaining six Standards.** There are no partial conformances, or areas where the team do not conform with any Standards.'*

4. In accordance with proper internal audit practices (Global Internal Audit Standards in the UK Public Sector), the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:
 - ongoing confirmation or otherwise regarding independence, and impairments [Standard 7.1]

- a summary of significant issues and escalation of matters of importance [Standard 8.1]
 - overview and sufficiency of resourcing [Standards 8.2, 10.1, 10.2, and 10.3]
 - communication of unresolved issues that fall outside of the Council's risk tolerance [Standard 11.5]
 - update on progress and any changes to the annual audit plan [Standard 9.4]
 - internal audit performance measures [Standard 12.2]
 - status of 'live' internal audit reports and status on the implementation of management actions [Standard 15.2].
5. Appendix A summarises the activities of internal audit for the period to 31st December 2025. The progress report confirms that 34% of the agreed plan has reached the reporting stages, including six reports that have been finalised since the previous progress update in September 2025, of which two concluded with a Substantial Assurance opinion and four with a Reasonable Assurance opinion. The remaining audits are either in progress or are in the process of being lined up for delivery during the final quarter of the year. There are two proposed plan changes (one addition and one withdrawal) for consideration and approval.
6. The report also provides an update on the Council's progress with implementing actions that have been agreed following audits, including confirmation that all actions have been completed in respect of seven previous audit review areas. The number of overdue management actions remains low and is consistent with the position previously reported within the September 2025 progress update.

Corporate plan priorities

7. 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

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

Consultation undertaken

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

Financial and resource implications

10. 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

11. The statutory requirement for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015. Internal audit functions within the UK Public Sector must conform with The Global Internal Audit Standards in the UK Public Sector (the Standards). The Standards require the Chief Internal Auditor to provide a written status report to the Audit Committee providing an overview and key updates of internal audit activity and assurance work completed in accordance with the approved audit plan. This report provides the Audit Committee with the progress report to 31st December 2025.

Risk assessment

12. The audit needs assessment follows a risk-based audit approach taking cognisance of the Council's risk register.
13. Failure to deliver an appropriate audit plan would increase the risk of failing within the Council's service delivery.
14. Failure to complete management actions or to act on the initial findings during the audit process will likely increase the chances of a negative outcome and/or delay required improvements to the Council's services.

Environmental / Climate and nature implications

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

Equalities implications

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

Crime and disorder implications

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

Data protection / Information governance / ICT implications

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

Appendices:

Appendix 1 – Internal Audit
Progress Report 2025-26 (December
25)

Background Papers:

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

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Southern Internal Audit Partnership

Assurance through excellence
and innovation

Internal Audit Progress Report

New Forest District Council – December 2025

Prepared by: Antony Harvey, Deputy Head of Partnership

1. 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:

'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 organisation's objectives.

2. 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.

3. Purpose of Report

In accordance with proper internal audit practices (Global Internal Audit Standards in the UK Public Sector), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to Senior Management and the Audit Committee, summarising:

- The monitoring of 'live' internal audit reports
- an update on progress against the annual audit plan and any subsequent revisions
- acknowledgement of any actual or perceived impairments to internal audit independence
- internal audit performance, planning and resourcing issues
- results of audit assignments and insights.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of controls in place focusing on those designed to mitigate risks to the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No

Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

4. Resourcing

As Chief Internal Auditor I maintain responsibility for ensuring that there is a sufficient level of resource available, supported by an appropriate range of knowledge, skills, qualifications and experience to deliver the internal audit plan (2025-26) and in the fulfilment of the audit mandate and delivery of the internal audit strategy.

- **Human Resource** - the Southern Internal Audit Partnership has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the internal audit strategy and risk-based audit plan.
- **Financial Resource** - the Head of Southern Internal Audit Partnership will manage the internal audit budget to enable the successful implementation of the internal audit mandate and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and relevant technologies and tools.
- **Technological Resource** - the internal audit function has the technology to support the internal audit process and regularly evaluates technological resources in pursuit of opportunities to improve effectiveness and efficiency.

I have not been made aware of any implications on organisational capacity that may adversely affect the delivery of the internal audit plan.

5. 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 2025-26 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 relating to the scope, performance, or communication of internal audit work during the year to date in the delivery of the internal audit plan or the fulfilment of the internal audit mandate.

6. Impairments

There have been no impairments to internal audit activity during the year. The internal audit function has remained free from all conditions that threaten our ability to carry out 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.

7. Rolling Work Programme

The internal audit plan for 2025-26 was originally presented to Senior Management and approved by the Audit Committee in March 2025. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed below.

Audit Review	Sponsor	Scoping Held	ToR Issued	Fieldwork Start	Draft Report	Final Report	Assurance Opinion	Comment
Town and Parish Councils – Shared Delivery Arrangements *	ADPO	02.09.24	07.10.24	11.11.24	12.05.25		Limited	* Included within 24-25 Annual Conclusion Report therefore excluded from 25-26 performance.
Environmental Enforcement - Clean Streets *	SDH&C	30.11.23	16.01.24	03.03.24	20.12.24		Limited	
Cemeteries *	ADPO	15.11.24	05.12.24	07.01.25	28.02.25		Reasonable	
Keyhaven – Income & PCard Expenditure *	SDH&C	10.12.24	20.01.25	20.01.25	24.04.25		Reasonable	
Corporate Plan and Performance Management	ADT	08.01.25	09.05.25	19.05.25	11.07.25	30.09.25	Substantial	
Transformation Programme	ADT	30.07.25	16.10.25	10.11.25	22.12.25			
Corporate Governance Framework – Complaints	SDCR	15.05.25	04.06.25	30.06.25	05.09.25	14.10.25	Substantial	
Asset Management – Corporate Estate	SDCR							Scoping 27.01.26
Investment Property Management	SDCR	13.08.25	08.10.25	03.11.25				
Information Governance	SDCR	11.12.25						
Procurement	ADFIN	11.09.25	10.10.25	22.10.25				
Business Continuity	SDH&C	06.10.25	25.11.25	25.11.25				
Emergency Planning	SDH&C	06.10.25	19.11.25	24.11.25				
Risk Management	ADT							Scoping 15.01.26
HR – Workforce Strategy and Wellbeing	ADT	16.10.25	11.12.25					
Safeguarding	SDH&C	22.09.25	30.10.25	06.11.25				
Treasury Management	ADFIN	12.12.24	27.01.25	12.05.25	10.09.25	02.10.25	Substantial	
Council Tax	SDCR	16.07.25	30.07.25	12.08.25	30.09.25	21.10.25	Reasonable	

Audit Review	Sponsor	Scoping Held	ToR Issued	Fieldwork Start	Draft Report	Final Report	Assurance Opinion	Comment
Accounts Receivable & Debt Management	ADFIN							Scoping 19.01.26
Main Accounting and Reconciliations	ADFIN	16.09.25	12.11.25	27.11.25				
IT – Firewall Management and Monitoring	ADT	23.01.25	24.02.25	13.11.25				
Cyber Security Training and Awareness	ADT	13.05.25	23.06.25	14.07.25	22.09.25	16.10.25	Reasonable	
IT Disaster Recovery and Service Continuity	ADT	06.10.25	22.10.25	12.12.25				
Application Product Management	ADT							Q4
Vulnerability Management	ADT							Q4
Licencing (Temporary Event Notices, Premises and Personal Licenses)	SDH&C	06.02.25	03.04.25	12.05.25	30.07.25	26.08.25	Substantial	
Planning/Development Management	SDPOS	31.07.25	29.09.25	23.10.25	16.12.25			
Engineering works	ADPO	23.06.25	05.08.25	04.09.25	13.10.25			
Taxi Licencing	SDH&C							Scoping 14.01.26
Tenant Engagement	ADH	14.05.25	14.07.25	02.09.25	15.10.25	29.10.25	Reasonable	
Housing Asset Management – Analogue to Digital Switchover	ADH	22.10.25	25.11.25	05.12.25				
Housing Asset Management – Fire Safety	ADH	08.08.25	26.09.25	05.12.25				
Waste Rollout – Phase Three (Bin order and delivery)	SDCR	10.12.25	19.12.25					

Audit Sponsor		Audit Sponsor	
Chief Executive	CX	Strategic Director Place, Operations & Sustainability	SDPOS
Chief Operating Officer / Deputy Chief Executive	COO	Assistant Director Place Operations	ADPO
Assistant Director Transformation	ADT	Assistant Director Place Development	ADPD

Assistant Director Strategy and Engagement (Monitoring Officer)	ADS&E	Strategic Director Housing & Communities	SDH&C
Strategic Director Corporate Resources (S151)	SDCR	Assistant Director Housing & Communities	ADH&C
Assistant Director Finance	ADFIN		

8. Adjustment to the Internal Audit Plan 2025-26

Internal Audit focus continues to be proportionate and appropriately aligned. The plan remains fluid and subject to on-going review and amendment, in consultation with the relevant audit sponsors, Senior Management, and the Audit Committee, to ensure internal audit are able to react to new and emerging risks and the changing needs of the Council.

Such amendments to the 2025-26 internal audit plan are detailed below with explanations for the proposed amendments.

Additions	Audit Review	Reason for inclusion in the plan
	Waste Rollout – Phase Three (Bin order and delivery)	Direct request from the Council to assess the processes and controls for bin ordering and delivery for phase three of the new waste collection service.
Withdrawals	Audit Review	Reason for removal from the plan
	Open spaces	Defer the audit due to on-going activity within the service to implement actions arising from previous audit reviews / to progress identified developments.

9. Acceptance of Risk

Internal audit reporting protocols are in place to ensure that the scope of work and findings for all assignments are reported appropriately and that agreed management actions are approved by senior management.

Every effort will be made to resolve disagreements that may arise during the audit process. However, if, unresolved issues are considered by internal audit to fall outside of the Council's risk tolerance, these will be escalated to Senior Management and the Audit Committee as deemed necessary.

There are no such instances to report from our delivery of the 2025–26 internal audit plan to date.

10. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

There have been no 2025-26 reviews which have concluded with a 'Limited' or 'No' assurance opinion.

11. Analysis of 'Live Audit Reviews'

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions											
				Agreed			Pending			Complete			Overdue		
				L	M	H	L	M	H	L	M	H	L	M	H
Fleet Management (follow-up phase 2)	22.05.23	ADPO	Reasonable	2	3	4	-	-	-	2	2	4	-	1	-
Open Spaces and Playground Safety Checks	07.12.23	ADPO	Limited	3	7	2	-	-	-	3	4	-	-	3	2
Accounts Payable	13.06.24	ADFIN	Reasonable	2	3	-	-	-	-	2	2	-	-	1	-
Health and Safety	15.11.24	ADT	Reasonable	-	2	4	-	1	-	-	-	3	-	1	1
Information Governance – Data Retention/Records Management	16.04.25	SDCR&T	Reasonable	6	-	-	4	-	-	2	-	-	-	-	-
Housing Asset Management – Gas Safety	21.08.25	ADH	Reasonable	-	2	5	-	-	1	-	2	4	-	-	-
ICT Project Delivery	04.09.25	ADT	Limited	1	9	3	-	5	-	1	4	3	-	-	-
Corporate Plan and Performance Management	30.09.25	ADT	Substantial	5	4	4	-	-	-	5	3	4	-	1	-
Cyber Security Training and Awareness	16.10.25	ADT	Reasonable	-	7	-	-	1	-	-	6	-	-	-	-
Council Tax	21.10.25	SDCR&T	Reasonable	4	2	-	1	-	-	3	1	-	-	1	-
Total				23	39	22	5	7	1	18	24	18	-	8	3

The management team have provided confirmation that all actions have been completed in respect of seven previous audit review areas and are therefore no longer included within the table above. The respective review areas and report dates are:- Housing Asset Management – Electrical Safety Checks (Feb 2024), HR – Recruitment/Statutory Responsibilities (Dec 2024), Budget Planning/Setting (Dec 2024); Housing Enforcement (April 2025), Environmental Health - Local Air Pollution Prevention and Control (LAPPC) (June 2025), Corporate Governance Framework – Complaints (Oct 2025); and Tenant Engagement (Oct 2025).

Annexe 1

Overdue 'High Priority' Management Action

Open Spaces – Playground Safety Checks

Observation: Guidance, policies and operational procedures

There are no current detailed procedure notes or guidance outlining the process and requirements within the Open Spaces Team, for example the criteria and timescales/frequency for maintenance checks. The Public Open Spaces Inspection Criteria Flowchart, which was last updated in Dec 2018, provides details of open spaces equipment to be checked and timescales however it does not appear that the flowchart has been revisited since its inception and there may be scope to reduce visits/inspection to certain sites based on guidance/legislation.

Risk: Hazards will not be identified and eliminated, which could lead to accidents and injuries.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
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)	31.03.24	30.10.25 04.02.26	A new Playground Policy, including a review of assets and inspection timescales, has been created and is being further developed following input from Transformation and Housing colleagues. The policy will be considered by Place Overview and Scrutiny Panel on 15 January 26, followed by Cabinet on 04 February 26.
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.	31.03.24	30.10.25 04.02.26	The Playgrounds and Play Equipment Policy will be considered by EMT alongside the Playground Policy before progressing to the safety panels. Extended internal consultation, change in personnel and further development work has resulted in a delay to scheduled timeline. NB There are also three medium priority overdue actions in relation to this audit which should be completed by 04 February 26.

Health & Safety

Observation: Contractor Health and Safety

The Health and Safety policy states that The Council's corporate Control of Contractors Policy identifies the key services who undertake construction and maintenance projects. The corporate policy requires these services to complete their own specific arrangements for the management of construction projects and the control of contractors. These arrangements must include roles and responsibilities, procedures, training requirements, procurement requirements and template documents.

Testing confirmed that a Control of Contractors policy is in place which includes detail on Health and Safety requirements for contractors, however this was last updated in 2021. The policy requires relevant areas of the Council to produce Standard Operating Procedures (SOPs) to enable compliance with regulations in this area. Testing found that the Operations Service had not yet produced a SOP as required.

Risk: Contractor Health and Safety may not be being addressed appropriately.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
2.1 Review the 2021 Corporate Control of Contractors Policy and communicate throughout the organisation (High priority).	n/a	n/a	This high priority action was completed at the time of the audit.
2.2 Ensure all control of contractors standard operating procedures are reviewed and submitted to the Control of Contractors Working Group for approve. Once approved communicate to all relevant employees (High priority).	01.04.25	Requested	November 2025 update re the high and medium priority actions: Standard Operating Procedures (SOPs) for Corporate Resources & Transformation and Estates & Valuations have been implemented, are held on SharePoint and training has been provided to all relevant employees. SOPs for Housing and Communities have been drafted and are with relevant officers for consultation. Anticipated approval date for the SOPs will be at the next control of contractors working group in January 2026.

			SOPs for Place, Operations and Sustainability have been drafted and consultation has been undertaken with relevant services. Additional detail is required in relation to working with other services in the Council such as Housing. Due to staff changes, progressing the actions has been delayed. The SOPs will need to be considered and approved by the control of contractors working group. The provision of training is dependant upon completion of 2.2.

Annexe 2

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
Fleet Management (follow-up phase 2)	22.05.23	Reasonable		1	31.03.24	30.11.25 30.01.26
Open Spaces and Playground Safety Checks	07.12.23	Limited		1	31.03.24	30.10.25 04.02.26
				2	31.05.24	30.10.25 04.02.26
Accounts Payable	13.06.24	Reasonable		1	31.03.25	31.03.26
Health and Safety	15.11.24	Reasonable		1	01.08.25	Requested
Corporate Plan and Performance Management	30.09.25	Substantial		1	30.11.25	Requested
Council Tax	21.10.25	Reasonable		1	30.11.25	30.06.26
Total			-	8		

Annexe 3

Southern Internal Audit Partnership - Performance Measures

Performance Measure	Regularity	Target	Actual 25-26	Status	Direction of Travel
1. Percentage of the agreed audit plan completed (issue of draft / final report)	Ongoing	90%	34%		
2. Audits delivered within agreed timescales (% year to date)					
○ To issue of draft report	Ongoing	80%	30%		
○ To issue of final report	Ongoing	80%	29%		
3. Conformance with the Global Internal Audit Standards in the UK Public Sector	Annual	Generally conforms	Generally conforms		
4. Audits conducted optimising the effective use of data analytics (% year to date)	Ongoing	60%	40%		
5. Stakeholder satisfaction (annual survey)					
○ Audit Committee	Annual	90%	100%		
○ Senior Management		90%	94%		
○ Key Contacts		90%	99%		
6. Internal audit effectively communicates with key stakeholders					
○ Audit Committee	Annual	90%	100%		n/a
○ Senior Management		90%	100%		n/a
○ Key Contacts		90%	99%		n/a
7. Sufficiency of input to and discussion of the internal audit plan					
○ Audit Committee	Annual	90%	100%		n/a
○ Senior Management		90%	100%		n/a
8. Appropriate focus on key risks					
○ Audit Committee	Annual	90%	100%		n/a
○ Senior Management		90%	100%		n/a
○ Key Contacts		90%	100%		n/a

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Audit Committee – 13 February 2026

External Quality Assessment – Final Report

Purpose	For Information
Classification	Public
Executive Summary	The purpose of this report is to provide the Audit Committee with the outcome from the External Quality Assessment (EQA) of the Southern Internal Audit Partnership against the new Global Internal Audit Standards in the UK Public Sector.
Recommendation(s)	The Audit Committee are requested to note 1. the report of the External Assessor following the External Quality Assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector (Appendix 1), and 2. the action plan developed against suggested opportunities for future development (Appendix 2).
Reasons for recommendation(s)	The Audit Committee has a responsibility to note the outcome of the external quality assessment in accordance with the Global Internal Audit Standards in the UK Public Sector.
Ward(s)	All Wards
Portfolio Holder(s)	Councillor Jeremy Heron – Finance and Corporate
Strategic Director(s)	Alan Bethune, Strategic Director of Corporate Resources. S151 Officer
Officer Contact	Antony Harvey, Deputy Head of Southern Internal Audit Partnership 07784 265289 antony.harvey@hants.gov.uk

Introduction and background

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

'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. From 1 April 2025, the 'standards or guidance' in relation to internal audit are those laid down in the Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) 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 Standards).
3. The Standards (8.4) require that *'the Chief Internal Auditor must develop a plan for an external quality assessment and discuss the plan with the Audit Committee. The external audit assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external assessment may also be met through a self-assessment with independent validation'*.

External Quality Assessment (EQA)

4. An External Quality Assessment of the Southern Internal Audit Partnership was undertaken during September to December 2025. The scope was comprehensive including review of the Southern Internal Audit Partnership's:
 - Conformance with the Global Internal Audit Standards in the UK Public Sector.
 - Mandate, charter, strategy, methodologies, processes, risk assessment and internal audit planning.
 - Performance measures and outcomes.
 - Qualifications and competencies including those of the Chief Internal Auditor.
 - Integration into the organisation's governance processes.
 - Contribution towards the organisation governance, risk management, and control processes.
 - Contribution to the organisations operations and ability to attain its objectives.
 - Ability to meet the expectations of stakeholders.

5. The External Quality Assessment was undertaken by John Chesshire of JC Training Ltd who met all of the necessary requirements of the enhanced qualification and experience required of an external assessor in the public sector. John is also the current Chairman of the Internal Audit Standards and Advisory Board whose role includes oversight of the development and periodic revision of the Global Internal Audit Standards. As such John is ideally positioned to provide the most credible assessment of the Southern Internal Audit Partnership against the new Standards.

External Quality Assessment Outcome

6. A full copy of the External Quality Assessment – Final Report is provided (Appendix 1), in concluding their conformance opinion, the external assessor states:

'I undertook this EQA review to provide an independent, objective, examination of SIAP against the GIAS, the Application Note, and the expectations within the CIPFA Code, as well as considering the function's effectiveness and delivery compared with other internal audit functions, current and emerging good practice(s).

The GIAS comprises five Domains, 15 Principles and 52 Standards. For each Standard, there are Requirements, Considerations for Implementation and Examples of Evidence of Conformance to achieve.

SIAP has achieved an excellent result of 'generally achieves' in this EQA in relation to the GIAS and Application Note. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."

I include a summary of SIAP's conformance to the GIAS, below. Overall, I believe that the team has achieved an excellent performance given its size, together with the breadth and depth of the benchmark established by the new GIAS.

I am delighted to confirm that SIAP fully achieves 46 of the 52 Standards and generally achieves the remaining six Standards. There are no partial conformances, or areas where the team do not conform with any Standards.

*I have undertaken ten reviews of diverse internal audit functions using the (new) GIAS to date and **this result puts SIAP firmly within the top quartile and represents the highest level of achievement and conformance with the new GIAS that I have seen to date.***

Summary of IIA Conformance	Standards	Does not Conform	Partially Conforms/ Achieves	Generally Conforms/ Achieves	Fully Conforms/ Achieves	Total
Purpose of Internal Auditing	N/A					N/A
Ethics and Professionalism	13				13	13
Governing the Internal Audit Function	9			3	6	9
Managing the Internal Audit Function	16			1	15	16
Performing Internal Audit Services	14			2	12	14
	52	0	0	6	46	52

7. In contextualising the overall assessment outcome, the external assessors clarify:

'Given these results, you may ask why does SIAP not fully achieve/conform, overall, given this level of attainment? The reason is that the IIA have set an incredibly high, and some may say excessively high, benchmark for the 'fully achieves' level of attainment. To fully achieve or conform, the IIA state that "The internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing." To fully achieve each of the 15 Principles, an internal audit function must fully conform with each of the 52 Standards.

Given that the GIAS remains 'comply or explain' in nature, an internal audit function can reasonably decide that some elements are not necessary to fully adopt, given the team's nature, size, sector, cost/benefit, value for money considerations, or target maturity level. Not everything must be platinum-plated, and a level of common sense, judgement and proportionality is important.'

Opportunities for improvement

8. It is important to note that the external assessor in their final report clearly states *'I do not make any formal recommendations in this report. To aid continuous improvement however, I do make a small number of suggestions for future development'.*

9. Whilst there is no obligation on the Southern Internal Audit Partnership to address the highlighted areas of improvement, our culture as a learning organisation seeks continual development in ensuring our service is future proofed, lean, efficient, and effective. Consequently, an Action Plan (Appendix 2) has been compiled to consider each of the suggested future development opportunities.

Conclusion

10. The decision to undertake an early external quality assessment and the resulting outcome provides assurance to the Council that the Southern Internal Audit Partnership are operating in general conformance with the Global Internal Audit Standards in the UK Public Sector and remain well positioned as your internal audit provider.

Corporate plan priorities

11. 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

12. There are no other options to consider as an EQA is a requirement of the Global Internal Audit Standards against which all internal audit providers must conform.

Consultation undertaken

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

Financial and resource implications

14. Internal audit is provided through the Southern Internal Audit Partnership. The cost of the External Quality Assessment (EQA) is included within these arrangements.

Legal implications

15. The statutory requirement for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015. Internal audit functions within the UK Public Sector must conform with The Global Internal Audit Standards in the UK Public Sector (the Standards). The Standards require *'the Chief Internal Auditor must develop a plan for an external quality assessment and discuss the plan with the Audit Committee. The external audit assessment must be performed at least once every five years by a qualified, independent assessor or assessment team.* This report provides the Audit Committee with outcome from the External Quality Assessment.

Risk assessment

16. Failure to commission an EQA, report on the outcomes and address the highlighted areas of improvement could lead to an audit service which does not comply with the Standards and/or fails to continually develop to ensure our service is future proofed, lean, efficient, and effective.

Environmental / Climate and nature implications

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

Equalities implications

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

Crime and disorder implications

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

Data protection / Information governance / ICT implications

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

Appendices:

External Quality Assessment – Final Report (Appendix 1)
External Quality Assessment – Action Plan (Appendix 2)

Background Papers:

Implementation of the Global Internal Audit Standards
Internal Audit Charter and Plan 2025-26
External Quality Assessment



Appendix 1 – External Quality Assessment – Final Report



11 December 2025

Neil Pitman
Head of Southern Internal Audit Partnership

Dear Neil,

Please see attached my final report as promised.

This report forms the final phase of the external quality assessment exercise. Congratulations on an excellent result.

Many thanks once again to you and the team for facilitating the exercise smoothly, professionally and efficiently.

Best wishes as ever and very happy to answer any questions.

John Chesshire
Director, JC Audit Training Ltd



External Quality Assessment

INDEPENDENT REVIEW FINAL REPORT

GENERAL ACHIEVEMENT	SOUTHERN INTERNAL AUDIT PARTNERSHIP GENERALLY ACHIEVES THE GLOBAL INTERNAL AUDIT STANDARDS, THE INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK AND THE UK PUBLIC SECTOR APPLICATION NOTE

John Chesshire CFIIA CRMA CIA CISA
JC Audit Training Ltd

11 December 2025

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Executive Summary

1. The Institute of Internal Auditors (IIA) launched their new Global Internal Audit Standards (GIAS) in January 2024, providing organisations, and their internal audit functions, twelve months to adapt their practices to meet the updated benchmark. The UK public sector delayed formal implementation to align with reporting years, and the GIAS became formally effective across this sector from 1st April 2025.
2. The GIAS comprises five Domains, 15 Principles, and 52 Standards. They replace the previous iteration and the UK's Public Sector Internal Audit Standards (PSIAS), which in turn were based upon the IIA's earlier International Standards.
3. The Southern Internal Audit Partnership (SIAP) commissioned this external quality assessment (EQA) in 2025 to assess their service against the new GIAS, as the very latest, best international internal audit practice. The GIAS requires an EQA at least once every five years, with SIAP last having one in September 2020. I was requested to undertake this current engagement, and, for the record, I also delivered the previous exercise on behalf of the Chartered IIA.
4. I am an experienced EQA reviewer, a former Head of Internal Audit and Chief Assurance Officer, and current Audit Committee Chair. I have delivered approximately 60 EQA reviews over the last eight years to a variety of clients of all sectors and sizes, across the UK and overseas. I have already undertaken several of these using the new GIAS.
5. I undertook this EQA by undertaking a formal validation of the team's internal assessment in Autumn 2025. This included examining SIAP's approach, ways of working, methodologies, remote document review and analysis, a selection of stakeholder and team member interviews, a targeted review of a selection of recent internal audit assurance and advisory engagement files, evaluation and the drafting and communication of this report.
5. I am delighted to report that SIAP **generally achieves** the GIAS which represents the global benchmark for internal audit quality. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."
6. This is an **excellent result**, particularly given the recent launch of the GIAS and SIAP's complexities as a multi-client provider of internal audit services. Many internal audit functions are struggling to conform with aspects of the GIAS, and others within the public sector are certainly not as well advanced in their implementation and maturity.

7. I have undertaken ten reviews of diverse internal audit functions using the (new) GIAS to date and this result puts **SIAP firmly within the top quartile and represents one of the highest levels of achievement and conformance with the new GIAS that I have seen to date.** Congratulations to all involved.
8. SIAP, and their key stakeholders, have established an effective governance and management framework over their activity that includes:
- Well-established Audit Committee (or equivalent) oversight, appropriate functional and administrative reporting lines, with revised Internal Audit Mandates and Charters, updated in line with the new GIAS.
 - A very experienced Head of Partnership leads SIAP, supported by an Assistant Head, four deputies and a knowledgeable professional team with diverse knowledge, backgrounds and capabilities. The SIAP team are trusted, valued and respected for their professionalism by key stakeholders.
 - SIAP strategic and operational priorities are guided by regular engagement with key stakeholders, an overarching audit strategy aligned with the new GIAS, flexible periodic audit plans, an updated quality assurance and improvement programme, investment in learning and development, and increasingly effective use of specialist internal audit software applications.
 - Revised SIAP working practices, templates, tools and an updated internal audit methodology aligned with the GIAS that seeks to balance agility and efficiency, with root cause analysis and depth to deliver added value, insight and - increasingly - foresight to its key stakeholders.
9. From the EQA results, I am satisfied that SIAP clearly conforms with the fifteen GIAS Principles. SIAP also conforms with the fifty two Standards. **I am very pleased to report that there are no Standards that the Internal Audit Service 'partially achieves' or 'does not achieve'.** Once again, this is very positive and represents an excellent level of performance against a challenging - and new - set of demanding benchmarks.
10. Given SIAP's high level of performance and achievement with the GIAS, I do not make any formal recommendations in this report. To aid continuous improvement, however, I do make a small number of suggestions for further development.
11. I would like to thank everyone who assisted us in this review, most obviously the Head of Partnership, for organising everything, and their SIAP colleagues and key stakeholders I interviewed as part of this EQA process. Thank you all.

Introduction and approach

12. The Head of Southern Internal Audit Partnership (SIAP) commissioned this External Quality Assessment (EQA) against the Institute of Internal Auditors (IIA) Global Internal Audit Standards (GIAS). The GIAS were formally implemented across the UK public sector on 1st April 2025 and forms the key part of the broader IIA International Professional Practices Framework (IPPF) alongside the new Topical Requirements¹.
13. The GIAS builds upon the previous International Standards and the associated UK Public Sector Internal Audit Standards. For the UK public sector, the GIAS are also supplemented by the Global Internal Audit Standards in the UK Public Sector Application Note (Application Note).
14. The Chartered IIA state that the GIAS, “guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are fifteen guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation, and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfill the Purpose of Internal Auditing”. The GIAS comprises five Domains, 15 Principles and 52 Standards, with some additional public sector nuances introduced through the Application Note.
15. In local government, the CIPFA Code of Practice for the Governance Internal Audit in UK Local Government (CIPFA Code) also applies to address the ‘essential conditions’ for the governance of internal audit set out in Domain III of the GIAS. The Code concerns the roles of senior management and the audit committee regarding internal audit. EQAs must also consider the governance of internal audit, which for local government is set out in this CIPFA Code.
16. Where internal audit providers have more than one local government client, like SIAP, the governance arrangements for internal audit should be separately considered so that there can be a conclusion for each client. This does not mean that a separate EQA is required for each authority, only that the EQA must be able to conclude individually for each principal local authority client. I have undertaken this in this EQA.

¹ The IIA states that the Topical Requirements “enhance the consistency and quality of internal audit services, increasing the professionalism of internal auditors’ performance. They help strengthen the relevance of internal auditing to address pervasive and evolving risks.” The first Topical Requirement on Cybersecurity becomes properly effective on February 5, 2026. As a result, Topical Requirements were not applicable at the time of this EQA.

17. Where the internal audit function applies a common approach to its working practices for all its clients (e.g. engagement planning and conduct of audits), again like SIAP, then the EQA assessor may sample across the client base to verify those aspects of the standards. Where the internal audit provider has a large client base, this may mean the conduct of internal audit engagements at an authority may not be selected for sample testing. If the EQA assessor is satisfied that the provider adopts a common approach across the clients, then the authority can still be satisfied with the assessor's conclusion. This is the approach that I have also undertaken in this EQA exercise.
18. The SIAP team comprises 61 internal audit, IT audit and counter fraud professionals. SIAP seeks to bring together the professional discipline of internal audit across partnering organisations, pooling expertise and enabling a flexible, responsive and resilient service to its partner and client portfolio. SIAP currently delivers internal audit services to 20 local authorities, including Hampshire and West Sussex County Councils, five blue light clients and six other smaller clients. The SIAP partner and client base has continued to grow since the 2020 EQA exercise and delivers nearly 10000 days' chargeable work.
19. The Head of Partnership, supported by the Assistant Head and four Deputy Heads fulfil the Chief Internal Auditor (CIA) roles for their respective portfolios. They report functionally to Audit Committees in the partner and client organisations. In addition, the Head of Partnership reports strategically to the Strategic and Key Stakeholder Boards.
20. SIAP last had an EQA in 2020, undertaken by the Chartered Institute of Internal Auditors (Chartered IIA). The GIAS mandate these EQAs at least once every five years.
21. Like many internal audit teams, SIAP has reviewed its governance, management and operational practices because of the update and implementation of the GIAS. The IIA are keen that the GIAS help 'raise the bar' for internal audit services across the world. As a result, SIAP undertook a thorough gap analysis and embarked upon identifying and implementing changes and enhancements to better align with the new GIAS, the associated Application Note and the expectations of the Code.
22. This EQA included examining SIAP's overall approach, methodology, processes, remote document review and analysis, interviews with the team and stakeholders, a targeted review of a selection of their recent internal audit assurance engagement files, evaluation and the drafting and communication of this report. I have included a list of stakeholder interviewees at appendix one, SIAP team members interviewed at appendix two, and a sample of the feedback at appendix three.

23. The EQA primarily involved comparison of working practices against the GIAS. The tried and tested process I followed involved:

- Examining and reflecting upon the requirements of the Purpose of Internal Auditing, the five Domains, the 15 Principles and the 52 Standards. I have also employed the 'Considerations for Implementation' and the 'Examples of Evidence of Conformance'.
- Assessing the key criteria needed to demonstrate appropriate compliance.
- Recording the necessary evidence to demonstrate SIAP's conformance status with each Standard. I have undertaken this through documentation review, thorough consideration of SIAP's latest (and comprehensive) self-assessment, a targeted examination of working papers, with evidence drawn from across the whole client base, discussions with team members and selected interviews (et al), as noted above. I have recorded the sample SIAP engagements I reviewed in detail in appendix four, but I examined aspects of work SIAP have undertaken with each client.
- Comparing the evidence to the key conformance criteria and assessing the degree of conformance. I have employed the standard IIA definitions for this and have provided these in appendix five.

Conformance opinion

24. As noted above, I undertook this EQA review to provide an independent, objective, examination of SIAP against the GIAS, the Application Note, and the expectations within the CIPFA Code, as well as considering the function's effectiveness and delivery compared with other internal audit functions, current and emerging good practice(s).

25. The GIAS comprises five Domains, 15 Principles and 52 Standards. For each Standard, there are Requirements, Considerations for Implementation and Examples of Evidence of Conformance to achieve.

26. **SIAP has achieved an excellent result of 'generally achieves' in this EQA** in relation to the GIAS and Application Note. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."

27. I include a summary of SIAP's conformance to the GIAS, below. Overall, I believe that the team has achieved an excellent performance given its size, together with the breadth and depth of the benchmark established by the new GIAS.

28. I am delighted to confirm that SIAP fully achieves 46 of the 52 Standards and generally achieves the remaining six Standards. There are no partial conformances, or areas where the team do not conform with any Standards.

29. I have undertaken ten reviews of diverse internal audit functions using the (new) GIAS to date and this result puts SIAP firmly within the top quartile and represents the highest level of achievement and conformance with the new GIAS that I have seen to date.

Summary of IIA Conformance	Standards	Does not Conform	Partially Conforms/ Achieves	Generally Conforms/ Achieves	Fully Conforms/ Achieves	Total
Purpose of Internal Auditing	N/A					N/A
Ethics and Professionalism	13				13	13
Governing the Internal Audit Function	9			3	6	9
Managing the Internal Audit Function	16			1	15	16
Performing Internal Audit Services	14			2	12	14
52		0	0	6	46	52

30. Given these results, you may ask why does SIAP not fully achieve/conform, overall, given this level of attainment? The reason is that the IIA have set an incredibly high, and some may say excessively high, benchmark for the 'fully achieves' level of attainment. To fully achieve or conform, the IIA state that "The internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing." To fully achieve each of the 15 Principles, an internal audit function must fully conform with each of the 52 Standards.

31. Given that the GIAS remains 'comply or explain' in nature, an internal audit function can reasonably decide that some elements are not necessary to fully adopt, given the team's nature, size, sector, cost/benefit, value for money considerations, or target maturity level. Not everything must be platinum-plated, and a level of common sense, judgement and proportionality is important.

32. I summarise the results further using a red, amber, light and dark green (RAGG) colour-coding covering each of the 15 Principles as shown below:

Principles	
1	Demonstrate Integrity
2	Maintain Objectivity
3	Demonstrate Competence
4	Exercise Due Professional Care
5	Maintain Confidentiality
6	Authorized by the Board
7	Positioned Independently
8	Overseen by the Board
9	Plan Strategically
10	Manage Resources
11	Communicate Effectively
12	Enhance Quality
13	Plan Engagements Effectively
14	Conduct Engagement Work
15	Communicate Engagement Conclusions and Monitor Action Plans

33. For SIAP's conformance with the 52 Standards, the results are:

Standards							
1.1		6.1		9.5		13.2	
1.2		6.2		10.1		13.3	
1.3		6.3	Support	10.2		13.4	
2.1		7.1		10.3		13.5	E. Resource
2.2		7.2		11.1		13.6	
2.3		8.1	Board	11.2		14.1	
3.1		8.2		11.3		14.2	
3.2		8.3		11.4		14.3	
4.1		8.4		11.5		14.4	
4.2		9.1		12.1		14.5	
4.3		9.2	Strategy	12.2		14.6	
5.1		9.3		12.3	Oversee	15.1	
5.2		9.4	Plan	13.1		15.2	

Deliverables

34. In addition to this report, I have provided the Head of Partnership and the Internal Audit Service with a briefly annotated version of their own Internal Quality Assessment (IQA) which I have validated through this EQA. This evidences my view of the team's own IQA.
35. I make several small suggestions to help promote ongoing development and continuous improvement. I have included these suggestions on pages 11-14 below.

Key achievements

36. I believe that SIAP performs very effectively in its own governance, risk management and internal audit practices. I was particularly impressed with the following:
- SIAP delivers a very effective, efficient, independent, and objective assurance and advisory service across its partners and clients, covering their diverse and complex activities.
 - SIAP's own governance framework is mature, with strategic oversight through a well-established Key Stakeholder Board, as well as partner and client Audit Committee (or equivalent) and senior management engagement, oversight, reporting and regular communications.
 - SIAP's revised Internal Audit Charter fully aligns to the good practice detailed in the GIAS. It clearly details the team's mandate, purpose, authority, and accountability.
 - A very experienced Head of Partnership leads SIAP, supported by an Assistant Head, four deputies and a knowledgeable professional team with diverse knowledge, backgrounds and capabilities. The Learning and Development Plan 2024-26 represents good practice, covering SIAP's overall approach to induction, vocational training, performance management, and learning and development.
 - Team members have considerable practical and professional experience and undertake an appropriate range of Continuing Professional Development (CPD) activities to maintain and enhance knowledge, skills, and experience. Less experienced colleagues are supported through a very well-received, effective induction programme. SIAP maintains a useful log of the team's collective Knowledge, Qualifications, Skills and Experience.

- Partners and clients highly value the team's specialisms and capabilities in IT audit and counter fraud expertise, together with the resilience and capacity that SIAP bring.
- SIAP has established an Internal Audit Strategy for 2025-2028. This is clear and well presented, with valid relevant objectives and priorities for the team to aim for and deliver. This has been developed with partner and client involvement and indicates how SIAP aims to continue to enhance the assurance and advisory services it delivers to help them enhance their own governance, risk management and control practices, and thereby deliver their own objectives.
- SIAP agree flexible internal audit plans with their partners and clients. These include future engagements based upon key risks, client priorities, other sources of assurance and SIAP views and judgement. The client Audit Committee (or equivalent), senior management and other assurance providers are closely involved in, or contribute to, the SIAP planning process.
- SIAP have sought to develop effective working relationships with other partner and client functions in the second and fourth lines of assurance, most obviously with risk management and external audit. Some reliance is placed on the work of other teams, when appropriate, such as transformation or quality assurance, and SIAP have developed a methodology for this
- Delivery of the Internal Audit Strategy 2025-2028 and internal audit plans are supported by an updated, effective Quality Assurance and Improvement Programme, with associated improvement priorities and a suite of Internal Audit Performance Measures.
- In recent years, SIAP has enhanced its use of technology, invested in K10 audit management software, data analytics tools and expertise and is continuing to explore how generative artificial intelligence (Copilot) can further enhance efficiency and effectiveness. This technology focus outpaces many comparable functions. The team has achieved clear benefits and efficiencies from their use of technology to date but also recognise that there is more to be achieved in each area.
- SIAP have also updated their own methodologies, procedures and templates in line with the GIAS. In particular, the team's refreshed report template is particularly user-friendly, and the embedding of root cause analysis, together with the benefits this should bring SIAP, its partners, and clients, continues.

- It is clear from the EQA that SIAP are trusted, respected and valued by key stakeholders. Feedback was very positive about the service and its delivery, both in the interviews undertaken for this review and through the team's own surveys and related feedback mechanisms.

37. In conclusion, SIAP have invested time and effort in reviewing, updating, communicating and aligning their own governance, planning, quality and delivery methodologies to the GIAS. This has clearly paid off with an approach that clearly mirrors good global practice.

Areas for improvement

38. I believe that the Head of Partnership and SIAP have clearly embedded a culture of continuous improvement in their approach and ethos. And like most internal audit functions everywhere, they continue their journey embedding the new GIAS and ensuring their services are future-proof, lean, efficient and effective.

39. I include a small number of observations and suggestions for the Head of Partnership and SIAP to consider below, linking them to relevant elements of GIAS. Some are general points to consider, but I also mention the rationale for each of the six 'generally achieves' results below.

40. I will repeat again, however, that these areas still appropriately meet the expectations of the GIAS, and me as the EQA assessor. They **do not** represent shortcomings or failures in respect of conformance with the GIAS. These observations and suggestions do not require a formal response.

- SIAP fully achieves Standard 1.1 Honesty and Professional Courage and Standard 1.2 Organisation's Ethical Expectations.

Going forward within the planned training on these areas and Domain II in general, detailed in the Learning and Development Plan 2024-2026, the Head of Partnership could usefully consider including practical ethical dilemmas, ethics scenarios or case studies, common challenges and how to deal with them, in future learning coverage.

- SIAP fully achieves Standard 3.1, Competency.

While many of the team are highly skilled, knowledgeable and experienced, other team members continue to gain competence and confidence. SIAP actively supports team members as they gain experience. SIAP have certainly also put effort and resources into growing their specialist teams, primarily IT audit and counter fraud, and developing the skills sets within these teams.

SIAP leadership and their stakeholders recognise that additional emphasis on advisory, rather than assurance engagements, will be needed over the medium term as Local Government Reorganisation and Devolution proceeds. Additional advisory skills and learning may be necessary to add value, insight and foresight across SIAP.

The team does not always have deep, specialist expertise in everything they may be asked to deliver assurance over, such as AI as a topical example, and staying up to date with IT and cyber security changes and associated developments are a real challenge for any internal audit function. This is normal for any internal audit function.

A clear related risk is that of succession and service continuity, whether in respect of the potential loss of more experienced team members, or specialists within the IT audit or counter fraud teams. SIAP has clearly recognised these challenges and has boosted both capacity and capability.

Continuing to manage these risks will be key to SIAP's future resilience at a time of change.

- SIAP generally achieves Standard 6.3, Board and Senior Management Support, and 8.1, Board Interaction.

The Head of Partnership and SIAP have undertaken everything I would expect of them under these Standards, the related Application Note and CIPFA Code.

Where SIAP do not have a direct influence, I am satisfied that the team have engaged with each partner and client highlighting the importance of Domain III, the Application Note and Code and developing an action plan to encourage compliance, highlighting its importance and their ability as an organisation to confirm in the 2025/26 Annual Governance Statement that they are conforming with the GIAS in the UK Public Sector. Some partners and clients are fully compliant, while others still have some actions to progress, resulting in a general, rather than full, level of achievement for SIAP against these Standards.

- SIAP fully achieves Standard 8.3, Quality. The team revised their Quality Assurance and Improvement Programme in June 2025. The result is excellent. SIAP will need to continue to focus on embedding and implementing the various actions and priorities contained within this document to progress the five identified areas for improvement. I support these next steps and the periodic reporting of progress to partner and client Audit Committees (or equivalent) and senior management, as well as to other key stakeholders.

- SIAP generally achieves Standard 9.2, Internal Audit Strategy.

SIAP has established an Internal Audit Strategy for 2025-2028. This is clear and well presented, with valid relevant objectives and priorities for the team to aim for and deliver. This has been developed with partner and client involvement, but given the number of partners and clients, it is not practical for this to be aligned to each separate organisation's key objectives and priorities.

The Head of Partnership and SIAP have consciously chosen not to seek to implement every aspect of this Standard, where it makes little practical sense to do so, given the size and nature of their function. In my opinion, this makes perfect sense, as there is little value in conformance for the sake of conformance, but it does result in this generally (rather than fully) achieves assessment here.

- SIAP generally achieves Standard 9.4, Internal Audit Plan.

Going forward, SIAP should add additional detail – ideally bespoke for each partner or client – on the rationale for not including an assurance engagement in a high-risk area or activity in its flexible internal audit plans. SIAP currently includes a short standard statement, but this would benefit from being more tailored to the individual partner or client if a 'fully achieved' rating is considered necessary.

- SIAP fully achieves Standard 11.1, Building Relationships and Communicating with Stakeholders, and 11.3, Communicating Results.

At interview, and in the April 2025 SIAP survey responses, some stakeholders commented whether there was more that could be done in terms of sharing cross-client themes, issues, results, root causes and insights. This is an obvious benefit of the partnership model and AI may enable the development of additional insights that could be efficiently created and add value.

- SIAP generally achieves both Standard 12.3, Oversee and Improve Engagement Performance, and 13.5 Engagement Resources.

SIAP has set a strategic objective to innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation. Some stakeholders at interview, through the April 2025 SIAP survey, and my own sample of engagements, commented that occasionally there were delays in the completion of engagements.

While there can be varied reasons for these delays, this may require closer monitoring and earlier supportive intervention from engagement managers if delivery is affected and the allocation of additional resources, where necessary, to help ensure any particularly critical milestones or deadlines are achieved.

I support the planned actions detailed in the Internal Audit Strategy 2025-2028 for investigating and addressing these concerns.

- SIAP fully achieves Standard 13.3, Engagement Objectives and Scope, 13.4, Evaluation Criteria, and 14.3 Evaluation of Findings

SIAP will need to consider how best to incorporate the IIA's Topical Requirements into their methodology, particularly when it comes to engagement scope and objectives. At the time of this EQA, two Topical Requirements have been finalised to date, two have been released in draft, and others are in the production pipeline. The first on Cybersecurity comes into effect in February 2026.

Additional thinking, guidance and review on what constitutes the 'criteria' against which performance is assessed could also prove beneficial, as this is a key change included within the GIAS.

Finally, the use of root cause analysis has commenced within the team, and the initial results are promising from both a SIAP and stakeholder perspective. There will be further opportunity to deliver insights on common root cause categories and themes across the partner and client base.

- The obvious opportunities and challenges associated with Local Government Reorganisation were highlighted by several SIAP team members and stakeholders during this EQA.

In times of change and transformation, there is likely to be a far greater demand for SIAP to support its partners and clients through advisory and/or 'real time' assurance engagements. To date, the majority of SIAP work has been of an assurance nature, given stakeholder resourcing constraints and priorities.

Ensuring that the team can meet partner and client diverse assurance and advisory needs in this volatile time of change will be key to maintaining effective relations, supporting and helping clients through added value, insights and foresight when stakeholder capacity for internal audit activity may be stretched.

Appendix One - Stakeholder Interviewees

Interviewee	Position
Peter Appleton	Section 151 Officer, Surrey/Sussex Police Force
Cllr Ian Booth	Chair, Audit and Scrutiny Committee, Tandridge District Council
Jo Cassar	Monitoring Officer, Eastleigh Borough Council
Cllr Nigel Dennis	Chair, Regulation, Audit and Accounts Committee, West Sussex County Council
Ian Duke	Chief Executive, Crawley Borough Council
David Ford	Chief Executive, Tandridge District Council
Caroline Martlew	S151 Officer, Crawley Borough Council
Cllr Steve Holes	Chair, Audit and Resources Committee, Eastleigh Borough Council
Cllr Kiran Khan	Chair, Audit Committee, Crawley Borough Council
Sarah King	S151 Officer, Eastleigh Borough Council
Cllr Derek Mellor	Chair, Audit Committee, Hampshire County Council
Kelvin Menon	S151 Officer, Surrey Office of the Police and Crime Commissioner
Patrick Molineux	Chair, Surrey Joint Audit Committee
James Strachan	Chief Executive, Eastleigh Borough Council
Mike Suarez	S151 Officer, West Sussex County Council
John Ward	Chief Operating Officer and S151, Chichester District Council
Andy Lowe	Director of Corporate Operations (S151), Hampshire County Council
Gary Westbrook	Chief Executive, Hampshire County Council
Leigh Whitehouse	Chief Executive, West Sussex County Council

Appendix Two - SIAP Interviewees

Interviewee	Position
Vanessa Anthony	Audit Manager
Nick Barrett	Audit Manager
Donna Bone	Auditor
Amanda Fahy	Auditor
Liz Foster	Audit Manager
Emma Fullerton	Senior Auditor
Laura Hutchison	Auditor
Dorota Kruczynska	Senior Auditor
Lisa Lowe	Auditor
Neil Pitman	Head of SIAP
Hayley Potheary	Auditor
Laura Scull	Auditor
James Short	IT Audit Manager
Lisa Smy	Audit Manager
Nigel Spriggs	Senior Auditor
Sophie Taylor-D'Arcy	Auditor
Sun Wong	Senior Auditor

Appendix Three - Selected Interview Feedback

"I'm very pleased with the SIAP service – it is very professional and very prepared. They know what they are doing and involve the right stakeholders."

"We really value internal audit's conclusions and advice – even though we have had a run of limited assurances recently."

"They have had some staffing issues last year and this caused some delays in delivery of the plan, but these have been resolved now."

"SIAP are flexible, responsive and adapt the plan when we request it so that the focus is on higher priority areas. We get sufficient assurance from them because of their risk-based approach."

"Communications with the Audit Committee are good, clear and professional. We really value the quality of their reports."

"We have seen a stepped improvement since bringing SIAP in, leading to an elevated profile for internal audit and their work is taken far more seriously by management."

"The development of the internal audit plan is participative and iterative, resulting in good engagement and a very good plan that looks at the right areas at the right time."

"Because SIAP generally work remotely, interactions feel slightly more distant and a step removed from us. This has some disadvantages, and I wonder whether they can effectively pick up on the things an embedded service would pick up on."

"I particularly value the IT audit expertise that SIAP bring."

"SIAP resources are my only concern. They have been upfront about the challenges, and they are managing these. They do a good job on prioritizing their work on the most important areas."

"They are definitely a trusted partner to us and where there have been the occasional issues, they get it right."

"The specialist fraud team is really useful and a big benefit of having SIAP."

"I'm very happy with the Partnership and their continued growth speaks volumes about their quality, effectiveness and delivery."

"SIAP are very collaborative, and they are challenging when they need to be."

"Some of the SIAP reports are a little confusing, lengthy and too detailed."

“They have faced some challenges with resourcing, vacancies and churn, but we have not seen an impact on the internal audit programme, on delivery or on quality.”

“The SIAP induction process was excellent. I had a good mentor and the whole process was supportive and informative. It has given me confidence in the new role.” (SIAP)

“LGR is an obvious challenge for us and for SIAP. How we come up with an internal audit workplan that adds value in the time of LGR may be difficult, especially when combined with the capacity of the organisation to accept internal audit work and reviews.”

“SIAP are approachable and flexible, but firm when they need to be.”

“I like the quality of the internal audit reports – they are well-structured, readable and not too long. The actions are appropriate and address the issues.”

“SIAP’s presentations at Audit Committee are good, professional, and clear. They deal with the Committee’s questions confidently and effectively.”

“I have nothing bad to say about the service we get from SIAP. Their communications are good, they are approachable and they involve us appropriately in developing the internal audit plan and in the delivery of individual engagements.”

“They have briefed the Audit Committee on the new Standards. I have found the team to be helpful, and they deliver the assurance we need.”

“Some audits have taken longer than expected, but on balance it is beneficial having a bigger partnership and I’m pretty happy with the service we have received.”

“I feel very well engaged, supported and assured by the SIAP team. I have regular dialogue and ongoing interaction with them. This has led to a mature and trusted relationship.”

“We have had some benefits from SIAP consultancy services and not just their assurance work. In respect of LGR, we need to make sure we use internal audit in this process.”

“Future proofing will be important – not just because of LGR, but because of developments in digital, AI, the general technology space and data governance.”

“We are wanting to see more in the way of best practice from others so we can learn from SIAP’s wider client base. No onsite presence does also mean less visibility of internal audit.”

“Overall, we are getting the assurance we need. They are engaging, receptive and professional in their approach and work.”

Appendix Four - List of Reviewed ‘Deep Dive’ Internal Audit Engagements²

Engagement
Chichester District Council, Safeguarding, 2025/26
Crawley Borough Council, Food Safety 2025/26
Eastleigh Borough Council, Treasury Management, 2025/26
Epsom and Ewell Borough Council, Tree Preservation Orders 2024/25
Hampshire County Council – Information Governance 2025/26 (in progress at review)
Hampshire and the Isle of Wight Fire and Rescue Service, Risk Management 2025/26
Runnymede Borough Council, Emergency Planning and Business Continuity 2024/2025
Spelthorne Borough Council, Main Accounting 2025/26
Tandridge District Council, Climate Change Strategy 2025/26
West Sussex County Council, Pool Cars 2025/26 (in progress at review)

² As noted earlier, I also briefly reviewed governance and engagement documentation for each client.

Appendix Five - External Quality Assessment Ratings

Quality Rating	Total Opinion	Principle Opinion	Standard Opinion
Full achievement The HIA can state that all internal audit activities were performed in full conformance with the Global Standards.	The internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing.	The internal audit function is fully achieving all the Standards related to the Principle and the Principle's intent.	The internal audit function is fully conforming with all requirements of the Standard and the Standard's intent.
General achievement The HIA can state that internal audit activities were performed in general conformance with the Global Standards.	The internal audit function is achieving the Purpose of Internal Auditing however it is not fully achieving at least one Principle or aspect of Domain I.	The internal audit function is achieving the Principle's intent. However, it is not fully achieving at least one Standard.	The internal audit function is achieving the intent of the Standard but not fully conforming with at least one requirement of the Standard.
Partial achievement The HOIA may not state that all internal audit activities were performed in conformance with the Standards but may be able to depending on the activity.	The internal audit function achieves some Principles. However, it is not fully achieving at least one Principle and one aspect of Domain I and the impact is significant enough to rate the function's overall achievement as partially achieving.	The internal audit function achieves some Standards. However, it is not fully conforming with at least one Standard, and the impact is significant enough to rate the function as Partially achieving the principle.	The internal audit function achieves some requirements of the Standard. However, it is not fully conforming with at least one requirement, and the impact is significant enough to rate conformance with the Standard as partially conforming.
Nonachievement The HIA may not state that internal audit activities were performed in conformance with the Standards.	The internal audit function fully achieves some Principles; however it is not fully achieving more than one aspect of Domain I and the impact is significant enough to rate the function's overall achievement as not achieving.	The internal audit function is not fully conforming with more than one Standard, and the impact is significant enough to rate the function as not achieving the Principle's intent.	The internal audit function is not fully conforming with more than one requirement, and the impact is significant enough to rate conformance with the standard as not achieving the Standard's intent.

Appendix 2

External Quality Assessment December 2025 - Action Plan

Standard	Detail	Action Owner	Target Date	Action
Non – Compliance with the Global Internal Audit Standards in the UK Public Sector; Application Note; and Code Governance				
N/A	N/A	N/A	N/A	N/A
Suggested areas of improvement				
1.1 & 1.2	SIAP fully achieves Standard 1.1 Honesty and Professional Courage and Standard 1.2 Organisations Ethical Expectations Going forward within the planned training on these areas and Domain II in general, detailed in the Learning and Development Plan 2024-2026, the Head of Partnership could usefully consider including practical ethical dilemmas, ethics scenarios or case studies, common challenges and how to deal with them, in future learning coverage	Deputy Head of Partnership (IB)	March 2026	To include including practical ethical dilemmas, ethics scenarios or case studies, common challenges and how to deal with them, in future learning coverage
3.1	SIAP fully achieves Standard 3.1, Competency. SIAP leadership and their stakeholders recognise that additional emphasis on advisory, rather than assurance engagements, will be needed over the medium term as Local Government Reorganisation and Devolution proceeds. Additional advisory skills and learning may be necessary to add value, insight and foresight across SIAP. Staying up to date with IT and cyber security changes and associated developments are a real challenge for any internal audit function. This is normal for any internal audit function.	Head of Partnership	July 2026	Arrange training and support to develop advisory skills to compliment future client needs (particularly in light of LGR & Devolution). Review IT staff CPD and ongoing training needs to support the evolving technical landscape (particular focus on AI and cyber)

Standard	Detail	Action Owner	Target Date	Action
6.3 & 8.1	SIAP generally achieves Standard 6.3, Board and Senior Management Support, and 8.1, Board Interaction. The Head of Partnership and SIAP have undertaken everything I would expect of them under these Standards, the related Application Note and CIPFA Code. Where SIAP do not have a direct influence, I am satisfied that the team have engaged with each partner and client highlighting the importance of Domain III, the Application Note and Code and developing an action plan to encourage compliance, highlighting its importance and their ability as an organisation to confirm in the 2025/26 Annual Governance Statement that they are conforming with the GIAS in the UK Public Sector. Some partners and clients are fully compliant, while others still have some actions to progress, resulting in a general, rather than full, level of achievement for SIAP against these Standards.	SMT	February 2026	Discuss and implement action plans developed as part of partner organisations compliance with the Code of Practice for the Governance of Internal Audit in UK Local Government.
8.3	SIAP fully achieves Standard 8.3, Quality. The team revised their Quality Assurance and Improvement Programme in June 2025. The result is excellent. SIAP will need to continue to focus on embedding and implementing the various actions and priorities contained within this document to progress the five identified areas for improvement. I support these next steps and the periodic reporting of progress to partner and client Audit Committees (or equivalent) and senior management, as well as to other key stakeholders.	Head of Partnership	December 2026	Ongoing implementation of actions within the QAIP. - Continue to develop K10 to optimise SIAP efficiencies and effectiveness - Review and update the Partnership website - Explore the opportunities presented from the use of AI in the audit process *Actions in relation to Code of Governance & Topical Requirement covered elsewhere in this action plan

Standard	Detail	Action Owner	Target Date	Action
9.2	SIAP generally achieves Standard 9.2, Internal Audit Strategy. SIAP has established an Internal Audit Strategy for 2025-2028. This is clear and well presented, with valid relevant objectives and priorities for the team to aim for and deliver. This has been developed with partner and client involvement, but given the number of partners and clients, it is not practical for this to be aligned to each separate organisation's key objectives and priorities. The Head of Partnership and SIAP have consciously chosen not to seek to implement every aspect of this Standard, where it makes little practical sense to do so, given the size and nature of their function. In my opinion, this makes perfect sense, as there is little value in conformance for the sake of conformance, but it does result in this generally (rather than fully) achieves assessment here.	N/A	N/A	No action – accepting of the fact that due to SIAPs multi-client provider status we will never fully achieve this standard.
9.4	SIAP generally achieves Standard 9.4, Internal Audit Plan. Going forward, SIAP should add additional detail – ideally bespoke for each partner or client – on the rationale for not including an assurance engagement in a high-risk area or activity in its flexible internal audit plans. SIAP currently includes a short standard statement, but this would benefit from being more tailored to the individual partner or client if a 'fully achieved' rating is considered necessary.	SMT	March 2026	To incorporate an additional annex in the audit plan report listing all areas assessed as high priority that are not covered in the plan along with a reason for their omission.

Standard	Detail	Action Owner	Target Date	Action
11.1 & 11.3	SIAP fully achieves Standard 11.1, Building Relationships and Communicating with Stakeholders, and 11.3, Communicating Results. At interview, and in the April 2025 SIAP survey responses, some stakeholders commented whether there was more that could be done in terms of sharing cross-client themes, issues, results, root causes and insights. This is an obvious benefit of the partnership model and AI may enable the development of additional insights that could be efficiently created and add value.	Head of Partnership	April 2026	Head of Partnership to engage with Key Stakeholders to determine the ask. From there to develop a process and means of correspondence to meet stakeholder expectations.
12.3 & 13.5	SIAP generally achieves both Standard 12.3, Oversee and Improve Engagement Performance, and 13.5 Engagement Resources. SIAP has set a strategic objective to innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation. Some stakeholders at interview, through the April 2025 SIAP survey, and my own sample of engagements, commented that occasionally there were delays in the completion of engagements. While there can be varied reasons for these delays, this may require closer monitoring and earlier supportive intervention from engagement managers if delivery is affected and the allocation of additional resources, where necessary, to help ensure any particularly critical milestones or deadlines are achieved. I support the planned actions detailed in the Internal Audit Strategy 2025-2028 for investigating and addressing these concerns.	SMT	As per Strategy December 2025 to March 2027	To complete objectives within the internal audit strategy 'Innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation' KPIs have been put in place to help identify process bottlenecks.

Standard	Detail	Action Owner	Target Date	Action
13.3, 13.4, &14.3	SIAP fully achieves Standard 13.3, Engagement Objectives and Scope, 13.4, Evaluation Criteria, and 14.3 Evaluation of Findings SIAP will need to consider how best to incorporate the IIA's Topical Requirements into their methodology, particularly when it comes to engagement scope and objectives. At the time of this EQA, two Topical Requirements have been finalised to date, two have been released in draft, and others are in the production pipeline. The first on Cybersecurity comes into effect in February 2026. Additional thinking, guidance and review on what constitutes the 'criteria' against which performance is assessed could also prove beneficial, as this is a key change included within the GIAS. Finally, the use of root cause analysis has commenced within the team, and the initial results are promising from both a SIAP and stakeholder perspective. There will be further opportunity to deliver insights on common root cause categories and themes across the partner and client base.	Head of Partnership	March 2026 July 2026	To update audit Practice Notes to incorporate consideration of Topical Requirements Ensure root cause is appropriately captured at year end to inform themes to be incorporated within the Annual Conclusion(s)

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Audit Committee – 13 February 2026

Treasury Management Strategy 2026/27

Purpose	For Review
Classification	Public
Executive Summary	The Treasury Management Strategy Statement sets out how the Council's treasury service will support the capital expenditure and financing decisions taken over the three-year period from 2026/27 to 2028/29. The day-to-day treasury management function and the limitations on activity through treasury indicators are also set out in the statement.
Recommendations	It is recommended that Audit Committee recommend to Full Council that: 1) the Treasury Management Strategy 2026/27 to 2028/29 including the Annual Treasury Management Investment Strategy for 2026/27 (and the remainder of 2025/26), and the Treasury Indicators contained within, as provided in Appendix 1 be approved; and 2) authority is delegated to the Section 151 Officer, who in turn delegates to Hampshire County Council's Director of Corporate Operations, as agreed in the Service Level Agreement, to manage all Council investments and borrowing according to the Treasury Management Strategy Statement as appropriate.
Reasons for recommendation(s)	To comply with the statutory guidance issued by the Government in January 2018 and the CIPFA 2021 Prudential and Treasury Management Codes requiring all local authorities to approve a Treasury Management Strategy Statement

	(TMSS) before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
Ward(s)	All
Portfolio Holder(s)	Councillor Jeremy Heron – Finance and Corporate
Strategic Director(s)	Alan Bethune – Strategic Director Corporate Resources (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 Strategy is a high-level document, giving an overview of how the Council manages and invests its surplus cash and its associated investment assets.
2. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
3. Treasury risk management at the Council is conducted within the framework of the CIPFA Code which requires the Council to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

4. Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

Policies and approvals required

Treasury Management Strategy Statement

5. The Treasury Management Strategy Statement sets out how the Council's treasury service will support the capital expenditure and financing decisions taken over the three-year period from 2026/27 to 2028/29. The day-to-day treasury management function and the limitations on activity through treasury indicators are also set out in the statement.
6. This report has been prepared prior to the adoption of the Capital Programme for 2026/27 and subsequent years. Therefore, the target indicators may be subject to minor variation. These indicators are targets only and minor adjustments will not be reported.
7. Any adjustments to the treasury management limits will be reported.

Treasury Management Investment Strategy

8. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (the CIPFA Code). This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
9. The Treasury Management investment strategy sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.
10. These criteria are shown in Appendix 1 in Section 5.
11. The policies and parameters included in this report provide an approved framework within which officers undertake the day-to-day treasury activities.
12. This strategy aims to strike a balance between allowing for current investment levels to continue, whilst also considering the Council's intention to directly invest in both commercial and residential property.

Corporate plan priorities

13. Management of the Council's cash flows, borrowing and investments, and the associated risks ensures we are being financially responsible which underpins the delivery of all our priorities.

Options appraisal

14. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer believes that the strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in Table 1.

Table 1: Alternative strategies and their implications

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising

Table 1: Alternative strategies and their implications

Alternative	Impact on income and expenditure	Impact on risk management
instead of long-term fixed rates		investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Consultation undertaken

15. This report has been produced in consultation with Hampshire County Council's Investments & Borrowing team.

Financial and resource implications

16. 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.
17. This is a financial report with any additional implications already detailed and considered in the main body of the report and appendices.

Legal implications

18. To comply with the statutory guidance issued by the Government in January 2018 and the CIPFA 2021 Prudential and Treasury Management Codes requiring all local authorities to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

19. The Council's Treasury Management Strategy Statement follows the latest codes of practice and the MHCLG and CIPFA guidance.
20. 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

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

Equalities implications

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

Crime and disorder implications

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

Data protection / information governance / ICT implications

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

Appendices:

Appendix 1 – Treasury
Management Strategy 2026/27 –
2028/29

Background Papers:

None

TREASURY MANAGEMENT STRATEGY 2026/27 – 2028/29

1. INTRODUCTION

- 1.1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 1.2. Treasury risk management at the Council is conducted within the framework of the CIPFA Code which requires the Council to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.3. Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

2. EXTERNAL CONTEXT

- 1.4. The following paragraphs explain the economic and financial background against which the TMSS is being set.

Economic background

- 1.5. The impact on the UK from the government's Autumn Budget will influence the Council's treasury management strategy for 2026/27. Other influences will include lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and ongoing geopolitical issues.
- 1.6. The Bank of England's Monetary Policy Committee (MPC) voted to cut Bank Rate by 25 basis points, from 4.00% to 3.75%, in December 2025.

Credit outlook

- 1.7. Credit Default Swap (CDS) prices, which are used as an indicator of credit risk where higher premiums indicate higher perceived risks, spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, and have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly in October 2025, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.
- 1.8. While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on Arlingclose's (the Council's treasury management advisor) counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.

Interest rate forecast (December 2025)

- 1.9. Arlingclose forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate through 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications.
- 1.10. Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.
- 1.11. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

3. BALANCE SHEET SUMMARY AND FORECAST

1.12. On 31 December 2025, the Council held £129.9m of borrowing and £47.1m of investments. This is set out in further detail at Appendix B. Forecast changes in these sums are shown in the balance sheet analysis in Table 2.

Table 2: Balance Sheet Summary and Forecast	31/03/25 Actual £m	31/03/26 Estimate £m	31/03/27 Forecast £m	31/03/28 Forecast £m	31/03/29 Forecast £m
General Fund CFR	27.3	34.5	34.7	32.9	33.5
Housing Revenue Account CFR	27.4	37.9	52.4	69.6	87.8
HRA Settlement	109.9	105.8	101.7	97.6	93.5
Total CFR	164.6	178.2	188.7	200.0	214.9
Less: Other debt liabilities *					
- Leases	2.9	2.9	2.9	2.9	2.9
Loans CFR	167.4	181.1	191.6	202.9	217.7
Less: External borrowing ***	(132.9)	(115.8)	(109.2)	(102.6)	(96.0)
Internal borrowing	34.5	65.3	82.4	100.3	121.7
Less: Balance sheet resources	(66.9)	(53.8)	(43.9)	(36.8)	(35.6)
New borrowing or Treasury investments (-)	(32.4)	11.5	38.5	63.5	86.1

* Leases liabilities that form part of the Council's debt

** IFRS 16 requires the Council to change how it recognises its leases from 1 April 2024

*** shows only loans to which the Council is committed and excludes optional refinancing

1.13. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and

investments below their underlying levels, sometimes known as internal borrowing.

1.14. The General Fund CFR is showing an increase over the period as the Council implements the new Waste Strategy. New commercial and residential investment schemes have currently been put on hold due to the current interest rates making schemes less viable. The Housing Revenue Account (HRA) CFR is also increasing as the Council looks to deliver the requirements arising from Housing Energy Improvements, Planned Maintenance and the current Housing Development Programme. Table 1 demonstrates that the Council will be internally borrowed beyond the resources available for investment. At this point, an external borrowing position sets in. At the appropriate time the Council will consult with its treasury advisors on how best to service its borrowing requirements, including the possibility of renewing maturing loans on the HRA.

1.15. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that the Council expects to comply with this recommendation.

1.16. **Liability benchmark**

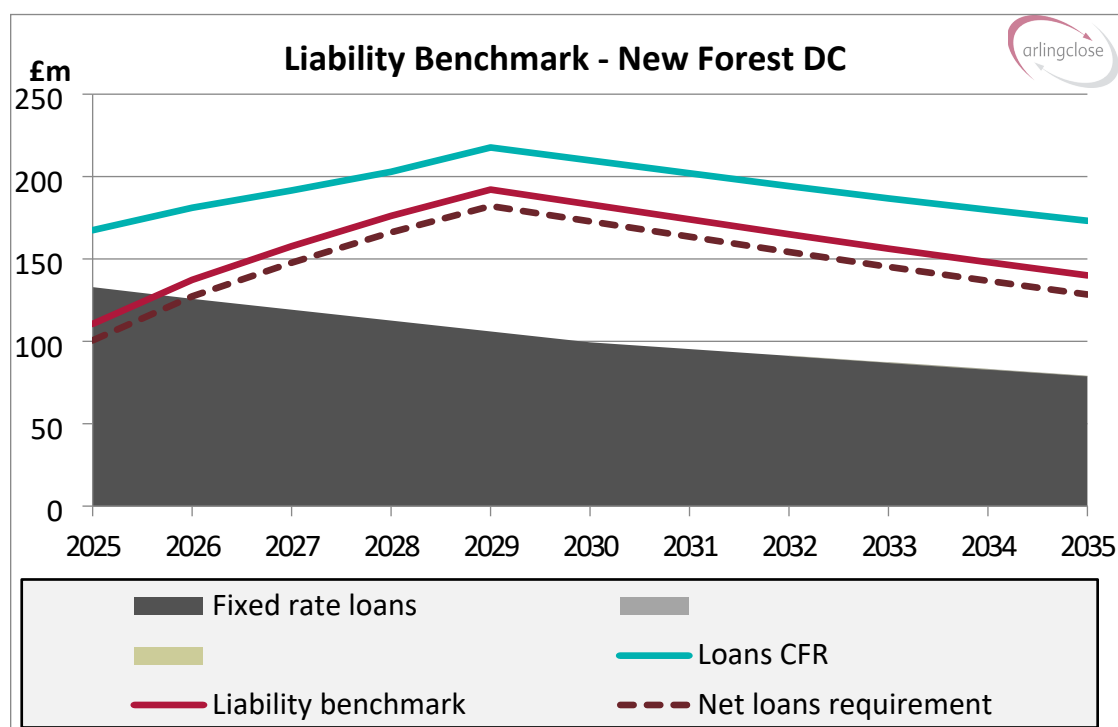
1.17. To compare the Council's actual borrowing against an alternative strategy, CIPFA requires that a liability benchmark is calculated to show the lowest risk level of borrowing. This assumes the same forecasts as Table 2 but that cash and liquid investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

1.18. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 3: Liability benchmark	31/03/25 Actual £m	31/03/26 Estimate £m	31/03/27 Forecast £m	31/03/28 Forecast £m	31/03/29 Forecast £m
Loans CFR	167.4	181.1	191.6	202.9	217.7
Less: Balance sheet resources	(66.9)	(53.8)	(43.9)	(36.8)	(35.6)
Net loans requirement	100.5	127.3	147.7	166.1	182.1
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	110.5	137.3	157.7	176.1	192.1

- 1.19. At the start of the period, 31 March 2025, the Council had a Loans CFR of £167.4 million, external borrowing of £132.9m, balance sheet resources of £66.9m and a liability benchmark of £110.5m. The difference of £34.5m between the CFR and external borrowing is internal borrowing which is where the Council has used its own resources to fund its borrowing requirement.

Graph 1: Liability Benchmark



The full 50-year liability benchmark is available at Appendix D to this report.

- 1.20. 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 2028/29, which is a very unlikely scenario but a reflection of the current horizon for capital expenditure forecasts.
- 1.21. The Council expects a positive liability benchmark across the forecast period, due to a rising CFR in combination with an expectation that balance sheet resources will drop, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR.
- 1.22. The chart shows that it is expected that the external borrowing the Council has already arranged will not be sufficient, with it being below the minimum borrowing requirement, and so indicates that additional borrowing may be required to rectify this.

- 1.23. 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.

4. BORROWING STRATEGY

- 1.24. The Council currently holds £129.9m of loans. The balance sheet forecast in Table 1 shows that the Council is forecast to maintain a net borrowing position and so may need to borrow to fund capital expenditure to maintain its long-term and minimum level of investments. The Council may also borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £236.7m.

Objectives

- 1.25. The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy

- 1.26. Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium term to either use internal resources, or to borrow short-term loans instead.

- 1.27. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2026/27 with a view to keeping future costs low, even if this causes additional cost in the short-term.
- 1.28. The Council has previously raised all of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans. The Council may take the decision to retain the level of current borrowing attributed to the Housing Revenue Account to meet forthcoming pressures related to maintenance and building requirements. The level of borrowing could be retained through rearranging PWLB loans on maturity.
- 1.29. The Council may also arrange forward starting loans during 2026/27, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. The council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money.
- 1.30. In addition, the Council may borrow short-term loans (normally for up to one month) to cover unplanned cash flow shortages.

Sources of borrowing

- 1.31. The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
- any institution approved for investments
- any other bank, building society or insurance company authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Hampshire Pension Fund)
- capital market bond investors
- retail investors via a regulated peer-to-peer platform
- special purpose companies created to enable local authority bond issues

Other sources of debt finance

1.32. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative (PFI)
- sale and leaseback
- similar asset-backed finance

Short-term and variable rate loans

1.33. These loans leave the Council exposed to the risk of short-term interest rate rises, which is monitored through the indicator on interest rate exposure in the treasury management indicators below.

Debt rescheduling

- 1.34. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities could arise and the opportunity to reschedule is kept under review.

5. TREASURY INVESTMENT STRATEGY

- 1.35. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £27.9m and £82.4m.

Objectives

- 1.36. The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

Strategy

- 1.37. As demonstrated by the liability benchmark above, the council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments.

Environmental, social and governance factors

- 1.38. Environmental, social and governance (ESG) considerations are increasingly a factor in global

investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in strategic pooled funds, the Council will prioritise funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Business models

- 1.39. Under the new IFRS 9 standard, the accounting for certain investments depends on the 'business model' for managing them. The Council aims to achieve value from its internally managed treasury investments through a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Investments in pooled funds

- 1.40. The Council continues to invest in pooled funds which enables it to achieve a greater degree of diversification than could effectively be achieved by directly owning individual assets. Pooled funds are managed by specialist external fund managers who are best placed to select and manage investments, for example with property investments in selecting appropriate buildings and then managing the relationship with tenants and the maintenance of those buildings.
- 1.41. Diversification in itself does not guarantee positive outcomes. The selection of a pooled fund is carefully managed to target funds with a strong performance track record and objectives that are well aligned to the Council's income returns aims without putting its initial investment at undue risk over the longer term. The Council is therefore currently invested in pooled funds that specialise in providing income returns to support the revenue budget. As a result of their income focus these funds may not achieve the same capital growth and therefore total return, as other more general investment funds, however they are likely to deliver good income returns for the longer term.

- 1.42. The investible universe for pooled funds is vast, and part of the service provided by Arlingclose as treasury advisers is to conduct research and suitable due diligence on pooled funds prior to making recommendations to their clients.
- 1.43. Past performance does not guarantee that funds can replicate successful outcomes in future and knowing which funds will perform well is not an exact science. The Council will therefore continue to conduct its own ongoing review and scrutiny of the performance of its pooled fund investments on a regular basis, including the active decisions of continuing to invest or redeem these investments, particularly with the requirement to take on additional borrowing approaching. The Council will also discuss these investments regularly with Arlingclose, who provide advice based on regular meetings with representatives from the pooled funds and their own ongoing due diligence on areas such as performance and investment style, strategy and process.
- 1.44. The Council is aware of the risks involved with investing in pooled funds that hold underlying investments in equities and property. When the Council began to specifically target higher returns from a proportion of its investments, it also established a Treasury Management Reserve to mitigate the risk of an irrecoverable fall in the value of these investments. The balance held in this reserve is currently £0.300m.
- 1.45. At the current time, the Council's pooled fund investments are valued with an unrealised capital loss of £0.336m. To date, the statutory override in place of IFRS 9 for local authorities exempts the Council from taking this unrealised loss to the Comprehensive Income and Expenditure Statement (CIES). This override has been extended to 31 March 2028 for investments made before 1 April 2024, at which time the Council will be expected to reflect any gains and losses in the CIES.

Investment limits

- 1.46. The maximum that will be lent to any one organisation (other than the UK Government) will be £7m. Over the longer term it is expected that the Council's cash balances will reduce, and new external borrowing will

need to be taken. This limit allows the flexibility to ensure that all of the Council's cash can be invested in accordance with this TMSS.

- 1.47. A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits are also placed on fund managers as shown in Table 4.

Table 4: Investment limits	Cash limit
Any single organisation, except the UK Central Government	£7m each
UK Central Government	Unlimited
Any group of pooled funds under the same management	£17.5m per manager

Approved counterparties

- 1.48. The Council may invest its surplus funds with any of the counterparty types in Table 5, subject to the limits shown.

Table 5: Sector and counterparty limits			
Sector	Time limit	Counterparty limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£7m	Unlimited
Secured investments - government collateral	3 years	£7m	Unlimited
Secured investments - other collateral*	3 years	£7m	Unlimited
Banks (unsecured) *	13 months	£3.5m	Unlimited
Building societies (unsecured) *	13 months	£3.5m	£7m
Registered providers	3 years	£3.5m	£17.5m
Money market funds *	n/a	£7m	Unlimited
Strategic pooled funds	n/a	£7m	£35m

Real estate investment trusts	n/a	£7m	£17.5m
Other investments *	5 years	£3.5m	£7m

This table must be read in conjunction with the notes below

Time limit

- 1.49. Borrowing to invest primarily for financial return is in contravention of the CIPFA Treasury Management Code. To reflect the expectation that long-term borrowing will be a requirement for the Council, time limits for investment have therefore been shortened to a maximum of 3 years.

*** Minimum credit rating**

- 1.50. Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-/A3. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant known factors including external advice will be taken into account.
- 1.51. For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

UK Government

- 1.52. Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 3 years.

Local authorities and other government entities

- 1.53. Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities, supranational banks and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.
- 1.54. The counterparty limit for loans to local authorities will be increased to an unlimited amount where (a) the government has announced that the Council will merge with the borrowing authority and (b) the loan is scheduled to be repaid after the expected date of the merger.

Secured investments

- 1.55. Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. A higher limit applies for investments fully secured on UK or other government collateral.

Banks and building societies (unsecured)

- 1.56. Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured)

- 1.57. Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds

- 1.58. Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds

- 1.59. Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Other investments

- 1.60. This category covers treasury investments not listed above, for example certificates of deposit (CDs), unsecured corporate bonds and unsecured loans to companies. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

Operational bank accounts

1.61. The Council may incur operational exposures, for example through current accounts, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept low. The Council's operational bank account is with Lloyds and aims to keep the overnight balances held in current accounts as positive, and as close to £0 as possible. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings

1.62. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

1.63. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments

1.64. The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests,

including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

- 1.65. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022 this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will likely lead to investment returns falling but will protect the principal sum invested.

Liquidity management

- 1.66. The Council has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historic cash flows are analysed in addition to significant future cash movements, such as payroll, grant income and council tax precept. Limits on long-term investments are set by reference to the Council's medium term financial position (summarised in Table 1) and forecast short-term balances.
- 1.67. The Council will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds), of which at least two will be UK domiciled, to ensure that access to cash is maintained in the event of operational difficulties at any one provider, except in cases of extreme market stress whereby the Council will be able to invest all of its liquid cash in one provider only, being the Debt Management Office.

6. TREASURY MANAGEMENT PRUDENTIAL INDICATORS

1.68. The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest rate exposures

1.69. The following table shows the sensitivity of the Council's current investments and borrowing to a change in interest rates. Fixed rate investments maturing during the year are assumed to be variable for the remainder of the year.

Table 6: Interest rate exposures	31 December 2025	Impact of +/- 1% interest rate change
	£m	£m
Sums subject to variable interest rates		
Investment	47.1	+/- 0.5
Borrowing	(2.5)	+/- (0.0)

Maturity structure of borrowing

1.70. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 7: Refinancing rate risk indicator	Upper	Lower
Under 12 months	25%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	35%	0%
10 years and above	100%	0%

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

Principal sums invested for periods longer than a year

- 1.72. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 8: Price risk indicator	2026/27	2027/28	2028/29	No fixed date
Limit on principal invested beyond a year	£15m	£10m	£5m	£10m

- 1.73. Long-term investments with no fixed maturity date include strategic pooled funds but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

- 1.74. In effect, the annual limit and the no fixed date limit would be added together to reach the total limit on principal invested beyond year end.

7. RELATED MATTERS

- 1.75. The CIPFA Code requires the Council to include the following in its TMSS.

Financial derivatives

- 1.76. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

- 1.77. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account

when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

- 1.78. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 1.79. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Housing Revenue Account

- 1.80. On 1 April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Bank of England base rate (Bank Rate).

Investment of money borrowed in advance of need

- 1.81. The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may

change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

Markets in Financial Instruments Directive

- 1.82. The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the s151 Officer believes this is the most appropriate status.

8. FINANCIAL IMPLICATIONS

- 1.83. The budget for investment income in 2026/27 is £1.7m, whilst the budget for debt interest paid in 2026/27 is £5.7m, based on an average debt portfolio of £150.8m at an average interest rate of 3.77%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different. Interest paid on any new borrowing will depend on the actual level of borrowing necessary and the interest rates obtained on that borrowing.

Appendix A – Arlingclose Economic & Interest Rate Forecast – December 2025

Underlying assumptions:

- The Budget signalled further fiscal (tax/spend) tightening across this parliament. Most tax changes take effect from 2028, while welfare and spending start from April 2026. Taken together, the timing of these announcements means the fiscal stance is likely to be slightly looser than expected for the next two years (with increased government spending), before tightening sharply from 2028 (with large tax rises).
- Despite the near-term looser fiscal stance, the new policies add little support for activity in 2026. Even before the Budget, economic data was pointing to a slower growth outlook. Meanwhile, disinflation has been evident and planned government actions on train fares and energy bills will also dampen inflation next year.
- The close vote in November to keep Bank Rate at 4% reflected pre-Budget uncertainty. With no major growth or inflation boosts in the Budget, a cut to 3.75% in December took place.
- Inflation fell to 3.6% in October. Business surveys point to weaker pricing power and household inflation expectations are easing, although they remain high. Wage growth is moderating amid rising unemployment, and overall activity is flat. Confidence has been hit by the run-up to the Budget, and a strong rebound seems improbable in the near term.
- Weak growth and softer inflation strengthen the case for dovish MPC members to push for further Bank Rate cuts, while undermining arguments of more hawkish members. There will still be questions over whether Government can deliver the fiscal tightening it set out, given a history of U-turns, and timing ahead of the next General Election. The December meeting will offer a clearer view of how divided the MPC really is.

- Risks to the growth and inflation outlook lie to the downside, which if crystallised may ultimately deliver lower Bank Rate than our central case.
- Lower inflation expectations and a tighter fiscal stance have helped bring down gilt yields, especially at the long end. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

Forecast:

- Bank Rate was cut by 0.25% in December to 3.75%.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will be eased to stimulate activity ahead of incoming fiscal tightening post-2028.
- Arlingclose now expects Bank Rate to be cut to 3.25% by Q2 2026, with risks weighted to the downside.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility and global uncertainty. These issues may not be resolved quickly, and we expect yields to remain higher than would normally be consistent with Bank Rate expectations.
- However, the lower path for Bank Rate maintains the downside risks to Arlingclose's gilt yield forecasts.

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.00	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.90	3.65	3.50	3.40	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.92	3.90	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
10yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.48	4.40	4.35	4.30	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.30	4.30
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
20yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.13	4.90	4.85	4.80	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.80	4.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
50yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.73	4.50	4.50	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.50	4.50
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

Appendix B – Existing Investment & Debt Portfolio Position at 31 December 2025

Treasury investment position

Investments	30/09/25 Balance £m	Net moveme nt £m	31/12/25 Balance £m	31/12/25 Income return %	31/12/25 Weighted average maturity years
Short term Investments					
Banks and building societies:					
- Unsecured	6.0	4.2	10.2	3.95	0.04
Money Market Funds	7.1	9.7	16.8	3.94	0.00
Government:					
- Debt Management Office	0.0	7.0	7.0	3.76	0.13
- UK Treasury Bills	5.0	(3.0)	2.0	3.82	0.10
Cash plus funds	2.0	0.0	2.0	4.02	0.01
	20.1	17.9	38.0	3.91	0.03
Long term investments					
- Pooled property*	7.6	0.0	7.6	4.46	N/A
- Pooled equity*	1.5	0.0	1.5	7.60	N/A
	9.1	0.0	9.1	4.98	N/A
TOTAL INVESTMENTS	29.2	17.9	47.1	4.11	0.03

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

Treasury management position	31/12/2025 Balance £m	31/12/2025 Rate %
External borrowing		
- PWLB	(129.9)	3.55
Other long-term liabilities		
- Leases	0	
Investments		
- Investments	47.1	4.11
Net Debt	(82.9)	

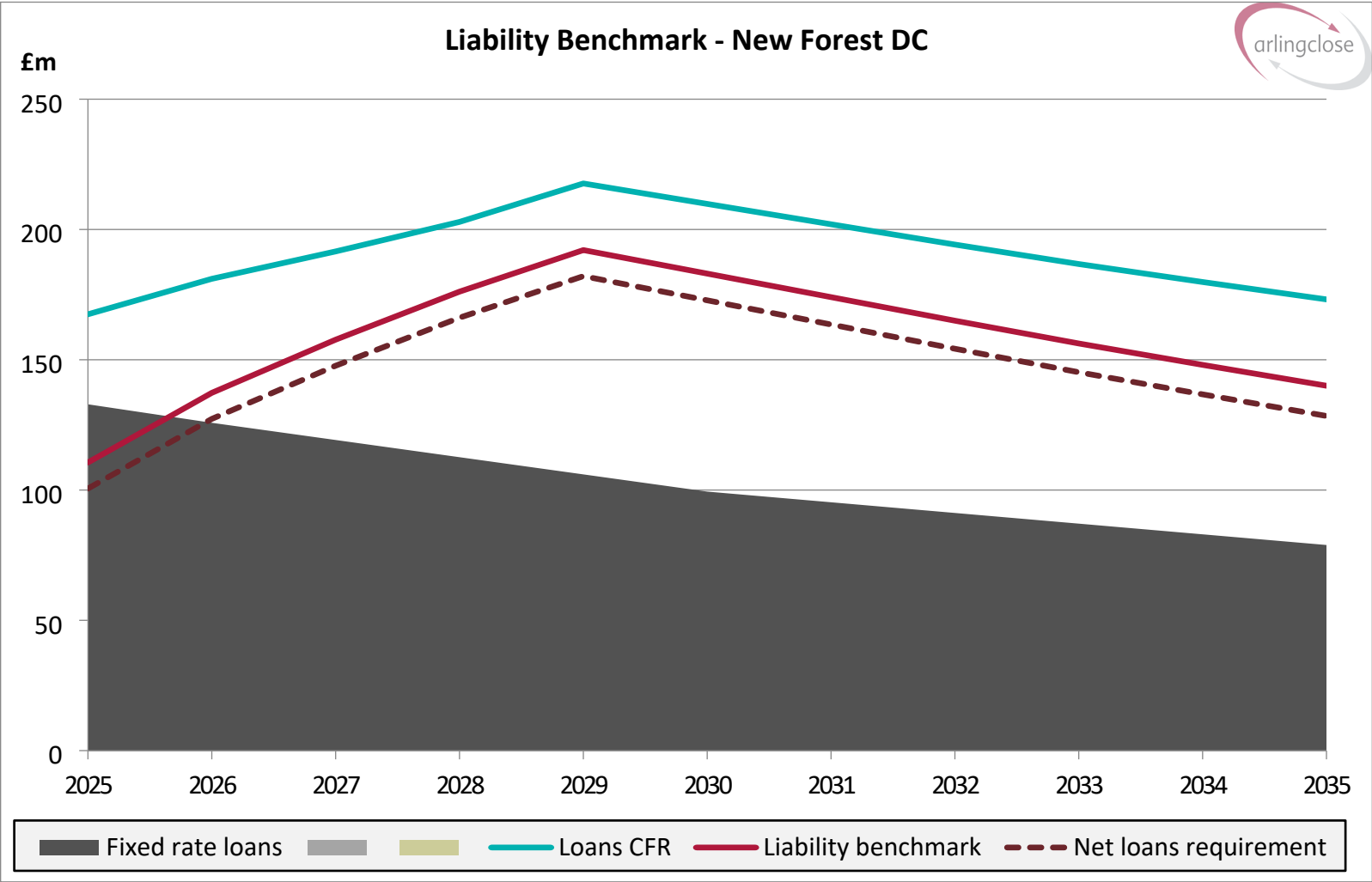
Appendix C - Q3 2025/26 Treasury Management Indicators at 31 December 2025

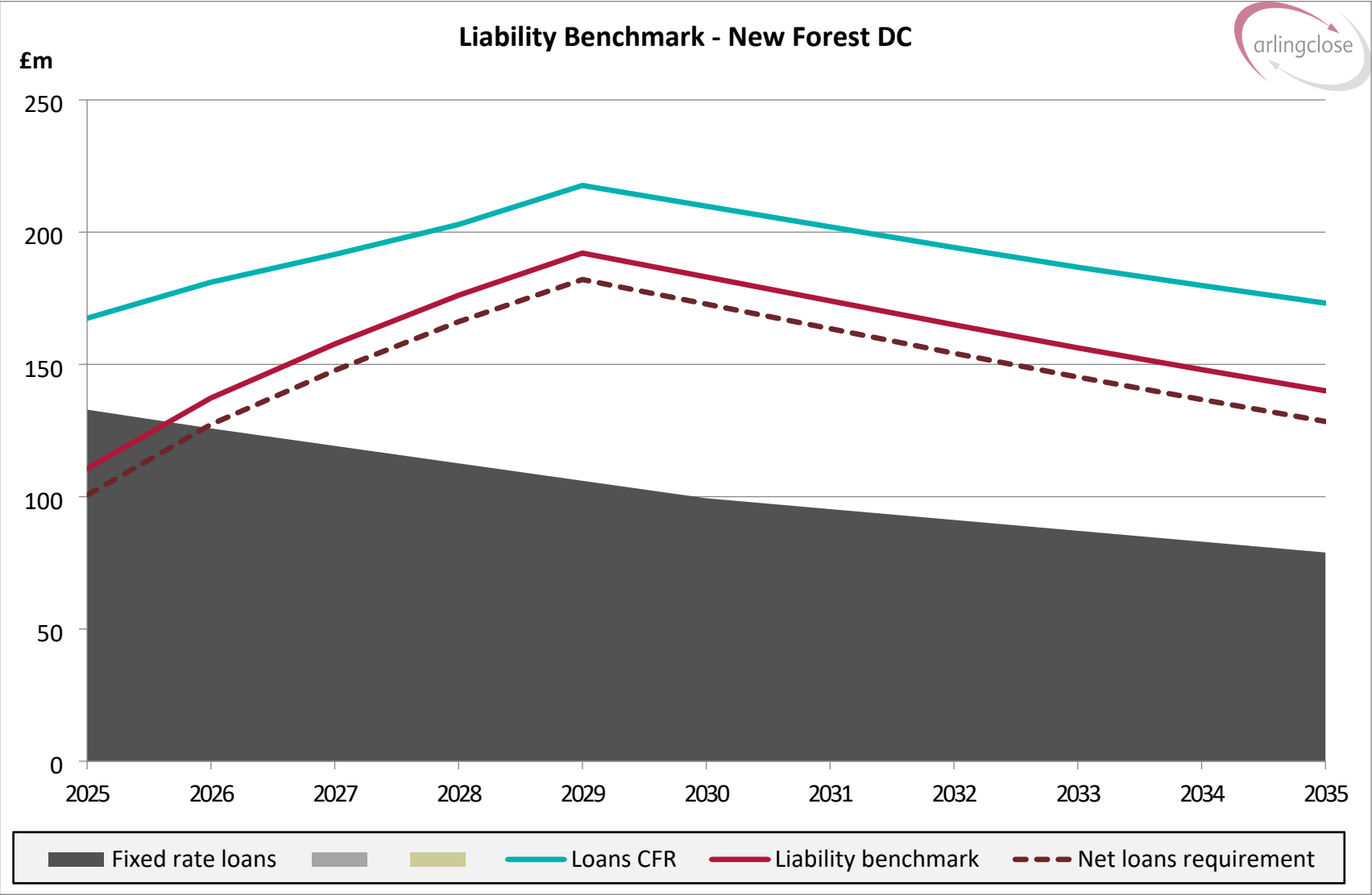
Debt limits	2024/25 Maximum £m	31/12/24 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied
Total debt	(134.9)	(129.9)	(213.9)	(233.5)	✓

Refinancing rate risk indicator	31/12/25 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	5%	25%	0%	✓
12 months and within 24 months	5%	25%	0%	✓
24 months and within 5 years	13%	25%	0%	✓
5 years and within 10 years	16%	35%	0%	✓
10 years and above	61%	100%	0%	✓

Price risk indicator	2025/26 £m	2026/27 £m	2027/28 £m	No fixed date
Actual principal invested beyond a year	-	-	-	£9.1m
Limit on principal invested beyond a year	£15m	£15m	£10m	£10m
Complied	✓	✓	✓	✓

Appendix D – 50-year Liability Benchmark graph





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Audit Committee – 13 February 2026

Investment Strategy 2026/27

Purpose	For Review
Classification	Public
Executive Summary	This report provides the council's proposed investment strategy for 2026/27. It provides a high-level overview of how the Council manages and invests its surplus cash and its associated investment assets.
Recommendation(s)	It is recommended that Audit Committee: 1) Recommend to Full Council that the Investment Strategy 2026/27 provided at Appendix 1 be approved.
Reasons for recommendation(s)	To comply with the statutory guidance issued by the Government in January 2018.
Ward(s)	All
Portfolio Holder(s)	Councillor Jeremy Heron – Finance and Corporate
Strategic Director(s)	Alan Bethune – Strategic Director Corporate Resources (Section 151 Officer)
Officer Contact	Paul Whittles Assistant Director - Finance 02380 285766 paul.whittles@nfdc.gov.uk

Introduction and background

1. The Investment Strategy provided in Appendix 1 is a high-level document, giving an overview of how the Council manages and invests its surplus cash and its associated investment assets.
2. The Council currently holds and has approved strategy in place to increase its exposure in a variety of Investments held in part for the purpose of generating additional income to the Council.

3. By producing this overarching investment strategy report, the Council is following statutory guidance issued by the Government in January 2018.

Overview of the Investment Strategy contents

Treasury Management Investments

4. The Investment Strategy has regard to the Treasury Management Strategy, which sets out in detail how the Council's treasury service will invest surplus cash, taking into consideration the requirements of the Council's capital programme, and other financing needs.
5. The balance of treasury management investments fluctuates and can exceed £80m at given points during a fiscal period. However, it is worth noting that overall, the Council's cash balances have been reducing and the need to borrow in order to continue supporting the Council's priorities has increased.

Property Investments

6. The Property investments section of the strategy brings together properties which have been in NFDC ownership for several years, as well as the accumulation of property investment strategies that have been adopted more recently by this Council. Although the primary purpose of these adopted strategies is to support the economic sustainability and regeneration within the district and provide additional housing to support New Forest residents and communities, the strategies also generate a revenue return, hence being prevalent to this investment strategy.
7. The strategy considers the contribution made by these investments, the security, the risk assessment process, and liquidity.
8. The strategy sets out various performance indicators, designed to assist readers understand the implications of the Council's investing activities on the general fund, and the forecast yields expected from the differing investment categories.
9. Table 3 lists all commercial properties covered by this strategy. The New Forest Enterprise Centre, Totton and Queensway, New Milton assets have been reclassified since last year's update, due to changes in accounting treatment and operational use respectively. Consequently, they do not form part of the 2026/27 portfolio.

Corporate plan priorities

10. Regular monitoring and reporting of our financial activity including treasury management, ensures we are being financially responsible and supports our Future New Forest transformation programme which underpins the delivery of all our priorities.

Options appraisal

11. None undertaken.

Consultation undertaken

12. Consultation between our external advisors and internal finance officers, service managers and budget holders has determined the forecast data presented in the report.
13. The Executive Management Team were presented with the report in the lead up to being presented to the Audit Committee, and supported the Strategy as presented.

Financial and resource implications

14. There are none arising for consideration as this is a financially focussed report, and so implications are covered throughout the report.

Legal implications

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

Risk assessment

16. None undertaken, although the absence of an up-to-date investment strategy would hinder the Council's ability to maximise its investment returns from both treasury and non-treasury activity.

Environmental / Climate and nature implications

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

Equalities implications

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

Crime and disorder implications

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

Data protection / Information governance / ICT implications

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

Appendices:

Appendix 1 – Investment Strategy
2026/27

Background Papers:

Treasury Management Strategy
2026/27

Capital Strategy 2026/27

Investment Strategy 2026/27

Introduction

1. The Authority invests its money for two broad purposes:
 - a. because it has surplus cash, as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
 - b. to invest in a sustainable and vibrant New Forest Economy, supporting employment and industry; investment income is also earned (known as property investments).
2. This investment strategy meets the requirements of statutory guidance issued by the Government in January 2018 and predominately focuses on the second of these categories.

Treasury Management Investments

3. The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments fluctuates and in the past 12 months the Council's investment balance has ranged between £27.9 million and £82.4 million.
4. **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.
5. **Further details:** Full details of the Authority's policies and its plan for 2026/27 for treasury management investments are covered in a separate document; the Treasury Management Strategy.

Property Investments

6. **Contribution:** The Council invests in commercial and residential property with the intention of supporting the New Forest economy and community and returning a net income that will be spent on local public services. The Council has established a £50 million fund for the purposes of investment in commercial property, inside or within areas immediately adjacent to, the District boundary, and a

£10 million fund exists for investment in residential property, inside or within areas immediately adjacent to the District boundary. Both funds have been established to support the local New Forest economy and community and both also generate an income return.

7. The Council can own commercial property directly and has established a wholly owned group of companies for the purposes of investment in residential property. The Council intends to make equity investments into the group of companies and issue loans, on the latter of which the Council will receive interest payments. Both strategies have socioeconomic benefits, such as stimulation of local economies through investment in commercial premises and growth in the supply of housing throughout the District.
8. **Security:** In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. Three out of the fourteen investment properties owned by this Council as at 31/03/25 have been in the Council's ownership for well over a decade. The first acquisition under the Council Commercial Property Investment Strategy was completed in December 2017, and acquisitions and developments have increased thereafter.
9. The main risk when making loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:
10. Table 1: Loans in £millions

Category of borrower	31.3.2025 actual			2025/26
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	3.713	0.000	3.713	8.000
TOTAL	3.713	0.000	3.713	8.000

11. Table 2: Shares in £millions

Category of company	31.3.2025 actual			2025/26
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Subsidiaries	1.388	-0.021	1.367	4.000
TOTAL	1.388	-0.021	1.367	4.000

12. The figures as included in tables 1 and 2 above are in relation to the wholly owned group of housing companies. The total initial investment made up of debt and equity is to total £10 million. The mix of debt and equity will be fluid, and so for the purposes of setting individual limits, the potential maximum in each instance has been shown hence equating to more than £10 million.

13. Table 3: Commercial Property held generating income in £millions

Property	31.3.24	31.3.2025 actual			2026/27
	Value in Accounts	Gains or (losses)	Additions or (Disposals)	Value in accounts	Additions to date
Hythe Marina	2.798	0.147	0.000	2.945	0.000
Hardley Industrial Estate	5.138	1.250	0.000	6.388	0.000
New Milton Health Centre	2.489	0.000	0.000	2.489	0.000
Platinum Jubilee Business Park	8.550	-0.396	0.000	8.154	0.000
Ampress Car Park, Lymington	2.141	-0.215	0.000	1.926	0.000
The Parade, Salisbury Road Totton	1.511	-0.001	0.000	1.510	0.000
Unit 1 Nova Business Park, New Milton	0.548	0.006	0.000	0.554	0.000
Drive-Thru Unit, Totton	1.372	0.033	0.000	1.405	0.000
27 Salisbury Road, Totton	1.900	-0.059	0.000	1.841	0.000
Station Road, New Milton	5.000	0.000	0.000	5.000	0.000
1b Junction Road, Totton	0.127	0.011	0.000	0.138	0.000
Unit 800 Ampress Park, Lymington	1.903	-0.001	0.000	1.902	0.000
TOTAL	33.477	0.775	0.000	34.252	0.000

14. Note: The table above includes material properties denoted in the accounts as Other Land & Buildings (not used operationally by the Council) and Investment Properties, to reflect different statutory accounting definitions of these assets which all have a wider socioeconomic purpose.

15. Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding property investments. Market research is undertaken regularly, and potential opportunities objectively evaluated by the in-house estates team, utilising external expertise as and when necessary.
16. The Authority assesses the risk of loss in its residential holdings before entering into, and whilst holding loans through regular communication via the board of directors and the Council. The board has the freedom to engage with specialist consultants as and when required.
17. Purchases of properties and development opportunities are only completed once a full business case has been prepared and signed off by the investment panel, or board, or by the Council if above delegated financial parameters.
18. **Liquidity:** Compared with other investment types, property can be relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. The Council will ensure to keep suitable minimum cash balances available, for example to repay capital borrowed.

Proportionality

19. The Council is expecting investment activity to assist in achieving a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives of the Authority is dependent on achieving the expected net profit from investments, excluding financing costs, over the lifecycle of the Medium -Term Financial Plan. Should it fail to achieve the expected net profit, the Council will continually review and evaluate its services, and their delivery models, ensuring the most efficient service is provided to the residents of the New Forest. Prudent use of reserves can also be considered as a suitable contingency plan for continuing to provide these services in the short term.
20. Table 4: Proportionality of non-treasury Investments (£millions)

	2024/25 Actual	2025/26 Forecast	2026/27 Budget	2027/28 Budget	2028/29 Budget
Gross service expenditure	47.000	53.000	56.000	58.000	60.000
Investment income	2.025	2.027	2.106	2.106	2.106
Proportion	4.3%	3.8%	3.8%	3.6%	3.5%

Capacity, Skills and Culture

21. **Elected members and statutory officers:** Commercial Property investments are made pursuant to the Asset Investment Strategy approved by the Council in 2017, and refresh approved by the Council in 2022. An experienced team formed from the Council's finance, estates and valuation and legal departments prepare initial assessments and recommendations concerning suitable properties. Prior to entry into a bidding process, approval must be secured from the Portfolio Holder: Finance & Corporate Services, the Monitoring Officer and the Section 151 Officer. Prior to entry into binding legal agreements, final approval must be secured from the Chief Executive, the Monitoring Officer and the Section 151 Officer in consultation with the Portfolio Holder: Finance & Corporate Services and the Chairman of the Resources and Transformation Overview and Scrutiny Panel for transactions up to £5 million, and the approval of Cabinet for transactions above £5 million. This detailed and clear process of scrutiny and decision making by key senior officers and members ensures the strategic objectives, risk profiles and overall risk exposure for the Council are considered and fully understood.
22. **Commercial deals:** The Council will take a prudent approach to the management of financial risk and the assessment of possible investments. The criteria for selecting investment assets set out in the Asset Investment Strategy and the steps for selecting assets set out above accord with prudent investment principles and the key decision makers, including the section 151 Officer, are involved in the process to ensure compliance.
23. **Corporate governance:** The Asset Investment Strategy originally created in 2017 and updated in 2022 makes express reference (at paragraph 2.1) to the Council's Corporate Plan 2020-2024 and was prepared in the context of seeking to deliver on those priorities. The objectives remain valid in the context of the updated Corporate Plan 2024 – 2028 and the Council's new priorities. The process for selecting assets is set out in the Asset Investment Strategy to ensure accountability, responsibility and authority for decision making on investment activities within the context of the local authority's corporate values. Consideration is given to the ongoing performance of assets to ensure they are delivering against the criteria. This provides an opportunity to challenge the ongoing retention of assets held and where appropriate may lead to a recommendation for an asset disposal.

Investment Indicators

24. The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure, as a result of its investment decisions.
25. **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third-party loans.
26. Table 5: Total investment exposure in £millions

Total investment exposure	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Budget	31.03.2028 Budget	31.03.2029 Budget
Pooled Fund T M investments	9.10	9.10	9.10	9.10	9.10
Other T M investments	23.30	10.00	10.00	10.00	10.00
Subsidiary investments: Loans	3.71	3.71	3.71	3.71	3.71
Subsidiary investments: Shares	1.36	1.36	1.36	1.36	1.36
Commercial investments: Property	34.25	34.25	34.25	34.25	34.25
TOTAL INVESTMENTS	71.73	58.43	58.43	58.43	58.43
Commitments to lend	0.00	0.00	0.00	0.00	0.00
Guarantees issued on loans	0.00	0.00	0.00	0.00	0.00
TOTAL EXPOSURE	71.73	58.43	58.43	58.43	58.43

27. **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments can be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.
28. All investments made to date are funded through internal borrowing. It is anticipated that external borrowing will be required to part fund the programme in the future, once new investment is reintroduced (currently paused as a result of the high interest rate environment).

29. Table 6: Investments funded by borrowing in £millions

Investments funded by borrowing	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Budget	31.03.2028 Budget	31.03.2029 Budget
Subsidiary investments: Loans	3.71	3.71	3.71	3.71	3.71
Commercial investments: Property	21.43	21.43	21.43	21.43	21.43
TOTAL FUNDED BY BORROWING	25.14	25.14	25.14	25.14	25.14

30. **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of external borrowing where appropriate, as a proportion of the sum initially invested.

31. Table 7: Investment rate of return (net of costs)

Investments net rate of return	2024/25 Actual	2025/26 Forecast	2026/27 Budget	2027/28 Budget	2028/29 Budget
Treasury management investments	4.76%	4.11%	3.98%	3.77%	3.57%
Subsidiary investments: Weighted Average	3.82%	3.82%	3.82%	3.82%	3.82%
Commercial investments: Property	5.34%	5.35%	5.57%	5.57%	5.57%

32. **Notes to table 7:** As cash balances reduce, the overall treasury management investment earnings in £000's will reduce. However, the funds that are held by the Council will represent required minimum balances and will continue to be placed within medium-longer term strategic funds, which are typically higher yielding.

33. The general increase in the rate of return for Commercial Property is due to the growth of rental income, principally at the Platinum Jubilee Business Park. As already outlined, the authority does not associate direct borrowing with individual assets. Borrowing will be incurred in the overall context of the Capital Financing Requirement and cash balances.

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Audit Committee – 13 February 2026

Principal Risk Register Review

Purpose	For Review
Classification	Public
Executive Summary	This report updates the Audit Committee on the position of the Council's Principal Risk Register. The main updates are as follows: • All service risk registers have been reviewed to inform any proposed changes to the Principal Risk Register. • All principal risks have been reviewed in depth by EMT. • Updates to a number of ratings, overviews and mitigation comments have been made to the Principal Risk Register. These have been highlighted in blue text in appendix 1. • It is proposed to remove the Principal Risk for the Transformation Programme and include a new Principal Risk for Political Environment. • It is proposed to remove the Principal Risk relating to social housing regulatory compliance as the risk is deemed to be low (risk will continue to be maintained and monitored at service risk register level). • It is proposed to include the Principal Risk relating to recruitment and retention of staff within the Principal Risk relating to Local Government Reorganisation • The Principal Risk for Local Government Reorganisation has evolved to encompass a broader remit, dealing with three core areas: capacity, finances and staff.

	It is proposed to add a new Principal Risk for the Health and Wellbeing of tenants in temporary accommodation. This risk as already included on the service risk register however it is felt this should be escalated to a Principal Risk.
Recommendations	It is recommended that Audit Committee give feedback on: 1) the updated Principal Risk Register included in Appendix 1 for onward consideration by the Cabinet; and 2) the proposed Cabinet recommendation as follows: 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 (Section 151 Officer) and; Paul Whittles – Assistant Director - Finance
Officer Contact	Karen Webber Insurance and Risk Officer 02380 285119 Karen.Webber@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. 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 specific Service Risk to ensure consistency going forward. In some cases the Principal Risk provides oversight and context to a range of Service Risks
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, including changes following EMT reviews in October 2025 and January 2026. Additions to risk overview and mitigation comments are shown in blue, with deletions struck through. Amended scores are as follows:
 - a. PR4 Business Continuity: Residual risk reduced from 12 to 6
 - b. PR5 Health & Safety: Residual risk reduced from 6 to 4
 - c. PR16 Planning & regulatory system upgrade: Inherent Risk reduced from 16 to 9; Residual risk reduced from 12 to 6

- d. PR17 Climate & Ecological Emergency: Inherent Risk reduced from 12 to 9; Residual risk reduced from 9 to 3
9. Furthermore, it is proposed to remove the current risk PR15 Transformation Programme given the current focused nature of this workstream in light of the continued and growing progression of LGR activity, and to insert a new risk – Political Environment (using the same PR15 reference).
 10. This new Principal Risk is to reflect the need for NFDC to consider the impact on NFDC, including our ability to make decisions, by potential changes to the political landscape across the UK as a whole, incorporating the uncertainty regarding the timing and outcomes of elections at all levels.
 11. It is also proposed to remove the current risk PR10 Social Housing Regulatory Compliance as a Principal Risk but retain and monitor at Service risk register level. A mock inspection was commissioned to appraise the service and although scope was controlled it provided good assurance along with some learning that is being applied, all governed by the inspection readiness group.
 12. It is further proposed to remove the current risk PR19 Recruitment and Retention of Staff as a standalone and to incorporate into the overall Local Government Reorganisation risk PR9 as the risk directly relates to the uncertainty of LGR and devolution.
 13. Risk PR9 Local Government Reorganisation has been broadened to articulate the current three main areas of risk presented by LGR of capacity, finance and staffing. This risk should be expected to continue to evolve and change regularly as the LGR process moves forward.
 14. Risk PR20 Health and wellbeing of tenants in temporary accommodation has been added at the request of the Strategic Director Housing & Communities. This risk is already included on the service risk register however it is felt this should be escalated to feature as a principal risk.

Corporate plan priorities

15. 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

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

Consultation undertaken

17. 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

18. There are none arising directly from this report, although strong risk management and a solid understanding of risk supports robust financial management.

Legal implications

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

Risk assessment

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

Environmental / Climate and nature implications

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

Equalities implications

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

Crime and disorder implications

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

Data protection / Information governance / ICT implications

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

Appendices:

Appendix 1 – Principal Risk Register (January 2026)

Background Papers:

Audit Committee - 24 January 2025:

[Principal Risk and Risk Management Policy Update](#)

Audit Committee - 27 June 2025:
[Principal Risk Register Review](#)

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Principal Risk Register
January 2026

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation																																																		
Operations																																																								
PR1	Cyber Security	Transformation Priority 4: Designing modern and innovative services	Chief Executive	Inherent Risk Score High <table><tr><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr></table> Residual Risk Score High <table><tr><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr></table>	4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4		1	2	3	4	4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4		1	2	3	4	Malicious attack results in significant loss of sensitive data and/or significant disruption to Council operations	• 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. • 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
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Principal Risk Register
January 2026

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation																																																		
PR2	Emergency Planning	Transformation Priority 4: Designing modern and innovative services	Strategic Director Housing & Communities	Inherent Risk Score Medium <table><tr><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr></table> Impact Residual Risk Score Medium <table><tr><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr></table> Impact	4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4		1	2	3	4	4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4		1	2	3	4	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. A successful large scale multi-agency COMAH exercise was completed at Fawley in the last calendar quarter of 2025. A wider audit has commenced and any findings or recommendations will be implemented.
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Principal Risk Register
January 2026

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation																																																																								
PR3	Homelessness	Transformation Priority 4: Designing modern and innovative services	Strategic Director Housing & Communities	Inherent Risk Score Medium <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td></td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td></td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td colspan="5">Impact</td></tr></table> Residual Risk Score Medium <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td></td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td></td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td colspan="5">Impact</td></tr></table>	Probability	4	4	8	12	16	3	3	6	9	12		2	2	4	6	8		1	1	2	3	4			1	2	3	4			Impact					Probability	4	4	8	12	16	3	3	6	9	12		2	2	4	6	8		1	1	2	3	4			1	2	3	4			Impact					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 and we are investing in homelessness prevention strategies, it should be noted that this is a demand led service with Government funding streams and requirements can therefore fluctuate and be sometimes unpredictable.
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Principal Risk Register
January 2026

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation
PR4	Business Continuity	All	Strategic Director Housing & Communities	Inherent Risk Score	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. An officer has been successfully recruited to implement any changes identified, focussing 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 and the BC and Emergency Planning provision has progressed.
				Residual Risk Score		

High

Probability	4	4	8	12	16
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Medium

Probability	4	4	8	12	16
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2	2	4	6	8	
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	Impact				

A new Business Continuity Policy and plan is in place. Service Managers are in the process of reviewing and updating their individual business continuity plans.

Principal Risk Register
January 2026

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation																																																												
Legal and Regulatory																																																																		
PR5	Health and Safety	Transformation Priority 2: Being an employer of choice	Chief Executive	Inherent Risk Score Medium <table><tr><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td colspan="4">Impact</td></tr></table> Residual Risk Score Low <table><tr><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td colspan="4">Impact</td></tr></table>	4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4		1	2	3	4		Impact				4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4		1	2	3	4		Impact				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 meetings of safety panels and 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.
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Principal Risk Register
January 2026

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation																																																		
PR6	Information Governance	All	Strategic Director Corporate Resources & Transformation- Section 151 Officer	Inherent Risk Score High <table><tr><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr></table> Residual Risk Score Medium <table><tr><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr></table>	4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4		1	2	3	4	4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4		1	2	3	4	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. Demand on the team has increased which has led to some restructuring and creation of additional posts to support with the demand - LGR will also likely involve substantial resource implications for the team to ensure full compliance with legal and regulatory requirements over the transition to the new authority.
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Principal Risk Register
January 2026

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation
PR7	Safeguarding	People Priority 1: Helping those in our community with the greatest need	Strategic Director Housing & Communities	Inherent Risk Score	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. The service has completed a recent QA Audit by the Hampshire Childrens Safeguarding partnership which recognised the golden thread approach of safeguarding and how it is embedded within all services. A wider audit has commenced and any findings or recommendations will be implemented
				Residual Risk Score		

Principal Risk Register
January 2026

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation
PR8	Legal & Governance	All	Assistant Director Strategy & Engagement (Monitoring Officer)	Inherent Risk Score	Weakness in our legal and governance framework - or non-compliance with it - leading to unlawful or procedurally improper decisions, findings of maladministration, avoidable financial loss, service disruption, and reputational damage.	The Council maintains a robust constitutional and decision-making framework with legal and financial assurance and statutory officer oversight. This is reinforced by training, transparent management of interests/conflicts, and documented consultation and impact assessments. Procurement, contracts and partnerships operate under clear rules and gateway reviews, with early legal involvement for complex matters. Complaints handling, internal/external audit and the Annual Governance Statement provide independent assurance and drive learning.
				Residual Risk Score		

Medium					
Probability	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
	1	2	3	4	
Impact					

Medium					
Probability	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
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Impact					

Increased demand, including the implications of LGR will also likely involve substantial resource implications for teams supporting the legal and governance framework. Additional senior legal capacity is being added to support full-compliance with legal and regulatory requirements both for the council and as part of transition to a new authority.

Principal Risk Register
January 2026

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation
PR9	Local Government Reform / Devolution	All	Chief Executive	Inherent Risk Score	The capacity and resources required to deliver LGR present a strategic risk to the organisation. There is a risk that focus on LGR diverts capacity away from business-as-usual activity and delivery of corporate plan priorities, alongside potential financial pressures arising from implementation costs.	The council is putting in place significant resources to enable it to manage the LGR process. Initially £150k was included in the base revenue budget and a £500k reserve was created. An increase in the reserve to £2m was recently approved by Cabinet. A number of new roles to support Phase 1 have been determined supporting Communications, IT, HR, Planning and Programme Management.
				Residual Risk Score		

Principal Risk Register
January 2026

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation

Principal Risk Register
January 2026

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation																														
PR10	Social Housing-Regulatory-Compliance	People Priority 3—meeting-Housing Needs	Strategic-Director-Housing & Communities	Inherent Risk Score High <table><tr><td>4</td><td>4</td><td>8</td><td>8</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td></td><td></td><td></td><td>Impact</td></tr></table>	4	4	8	8	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4		1	2	3	4					Impact	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. 26/01/2026. We have also since commissioned a mock inspection to appraise the service. Although scope was controlled, it provided good assurance along with some learning that is being applied—all governed by the inspection readiness group. We feel there is low risk in scoring at C3 or C4. Accordingly, impact updated to 2. Inherent risk score also updated. Suggested closing on PRR and retain on-service risk register for monitoring. (SY)
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Principal Risk Register
January 2026

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PR11	Income and Financial Position	Transformation Priority 3: Being financially responsible	Strategic Director Corporate Resources & Transformation Section 151 Officer	Inherent Risk Score High <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td></td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td></td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td colspan="5">Impact</td></tr></table> Residual Risk Score Medium <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td></td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td></td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td colspan="5">Impact</td></tr></table>	Probability	4	4	8	12	16	3	3	6	9	12		2	2	4	6	8		1	1	2	3	4			1	2	3	4			Impact					Probability	4	4	8	12	16	3	3	6	9	12		2	2	4	6	8		1	1	2	3	4			1	2	3	4			Impact					Income volatility / poor finance settlement / extreme event causing significant financial challenge	With the transformation programme in progress and Ongoing reviews of the MTFP as part of the 2026/27 budget setting process include adjustments following the change to Government resources following the Fair Funding Review, the council is fully committed to ensuring both immediate and future financial stability. This is evidenced by the proposed setting of a balanced budget for 2025/26-2026/2027 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.
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Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation																																				
PR12	Fraud	Transformation Priority 3: Being financially responsible	Strategic Director Corporate Resources & Transformation Section 151 Officer	Inherent Risk Score High <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td></td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td></td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td colspan="5">Impact</td></tr></table>	Probability	4	4	8	12	16	3	3	6	9	12		2	2	4	6	8		1	1	2	3	4			1	2	3	4			Impact					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 external fraud prevention strategies ensuring that measures are in place to mitigate the risk.	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. All staff complete fraud e-learning each year.
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Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation																																				
PR13	Procurement	Transformation Priority 3: Being financially responsible	Strategic Director Corporate Resources & Transformation Section 151 Officer	Inherent Risk Score High <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td></td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td></td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td colspan="5">Impact</td></tr></table>	Probability	4	4	8	12	16	3	3	6	9	12		2	2	4	6	8		1	1	2	3	4			1	2	3	4			Impact					Procurement activity takes place which is not in the best interests of the Council and its stakeholders and/or is in breach of legislation.	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. Spend analysis is completed three times per year and shared with the leadership team. 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.
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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 Place, Operations and Sustainability	Inherent Risk Score High <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td></td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td></td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td colspan="5">Impact</td></tr></table> Residual Risk Score Medium <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td></td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td></td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td colspan="5">Impact</td></tr></table>	Probability	4	4	8	12	16	3	3	6	9	12		2	2	4	6	8		1	1	2	3	4			1	2	3	4			Impact					Probability	4	4	8	12	16	3	3	6	9	12		2	2	4	6	8		1	1	2	3	4			1	2	3	4			Impact					The transformational waste strategy fails to conclude within the programmed delivery window for service change, bringing a substantial threat of reputational risk to the council, failure to meet legislative requirements such as food waste leading to potential legal repercussions and loss of funding.	Continuous monitoring and reviews of the waste strategy roll out have supported the implementation of the new service. The programme is governed by the Waste Transformation Programme Board and additional resources were committed to address reputational risks pertaining to animal interactions with Food Waste containers in the open Forest. Regular updates have been provided with a comprehensive report provided to Cabinet on 3 September 2025 including a specific Waste Programme Risk Log. https://democracy.newforest.gov.uk/documents/s33885/Waste%20Report.pdf Communication remains key as we continue with the roll out through phase 3. The Council should continue to utilise its media channels to ensure clear and consistent messaging to residents.
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Ref	Risk Title	Corporate Plan Theme	Risk Owner	Risk Rating	Risk Event	Overview and Mitigation																																	
PR15	Transformation Programme – Political Environment	Transformation Priority 4: Designing modern and innovative services All	Chief Executive	Inherent Risk Score	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	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.																																	
				Medium																																			
				<table><tr><td rowspan="4">Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td></td><td colspan="4">Impact</td></tr></table>	Probability	4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4			1	2	3	4			Impact					Regular liaison with MPs, MCHLG and key officials, utilising sector support from LGA and District Councils Network. Scenario-planning for LGR and other political scenarios, regular meetings with Group Leaders. Constructively engaging and supporting collaboration and partnership working.
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Residual Risk Score	Medium	<table><tr><td rowspan="4">Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td></td><td colspan="4">Impact</td></tr></table>	Probability	4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4			1	2	3	4			Impact				Significant change in national and local political landscape including devolution and LGR, elections in 2026, 27 and 28, and finely-balanced political control in NFDC			
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PR16	Planning and regulatory system upgrade	Transformation Priority 4: Designing modern and innovative services	Strategic Director Housing & Communities	Inherent Risk Score High <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td></td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td></td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td colspan="5">Impact</td></tr></table>	Probability	4	4	8	12	16	3	3	6	9	12		2	2	4	6	8		1	1	2	3	4			1	2	3	4			Impact					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 RS replacement project has been under regular review to determine the most appropriate outcome for the services and alignment with the Council's ambitions and PGR interdependencies. Support from the incumbent supplier for the existing system has been secured through to June 2027, but upgrades to the Council's IT infrastructure, and security risks remain an ongoing risk. It is likely the LGR decision in March 2025 will determine a clearer set of future options to take this project forward, and officers have acknowledged this as a priority activity in forming the new councils.
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Reputation																																																																														
PR17	Climate and Ecological Emergency	Place Priority 2: Protecting our climate, coast, and natural world	Strategic Director Place, Operations and Sustainability	Inherent Risk Score High <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td></td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td></td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td colspan="5">Impact</td></tr></table> Residual Risk Score Low <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td></td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td></td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td colspan="5">Impact</td></tr></table>	Probability	4	4	8	12	16	3	3	6	9	12		2	2	4	6	8		1	1	2	3	4			1	2	3	4			Impact					Probability	4	4	8	12	16	3	3	6	9	12		2	2	4	6	8		1	1	2	3	4			1	2	3	4			Impact					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.	Council has convened a Member Task and Finish Group to inform the councils strategic approach and response. Officers have continued to work with partners to implement the Council's Climate and Ecological Emergency Action Plan. Financial resources have been reprofiled to build a necessary staff structure around the programme of activity and Service plans across the organisation will be updated to include climate risk assessment to ensure this risk is being addressed through service delivery. Regular review of budget allocation, seeking alternative funding sources, prioritising projects based on impact and funding availability.
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People																																																																														
PR18	Working practices	Transformation Priority 2: Being an employer of choice	Strategic Director Corporate Resources & Transformation Section 151 Officer	Inherent Risk Score High <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td></td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td></td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td colspan="5">Impact</td></tr></table> Residual Risk Score High <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td></td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td></td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td></td></tr><tr><td></td><td colspan="5">Impact</td></tr></table>	Probability	4	4	8	12	16	3	3	6	9	12		2	2	4	6	8		1	1	2	3	4			1	2	3	4			Impact					Probability	4	4	8	12	16	3	3	6	9	12		2	2	4	6	8		1	1	2	3	4			1	2	3	4			Impact					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	Updated terms and conditions recently consulted on and implemented within waste services ahead of the roll-out of the new waste service. A recent review of Essential User Allowances has also recently been concluded. The HR service are tasked with carrying out an audit of working practises at least annually and work with services to take action on any discrepancies as required. Officers keep updated and seek advice where necessary from LGA, MHCLG, CIPFA etc.
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PR19	Recruitment and retention of staff	Transformation Priority 2: Being an employer of choice	Strategic Director Corporate Resources & Transformation Section 151 Officer	Inherent Risk Score High <table><tr><td>Probability</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td colspan="5">Impact</td></tr></table>	Probability	4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4		1	2	3	4		Impact					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.
				Probability	4	4	8	12	16																													
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Principal Risk Register
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PR20	Health and Wellbeing of tenants in temporary accommodation	People Priority 1: Helping those in our community with the greatest need	Strategic Director Housing & Communities	Inherent Risk Score High <table><tr><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td colspan="4">Impact</td></tr></table> Residual Risk Score Medium <table><tr><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td colspan="4">Impact</td></tr></table>	4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4		1	2	3	4		Impact				4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4		1	2	3	4		Impact				Health, wellbeing or other crises in TA (e.g. serious illness, Death, COVID, Mpox, Influenza, MH breakdown, disabilities, Asthma, Neurodivergence, vulnerable groups - infants and the elderly etc.)	Assessment of health and vulnerabilities and Personal Housing Plan (PHP) recognising individual needs assessment. PHP to be kept under review. Property risk assessments alongside personal risk assessments. Suitable placements in accordance with individual needs. Allocation of Support workers as required. Multi-agency working with health providers to ensure joined up support and communication, as and when required. Joint case meetings. Follow official guidance, protocols and regularly engage with clients. Respond to wider view of issues - behaviour, ASB, health etc. Timely response to repairs and property issues. Management oversight of high risk cases identified through risk planning. Alternative accommodation plans as necessary.
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Risk Rating

Risk Score	Risk Level
9-16	High Risk
4-8	Medium Risk
1-4	Low Risk

Risk Matrix

Probability	
Highly Likely	4
Likely	3
Unlikely	2
Highly Unlikely	1
Impact	
Low	1
Moderate	2
Major	3
Significant	4

AUDIT COMMITTEE

WORK PROGRAMME 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)
Playground Audit	Written Report	Chris Noble

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