

Audit Committee – 27 June 2025

Draft annual governance statement 2024/25

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

Introduction and background

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

The Annual Governance Statement (AGS)

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

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

Corporate plan priorities

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

Options appraisal

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

Consultation undertaken

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

Financial and resource implications

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

Legal implications

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

Risk assessment

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

Environmental / Climate and nature implications

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

Equalities implications

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

Crime and disorder implications

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

Data protection / Information governance / ICT implications

18. None arising directly from the report.

Appendices:

Appendix 1 – The Draft Annual Governance Statement

Appendix 2 – Update on 2024/25 Action Plan

Background Papers:

Delivering Good Governance in Local Government Framework 2016

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

1. Scope of Responsibility

New Forest District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards are adhered to and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. It has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to best value. In discharging this overall responsibility New Forest District Council is required to have in place proper arrangements for the governance of the Council's affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.

New Forest District Council has approved and adopted a Code of Good Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". This Statement explains how New Forest District Council has complied with the Code and also meets the requirements of regulation 13 of the Accounts & Audit Regulations 2015 in relation to the publication of a statement of corporate governance.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, as well as the culture and values, by which the authority is directed and controlled and its activities, through which it accounts to, engages with, and leads the community. It enables the Authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure in delivery of policies, achieving aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks materialising and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. The Governance Framework

The good governance framework centres on the following 7 core principles:

A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B	Ensuring openness and comprehensive stakeholder engagement.
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.
D	Determining the interventions necessary to optimize the achievement of the intended outcomes.
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F	Managing risks and performance through robust internal control and strong public financial management.
G	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Council is concerned to ensure that quality of service delivery is maintained through a period of uncertainty brought about by Local Government Reorganisation, and at a time of financial constraint.

The Council continually revises its Medium Term forecast according to latest information received around likely funding levels and expenditure increases. The Council's current strong financial position and on-going efficiencies programme (including the Transformation Programme and the development of new income generation initiatives) will help protect front-line service delivery. The MTFP is underpinned by the healthy Budget Equalisation and specific General Fund and HRA reserves and these enable the Council to respond to changes accordingly.

Over the years, the Council has developed a number of successful joint or collaborative working arrangements with other public partners. This has continued into 2024/25 and includes arrangements with Hampshire County Council (in respect of Audit and Treasury functions) and a joint Information Office 'The Ringwood Gateway' between Ringwood Town Council, HCC and the District Council, and the housing service and NHS mental health services. During 2024/25, the Council continued to work closely with the New Forest National Park Authority in the provision of Service Level Agreements covering, Finance, HR, ICT and GIS.

The Council's Constitution sets out how the Council operates, including the roles, responsibilities and relationships between Council, the Executive (Cabinet), Audit Committee and other bodies such as the Overview and Scrutiny Panels and Officers in respect of policy and decision-making processes. There is a newly reviewed and revised scheme of delegations to officers to ensure timely, appropriate and accountable decision-making. The Constitution also sets out details on Codes of Conduct and key policies such as Financial Regulations and Contract Standing Orders as to Contracts. It is important that the Council operates efficiently and transparently and is accountable to the local people. Both the Financial Regulations and the Contract Standing Orders were updated

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

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

The Risk Management Framework is in place to ensure that risks to the Council in achieving its strategic objectives, both at a corporate and service level, are more consciously identified, assessed and managed. A new Principal Risk Register was adopted in 2024/25 to support the alignment of corporate risks with emerging service risks.

In 2016 CIPFA/SOLACE carried out a review of their framework to ensure that it still reflects the environment in which Councils are operating and to also reflect the International Framework which had been developed by CIPFA and the International Federation of Accountants (IFAC) in 2014.

As a result of their review in April 2016 CIPFA/SOLACE published a new framework document "Delivering Good Governance in Local Government Framework 2016 Edition" with the key focus of governance processes and structures centring on the attainment of sustainable economic, societal and environmental outcomes. Council approved the revised code in April 2017 which follows the recommended text in the CIPFA/SOLACE framework.

The Section 151 Officer, Monitoring Officer, Strategic Director Place, Operations and Sustainability and Chief Executive all remain involved in the Solent Freeport supporting the broad objective to deliver economic growth to the wider freeport area. The Council has representation on the Solent Freeport Consortium Ltd Board, on the Retained Rates Investment Committee (set up to evaluate projects for funding from the retained business rates pool) and on the Finance Resources and Audit Committee.

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

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior statutory officers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit's annual report,

and also by comments made by the external auditors and other review agencies and inspectorates.

This Council has always maintained a strong internal control environment and sees risk management as an integral part of everyday management. It has long established principles on the way its business is conducted enabling good governance and control of risk. Factors that influence the control environment include; integrity, ethics, operating style and the way management and members assign responsibility and authority.

A summary of the review activities undertaken during 2024/25 are included below:

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

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

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

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

The responsibility of Section 151 functions (a statutory role) sits with the Strategic Director for Corporate Resource & Transformation. The Assistant Director, Strategy and Engagement is the Monitoring Officer, which is also a statutory role. All committee reports are reviewed by members of the Executive Management Team, as well as being provided to the Monitoring Officer, prior to

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

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

One of the requirements of the GDPR is to appoint a Data Protection Officer (DPO). The role of the DPO is to oversee the Council's compliance with GDPR and provide advice in relation to the law. The DPO position is held by the Council's Service Manager for Legal and Information Governance (Deputy Monitoring Officer), who is a Solicitor who holds the EU General Data Protection Regulation Practitioner qualification. The Service Manager has direct access to EMT and Statutory Officers, including through the Deputy Monitoring Officer role.

The Council's arrangements for financial management and reporting are sound and are well documented. Financial monitoring is achieved by regular budgetary control reports to nominated budget holders, Executive Management Team, the relevant Portfolio Holder, and Cabinet. All elected Members have access to Cabinet Agendas and the financial reports; a process is in place to enable members to request additional, more detailed information and question any financial issues. Strong Overview and Scrutiny arrangements are in place with clear alignment to the Portfolio responsibilities.

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

Proposals for asset maintenance and replacement expenditure and capital projects are supported by a business case as are new requests for revenue resources. For the 2025/26 budget setting process, these were scrutinised initially by EMT and the relevant Service Portfolio Holder prior to inclusion within the budget setting process. The Council's officer led Capital and Change Board (CCB) met monthly throughout 2024/25 and provided oversight and scrutiny of Capital projects, as well as tracking their delivery to ensure necessary progress. This Board also considered transformational proposals and ensures their oversight. The financial planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels, before final budgetary proposals and the council tax levels are considered and approved by Council each year. To

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

In line with the continuous improvement culture of the Council, it is recognised that all Members and Officers of the Council must have the skills, knowledge and capacity that they need to discharge their responsibilities effectively and therefore significant emphasis is placed on continuous improvement and development. Following the May 2023 election, all elected members took part in a thorough training programme, and specific refresher training is regularly considered. A comprehensive review of the Member Development offer was undertaken during 2024/25, including direct feedback from Members. This has shaped the next phase of Member Development, which includes the theming of training opportunities and a particular focus on Overview and Scrutiny.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). Following the light-touch review of the Council's Financial Regulations during 2023/24, a more significant review was undertaken during 2024/25 which included the review of financial decision-making thresholds to support efficient and accountable decision making.

Performance Management ensures strategic monitoring with a focus on organisational and service based indicators, reflecting the aims and objectives of the Corporate Plan. Portfolio Holder dashboards were further developed during 2024/25 and are considered at each meeting of the respective panels, providing transparency of performance and risks to service delivery.

The Audit Committee meet regularly and training is available to all members to ensure they are clear in their responsibilities in providing an independent assurance to the Council in relation to the effectiveness of the Council's internal control environment, in accordance with Regulation 6 of the Accounts and Audit (England) Regulations 2015.

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

Internal Audit forms part of the internal control framework. It is a mandatory function whose primary aim is to ensure that the Chief Financial Officer's responsibilities, to maintain proper control over the Council's financial affairs, as defined by Section 151 of the Local Government Act 1972, are fully met. The Audit Committee has reviewed and approved the risk based audit plan and progress reports against the audit plan throughout the year. This risk based audit plan was also approved by the Section 151 Officer and the Executive Management Team. The Committee has also received reports and updates from the External Auditor.

The Internal Audit function is provided by the Southern Internal Audit Partnership (operated by Hampshire County Council) and accords with the Public Sector Internal Audit Standards. Internal Auditors are trained and have acted independently, objectively and ethically at all times. The Internal Audit Charter was approved during the year.

The Principal Auditor's annual opinion report, concluded that whilst Internal Audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in his overall opinion that:

- sufficient assurance work has been carried out to allow a reasonable conclusion on the adequacy and effectiveness of New Forest District Council's internal control environment
- New Forest District Council's framework of governance, risk management and control is 'Reasonable' and audit testing has demonstrated controls to be working in practice
- where weaknesses have been identified through internal audit review, Internal Audit have worked with the Council's management to agree appropriate corrective actions and a timescale for improvement.

Ernst & Young acts as the Council's independent external auditor. The Section 151 Officer and Chair of Audit Committee have responded openly to the External Auditor under the requirements of the International Auditing Standards.

All organisations, worldwide face increasing cyber related threats. The Council maintains sound standards and continually reviews opportunities to further strengthen these. The Council is a member of the Cyber security Information Sharing Partnership (CISP) and has signed up the South East Government Warning, Advisory and Reposting Point (providing information, knowledge and alerts on threat and incidents).

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

In February 2021, Council made a decision to award an operating contract to Wealdon Leisure Ltd, trading as Freedom Leisure, to commence on 1st July 2021 for an 11 year period, with the option to extend for a further 4 years. An operating agreement has been agreed by both parties and provides for the Council and the operator to have representation on a Contract Partnership Board which is responsible for ensuring the operator delivers on the Council's service specification and performance indicators. This board has met regularly since the commencement of the contract, and the annual update report was presented to members of the Housing & Communities Overview and Scrutiny Panel during the financial year, with regular reporting shared with all councillors through internal webpages.

5. Financial Management Code

In December 2019, CIPFA introduced a Financial Management Code. The driver for this was the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time it sets out the standards of financial management for local authorities.

The underlying principles that inform the Code were developed in consultation with senior practitioners from local authorities and associated stakeholders. Each local authority must demonstrate that the requirements of the Code are being satisfied. This is a collective responsibility of elected Members, the CFO and their professional colleagues in the Leadership Team.

The Section 151 Officer last reported on the Financial Management Code to the Audit Committee in March 2023 and it will be re-visited during 2025/26.

6. Significant Governance Issues

Whilst there have been a number of improvements made throughout the year, the Council constantly strives for continuous improvement. The following areas will be included in the action plan for review in 25/26 (Schedule 1):

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

7. Certification

To the best of our knowledge, governance arrangements, as defined above, have been in place at New Forest District Council for the year ended 31st March 2025 and up to the date of approval of the annual report and statement of accounts.

We propose to take steps over the coming year to address those areas identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: *Signed:*

**Leader of the
Council**

Chief Executive

Date: *Date:*

DRAFT

Schedule 1

Annual Governance Statement Action Plan for 2025/26

Heading	Update / Action	Responsible	Target
Reporting arrangements in respect of council owned companies	To review reporting arrangements in respect of council owned companies, to ensure the Cabinet, as shareholders, have appropriate oversight.	S151 Officer / Monitoring Officer / Service Lead	December 2025
Changes to internal governance arrangements in support of Transformation and Local Government Reorganisation	To review the effectiveness of new governance arrangements in support of Capital, Change, Transformation and Local Government Reorganisation.	Monitoring Officer and S151 Officer	December 2025
Embedding the new Principal Risk Register following adoption	To embed the new Principal Risk Register as a key component of the Council's adopted Risk Management Framework, ensuring alignment with emerging service risks. To include appropriate procedures and clarity of accountability regarding the review of service risks at directorate level and escalation process to principal level.	S151 Officer	March 2026
Improved Budget Information	Ensure preparation of improved budget information that supports accountability across budget holders, and also supports Portfolio-holder oversight. To support accountability of individual budget holders, specific training and development modules to be made available for example in the operation of the Unit 4 financial system and the development of more accessible budget information.	S151 Officer	December 2025

Financial Management Code assessment	To revisit the requirements of the Code for 2025/26.	S151 Officer	March 2026
--------------------------------------	--	--------------	------------

DRAFT

APPENDIX 2**Annual Governance Statement update on 2024/25 action plan**

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

Heading	Update / Action	Responsible
Corporate Report Template	Implementation of the new corporate report template along with new officer decision record and portfolio holder decision record to support transparent and effective officer and member decision making. Action: COMPLETE	S151 Officer and Monitoring Officer
Officer Scheme of Delegation and Financial Regulations	The Officer Scheme of Delegation and Financial Regulations will be reviewed during 2024/25 Action: COMPLETE	S151 Officer and Monitoring Officer
Performance Management Framework (PMF)	To include introduction of new service plan template to be in place with service plans updated prior to budget setting process commencing in Autumn 2024 Action: COMPLETE	S151 Officer and Monitoring Officer
Risk Management	Review of risk management processes to ensure link within performance management framework and link between service risk registers and corporate risk register. To include appropriate /procedures and clarity of accountability regarding review of service risks at directorate level and escalation process to corporate risk register.	S151 Officer and Monitoring Officer

	<p>Action: COMPLETE</p> <p>Note - Work to continue into 2025/26 to ensure the new updating and reporting requirements as outlined in the updated framework are properly embedded.</p>	
Improved Budget Information	<p>Ensure preparation of improved budget information that supports accountability across budget holders, and also supports Portfolio-holder oversight. To support accountability of individual budget holders, specific training and development modules to be made available for example in the operation of the Unit 4 financial system and the development of more accessible budget information.</p> <p>Action: IN PROGRESS</p> <p>Note - Engagement between the Service Accountancy team and Budget Responsible Officers (BROs) remains strong, but training and the ability for BROs to self-serve for up to date financial information can still be improved and was not sufficiently moved forward during 2024/25. Work to continue into 2025/26.</p>	S151 Officer
Contract Standing Orders	<p>The Council's Contract Standing Orders will be reviewed during 2024/25</p> <p>Action: COMPLETE</p>	S151 Officer and Monitoring Officer