

New Forest District Council

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



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

28 January 2026

Dear Audit Committee Members

2024/25 Auditor's Annual Report

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

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

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

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

Yours faithfully

Simon Mathers

Partner, For and on behalf of Ernst & Young LLP

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

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

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

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



01 Executive Summary

Executive Summary

Purpose

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

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

Responsibilities of the appointed auditor

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

As auditors we are responsible for:

Expressing an opinion on:

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

Reporting by exception:

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

Responsibilities of the Council

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

Executive Summary (cont'd)

2024/25 conclusions

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

Executive Summary (cont'd)

2024/25 conclusions (cont'd)

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

Executive Summary (cont'd)

Value for money scope

Under the 2024 Code, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

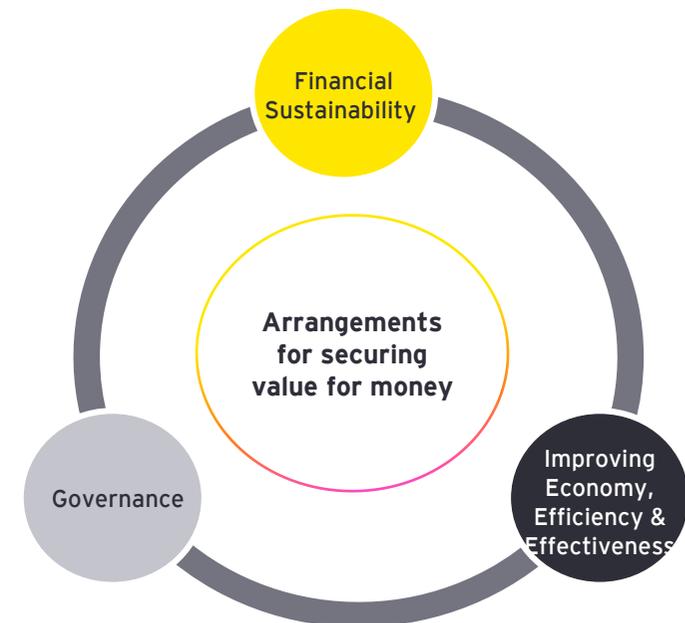
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

The specified reporting criteria are:

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

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

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



Executive Summary (cont'd)

Reporting

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

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

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

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

Executive Summary (cont'd)

Local Government Reorganisation

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

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

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

Independence

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

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

EY Transparency Report 2025

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2025:

[EY UK 2025 Transparency Report](#)



02

Audit of financial statements

Audit of financial statements

Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

Our audit of the 2024/25 financial statements is currently in progress. We will report further findings and conclusions verbally to the 13 February 2026 Audit Committee.

Financial statement risks

Significant risk or area of focus

Conclusion

Misstatements due to fraud or error - Management override of controls

Based on our work completed to date, we have not identified any instances of inappropriate judgements or estimates being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Misstatements due to fraud or error - capitalisation of revenue expenditure

Our work did not identify any material weaknesses in controls or evidence of material management override concerning the capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied.

We identified a factual misstatement due to error on the REFCUS balance in relation to spend on a Council-owned asset.

Significant Risk - Implementation of IFRS 16

Our work in this area is complete. No issues have been noted.

Risk of material misstatement - Valuation of property, plant and equipment (PPE) and investment property land and buildings valued at Existing Use Value (EUV) and Fair Value (FV)

Based on our work completed on PPE and IP valuations, a disclosure misstatement has been identified in relation to the presentation of derecognition of land values related to peppercorn leases that have been newly recognised as right of use assets.

Risk of material misstatement - Valuation of Council Dwellings

Our work in this area is complete. No issues have been noted.

Risk of material misstatement - Pension Liability Valuation

Our work in this area is complete. Hampshire Pension Fund's actuary had identified a discrepancy in their actuarial valuations which impacted all IAS19 reports for employers within the same accounting period. As a result, a further IAS 19 report was requested by the Council.

Audit of financial statements

Financial Statement reporting assessment

Management, and the Audit Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. We note the draft financial statements originally published did not include the transitional adjustments and disclosures required to implement IFRS 16 which has been adopted for the first time in 2024/25 as part of the financial reporting framework in local government. We had raised the Council's failure to quantify the likely impact of the transition to IFRS 16 in the 2023/24 Audit Results Report and raised an associated control recommendation for improvement. As at the date of this report the Council has now quantified the impact of the transition to IFRS 16 in an updated set of 2024/25 financial statements. They have been republished on the Council's website together with a notice of the updated public inspection period. We gave serious consideration as to whether the initial publication of draft financial statements excluding IFRS 16 entries and the amount of time taken to address this constitutes a significant weakness in the Council's governance arrangements to support its statutory financial reporting requirements. We have included a full qualitative assessment of the Council's financial reporting arrangements over-page.

Page 15 sets out the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, the reasons for that and what still needs to be done to successfully rebuild assurance is set out on page 15. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024. We will set out our view of the Council's progress against this timeline in our 2024/25 Audit Results Report and final Auditor's Annual Report following completion of our audit of the financial statements.

Audit of financial statements

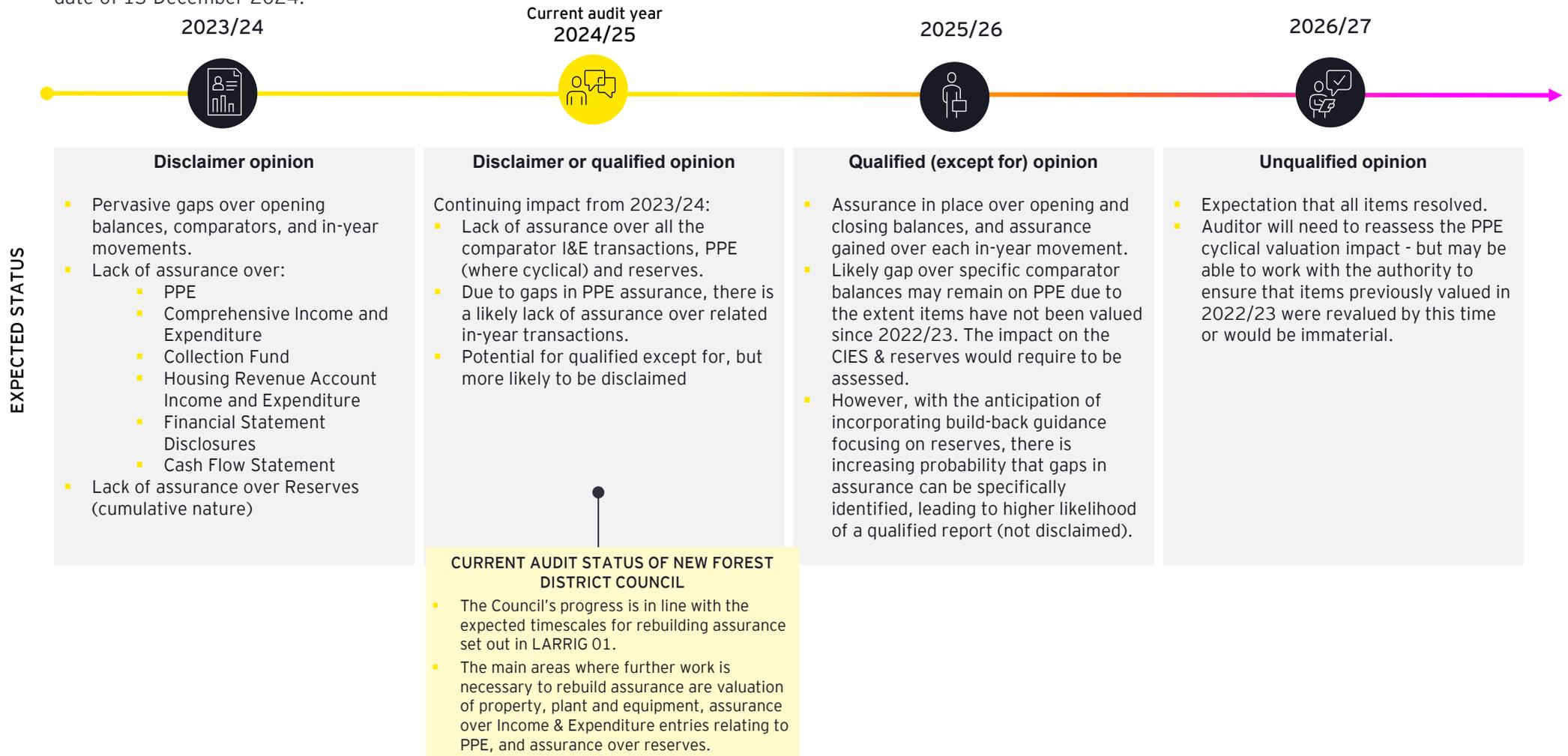
Financial Statement reporting assessment

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

Audit of financial statements

Progress to full assurance

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





03

Value for Money commentary

Value for Money

The Council's responsibilities for value for money

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

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

Our responsibilities

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

	Significant risk identified	Significant weakness identified	Other matters identified
 <p>Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.</p>	<ul style="list-style-type: none"> None, subject to full completion of our 2024/25 financial statements procedures. 	<ul style="list-style-type: none"> None, subject to full completion of our 2024/25 financial statements procedures. 	<ul style="list-style-type: none"> None, subject to full completion of our 2024/25 financial statements procedures.
 <p>Governance How the Council ensures that it makes informed decisions and properly manages its risks.</p>	<ul style="list-style-type: none"> None, subject to full completion of our 2024/25 financial statements procedures. 	<ul style="list-style-type: none"> We gave serious consideration as to whether the initial publication of draft financial statements excluding IFRS 16 entries and the amount of time taken to address this constitutes a significant weakness in the Council's governance arrangements to support its statutory financial reporting requirements. 	<ul style="list-style-type: none"> None, subject to full completion of our 2024/25 financial statements procedures.
 <p>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.</p>	<ul style="list-style-type: none"> None, subject to full completion of our 2024/25 financial statements procedures. 	<ul style="list-style-type: none"> None, subject to full completion of our 2024/25 financial statements procedures. 	<ul style="list-style-type: none"> None, subject to full completion of our 2024/25 financial statements procedures.



VFM commentary: Financial Sustainability

Financial sustainability: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Financial Sustainability sub-criteria set out in AGN03:

- How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the body plans to bridge its funding gaps and identifies achievable savings;
- How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for financial sustainability. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed to date, the Council had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services.



Financial Sustainability considerations

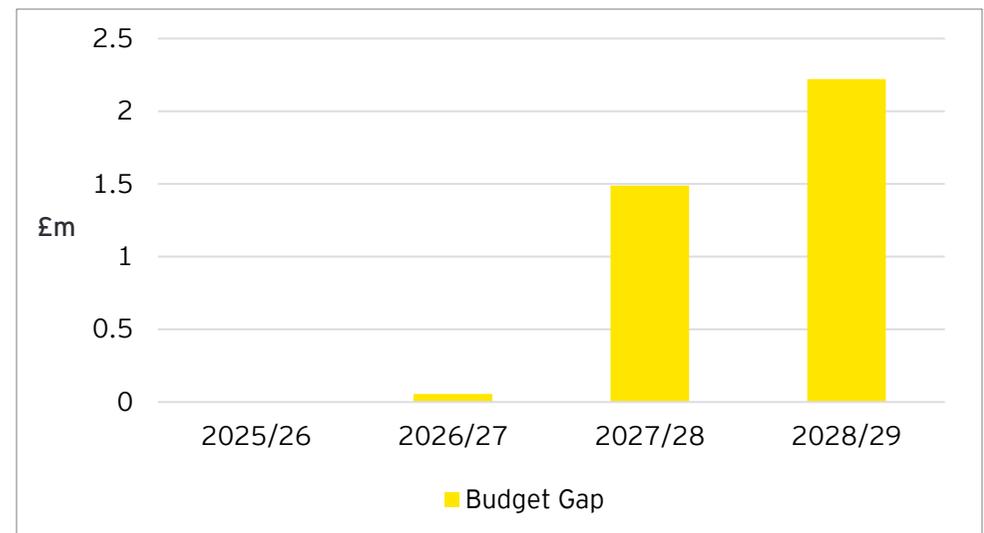
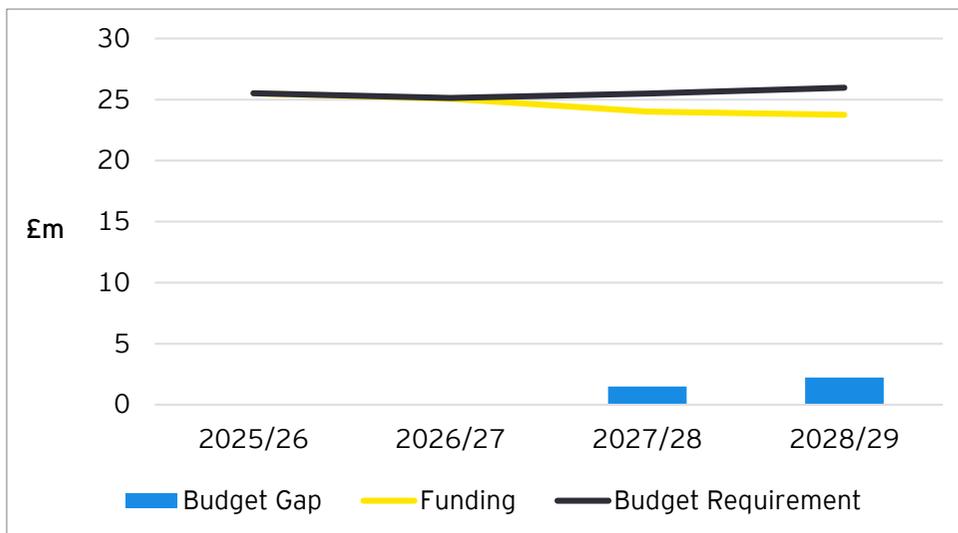
Medium Term Financial Plan

The Council presented an updated Medium Term Financial Plan (MTFP) in February 2025. The MTFP highlights the continuing levels of financial uncertainty across the sector. The current funding gap over the period to 2028/29 was £2.222 million, but significant risks remained, including uncertainty surrounding the assumed compensation for the increase in National Insurance costs and the potential re-design of the Business Rate retention scheme (in replacement of all other central funding).

The Council had identified one option to close this gap. This is through targeted fees and charges growth of £300k per annum from 2026/27, with a further £300k per annum in 2027/28 and an additional £300k per annum in 2028/29 generating a planned total of £900k by 2028/29. This growth scheme has therefore resulted headroom to support capital of £244k in 2026/27. If necessary, the Council is also able to call on the equalisation reserve to close the forecast cumulative deficit to 2028/29 of £2.222m if this cannot be addressed by the other measures or sources set out in the MTFP, which are:

- Taking appropriate opportunities regarding commercial and residential property strategies to bring valuable new sources of additional income into the Council.
- Crystallising savings and efficiencies from the council's Transformation Programme.
- Ongoing growth in all Council fees and charges income in line with policy.
- Maximising revenues through local taxation.

Exhibit A: The Council's MTFP outlines a cumulative gap of £2.222 million by 2028/29





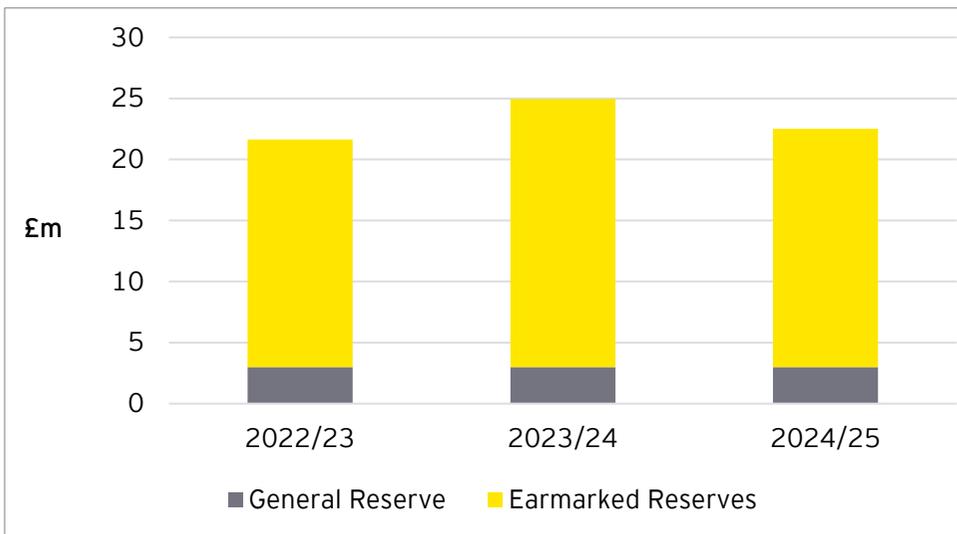
Financial Sustainability considerations

Reserves position

The Council's Reserves Strategy outlines that the minimum reserves to be held as uncommitted general funds is £3m. In 2024/25 the Council delivered a general fund net spend of £22.040 million against an original budget of £24.513 million, a positive variation of £2.473 million. The Housing Revenue Account provisional position confirmed income for the year of £36.752 million, an increase of £565,000 from the original budget, and revenue spend for the year of £21.265 million, a decrease of £681,000 from the original budget. Despite this positive in-year performance against budget, the Council's earmarked General Reserves decreased by £2.450 million, to £19.523 million. This was mainly due to financing of the capital programme from earmarked revenue reserves, in accordance with the Council's approved capital strategy.

The Council has a budget equalisation reserve which is available to offset any shortfall and balance the budget. This is contained within the Council's general fund earmarked reserves of £19.523m at 31/03/2025 and therefore, is sufficient to cover any shortfall.

Exhibit B: The Council's earmarked General Reserves fell by £2.450 million in 2024/25





VFM commentary: Governance

Governance: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Governance sub-criteria set out in AGN03:

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's governance arrangements. In prior years, no significant weaknesses were identified. We gave serious consideration as to whether the initial publication of draft financial statements excluding IFRS 16 entries and the amount of time taken to address this constitutes a significant weakness in the Council's governance arrangements to support its statutory financial reporting requirements. We raised four recommendations relevant to the Council's arrangements to support its statutory financial reporting in 2023/24 as set out in Appendix B. Three of these recommendations have not yet been fully implemented. The Council's underlying arrangements in relation to governance are not significantly different in 2024/25.

Overview of our conclusions

We have considered the adequacy of the Council's arrangements to support its statutory financial reporting. Based on our considerations in page 24 of this report, we concluded that the above issue does not lead to a significant weakness in the Council's arrangements to support its statutory financial reporting.

Outside of this we are satisfied the Council had proper arrangements in place in 2024/25 to make informed decisions and properly manage its risks.



Governance considerations

Annual Governance Statement

The Annual Governance Statement (AGS) is prepared by the s151 Officer with assistance from the Monitoring Officer. The AGS goes through various review stages from stakeholders to ensure that there is sufficient knowledge of the entity reflected in the AGS. The AGS remains live, with updates made as required until the final point of approval by the Audit Committee in line with the close of the audit.

We noted that there are significant governance issues which the Council has disclosed in the 2024/25 AGS through the following required actions:

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

We do not consider the issues identified as being indicative of an absence of proper arrangements and are satisfied that actions plans have been established to address the issues which are regularly monitored.

Risk Management

The Council has sought to develop systems to identify, evaluate and mitigate risks which threaten its Council's ability to meet its objectives to deliver services to the public. To ensure that risks are appropriately mitigated, a Risk Register has been developed.

These risks are regularly reviewed. The register details the risks facing the Council and the impact on critical services. The Strategic Risk Register is managed by the Council's Executive Management Team (EMT) and Portfolio leads. This risk register is formally agreed by Cabinet and reviewed by the Audit Committee who make comments when required to Cabinet on the efficacy of the arrangements for managing risk at the Council. Management of the risks is an active process, including through EMT and the Council's performance management framework.

We have noted that, as a result of weaknesses in the Council's risk management arrangements identified by Internal Audit, the presentation of the risk register has changed during the year. A Strategic Risk Register was presented to Cabinet in September 2024 containing the register as dated in June 2024. A Principal Risk Register dated January 2025 was presented in April 2025. Principal Risks are now clearly defined as the highest-level risks to the Council, and fundamental to the delivery of the Council's strategic objectives set out in its Corporate Plan (Community Matters Corporate Plan 2020-24).

We have reviewed the register presented to Cabinet in April 2025 and noted that this allows for the monitoring of risks by the Council. This register is also presented to Cabinet on a regular basis. We note that there are five risks that have been red rated.



Governance considerations

Internal audit arrangements

There is an established internal audit function, performed by the Southern Internal Audit Partnership (SIAP), and programme of work is delivered and an annual opinion on internal control given by the Head of Internal Audit. There is also an Internal Audit Charter which describes the purpose, authority, and responsibility of internal audit activity.

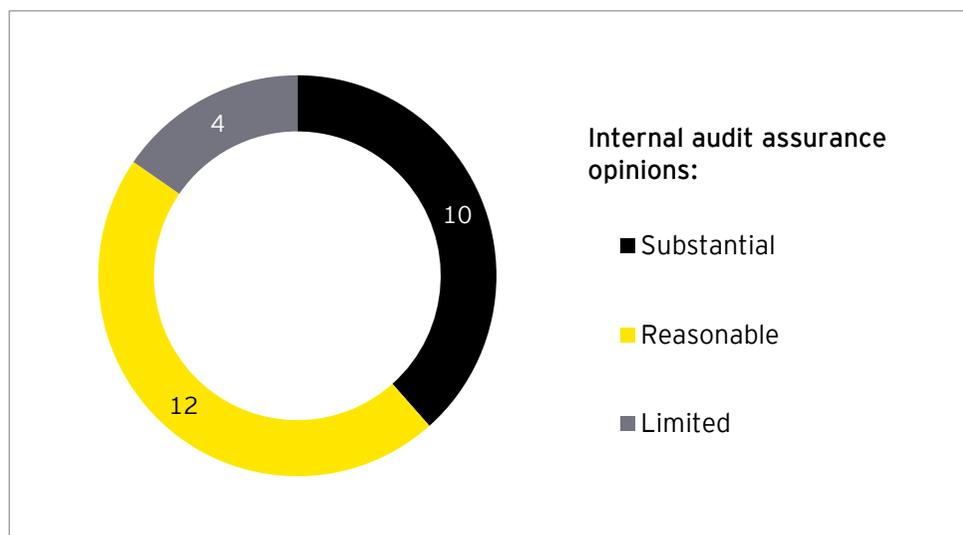
Internal Audit set out their testing approach at the beginning of each financial year, detailing the areas they will focus on. The audit plan has been developed having regard to the Council's 'Vision, Priorities and Values', the Council's risk management framework and areas of Corporate or national significance such as climate Change.

We have considered the Internal Audit Plan and Charter for 2024/25. We note that the plan remains appropriately risk-based, with coverage spanning key areas such as core financial systems, governance, IT, and services.

We have reviewed the annual fraud report presented to the Audit Committee in June 2025. The report covers key risk areas including internal staff fraud, housing fraud, council tax and benefit fraud, and procurement fraud. Training is provided regularly, and all staff must complete fraud awareness modules every two years.

The annual internal audit opinion for 2024/25 provided reasonable assurance overall, with 4 limited assurance ratings identified out of a total of 26 reviews undertaken. In relation to the 4 limited assurance areas, Internal Audit have agreed appropriate corrective actions and a timescale for improvement with the responsible managers. For risk management specifically, all agreed actions that were still applicable have been implemented.

Exhibit C: Internal audit's assurance opinions for 2024/25





Governance considerations

Informed decision making and member challenge

Decisions are taken by the committees of the Council, and are informed by detailed reports produced by officers, with key decisions on Council Policy taken by the Cabinet or Council in accordance with the Council's constitution, which is regularly reviewed and updated as appropriate. It was last reviewed during May 2023.

There is a monthly Cabinet meeting, to ensure leadership is regularly updated on the Council's position.

There are established Overview and Scrutiny Panels and the Audit Committee is the body formally charged with governance at the Council. The role of the Scrutiny Panels is to undertake reviews of the Council's policies, either on their own initiative or at the request of the Council or the Cabinet, advise on policy development, and review executive decisions to make sure the Cabinet does not exceed its powers.

The Audit Committee combines overview of both internal and external audit, the adequacy of risk management arrangements, and governance functions, for example promoting and maintaining high standards of conduct by Councillors and any co-opted members and assisting the Councillors and co-opted members to observe the Members' Code of Conduct.

Statutory financial reporting requirements

The draft 2024/25 financial statements originally published did not include the transitional adjustments and disclosures required to implement IFRS 16 which has been adopted for the first time in 2024/25 as part of the financial reporting framework in local government. We had raised the Council's failure to quantify the likely impact of the transition to IFRS 16 in the 2023/24 Audit Results Report and raised an associated control recommendation for improvement. Subsequently, the Council quantified the impact of the transition to IFRS 16 in an updated set of 2024/25 financial statements. They have been republished on the Council's website together with a notice of the updated public inspection period. We gave serious consideration as to whether the initial publication of draft financial statements excluding IFRS 16 entries and the amount of time taken to address this constitutes a significant weakness in the Council's governance arrangements to support its statutory financial reporting requirements.

We raised four recommendations relevant to the Council's arrangements to support its statutory financial reporting in 2023/24 as set out in Appendix B. We have updated progress against those recommendations in Appendix B.

We have considered the adequacy of the Council's arrangements to support its statutory financial reporting. Based on our work completed to date we found the updated financial statements, including the disclosures related to IFRS 16, to be of good quality, see page 14. There were minimal non-material internal inconsistencies, typographical and arithmetic errors in the statements that demonstrates effective internal quality review prior to publication. We also have no uncorrected misstatements to report to date, subject to full completion of the audit, and identified a relatively small number of material misstatements that management have agreed to correct. All working papers and evidence to support the financial statements were provided to us on a timely basis. However, we faced significant difficulty trying to map income and expenditure ledger codes as part of extracting transactional data from the Council's ledger that is needed to deliver the audit. This caused a significant delay in our testing of cost of services income and expenditure. Arrangements also need to be improved to reduce the time taken to eliminate contra journals and remove opening balances from creditor listings provided to facilitate our testing.

Given the quality of the statements and working papers, and relatively small number of findings in other areas of the financial statements, we concluded that the above issue does not lead to a significant weakness in the Council's arrangements to support its statutory financial reporting. However, it is important that the Council's arrangements to support the execution of the audit as set out in more detail in the table on page 14.



VFM commentary: Improving economy, efficiency and effectiveness

Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the body evaluates the service it provides to assess performance and identify areas for improvement;
- How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess where it is meeting its objectives; and
- Where the body commissions or procures services, how it assesses whether it is realising the expected benefits.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to improving economy, efficiency and effectiveness are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 in how it uses information about its costs and performance to improve the way it manages and delivers its services.



Improving economy, efficiency and effectiveness considerations

Financial and performance information

The Council produces a report of its Strategic Key Performance Indicators (KPIs) within its annual performance report. These KPIs are linked back to the key priorities within the Corporate Plan. The KPIs are organised by portfolio and a performance summary is Red/Amber/Green (RAG) rated. The scorecard is used to flag areas of required improvement, devise actions to address any weakness identified and monitor progress. Service performance against Council priorities is considered regularly throughout the year through the Quarterly Financial Monitoring Report.

The Council also produces an Annual Performance Report which enables the Council and the public to identify services or capital programmes that are, or are not, performing as expected by reference to KPI outcomes against targets which are based on the Council's strategic priorities as per the Corporate Plan. Monitoring arrangements therefore present a complete picture of both business and financial performance. KPIs include the current and previous year performance, and a RAG rating to clearly identify those items that are underperforming or perhaps require closer monitoring. The indicators are refreshed and reassessed annually within the Corporate Plan updates, to ensure they align to the priorities for the year.

Partnership working

Partnerships are included, as appropriate, within the Council's Corporate Plan. All priority areas have an emphasis on working in partnership with other bodies for the benefit of the District as a whole. There is also a governance structure in place to ensure performance expectations for partnerships are met.

The Council is part of the Partnership for South Hampshire, which is made up of 12 local authorities in the Solent area with the aim of collectively improving the environmental, cultural, and economic performance of the South Hampshire area. This partnership comes together approximately five times a year through a joint committee. The partnership focuses on areas not in the remit of the Solent Local Economic Partnership (LEP), particularly on sustainable housing development and environmental sustainability.

One of the largest projects the Council has partnered in is the Solent Freeport. In March 2022, an outline business case was approved by New Forest DC Full Council at an extraordinary meeting, with a full business case submitted to Government soon after. It is noted the case was approved with Solent Freeport fully designated in December 2022. The Solent Freeport has a designated board, and the Council have one seat on the board. There are 16 members in total including a Chief Executive Officer and independent chair with the other seats being allocated to other stakeholders including other local authorities involved in the Freeport.



Improving economy, efficiency and effectiveness considerations

Procurement and commissioning of services

The Council purchases goods and services from a variety of suppliers. Details of significant procurements are reported on the Council's website, which also includes the Council's overall Procurement Strategy. This is aligned to the delivery of the Council's Corporate Plan objectives. The website also includes details on the terms and conditions for contract management and an overview of the Council's procurement process.

The Council shares information on upcoming tenders as well as details of existing contracts at Southeast Business Portal (SEBP) which is used by over 35 other local authorities. Proposals for asset maintenance expenditure are supported by a business case, as are requests for new revenue resources. These are scrutinised initially by the Executive Management Team and the relevant Service Portfolio Holder prior to inclusion within the budget setting process. The financial planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels before final budgetary proposals and council tax levels are considered and approved by the Council each year.

All procurement processes and contract awards must comply with the Council's Contract Standing Orders (CSOs) as contained in the Council's Constitution, which also sets out the limited circumstances and processes that need to be followed for those requirements to be waived. Internal Audit considers compliance with procurement and contract management rules as part of its annual programme of work.



Improving economy, efficiency and effectiveness considerations

Performance assessment and areas for improvement

Service performance against Council priorities is considered regularly throughout the year through the Quarterly Financial Monitoring Report.

The Council also produces an Annual Performance Report which enables members, the public and other stakeholders to identify services or capital programmes that are, or are not, performing as expected by reference to KPI outcomes against targets. Those targets are based on the Council's strategic priorities as per the Corporate Plan. Monitoring arrangements therefore present a complete picture of both business and financial performance. KPIs include the current and previous year performance, and a RAG rating to clearly identify those items that are underperforming or perhaps require closer monitoring. KPIs are refreshed and reassessed annually within Corporate Plan updates, to ensure they properly align to the priorities for the year.

New waste collection service

The Council began a phased rollout of a new waste collection service for residents in June 2025 as part of a wider waste management strategy and programme. The waste strategy was agreed at a meeting of the Council in July 2022 with an update considered in February 2024. The policies to support the strategy were agreed at a meeting of the Council in July 2023. In keeping with the approved strategy, the project proposed to roll-out the service over three phases:

- Phase 1 (Lymington Depot area) commenced June 2025
- Phase 2 (Ringwood Depot area) commenced October 2025
- Phase 3 (Totton/Hardley Depot area) commencing March 2026

After the implementation of Phase 1, on 4 August 2025, six District Councillors submitted a request to the Chairman of the Council to call an extraordinary meeting of the Council to urgently review the roll-out of the new waste and recycling service. Numerous issues were cited by those Members including missed collections, overflowing bins, interference from animals, confusion about collection points, impacts in phase 2 and 3 areas including call waiting times, and impact on Council staff. The scale of service disruption arising exceeded the level deemed acceptable, and a number of incidents attracted elevated media attention. In response to this, both officers and members of the Cabinet sought to take ongoing management steps to address issues as they arose.

The costs and risks of a delay in phases 2 and 3 were laid out by management. Estimated costs associated with a delay in rollout was in the range of £1.116 million to £1.261 million. The Cabinet considered the contents of the report presented to them by management, and the summary of the debate at the Extraordinary Council meeting. In considering the motion, the Cabinet noted that the options appraisal in the above report identified that phases 2 and 3 should proceed as planned, with the mitigations and improvements noted in the action plan in the report. Key learnings from phase 1 are to be taken forward in phase 2. There is a clear programme governance in place, with risk management, budget assurance, and operational updates through the Waste Programme Board, and the linked Steering Groups with the frequency of these meetings having increased in tune to the emergence of issues during roll-out.

We reviewed the latest financial monitoring report to understand the financial impact of the waste collection service rollout. The overall impact of all variations from the refuse and recycling programme results in an updated General Fund Budget of £25.767 million; an increase of £258,000 from the original estimate. At this stage, the additional budget requirement will be funded from reserves.



04 Appendices

Appendix A – Recommendations from current year

Recommendations from 2024/25

The table below sets out the recommendations arising from the value for money work for the year 2024/25. All recommendations have been agreed by management.

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

Appendix A – Recommendations from current year

Recommendations from 2024/25 (cont'd)

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

Appendix B – Recommendations from previous years

Recommendations brought forward from previous years

The table below sets out the recommendations arising from the value for money work in the prior year, 2023/24, and progress made in the current year.

Issue	Recommendation	Progress made in 2024/25
Valuation of Property, Plant and Equipment	<p>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.</p> <p>We consider this recommendation to be relevant to the Council's Governance arrangements to support its statutory financial reporting.</p>	<p>Based on our audit procedures performed on PPE valuations, we can confirm that all assets have been fully revalued within a 5-year cycle. We are satisfied the recommendation is addressed.</p>
Preparation of Debtors and Creditors Listings at Year-End	<p>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.</p> <p>We consider this recommendation to be relevant to the Council's Governance arrangements to support its statutory financial reporting.</p>	<p>Based on our audit procedures performed on debtors, brought forward balances have been eliminated from the breakdowns provided to us, hence only the items related to the outstanding balance remain at year end. This aspect of the recommendation is therefore addressed. However, this was not the case for creditors, where brought forward balances remained in the breakdowns. We have therefore repeated this as a control recommendation in the current year in Appendix A.</p>
Implementation of IFRS 16 (Leases)	<p>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.</p> <p>We consider this recommendation to be relevant to the Council's Governance arrangements to support its statutory financial reporting.</p>	<p>We have concluded that this recommendation was not implemented. The draft financial statements submitted for audit did not include IFRS 16 related entries and disclosures.</p> <p>We have considered the impact of this on our current year reporting by exception on the Council's VFM arrangements. See further details in section 03.</p>
Journal Entry Processing	<p>The Council should consider whether its current approach to journal entry posting is the most efficient and seek to group, automate or eliminate the postings made.</p> <p>This recommendation was originally raised as part of the 2021/22 audit. Although a review of internal recharging process was undertaken designed to reduce the overall number of journal entries, we had not concluded the recommendation to be fully addressed at the end of 2023/24. We consider this recommendation to be relevant to the Council's Governance arrangements to support its statutory financial reporting.</p>	<p>This recommendation has not been implemented. Our current year work continued to identify thousands of journals made to income and expenditure ledger codes that need to be eliminated before we can perform sampling procedures on the income and expenditure transactional data. The exercise of eliminating the irrelevant journals or account codes has proven difficult for management. This also required further time to be input by us and caused further delays in completion of the audit.</p>

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