



New Forest District Council Auditor's Annual Report

Year ended 31 March 2024

6 March 2025



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

6 March 2025

Dear Audit Committee Members

2023/24 Auditor's Annual Report

We are pleased to attach our 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 2023/24.

This report is intended to draw to the attention of the Council any relevant issues arising from our work. 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 21 March 2025.

Yours faithfully

Simon Mathers

Partner

For and on behalf of Ernst & Young LLP

Encl

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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 ([Statement of responsibilities of auditors and audited bodies \(from 2023/24 audits\) - PSAA](#)). 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 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 Audit Committee and management of New Forest District Council for this report or for the opinions we have formed.



01 Executive Summary



Executive Summary

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements; and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) published in November 2024 and the supporting guidance of the National Audit Office (NAO) published within their Auditor Guidance Note 3 (AGN 03). This commentary aims to draw to the attention of the Council and the wider public relevant issues from our work including recommendations arising in the current year and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2023/24 audit work in accordance with the Audit Plan tabled at the 31 May 2024 Audit Committee meeting. We have complied with the NAO's 2024 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

- Expressing an opinion on the 2023/24 financial statements;
- Reporting by exception:
 - if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
 - any significant matters or written recommendations that are 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 preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (continued)

2023/24 Conclusions

<p>Financial statements</p>	<p>The audit of the financial statements for the year ended 31 March 2023 was not completed for the reasons set out in our disclaimer of opinion on those financial statements dated 2 December 2024.</p> <p>Our planned audit work in the current year was focused on transactions in the year and the current year end balance sheet.</p> <p>Due to delays in receiving audit evidence in sufficient time before the backstop date, and delays in the previous year’s audit, we did not have the required resource available and have been unable to complete our audit procedures on in-year Net Cost of Services Expenditure (excluding Housing Revenue Account Expenditure) of £72.6 million.</p> <p>As a result of the disclaimer of opinion in the prior year, and the scope of our work which was impacted by the backstop date, we do not have sufficient appropriate audit evidence over the following:</p> <ul style="list-style-type: none"> • in the Group and Authority balance sheet and accompanying notes: the opening balances, closing reserves position and the valuation of property assets held at valuation included in ‘other land and buildings’ that were not revalued in year • in the Group and Authority comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet • in the Group and Authority cash flow statement and accompanying notes: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet • in the collection fund and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance • in the housing revenue account and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance. <p>We therefore issued a disclaimed 2023/24 audit opinion on 17 February 2025.</p>
<p>Value for money (VFM)</p>	<p>We had no matters to report by exception on the Council’s VFM arrangements. We have included our VFM commentary in Section 03.</p>
<p>Consistency of the annual governance statement</p>	<p>We were satisfied that the annual governance statement was consistent with our understanding of the Council.</p>
<p>Public interest report and other auditor powers</p>	<p>We had no reason to use our auditor powers.</p>



Executive Summary (continued)

2023/24 Conclusions

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, as the NAO have not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our Audit Certificate until these procedures are complete.
Certificate	We will be able to issue our certificate once the NAO have confirmed whether there are any additional group audit procedures required following the Whole of Government Accounts submission.



Executive Summary (continued)

Value for Money

Scope

Auditors are required to be satisfied that New Forest District Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report.

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 Strategic Director Corporate Resources & Transformation (s151);
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

Executive Summary (continued)

Value for Money (continued)

Reporting

Our commentary for 2023/24 is set in section 03. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2022/23 Interim Value for Money Report and have been updated for 2023/24.

In accordance with the NAO's 2024 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures and whether we have concluded that there is a significant weakness in the body's 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	No significant weakness identified
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 (continued)

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 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2024

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 2024:

[EY UK 2024 Transparency Report | EY - UK](#)



02 Audit of the financial statements

Audit of the 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.

On 17 February 2025, we issued a disclaimed audit opinion on the financial statements, the basis for which is set out on page 6 of this report.

We reported our audit scope, risks identified and detailed findings to the 24 January 2025 Audit Committee meeting in our Audit Results Report. We outline below the key issues identified as part of our audit in relation to the significant risk areas. The findings for each of the accounts areas are set out in the Audit Results Report in Appendix A. We reported 3 areas for improvement in the control environment in the Audit Results Report.

Significant risk	Conclusion
Misstatements due to fraud or error – Management override of controls	<p>Our work did not identify any material weaknesses in the design of controls or evidence of material misstatements, whether due to fraud or error. Our work did not identify any instances of inappropriate judgements being applied.</p> <p>Our work did not identify any other transactions during our audit which appeared unusual or outside the Council’s normal course of business.</p> <p>We did not identify any unusual or unsupported journals, or other adjustments made in preparing the financial statements.</p>
Risk of fraud in revenue and expenditure recognition – inappropriate capitalisation of revenue expenditure	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatement may occur by the manipulation of expenditure recognition. From our risk assessment, we assessed that the risk manifests itself through the potential to inappropriately capitalise revenue expenditure to improve the financial position of the general fund.</p> <p>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.</p>
Valuation of investment property land and buildings – valued at Fair Value (FV)	<p>Investment Properties measured at FV represent significant balances in the Council’s financial statements and are subject to valuation changes and impairment reviews. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet which triggers the use of experts by management.</p> <p>Our work identified 3 misstatements totalling £224k due to judgemental differences in yield values which should be adopted in determining the asset valuation.</p>

Audit of the financial statements

Key findings (continued)

Other risks / areas of audit focus	Conclusion
Valuation of property, plant and equipment (PPE) land and buildings – valued at Depreciated Replacement Cost (DRC)	<p>PPE land and buildings measured at DRC represent significant balances in the Council's financial statements and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>Our work identified misstatements in all DRC assets valued in 2023/24 totaling £1,317k due to incorrect determinations of land values. These misstatements were adjusted within the final financial statements.</p>
Valuation of PPE land and buildings – valued at Existing Use Value (EUV)	<p>PPE land and buildings measured at EUV represent significant balances in the Council's financial statements and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>Our work identified a misstatement in one EUV asset which was incorrectly subject to an impairment review in 2023/24 as opposed to a full valuation. This resulted in a misstatement of £698k which was adjusted within the final financial statements.</p>
Valuation of Council Dwellings	<p>As with land and buildings, the value of Council Dwellings in the Council's accounts are subject to valuation changes and impairment reviews. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>Our testing identified no material misstatements. The Beacon Methodology was correctly applied and properties were assessed to be appropriately classified within each beacon. Council dwelling valuations were in line with current market data. We did not identify any instances of inappropriate judgements being applied.</p>
Pension Liability / Asset Valuation	<p>The Code of Accounting Practice requires extensive disclosures regarding the Council's pension liability balances. The accounting requires significant estimation and judgement, with management engaging an actuary to undertake the calculations on their behalf.</p> <p>We have assessed the work of the Pension Fund Actuary, relying on the work of PWC and the EY Actuarial team, as well as the EY Pensions Specialist. The work of our EY Pension Specialist identified a misstatement in the assumptions adopted by the Pension Fund Actuary such that a further IAS 19 report was required to be obtained by the Council. This resulted in an adjustment being required to the pension liability of £7.4 million which was adjusted within the final financial statements.</p>



03 Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

We identified no risks for the Council's financial sustainability arrangements in our VFM Planning.

Within the 2023/24 Budget and Medium-Term Financial Plan, the Council set a balanced budget for 2023/24. However, in future years through to 2026/27, the MTFP shows additional budget shortfalls totalling £1.324 million. This is split as:

- £699k for 2024/25
- £320k for 2025/26
- £1.324m for 2026/27

The future gaps are expected to be mitigated through various options including commercial and residential property strategies, delivery and transformation programmes, additional income from local taxation and prudent use of budget equalisation reserves. These options have therefore resulted in the following forecast positions:

- A use of equalisation reserves of £116k for the 2024/25 period.
- Headroom to support capital of £846k for the 2025/26 period.
- Headroom to support capital of £176k for the 2025/26 period.

The 2024/25 Budget and Medium-Term Financial Plan has also set a balanced budget for 2024/25, however, there remains budget shortfalls totalling £2.708 million through to 2027/28. This is split as:

- £1,329k for 2025/26
- £479k for 2026/27
- £2,708k for 2027/28

These shortfalls are forecast to be addressed in a similar manner to those identified in the 2023/24 Medium Term Financial Plan. However, the targeted efficiency and income yield programmes have been specified within the 2024/25 Medium Term Financial Plan as relating to general process efficiencies and accommodation rationalisation. These options have therefore resulted in the following forecast positions:

- A use of equalisation reserves of £59k for the 2025/26 period.
- Headroom to support capital of £1,687k for the 2026/27 period.
- A use of equalisation reserves of £108k for the 2027/18 period.

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

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 £21.973 million at 31 March 2024 and therefore, is sufficient to cover any shortfall.

There are acknowledged uncertainties to the medium-term forecast, for example those associated with its developing Waste Strategy, utilities associated with the Council's Leisure Centres, the Solent Freeport and annual pay awards which is consistent with the Council's risk register.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

We identified no risks for the Council's governance arrangements in our VFM planning.

The Council has an effective strategic risk management framework and register in place to identify, mitigate and monitor the risks to the organisation in delivering strategic objectives. This includes both financial and non-financial risks.

This is supported by a Strategic Risk Management Policy and a Strategic Risk Register with updates to the risk register being discussed in Cabinet meetings. Within the January 2024 Strategic Risk Register, there are two identified significant risks. The first is in relation to cyber security and the second is in relation to the Climate Change and Nature Emergency declared by NFDC in 2021. There are also risks included on the risk register which relate to the financial resilience of the Council, although these have not been red rated. These risks include areas such as inflation and the high bank base rate. Pressures more specific to the Council have also been identified and include the pay award (and other increased salary costs), levelling up, the fair funding review and the impact of a Business Rates Reset. These are mitigated through regular financial monitoring and robust budgeting arrangements.

There is also an internal audit function which provides an interim report and a year-end report. We have obtained the report from internal audit at year end which reported no limited assurance reviews.

In 2023/24, New Forest District Council achieved a Net General Fund Budget Requirement of £20.649 million compared to budget of £22.468 million which is a favourable outturn position and constituted a £20k overspend at Service Portfolio level which was mainly offset by additional interest earnings of £2,312k, a VAT refund of £668k and additional business rates income of £701k. The budgeted capital spend for the year was £15.031 million, however, rephasings to future years resulted in an actual capital spend of £8.160 million.

The Housing Revenue Account set a budget of a net income position of £12.574 million and achieved an outturn position of £12.695 million. The Housing Revenue Account capital spend was £26.382 million for 2023/24, compared to an initial budget of £27.610 million.

The Council maintains the General Fund balance at £3 million. There are also several earmarked reserves with a total balance of £21.973 million (at 31/03/2024) to meet specific liabilities when they fall due (split between General Fund and Housing reserves). This illustrates the robustness of the Council's budget setting and its ability to manage its budget effectively.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

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 weakness identified

We identified no risks of the Council's economy, efficiency and effectiveness arrangements in our VFM planning.

The Council has arrangements in place to improve economy, efficiency and effectiveness. These derive from the Corporate Plan which was revised during the year, spanning 2024 to 2028. This sets out the Council's vision and values, across three priority areas:

- People: Helping people in the greatest need and creating balanced, resilient, and healthy communities who feel safe and supported with easy access to services.
- Place: Delivering growth, opportunity and services that shape our place now and for future generations, within a unique environmental context, to ensure we remain a special place to live, work and visit.
- Prosperity: Promoting a strong local economy that delivers its inclusive aspirations through effective partnerships, attracting investment, and increasing skills and employment opportunities.

Each priority area has three identified sub-priorities, along with further detail concerning the work the Council will complete, how success will be measured and the corresponding strategies in place to align with the priorities.

The Plan then details how these priorities are underpinning the delivery of the Council's Transformation Programme, "Future New Forest".

To track performance and judge how well the Council are delivering their services, they measure their key activities and set performance targets using performance indicators. The KPIs are linked back to the key priorities within the Corporate Plan and are organised into the portfolio headings and a performance summary is RAG rated. The scorecard is used to flag areas of required improvement, devise actions to address any weakness identified and monitor progress.

Partnerships are included, as appropriate, within the Corporate Plan and all priority areas have an emphasis on working in partnership with other bodies for the benefit of the district.

NFDC are involved in various partnership arrangements within the area. These include:

- The Partnership for South Hampshire
- The Solent Freeport
- Solent Local Enterprise Partnership (LEP)

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to use information about its costs and performance to improve the way it manages and delivers its services.



04 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations

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

Arrangements in place

New Forest District Council has various methods to ensure it can identify financial pressures, including keeping updated budget reports, to ensure the Council is on plan to meet budget requirements. The Council has a Narrative Statement which shows the annual comparison between budgeted and actual income and expenditure, which assists in showing whether and where there were financial pressures looking backwards.

Regular meetings are held, and minutes are available on the Council's website, showing its review of financial pressures. A risk register is kept and updated annually by portfolio, which includes the potential financial impacts on the Council and actions to mitigate those risks.

As of January 2024, there are two identified significant risks. The first is in relation to cyber security and the second is in relation to the Climate Change and Nature Emergency declared by NFDC in 2021. There are also risks included on the risk register which relate to the financial resilience of the Council, although these have not been red rated. These risks include areas such as inflation and the high bank base rate. Pressures more specific to the Council have also been identified and include the pay award (and other increased salary costs), levelling up, the fair funding review and the impact of a Business Rates Reset. These are mitigated through regular financial monitoring and robust budgeting arrangements.

Where possible, the budgets for 2023/24 and 2024/25, and the Medium-Term Financial Plans for 2025/26 onwards have incorporated the pressures identified, including those relating to inflation and pay awards. The 2023/24 budget included a Council Tax increase of 2.99% with the 2024/25 budget including an increase of 2.99%, as well as the ongoing analysis for savings measures which are required for the budget to be balanced in the medium to long term.

There are ongoing financial pressures in the local government sector, which has resulted in several Council's making significant commercial investments using cheap borrowing through the 'Public Works Loan Board' (PWLB). New Forest District Council have not historically however, used this approach to finance any capital or commercial programmes. In 2012/13 the Council borrowed £142.7 million from the PWLB for the Housing Revenue Account financing settlement. This is being paid down in instalments with the Council making a repayment of £4.301 million during 2023/24.

As part of the Council's Housing Development Programme, the Council borrowed a further £10 million during 2023/24 on a long term basis. As a result, the total borrowing outstanding as of 31 March 2024 was £124.1 million, of which £4.2 million is due to be repaid in the coming year.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations

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 (continued)

Arrangements in place

New Forest District Council has developed a small portfolio of investment properties and has established a housing company to generate a return on cash at greater rates than current bank rates. The long-term assets of the Council, which reflect its commercial activity, were as follows at 31 March 2024:

Significant Account	Balance	Description of Asset
Investment Property	£30.3m	The Council hold a varied portfolio of investment property, including a car park, marina, industrial units, offices, and retail.
Long-Term Investment	£9.6m	Includes a £1.4m investment in wholly owned housing company and £8.2m in other investment funds.
Short-Term Investment	£10.1m	All short-term investments held as bonds or short-term fixed interest deposits with either banks or other financial institutions, or other Local Authorities.

We do not consider the above investments to be unusual for a Local Government body and are not indicative of a higher risk profile. The investment in its wholly owned property company is not so significant that it creates a risk to the financial sustainability of the Council.

The Council considers its investment strategy annually, which sets out the aims and objectives of the investment, namely helping to support the New Forest economy and community and making a profit that can be spent on local public services. There are approved limits (£50 million investment properties, £10 million housing company) on spending which has been agreed as set out in the strategy. This Investment Strategy has remained consistent through the 2023/24 financial year, including in the updated strategy produced in January 2024. The balance of investment properties of £30.3 million at 31 March 2024 therefore remains within policy. All spending to date has been funded by internal borrowing. However, the Council is forecasting further capital spend from 2024/25 onwards (as set out in the Treasury Management Strategy and MTFP for 2024/25) of which part is anticipated to be funded through external borrowing.

For interest rates, investments and borrowing, the Council has a Treasury Management Strategy. The Strategy confirms the changes to the PWLB lending criteria which preclude a local authority from borrowing from PWLB for any purpose if it plans to purchase assets primarily for yield. The Borrowing Strategy confirms the Council plans to avoid such activity that would preclude them from accessing this funding and therefore confirms that the planned future capital spend from 2024/25 that may require external borrowing is not related to the purchase of assets primarily for yield.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
<p>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 (continued)</p>	<p>The Treasury Management Strategy shows that the Council had an authorised borrowing limit of £225.5 million for 2023/24. Treasury management performance is monitored through the year and the mid-year report showed actual borrowing of £118.2 million which remained below the limit and below the operational boundary of £207.2 million. The treasury management outturn report confirmed that the borrowing limit had been updated to £230.5 million, and the operational boundary updated to £211.5 million. The £124 million of borrowing held at 31 March 2024 continued to remain below these limits.</p>
<p>How the body plans to bridge its funding gaps and identifies achievable savings</p>	<p>The 2023/24 Narrative Report in the Annual Financial Report notes the following in relation to potential funding gaps:</p> <p><i>“The latest Medium Term Financial Plan, that accompanied the setting of the 2024/25 budget, highlighted the likely impact that the Fair Funding Review and the potential that a ‘hard’ Business Rates reset will have on the Council’s finances. Despite this, the plan outlined options to address the funding gap and demonstrate the ability to set a balanced budget through to 2027/28. Options include efficiency savings (to be borne from the Council’s Transformation Strategy), income growth through yield, the generation of new additional income through the Commercial and Residential Property Strategies and Council Tax increases.”</i></p> <p>The Council maintains the General Fund Reserve at £3m. There are also several earmarked reserves with a total balance of £27.5m (at 31/03/2024) to meet specific liabilities when they fall due.</p> <p>Within the 2023/24 Budget and Medium-Term Financial Plan, the Council set a balanced budget for 2023/24. The budget sets out the differences compared to the previous year budget, with a £5.99 (2.99%) increase in Council Tax for a Band D property.</p> <p>In future years through to 2026/27, the MTFP shows cumulative additional budget shortfalls totalling £1.324 million. This is split as follows:</p> <ul style="list-style-type: none"> • £699k for 2024/25 • £320k for 2025/26 • £1.324m for 2026/27

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations

How the body plans to bridge its funding gaps and identifies achievable savings (continued)

Arrangements in place

The future gaps are expected to be mitigated through:

- implementation of the commercial and residential property strategies to bring valuable new sources of additional income into the Council,
- Council-wide focus on delivery and transformation to identify and deliver a programmed approach to assets, services, and ways of working,
- Council's ability to maximise its revenues through local taxation; and
- prudent use of budget equalisation reserves.

Specifically relating to the forecast shortfalls, the MTFP has identified additional commercial and residential property investment income of £250k per annum from 2024/25 with a further £250k per annum from 2025/26 (generating a cumulative total of £1,250k over the MTFP period).

A further target efficiency / income yield programme is forecast to close the budget gap by £333k, £666k and £1,000k in 2024/25, 2025/26 and 2026/27 respectively.

This generates targeted reductions in net expenditure each year of:

- £583k in 2024/25
- £1,166k in 2025/26
- £1,500k in 2026/27

These options have therefore resulted in the following:

- A use of equalisation reserves of £116k for the 2024/25 period.
- Headroom to support capital of £846k for the 2025/26 period.
- Headroom to support capital of £176k for the 2026/27 period.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations

How the body plans to bridge its funding gaps and identifies achievable savings (continued)

Arrangements in place

There are acknowledged uncertainties to the medium-term forecast, and these have been documented within the Council's MTFP. For example, those associated with its developing Waste Strategy, utilities associated with the Council's Leisure Centres, the Solent Freeport, and annual pay awards which is consistent with the Council's risk register. We considered its assumptions to be reasonable at the time of the budget, and that the Council has sufficient reserves and contingencies to respond to unforeseen events – such as we have subsequently seen with high inflation that has been managed during 2022/23 and 2023/24.

The 2024/25 Budget and Medium-Term financial Plan has also set a balanced budget, including an increase of 2.99% (£5.80) for Council Tax for a Band D property.

In future years through to 2027/28, the MTFP shows cumulative budget shortfalls totalling £2.708m. This is split as:

- £1,392k for 2025/26
- £479k for 2026/27
- £2,708k for 2027/28

These shortfalls are forecast to be addressed in a similar manner to those identified in the 2023/24 medium term financial plan. However, the targeted efficiency and income yield programmes have been specified within the 2024/25 medium term financial plan as relating to general process efficiencies and channel shifts and accommodation rationalization. These two targeted schemes generate a total reduction in net expenditure each year of:

- £583k in 2025/26
- £916k in 2026/27
- £1,250k in 2027/28

When combined with the treasury, commercial and residential property investment, the total savings and income generation results in a revised position of:

- A use of equalisation reserves of £59k for the 2025/26 period.
- Headroom to support capital of £1,687k for the 2026/27 period.
- A use of equalisation reserves of £108k for the 2027/28 period.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations

Arrangements in place

How the body plans to bridge its funding gaps and identifies achievable savings (continued)

The Council has a budget equalization reserve which is available to offset any shortfall and balance the budget. This is contained within the Council's general fund earmarked reserves of £21.973m at 31/03/2024.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The annual budget and MTFs sit alongside and facilitate the Council's Corporate Plan. During the year, a revised Corporate Plan was developed spanning 2024 to 2028. The Corporate Plan was developed collaboratively with elected members, staff, businesses and key partners, as well as the to prioritise the most important areas the Council needs to focus on in the future.

The updated Corporate Plan includes the Council's vision and values and is split into three priority areas:

- People: Helping people in the greatest need and creating balanced, resilient, and healthy communities who feel safe and supported with easy access to services.
- Place: Delivering growth, opportunity and services that shape our place now and for future generations, within a unique environmental context, to ensure we remain a special place to live, work and visit.
- Prosperity: Promoting a strong local economy that delivers its inclusive aspirations through effective partnerships, attracting investment, and increasing skills and employment opportunities.

Each priority area has three identified priorities, along with further detail concerning the work the Council will complete, how success will be measured and the corresponding strategies in place which align with the priorities.

The Plan then details how these priorities are underpinning the delivery of the Council's Transformation Programme, "Future New Forest" which is focused on 4 main areas:

- Putting our customers at the heart.
- Becoming an employer of choice.
- Being financially responsible.
- Designing modern and innovative services.

The Corporate Plan is aligned to the budget and MTFP, intended to act as the framework in which investment decisions can be made based on agreed priorities and the outcomes the Council wants to achieve.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities (continued)	The process of preparing the budget begins with using approved MTFP and updating with more detailed information as this becomes known. The financial and delivery performance against the Corporate Plan priorities is performed quarterly, culminating in the provisional outturn report that reports the year-end position and performance (subject to the audit of the financial statements). Quarterly monitoring includes the overall financial performance against budget, capital spend and project management reports. Where this performance information suggests a financial impact, this is reflected within the proposed budget.
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	<p>Also see the commentary above which details how the MTFP and budget are derived.</p> <p>Underneath the Corporate Plan, the medium-term financial strategy, annual revenue budget, capital budget, treasury management and capital investment strategies align to provide the financial framework for the Council that is consistent and aimed at achieving its corporate vision.</p> <p>Projections on the planned level of capital spending, borrowing and interest rates are considered each time the MTFP is updated.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>See commentary above.</p> <p>The Council has regular reviews and monitors potential risks to financial resilience. This is through, for example, the medium-term financial strategy and updates, and the strategic risk register.</p> <p>We have not identified risks to the Council that are outside the normal risks being faced by all local government bodies and have identified no issues to report concerning the arrangements in place to manage those risks.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Arrangements in place

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 reviewed the risk register as of January 2024, as presented to the 3rd April 2024 Cabinet meeting. In the prior year, there was one risk included in the red (high) residual risk rating. In January 2024, there are two residual risks in that higher category. We note that appropriate mitigations and actions are included against each risk.

The Council has an established anti-fraud and corruption strategy, anti-money laundering policy and whistle-blowing arrangements that are accessible on its website.

Those charged with governance and all officers have access to a e-learning that outlines the Council's fraud-related policies, and that this must be completed every two years.

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/National significance such as Climate Change.

The Head of Internal Audit opinion for 2023/24 was 'Reasonable' for governance, risk management and management control.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body approaches and carries out its annual budget setting process

Arrangements in place

The budget is derived both bottom-up and top-down. The budget for the previous year, incorporating any in-year amendments is the starting point for the next year's budget. Meetings are then held with service managers where they make changes to the starting budget as they see appropriate, based on their forecasts. Changes are brought back to Finance for challenge before scrutiny by the by the Housing & Committees and Resources & Transformation Overview and Scrutiny Panels.

The budget is reviewed quarterly, and where significant changes are identified in year which results in the original budget being no longer reflective of the actual conditions in year, the budget is updated. For example, the rise in inflation rate and cost of living impacts were incorporated in the budget to reflect the changes within the wider economy. The 2024/25 budget was then developed in the year, and the changes in comparison to the previous year were set out in the annual budget report.

The Council maintain a general balance at its minimum reserve level of £3m. In addition to the general fund balance, the Council also hold several earmarked reserves to cover unexpected liabilities/increases in costs.

As of 31/03/2024 the Council's reserves position is as follows per the financial statements:

- General Fund: £3m
- Earmarked Reserves: £27.5m (including Capital programme reserve £10.6m)

Further reserves, held for specific or statutory purposes and not available to support the revenue budget include:

- £1m HRA reserve
- £6.0m capital receipts reserve
- £8.5m community infrastructure levy unapplied reserve
- £3.5m developer's contributions unapplied reserve
- £2.5m capital grants unapplied reserve

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

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

Arrangements in place

Financial Monitoring is achieved by regular budgetary control reports to nominated budget holders, EMT, 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. Overview and Scrutiny arrangements are in place with an annual report of work carried out presented to Council.

There is a requirement to monitor expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis, as part of the Council's overall financial and performance management reporting process. It is the responsibility of the EMT and Portfolio heads to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Finance team. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Strategic Director Corporate Resources & Transformation to any problems.

The Council's financial performance (revenue and capital) are formally reported quarterly through a Financial Monitoring Report and through to the outturn report at year-end.

There is also an internal audit function which provides an interim report and a year-end report to confirm that controls are in place.

There were no limited assurance reports used by Internal Audit during 2023/24. As such, the details provided by Internal Audit, provide assurance that in our judgement, does not indicate a significant weakness for our assessment of VFM arrangements. The ratings for Internal Audit's review of the Council's financial systems and governance arrangements were as follows:

- Commercial Activities - Appletree Holdings = Substantial Assurance
- Council Tax- Debt Management and Resident Support = Substantial Assurance
- Income Collection and Banking = Substantial Assurance
- Disabled Facilities Grants = Substantial Assurance
- Transformation Programme - Governance Arrangements = Reasonable Assurance
- Procurement (Draft) = Reasonable Assurance
- Employee Benefits/Salary Sacrifice Scheme = Reasonable Assurance

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

Arrangements in place

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 (continued)

- National Non-Domestic Rates (NNDR) = Reasonable Assurance
- Accounts Payable (Draft) = Reasonable Assurance

Statutory financial reporting is prepared at year-end based on the CIPFA requirements. The annual governance statement and the narrative statement confirm that the accounts are prepared in accordance with the relevant financial CIPFA code.

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

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 reviewed during May of the financial year.

There is a monthly Cabinet meeting, to ensure leadership is regularly updated on NFDC'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.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The responsibilities and statutory requirements of all officers and members is embedded in the Constitution. All significant actions by the Council which may have legal implications either require authorisation by the Monitoring Officer or individuals specifically delegated to act on behalf of the Monitoring Officer as set out in the Council's decision-making rules. Decision makers are also required to act within the Council's Standing Orders and scheme of delegation which makes provision for legal and constitutional advice to inform such decisions. The Council's Constitution contains several check points at which officers can identify whether decisions are being taken in compliance with the prescribed rules which ensure legal compliance.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Arrangements in place

The Council has also adopted a Code of Corporate Governance (the Code) which is a framework based on guidance published in April 2016 by the Chartered Institute of Public Finance Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) around 'Delivering Good Governance in Local Government'. The Code is underpinned by the 7 core principles in the CIPFA/SOLACE framework, and is comprised of policies, procedures, behaviours, and values by which the authority is controlled and governed. These Codes provide the structures and guidance that members and employees require to ensure effective governance across the Council. It also sets out the Council's expectations and arrangements in place to help ensure that the Council conducts its business in accordance with the law and proper standards. One of its objectives is to ensure and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively.

There is an established Employee Code of Conduct, Member Code of Conduct and Protocol for Member/Officer Relations. The Members' code of conduct is also set out in Section 5 of the Constitution. Both members and officers are also required to declare related party interests which we consider as part of our work to gain assurance over related party transactions. Member interests are publicly available on the Council's website.

There are appropriate policies for such matters as accepting new business, conflicts of interest, and security practices that are adequately communicated throughout the organization. The entity's corporate culture emphasizes the importance of integrity and ethical behaviour. Management takes appropriate action in response to departures from approved policies and procedures or the code of conduct.

Records are maintained of all instances of fraud and irregularity reported for monitoring and analytical purposes. The Council employs a Corporate Fraud Officer who is responsible for providing both reactive fraud and irregularity investigations and proactive fraud work in line with the Anti-fraud, Bribery and Corruption Strategy. The internal audit plan contains a provision to monitor the outcomes of this work and review the governance arrangements to prevent, detect and investigate fraud and irregularities on a cyclical basis. Reported investigations into suspected and alleged acts of theft, fraud, or corruption, are undertaken professionally and sensitively by appropriately trained staff. The decision on whether to invoke criminal proceedings is made in liaison with the Monitoring Officer.

Staff are expected, and are positively encouraged, to raise any concerns relating to fraud and corruption of which they become aware. The Council has an established and recently updated Whistleblowing policy enabling employees to raise and report concerns of fraud. The Council has a strong governance framework that supports an anti-fraud culture.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Arrangements in place

The entity has several policy and procedure manuals relating to its processes and internal control which are held on the Council's intranet and available to all employees to ensure they are fully informed on the standards of the Council. Training and awareness sessions are provided as necessary. From our discussions with members of staff, employees are aware of these policies and procedures and able to access them.

Policies and procedures are available on the Council's website, and the publication scheme summarises policies and procedures and where they can be located.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	The Council produces a report of its Strategic Key Performance Indicators within its annual performance report. These KPIs are linked back to the key priorities within the Corporate Plan. The KPIs are organised into the portfolio headings and a performance summary is RAG rated. The scorecard is used to flag areas of required improvement, devise actions to address any weakness identified and monitor progress.
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>As set out previously in this assessment, service performance against Council priorities is considered regularly throughout the year through the Quarterly Financial Monitoring Report.</p> <p>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.</p> <p>As we noted previously, the indicators are refreshed and reassessed annually within the Corporate Plan updates, to ensure they align to the priorities for the year.</p>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The Council participate in regular committee meetings which are available to the public to review, and therefore stakeholders can understand what is happening.</p> <p>The Council produces documents throughout the year which give the stakeholders, i.e., the public, employees etc an understanding of how the Council is performing, i.e., budget reports and performance dashboards.</p> <p>The annual financial statements are also available once audited to the public, which include the narrative/governance statement, which provides transparency to the public.</p> <p>There is also a 'Transparency and Open Government' section on the Council website, which gives the public the ability to review the Council expenditure, enabling the Council to be open to scrutiny.</p> <p>Partnerships are included, as appropriate, within the Corporate Plan. All priority areas have an emphasis on working in partnership with other bodies for the benefit of the district. In particular, referencing the following partnership plans:</p> <ul style="list-style-type: none"> • Community Safety Strategic Partnership Plan • New Forest National Park Partnership Plan • Town Centre Partnerships

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve (continued)

Arrangements in place

There is also a governance structure in place to ensure performance expectations are met.

The Council are within 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 5 times a year through a joint committee. The partnership focuses on areas not in the remit of the LEP, particularly on sustainable housing development and environmental sustainability.

One of the largest projects New Forest District Council have 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 NFDC have one seat on the board. There are 16 members in total including CEO and independent chair with the other seats being allocated to other stakeholders including other local authorities involved in the Freeport.

An update issued on the Freeport during 2023/24 confirms that a Delivery Plan requires production to establish the outcomes that a successful Freeport would deliver in the New Forest. The intention is that this Delivery Plan will be used to form the basis for discussions with Freeport on use of business rates and other funding opportunities as they come forward.

In addition to the more recent Freeport development, NFDC have representation on the Solent Local Enterprise Partnership (LEP) board, which meets approximately once every 2 months. The LEP is responsible for bringing together local businesses, local authorities, and academia to determine economic priorities and promote sustainable growth. As part of this, the LEP has developed a new Economic Strategy for the Solent - Solent 2050, of which the Freeport will be a significant component of the strategy.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

Arrangements in place

The Council purchases goods and services from a variety of suppliers. Details of procurements are documented on the Council's website, which includes the Council's overall procurement strategy 2023 to help support the delivery of the Council's Corporate Plan. The website also includes details on the terms and conditions and general 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 the 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) set out in 4/10 of the Constitution which also set out the limited circumstances and processes that need to be followed for those requirements to be waived.

There is an internal audit function that tests whether the controls in place are effective. There are regular committee meetings to discuss the Council performance, and any issues can be raised there.

Appendix B – Summary of recommendations

Recommendations

Within our 2023/24 Audit Results Report, we included further findings and recommendations relating to the audit of the 2023/24 financial statements.

We further highlight these below, alongside the response from management.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
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.	A full review of previous valuations will be undertaken to ensure all PPE are revalued every five years (max) and records updated to ensure the date of 5 yearly valuation are adhered to and can be checked by both valuers and accountants.
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.	This has been noted, and the Council will try to ensure that all information is more readily available. Some reports need all transactions to be included as they are unable to be clearly cleansed.
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.	Work is ongoing in this area to move it forward as required for the 24/25 year end.

Appendix B – Summary of recommendations

Recommendations brought forward from 2022/23

The table below sets out the recommendations as noted in our 2022/23 Interim VFM Report, and progress made in 2023/24.

All recommendations were agreed by management.

Issue	Recommendation	Management response	Progress made in 2023/24
Financial Statements Preparation	<p>As part of CIPFA's Cutting the Clutter thematic, we have reviewed the financial statements and identified 18 notes which can either be consolidated together to reduce duplication of information or could be removed altogether on the grounds of materiality.</p> <p>During the 2022/23 accounts preparation, a proportion of these were removed or consolidated. However, there remain some notes which could be further consolidated or removed.</p> <p>This is also an area which management should continually review throughout their financial statement preparation process.</p>	<p>Finance Officers have reviewed notes and disclosures and have consolidated and / or removed where minimal value is added.</p>	<p>We have confirmed that various disclosures have been removed or consolidated within the 2023/24 financial statements. However, as noted in our initial recommendation, this is an area which can be continually reviewed for each financial year as part of the finance statement preparation process.</p>
Journal Entry Processing	<p>Further detail is contained within the 2022/23 Interim VFM Report where we requested the Council considers if their current method is the most efficient approach of Journal Entry posting. In 2021/22, there were over £300m of Income and Expenditure entries that are netted out to nil as part of the creation of the financial statements, a significant volume. Can these postings be grouped together, automated or eliminated?</p>	<p>Finance Officers have reviewed internal recharging processes and have reduced the overall number of journal entries going forward.</p>	<p>In 2023/24, management revisited its approach in this area. Based on discussions with management, we recognise an intention to post one transaction per year to record these budget transactions, instead of the previous monthly postings. As this was discussed part way through 2023/24, the first 6 months of monthly transactions had been posted and therefore, management elected to post one transaction for the final 6 months.</p> <p>The understanding obtained as part of the prior audit, and the reduced number of journals, did enable us to identify an efficient method of testing the various populations (namely income and expenditure balances) for the current year audit.</p> <p>However, the volume of entries remained high, and this continued to require more resources to complete our testing in these areas than we would usually expect.</p>

Appendix C – Independence - Fees

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

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

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

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

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

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

	2023/24	2022/23	2021/22
	£	£	£
Total Fee – Scale Fee	165,261	57,121 Note 2	63,956
Scale fee adjustment (except 2022/23)	40,434 Note 3		31,920 Note 1
Total audit fees	203,105	TBC	95,876

All fees exclude VAT

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

(2) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC (now MHCLG), PSAA has used its fee variation process to determine the final fee for 2022/23 VFM of £18,909 which has been accepted by the Council. The determination of the final fee for 2022/23 work outside of VFM remains outstanding with PSAA.

(3) The 2023/24 work is now complete and we intend to submit a proposal to PSAA for a scale fee variation totalling £40,434. This final fee includes an adjustment for the following areas:

- Additional procedures to implement the revised ISA 315 (UK) auditing standard as originally set out in our Audit Planning Report, totalling £25,500.
- Additional procedures to consider the Council's readiness for the implementation of IFRS 16 as originally set out in our in our Audit Planning Report, totalling £790.
- Work performed by EY Pensions to review the assumptions used in the Pensions Liability alongside additional work performed by the EY Audit Team to review the revised IAS 19 report requested from the Pension Fund Actuary, as a result of the misstatement detailed on page 13 of this report. This totals £6,664.
- Additional procedures required as a result of the number of recharge journals posted by the Council as detailed on page 37 of this report, totalling £7,479.

This is subject to PSAA approval.

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