

Audit Committee – 27 June 2025

Draft Annual Financial Report 2024/25

Purpose	For Decision
Classification	Public
Executive Summary	This report provides Members with the Draft Accounting Statements set out in the Appendices which summarises the Annual Financial Report and updates Members on progress to achieve submission to the external auditor in line with the timetable. It advises members of key issues in the planned report and seeks Member's approval for any changes to accounting policies (if applicable).
Recommendation(s)	It is recommended that Audit Committee: 1. That Members note the draft Accounting Statements set out in Appendices 1 - 6 which are a summary of the Annual Financial Report that will be certified by the Responsible Financial (S151) Officer for the submission to the external auditor by the deadline of 30 June. 2. Approve changes to accounting policies as detailed in appendix 7 affecting: a. Depreciation b. Plant, property and equipment and; c. Leases.
Reasons for recommendation(s)	<p>The Council is required to prepare, and have externally audited, an Annual Financial Report for each year and to prepare an Annual Governance Statement.</p> <p>This report seeks delegated authority for the Strategic Director Corporate Resources and Transformation (Section 151 Officer) to</p>

	<p>approve the final Annual Financial Report for 2024/25 and the associated letter of representation and additionally explains the reasons for the approach taken for this financial year's audit.</p> <p>It also provides a brief update on plans for the 2024/25 audit of the accounts.</p>
Ward(s)	All
Portfolio Holder(s)	Councillor Jeremy Heron – Finance and Corporate
Strategic Director(s)	Alan Bethune – Strategic Director Corporate Resources and Transformation (Section 151 Officer)
Officer Contact	<p>Paul Whittles</p> <p>Assistant Director – Finance</p> <p>02380 285766</p> <p>paul.whittles@nfdc.gov.uk</p>

Introduction and background

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

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

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

2024/25 – 27 February 2026

2025/26 – 31 January 2027

2026/27 – 30 November 2027

2027/28 – 30 November 2028
5. Further to the Council receiving the Audit Completion Certificate pertaining to the 2021/22 financial year from the external auditor on 8 May 2024, the Council has subsequently satisfied the deadlines regarding the 2022/23 and 2023/24 audits.
6. The Council's External Auditor has set out an audit plan for 2024/25 which aligns to the required date as above.

Statement of Accounts Position 2024/25

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

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

Accounting Policy Changes and Other Key Matters

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

16. Appeal Provision

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

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

Summary of Financial Position

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

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

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

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

Corporate plan priorities

25. The Annual Financial Report is a public facing document that sets out a number of key financial figures related to the Council's financial performance and sustainability.
26. The external auditor's report provides assurance to stakeholders as to the effectiveness of the Council's internal control environment and its efficiency in securing value for money in the use of public funds.
27. It provides assurance on the financial standing of the Council and ensures that commitments to corporate plan can be delivered with adequate and sustainable financing.

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

Options

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

Consultation undertaken

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

Financial and resource implications

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

Legal implications

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

Risk assessment

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

Environmental / Climate and nature implications

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

Equalities implications

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

Crime and disorder implications

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

Data protection / Information governance / ICT implications

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

Appendices:

Appendix 1a: Comprehensive
Income and Expenditure Statement

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

Appendix 2: Movement in Reserves

Appendix 3: Balance Sheet

Appendix 4: Housing Revenue
Account

Appendix 5a: Collection Fund –
Council Tax

Appendix 5b: Collection Fund –
Business Rates

Appendix 6: Cash Flow Statement

Appendix 7: Accounting Policy
Changes

Background Papers:

None