

# East Hampshire District Council

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



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East Hampshire District Council  
Monterey House, Bedford Road  
Petersfield  
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27 February 2026

Dear Audit Committee Members

2024/25 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for East Hampshire 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..

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 your next Audit Committee meeting.

The [EY UK 2025 Transparency Report](#) provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 27 June 2025.

Yours faithfully

Kevin Suter

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.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

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 of East Hampshire 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 East Hampshire 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 East Hampshire 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 East Hampshire 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 in 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 East Hampshire District Council and its expenditure and income for the year; and
- 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 East Hampshire District 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 East Hampshire District 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 statement, 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

<b>Financial statements</b>	<p>As reported in our February 2025 Audit Results Report we issued a qualified opinion on East Hampshire District Council's 2023/24 financial statements.</p> <p>The Council were unable to provide us with information, sufficiently before the backstop date of 27 February 2026, to be able to provide material assurance that the financial statements were free from material error. In addition, the Council had not prepared its financial statements in line with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25's adoption of IFRS16 Leases, or provided evidence of the process it has been through to assess the impact of this accounting standard. Therefore, the financial statements did not include any potential adjustments as a result of the implementation of IFRS 16. The Council had continued to apply the old leasing standard IAS 17</p> <p>We judged the gaps in assurance to be pervasive, and therefore issued a disclaimer 2024/25 audit opinion on 27 February 2026.</p>
<b>Value for money (VFM)</b>	<p>We had one matter to report by exception on the Council's VFM arrangements. Due to the poor quality of the initial published draft set of financial statements, and the Council's lack of capacity to support all areas of their accounts and the audit, we reported a significant weakness in the Council's arrangements for VFM relating to reliable and timely financial reporting that supports the delivery of strategic priorities. We have included our VFM commentary in Section 03.</p>
<b>Consistency of the annual governance statement</b>	<p>We have reviewed the Annual Governance Statement and can confirm that we had no matters to report by exception.</p>
<b>Additional powers and duties</b>	<p>We judged that we would not use any additional auditor powers.</p>
<b>Whole of Government Accounts</b>	<p>We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO have not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our Audit Certificate until these procedures are complete.</p>
<b>Certificate</b>	<p>We will issue our certificate once we have concluded the audit and our Whole of Government Accounts procedures.</p> <p>We cannot currently conclude on WGA work until the NAO confirms if they would like any additional procedures performed.</p>

# Executive Summary (cont'd)

## Value for money scope

Under the 2024 Code, we are required to consider whether East Hampshire District Council have 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 East Hampshire District Council a commentary against specified reporting criteria (see below) on the arrangements East Hampshire District Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

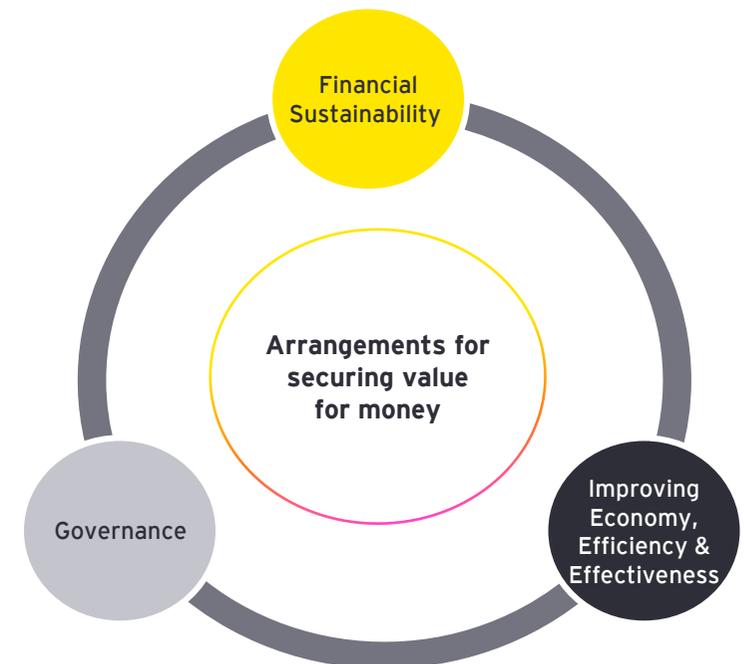
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

The specified reporting criteria are:

- Financial sustainability - How East Hampshire District Council plan and manage their resources to ensure it can continue to deliver its services.
- Governance - How East Hampshire District Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How East Hampshire District 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 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 East Hampshire District 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 our audit opinion.

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?
<b>Financial sustainability:</b> How East Hampshire District Council plan and manage their resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
<b>Governance:</b> How East Hampshire District Council ensure they make informed decisions and properly manage risks	Risk of significant weakness identified	Significant weakness identified
<b>Improving economy, efficiency and effectiveness:</b> How East Hampshire District Council use information about costs and performance to improve the way they manage and deliver their services	No significant risks identified	No significant weakness identified

# Executive Summary (cont'd)

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and East Hampshire District Council, and its members and senior management and its affiliates, including all services provided by us and our network to East Hampshire District 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 East Hampshire District 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 complete and we reported our findings in our final Audit Results Report issued on 25 February 2026.

## Financial statement risks

Significant risk	Conclusion
Change in finance system (Significant Risk)	<p>We did not identify any issues with the completeness and accuracy of the migration of financial data to the new ledger.</p> <p>The implementation of the new financial system made improvements in comparison to the prior year including, for example, the ability to map the ledger to the financial statements.</p>
Misstatements due to fraud or error	<p>We did not identify any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.</p>
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	<p>We did not identify any material inappropriate capitalisation of revenue expenditure. We identified one instance where capital additions of £298k were incorrectly included in REFCUS spend, which was corrected by management. We judged that this was not a result of fraud.</p>
Other risks of material misstatement	Conclusion
IAS19 - Pension Accounting	<p>We engaged our actuarial specialists to assist in our conclusions over the completeness and accuracy of the model used by the actuaries in determining the obligation attributable to the Council. No material errors were identified.</p> <p>We were informed by Management that their actuary had identified an error within the calculation of the net pension liability. Management received an updated IAS 19 report showing a £1.3m difference in the fair value of plan assets, but this had no impact on the net pension figure, only impacting the pensions disclosures.</p>
Property, Plant and Equipment and Investment Properties Valuation	<p>Our work in this complex area was completed without identifying any material errors or other matters.</p>

# Audit of financial statements (cont'd)

## Financial statement risks

### Other risks of material misstatement

### Conclusion

#### Accounting for Council Tax (CT) and NDR Debtors and Creditors

During the 2023/24 audit the Council were unable to provide us with a reconciliation that linked the council tax and business rate accounting models to the financial statements in sufficient time before the backstop date. Since these balances were material, it resulted in a qualified opinion for the Council.

Management made some progress in reconciling the financial statements to the council tax and business rate accounting models but there remains an unreconciled difference of £4.8m within the opening balances which management are still trying to resolve. This unreconciled difference has increased in the current year by another c.£3m.

#### Accounting for Capital Grants and Contributions

During the 2023/24 audit the Council were unable to provide us with an analysis of Capital Grants and Contributions impacting Capital Grants receipts in advance, Capital Grants Unapplied and Financing and Investment income and expenditure, in sufficient time before the backstop date. Since these balances were material, it resulted in a qualified opinion for the Council.

Management have made significant progress in this area and have been able to provide us with a detailed analysis of capital grants and contributions. This has identified a probable material error in the opening balances.

We agreed the audit approach for testing these balances with management. The balance for capital grants received in advance included in the statement of accounts as at 31 March 2025 is c.£24.5m. Of this balance we selected £23m for testing, in tranches.

We have gained assurance over £11.2m. We need further evidence to be able to conclude on 5 items, (£5.2m), and for the remaining samples we and the Council do not have sufficient time before the backstop date to complete the testing as these include complex cases going back a number of years.

We note the progress made by management in being able to support these balances, however, we did not gain sufficient assurances over both the opening and the closing balances in the Statement of Accounts.

# Audit of financial statements (cont'd)

## Financial statement risks

### Significant risk

### Conclusion

Adoption of IFRS16 - Leases from 1 April 2024

The adoption of IFRS16 was not initially classified as a risk area, based on the Council's initial assessment that the impact was unlikely to be material.

The Council did not prepare its accounts under IFRS16, but under the previous accounting standard. Therefore, we reviewed the risk assessment and identified a risk of material misstatement.

We requested a summary of the Council's process for the review of the new standard, with accompanying evidence, to assess the completeness of its arrangements. This has not been provided.

We provided examples from other authorities of the expected updates and disclosures required under the new standard, as applied by the CIPFA Code. An update of the accounts was provided, but still contained fundamental omissions and errors. From review of the supporting evidence it was clear that this contained assets that the Council owned and leased to other organisations, which was a clear misinterpretation of the requirements of the new accounting standard. The evidence provided showed that the Council had started from their asset register, rather than a listing of leases or contracts which we would have anticipated.

We have not been provided with appropriate evidence, in sufficient time before the backstop date, to be assured of the completeness of the Council's arrangements and identification of all lease and leasing arrangements.

# Audit of financial statements

## Financial Statement reporting assessment

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

Area	Status			Explanation
	R	A	G	
Timeliness of the draft financial statements	Requires improvement			The financial statements were published by the 30 <sup>th</sup> June 2025 deadline set out in the Accounts and Audit Regulations. However, they were incomplete.
Quality and completeness of the draft financial statements	Ineffective			A number of internal inconsistencies, formatting errors, arithmetic errors and missing primary statement and disclosures in the draft financial statements that should have been detected through internal quality review prior to publication.  The initial draft financial statements did not contain a cash flow statement and did not have the required IFRS 16 disclosures
Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement			The majority of working papers were received prior to the start of the audit. However, during the audit there were a number of queries and requests which were long outstanding, e.g. queries on REFCUS, other operating expenditure, disposal proceeds and taxation and non-specific grant income
Quality of working papers and supporting evidence	Requires improvement			Working papers and supporting evidence in a number of areas were of a good standard. The implementation of the new general ledger has aided a more efficient accounts preparation and audit process in a number of areas.  However, there are a number of areas for improvement including: <ul style="list-style-type: none"> <li>working papers and supporting evidence related to the prior year limitation of scope areas were not in a format that could be used to identify and audit the opening balances.</li> <li>the evidence for the adoption of IFRS16 was insufficient to demonstrate the process the Council had been through, and provide assurance of its completeness.</li> </ul> The Council generally struggles to provide summaries or explanatory notes where an overview is needed to explain how they have undertaken a process, or how a number of sources come together to support the accounts.

# Audit of financial statements

## Financial Statement reporting assessment (continued)

Area	Status			Explanation
	R	A	G	
Timeliness and quality of evidence supporting key accounting estimates	Effective			Supporting evidence for key accounting estimates was received in a timely manner and was generally of a good standard.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective			The finance team and personnel supporting the audit were generally available in the agreed time periods in accordance with the agreed project plan. Improvements were made in comparison to the prior year, regarding accessibility and on site visits.
Volume and value of identified misstatements	Requires Improvement			<p>This rating is based on version 3 of the draft statement of accounts received on 9<sup>th</sup> September, and the areas where we have been able to conclude our audit procedures. Had we assessed this area based on the initial draft statement of accounts published on 30<sup>th</sup> June the status would have been 'Ineffective'.</p> <p>A number of errors were identified during our testing of debtors and creditors where items were recognised in the incorrect year. There were also instances in our debtors testing where older balances could not be supported. This required us to extend our testing in order to reduce the extent of error to an acceptable level.</p> <p>This has improved in comparison to the volume of errors identified within the prior year.</p>
Volume of misstatements in disclosure	Effective			<p>A relatively small number of misstatements in disclosure were detected in our work.</p> <p>This rating is based on version 3 of the draft statement of accounts received on 9<sup>th</sup> September. Had we assessed this area based on the initial draft statement of accounts published on 30<sup>th</sup> June the status would have been 'Ineffective'.</p>



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 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
 <p><b>Financial sustainability</b> How the Council plans and manages its resources to ensure it can continue to deliver its services.</p>	No significant risks identified	No significant weaknesses identified
 <p><b>Governance</b> How the Council ensures that it makes informed decisions and properly manages its risks.</p>	Risk of Significant weakness identified	Significant weaknesses identified
 <p><b>Improving economy, efficiency and effectiveness</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services.</p>	No significant risks identified	No significant weaknesses identified



# 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 East Hampshire District Council's arrangements for financial sustainability. In prior years no significant weaknesses were identified and there are no outstanding recommendations.

East Hampshire District 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, East Hampshire District Council had proper arrangements in place in 2024/25 to plan and manage their resources to ensure they can continue to deliver their services.



# Financial Sustainability considerations

## Medium Term Financial Strategy (MTFS) and 2025/26 Budget Forecast

The medium term financial strategy is updated annually, looking forward over a 4 year period. During 2024/25, the MTFS in place was the “2024/25 to 2028/29 Medium Term Financial Strategy”. This was approved in February 2024 by Full Council. The Council set a balanced budget for 2024/25 with a contribution of £2.3m to earmarked reserves to be used on future one off projects and to protect the Council from future financial uncertainty. This contribution to earmarked reserves was mainly due to the new funding guarantee grant of £2.608m announced in the 2024/25 Local Government Financial Settlement. There were no deficits in future years. The overall position for 2024/25 is summarised as follows:

2023/24 Revised base budget	£13,970,000
Growth and spending challenges	£2,120,000
Less savings identified	(£2,585,000)
2024/25 Net budget requirement	£13,505,000

The major expenditure of the Council remains staffing costs and contracts which are subject to annual inflationary increases. It is assumed in the MTFS that that growth and spending challenges will be decrease in future years, due to the additional work undertaken in this year to re-base the budgets and the outcome of the business transformation savings arising from Shaping East Hampshire’s Future.

The MTFS was updated for 2025/26 to 2029/30 and was approved by Full Council in February 2025. A balanced budget was set for 2025/26 with no contributions from general fund reserves.

There were again no projected cumulative gaps in the subsequent years. New one-off funding allocated to the Council within the settlement has been earmarked to the financial stability reserve and is not being used to support the existing revenue budget. A further £2.211 million was put into an earmarked reserve, to be used on future one off projects and to protect the Council from future financial uncertainty. This contribution to reserves was mainly due to a one-off new funding floor grant of £2.23m announced in the 2025/26 provisional Local Government Financial Settlement on 19<sup>th</sup> December 2024. There were no deficits in future years. The overall position for 2025/26 is summarised as follows:

	Value £000s
2024/25 Revised base budget	13,505
Growth and spending challenges	1,737
Less savings identified	(1,209)
2025/26 Net budget requirement	14,033



# Financial Sustainability considerations

## Budget Monitoring and 2024/25 Outturn Position

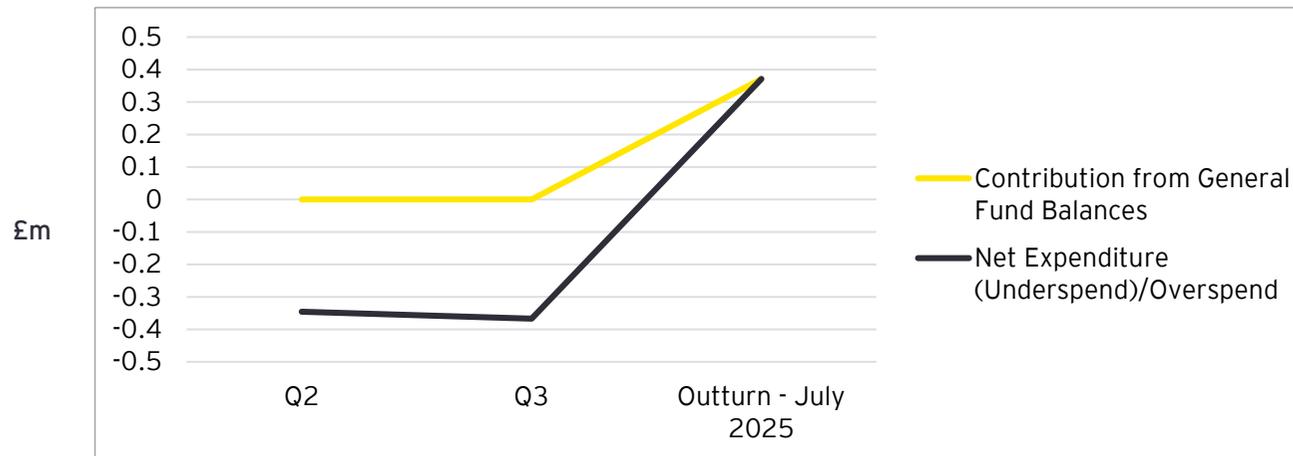
During the year the Council continued to effectively manage its budget and look to the future through the MTFS. It responded well to cost pressures as they emerged, within the context that effective financial planning does remain difficult due to continuing uncertainties in the funding that will be made available to local authorities.

A Summary of the 2024/25 Financial Performance of the Council showed that the General Fund Revenue Budget outturn is a deficit of £317k, mainly due to the overspend for property services, community district team and leisure.

There was no forecast budget gap for 2025/26 or for the MTFS period. The Council has sufficient reserves to provide financial resilience for any unexpected cost pressures or reductions in funding.

Exhibit A below shows the monitoring of the budget for 2024/25 across the year. This shows a small forecast underspend of £346k and £367k in Q2 and Q3 respectively. The outturn position was an overspend of £317k.

## Exhibit A: The Council's budget monitoring reports across the year



## Budget Monitoring: 2025/26 current forecast

The 2025/26 forecast outturn at Q2 showed a small underspend of £170k, mainly due to higher income volumes for planning applications. The Council also had to drawdown £400k from the financial stability reserve to cover the additional costs of Local Government Reorganisation (LGR). This was to cover the cost of creating a policy unit (£200k), investment in programme office (£100k) and workforce planning (£100k), and was ring-fenced in a LGR transformation reserve.



# Financial Sustainability considerations

## Savings plans

The Shaping East Hampshire's Future (SEHF) transformational savings programme is designed to deliver savings as well as a redistribution of resource to align with political priorities. Over the two-year 2023/24 and 2024/25, the programme is scheduled to deliver £1.418 million of savings in lower priority areas and a redistribution of £0.509 million to high priority services. The net reduction to council services is therefore £0.908 million. Of this £0.5 million was deliverable in 2024/25. The transformation programme approved by Members identified estimated future savings over these two financial years. Substantial work has already been undertaken in transformation to begin delivering these savings. Therefore, these savings are considered robust and credible for inclusion in the budget setting papers.

Of the £2.585 million savings identified in the MTFS, £1.165 million was built into the services base budget and therefore assumed to be achieved. Following the outturn at Q1, a SEHF2 paper was written to resolve a budget gap and identified a new set of savings initiatives which incorporated part of the £1.42 million carry forward and other pressures arising within the services. These savings were discussed and approved at Full Council on 26 September 2024.

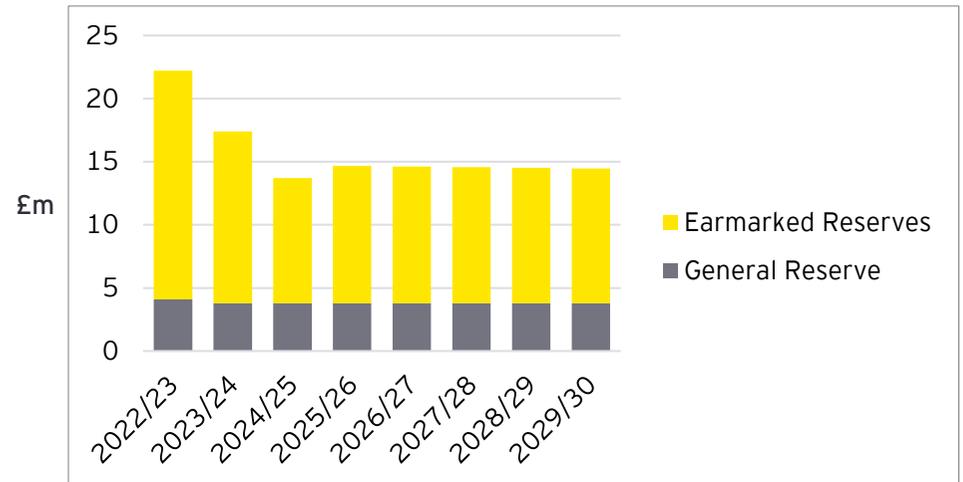
## Reserves position

As part of the budget setting process, the levels of balances and reserves is reviewed and determined ensuring that the level is justifiable in the context of local circumstances. The Section 151 officer (Chief Finance Officer) has reviewed the level in order to ensure a prudent level of balances that reflects a full risk assessment commensurate with the risks that the Council faces and the context within which the authority operates.

The 2024/25 MTFS had no drawdown of reserves other than those specified from earmarked reserves. General fund reserves are projected to remain at the same level of £4.1m.

As per the latest MTFS (2025/26), General fund reserves are shown to remain significantly unchanged at £3.8m, with no expected further draw from the General fund after 2024/25. Earmarked reserves projected a small decline from an estimated 31/3/2026 position of £10.9m to £10.7m at 31/3/2030, although effect of the impact from LGR on the 2025/26 budget may reduce this forecast slightly.

**Exhibit B: The level of Usable Reserves available at the Council since 2022/23 including the forecast MTFS period**





# 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 one risk of a significant weakness in the Council's arrangements for governance. Due to the poor quality of the initial published draft set of financial statements, and the Council's lack of capacity to support all areas of their accounts and the audit, we reported a significant weakness in the Council's arrangements for VFM relating to reliable and timely financial reporting that supports the delivery of strategic priorities.

The Council's underlying arrangements in relation to governance are not significantly different in 2024/25.

## Overview of our conclusions

Based on the work performed, the Council did not have proper arrangements in place in 2024/25 to make informed decisions and properly manage its risks against the criteria of:

- 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 ensure corrective action is taken where needed.



# Governance considerations

## Statutory financial reporting

We identified a number of internal inconsistencies, formatting and arithmetic errors within the initial draft statement of accounts published for public inspection. Furthermore, the accounts did not include a cash flow statement, and were still prepared with reference to the previous leasing accounting standard, not updated to the required basis of IFRS 16 which applied from 2024/25. These errors and omissions should have been detected through internal quality review prior to publication.

The Council was unable to support a number of areas within its accounts, as reported within our Audit Results Report.

These issues represent a significant weakness in the Council's arrangements relating to statutory financial reporting requirements to prepare the Council's statement of accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). We will report this as a matter to report by exception in our audit report.

### Recommendation:

The closedown timetable should ensure there is sufficient time and capacity to prepare a full set of financial statements, in accordance with all requirements of the CIPFA Code of Accounting Practice.

Management should ensure there is sufficient time for internal quality reviews to take place in advance of the 30 June statutory deadline for publication and public inspection.

## Annual Governance Statement (AGS)

The AGS reports on the effectiveness of the Councils governance arrangements during the financial year, to ensure that business is conducted in accordance with the law and proper standards and public money is effectively safeguarded and utilised. In January 2025 a Corporate Peer Challenge was independently conducted by the Local Government Association and highlighted areas of good practice and suggested areas for further improvement. The Council prepared an action plan included as part of its 2024/25 AGS and includes timescales and responsible officers.

The following significant changes or areas of improvement highlighted in the AGS will be carried out over the next year to ensure continuous improvement of key governance issues:

- Update Financial Procedure Rules and Contract Standing Orders.
- Update the Council's Workforce Strategy.
- Improved governance and oversight over East Hampshire Norse Limited.
- Respond and complete any actions as directed by the External Auditor in relation to 2023-24 accounts.
- Working with Overview and Scrutiny Committee members to achieve improved agenda management.

This list is therefore not indicative of a current failure in governance, but rather, shows that the Council has appropriate arrangements in place to identify these governance risks as or before they arise, and therefore has the opportunity to take timely action. Areas for improvement are monitored by Strategy Board and Cabinet.



# Governance considerations

## Risk Management

A strategy risk group meets regularly with Chief Finance Officer, Monitoring Officer and Senior Information Risk Owner and reviews all corporate and service risk areas. This is fed into Strategy Board and where appropriate at Cabinet Briefing. New and ongoing risks are discussed in the corporate risk group. This feeds into discussion at Strategy Board.

Executive Directors also review their service risk regularly and feed back to the corporate risk group of any emerging risks for consideration. Risks that are specifically financial in nature are monitored through the monthly budget process then incorporated into the MTFS where the pressures are identified as recurring.

We have reviewed the risks included in the Risk Register and confirmed the risks included in all documents appear reasonable and realistic based on the risk profile of the Council and the activities in which they engage in.

## Internal audit arrangements

The Council maintains an internal audit service, through Southern Internal Audit Partnership. Internal Audit conduct a programme of audits across all the Directorates. The areas for review are prioritized between Internal Audit, the relevant Director and Section 151 Officer. A quarterly update is shared with Strategy Board and the Audit Committee outlining progress, upcoming work and any outstanding actions from previous audits. The internal audit service has an annual audit plan based on a risk analysis carried out by the auditors each spring. The audit plan, based on a full risk evaluation, is approved annually. Progress against the audit plan is reported quarterly to the Audit Committee. This minimises the risk of fraud and error and provides management with assurance that policies and procedures are robust.

Quarterly reports are received from the internal auditors highlighting work carried out including a breakdown of fraud investigations with any significant issues detailed in summary format. A live tracker of outstanding management actions, categorised as High, Medium or Low priority, is also reported quarterly to the Audit Committee. High priority outstanding management actions remained relatively low year on year. All medium priority actions from the prior year have been addressed by management.

The internal audit plan incorporates both reactive and proactive fraud work along with fraud thematic reviews to identify and mitigate fraud risk. The 2024/25 Internal Audit Opinion stated that sufficient assurance work had been carried out to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

There were no “No Assurance” opinions issued during the year. Internal audit work found there to be a sound control environment in place across majority of review areas that were working effectively to support the delivery of corporate objectives. Two areas were issued “Limited Assurance” throughout the 2024/25:

- Accounts Receivable - Debt Management
- Environmental Health - Food Safety
- Play areas - Inspection and Maintenance

Our review of each of these limited assurance reports has not identified any risks of significant weakness in VFM arrangements. The issues identified in the reports appear limited to the specific areas they relate to, and do not have significant implications on the wider arrangements at the Council.



# Governance considerations

## Informed decision making and member challenge

The Council ensures that the roles and responsibilities for decision-making and governance arrangements are defined and allocated, so that there is clear accountability for decisions made and actions taken. The Council does this by appointing a Leader and a Cabinet, which allocates specific executive responsibilities. There are also a number of committees appointed to discharge regulatory and scrutiny functions. Each committee has clear terms of reference setting out roles and responsibilities. All leadership roles, the roles of key Officers and the Council's Scheme of Delegation are set out within the Council Constitution.

The Council operates on an Executive Model, with Cabinet being responsible for executive functions with separate regulatory functions and oversight committees. Decisions can also be made by Officers under delegated powers and reported to Councillors in line with the Council Constitution. The council has a decision making process in place in order to make sure staff understand the requirements. Decision making papers are raised at Strategy Board where challenge occurs. Where appropriate, papers are then shared with Members informally at Cabinet Briefing and then formally at Cabinet/Full Council. Overview and Scrutiny review and provide an extra layer of challenge.

Risk is considered and recorded as part of the business planning process and monitored throughout the year as part of the quarterly review of performance and financial management (quarterly performance report).

The Monitoring Officer and Chief Finance Officer maintain their legal responsibilities to ensure that the Council acts legally and within its financial means and report directly to Chief Executive and are members of the Strategy Board.

## Local Government Reorganisation (LGR)

LGR is expected to pose challenges for local authorities over the next year. During this period of change, the Council must maintain essential services and fulfill 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 will need to be aware of their responsibilities and ensure that appropriate accounting and governance systems are maintained.

## Failure to prevent fraud

The offence of failing to prevent fraud, as introduced by the Economic Crime and Corporate Transparency Act 2023, became effective on 1 September 2025. The Home Office has published statutory guidance (most recently updated in October 2025) which organisations must consider. This guidance outlines the core principles for establishing, reviewing, or enhancing anti-fraud procedures.

It is recommended that authorities review existing fraud policy and procedures against the latest Home Office guidance. If this review has not yet taken place, it should be prioritised to ensure compliance with the Act and to mitigate the risk of enforcement action.



# 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 East Hampshire District Council's arrangements for improving economy, efficiency and effectiveness. In prior years, no significant weaknesses were identified and there are no outstanding recommendations.

East Hampshire District 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, East Hampshire District 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 has arrangements in place to improve economy, efficiency and effectiveness. The council produces a quarterly report which includes financial and performance information. This is shared with Strategy Board, Audit Committee and Cabinet. This highlights areas where performance improvement is required. Information is collated centrally monthly for finance and quarterly for performance. These highlight areas of financial risk and areas where risk does not meet targeted level.

Service budgets that have a significant forecast variance are highlighted in the monthly and quarterly reports with supporting commentary. Action plans are discussed and agreed with the relevant Executive Director/Budget Manager and monitored accordingly.

## Procurement and contract management

The Council has a Procurement team to assist with any procurement and its associated processes ensuring they meet the relevant legislations. Services are required to engage with Procurement to ensure that the right process is followed.

The Council publishes a list of all contracts on its website. An electronic system for ordering or requesting quotes or tenders for any goods or service over £10,000 in value is in place and this is done through the PROACTIS ProContract Portal. This system provides user guides and ensures that relevant legislation, standards and processes are followed accordingly.

Once a contract is in place, it is the responsibility of the service lead to ensure that it achieves/delivers against the original scope.

## Partnership working

The Council regularly monitors and manages significant partnerships. It meets regularly and formally with partners, and feeds back via the shareholder subcommittee.



# 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
<p>The initial 2024/25 draft statement of accounts was not adequately prepared or reviewed prior to being published. The cash flow statement was omitted and the accounts were not prepared on the basis of IFRS 16. We also identified a number of internal inconsistencies and formatting and casting errors.</p> <p>The quality of the statement of accounts could adversely impact the decision-making process where information is inaccurate and does not support the Council's statutory financial reporting requirements. It also limits the ability of the public or other stakeholders to properly exercise their inspection rights.</p>	<p>The closedown timetable should ensure there is sufficient time and capacity to prepare a full set of financial statements, in accordance with all requirements of the CIPFA Code of Accounting Practice.</p> <p>Management should ensure there is sufficient time for internal quality reviews to take place in advance of the 30 June statutory deadline for publication and public inspection.</p>	<p>As part of our closedown timetable, we do factor in time to review the Statement of Accounts. Unfortunately for 2024/25 this was impacted by the availability of key staff through sickness.</p> <p>We acknowledge the recommendation and will include a longer review period in the closedown timetable, prior to the publication of the accounts in line with the statutory deadline</p>

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