Public Document Pack

RUSHMOOR BOROUGH COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

at the Council Offices, Farnborough on
Wednesday, 28th January, 2026 at 7.15 pm

To:

Cllr Bill O'Donovan (Chair)
Cllr P.J. Cullum (Vice-Chair)

Cllr C.W. Card
Cllr Sue Carter
Cllr A.H. Crawford
Cllr C.P. Grattan
Cllr Sarah Spall
Cllr P.G. Taylor
Cllr Jacqui Vosper
Cllr Ivan Whitmee
Cllr Becky Williams

Standing Deputies:
Cllr Leola Card, Cllr Thomas Day, Cllr A.H. Gani, Cllr S.J. Masterson, Cllr T.W. Mitchell, Cllr.Ivan Whitmee.

Enquiries regarding this agenda should be referred to the Committee Administrator, Lucy Bingham, Democratic Services, Tel. (01252 398128) or email lucy.bingham@rushmoor.gov.uk.

A G E N D A

1. **MINUTES –** (Pages 1 - 8)

   To confirm the Minutes of the Meetings held on 26th November and 11th December, 2025 (copies attached).

2. **DRAFT AUDIT RESULTS REPORT –** (Pages 9 - 58)

   To receive the Draft Audit Results Report (copy attached) from Ernst & Young (EY).

3. **DRAFT 2024/25 AUDITOR'S ANNUAL REPORT –** (Pages 59 - 94)

   To receive the Draft 2024/25 Auditor's Annual Report (copy attached) from Ernst & Young (EY).

4. **ANNUAL STATEMENT OF ACCOUNTS/EXTERNAL AUDIT OPINION - UPDATE –** (Pages 95 - 188)

   To receive the Executive Head of Finance's Report No. FIN2602 (copy attached), which sets out the Annual Statement of Accounts and the External Audit Opinion.

5. **INTERNAL AUDIT - AUDIT PROGRESS REPORT UPDATE –** (Pages 189 - 204)

   To receive SIAP's Report No. SIAP26/01 (copy attached), which gives an update on audit work completed to date, progress against the audit plan and tracking of the implementation of management actions.

6. **INTERNAL AUDIT - EXTERNAL QUALITY ASSESSMENT - FINAL REPORT –** (Pages 205 - 236)

   To receive SIAP's Report No. SIAP26/02 (copy attached), from the External Assessor following the external quality assessment of SIAP against the Global Internal Audit Standards in the UK Public Sector.

7. **ANNUAL CAPITAL STRATEGY 2026/27 –**

   To consider the Executive Head of Finance's Report (copy to follow), which seeks approval of the Council's Annual Capital Strategy for the year 2026/27 for submission to the Council.

8. **ANNUAL TREASURY MANAGEMENT AND NON-TREASURY MANAGEMENT STRATEGY 2026/27 –**

   To receive the Executive Head of Finance's Report (copy to follow), which seeks approval of the Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy (Investment Strategy) for the year 2026/27 for submission to Council.

9. **QUARTERLY REPORT OF TREASURY PRUDENTIAL INDICATORS (Q3) –** (Pages 237 - 252)

To consider the Executive Head of Finance's Report No. FIN2607 (copy attached), which sets out the activities of the Treasury Management and Non-Treasury Management Investment Operations for Quarter 3, 2025/26, and reports on compliance with Prudential Indicators, for recommendation to full Council in February 2026.

PUBLIC PARTICIPATION AT MEETINGS

Members of the public may ask to speak at the meeting on any of the items on the agenda by writing to the Committee Administrator at the Council Offices, Farnborough by 5.00 pm two working days prior to the meeting.

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AUDIT AND GOVERNANCE COMMITTEE

Meeting held on Wednesday, 26th November, 2025 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Bill O'Donovan (Chair)
Cllr P.J. Cullum (Vice-Chair)

Cllr C.W. Card
Cllr A.H. Crawford
Cllr Sarah Spall
Cllr P.G. Taylor
Cllr Ivan Whitmee
Cllr Becky Williams

Apologies for absence were submitted on behalf of Cllr Sue Carter, Cllr C.P. Grattan and Cllr Jacqui Vosper.

Cllrs Rhian Jones and S.J. Masterson attended the meeting as Standing Deputies.

1. **APPOINTMENT OF CHAIR**

RESOLVED: That Cllr. Bill O'Donovan be appointed as Chair of the Committee for the remainder of the 2025/26 Municipal Year.

2. **APPOINTMENT OF VICE-CHAIR**

RESOLVED: That Cllr. P.J. Cullum be appointed as Vice-Chair of the Committee for the remainder of the 2025/26 Municipal Year.

3. **MINUTES**

The Minutes of the Meeting held on 24th September, 2025 were approved and signed as a correct record of proceedings.

4. **VOTE OF THANKS**

A vote of thanks was recorded for Tom Davies, Independent Member of the Corporate Governance, Audit and Standards Committee. It was noted that Mr Davies had completed his three-year term. The Chair, Cllr Bill O'Donovan, recommended that a letter of thanks be sent to Mr Davies from the Committee.

It was noted that an Independent Member for the Audit and Governance Committee would be appointed in due course.

5. **EXTERNAL AUDIT - DRAFT PROGRESS UPDATE 2024/25**

The Chair welcomed Kalthiemah Abrahams, Audit Manager, from the Council's external auditors, Ernst and Young (EY), who joined the meeting remotely via Microsoft Teams.

The Committee received the Audit Progress Report. This report aimed to provide the Audit and Governance Committee with a summary of progress on the 2024/25 Council audit, and any issues identified to date. The Committee noted that, having updated and completed the planned procedures, the auditors identified a risk of significant weakness and actual significant weakness in the Council's value for money (VFM) arrangements in respect of financials. They would issue their VFM narrative commentary in the draft 2024/25 Auditor's Annual Report, which was expected to be issued on 30th November 2025.

During discussion, Members raised questions regarding International Financial Reporting Standard 16 (IFRS 16). The Committee noted that IFRS 16 was a new standard, which was complex and had only recently been implemented. Consequently, there were some absent disclosures from the financial statements in relation to the standard, however, it was a control observation that EY would raise in the audit results report, but stated that it would not impact the audit conclusion.

RESOLVED: That the Auditor Progress Report, be noted.

6. **INTERNAL AUDIT - AUDIT PROGRESS REPORT**

The Chair welcomed Neil Pitman, Head of Southern Internal Audit Partnership (SIAP), the Council's internal auditors, who joined the meeting remotely via Microsoft Teams.

The Committee received SIAP's Report No. SIAP25/05 which set out the Internal Audit Progress Report, for the November 2025 accounts, which provided the Audit and Governance Committee with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan. The Report also provided an overview of key updates pertinent to the discharge of the Committee's role, in relation to internal audit.

During discussions, questions were raised regarding Disabled Facilities Grants, cyber security arrangements and Homes for Ukraine. The Committee noted that an informal meeting had been organised for the IT Service Manager to meet with Members of the Committee to discuss the cyber security arrangements in place, which was scheduled for January 2026.

ACTION:

What	**By Whom**	**When**
Provide an update to the Committee, by email, on Homes for Ukraine and the six overdue audit actions.	James Duggin – Executive Head of Operations	Before the next AGC meeting – 28th January 2026

RESOLVED: That:

(i) changes to audit dates, once agreed by management, will require approval from the Committee; and

(ii) SIAP's Report No. SIAP25/05, be noted.

7. **RISK MANAGEMENT PROCESS 2024/25**

The Committee received the Executive Director's Report No. ED2510, which provided an update on the ongoing development and maintenance of the Council's risk management processes during 2025/26. The Leader of the Council, Cllr Gareth Williams, was in attendance as Portfolio Holder for Risk Management.

The report provided an update on the risk management activity that had taken place and was planned for the remainder of 2025/26, in line with arrangements set out in the Council's updated Risk Management Policy, which was presented to Cabinet for approval on 25th November, 2025. The Committee had a duty to provide independent assurance of the adequacy of the risk management framework.

The Committee noted that 2025 had continued to be a period of significant uncertainty across a broad range of economic, social and political matters. Circumstances such as high interest rates and slow growth in the economy, had continued to impact the Council's financial position, operations and capital projects. It was noted that the wider implications for the Council required continued focus on mitigation plans, which were adapted to meet the ongoing challenges presented. The Committee acknowledged that the Council's risk management process had played an important role in identifying the possible impact of potential risks faced by the Council and ensured that the Senior Leadership Team and Cabinet Members were regularly updated. It was noted that risks were routinely reviewed and discussed at both service level and among senior management.

During discussion, Members raised questions regarding the redacted corporate risk register, horizon scanning and the alignment of Audit and Governance Committee meetings with the quarterly performance report publication and Cabinet meetings. The Committee noted that the Overview and Scrutiny Committee could raise specific issues around Council performance and risk management.

ACTION:

What	**By Whom**	**When**
Raise the alignment of meetings at the Programme Management Group.	Cllr Bill O'Donovan, Chair of the Committee	Before the next AGC meeting – 28th January 2026
Share the unredacted version of the corporate risk register each quarter.	Roger Sanders, Service Manager – Risk, Performance and Procurement	Quarterly
Members to identify any risks they wished to bring to Committee for scrutiny, through	Members of AGC	Quarterly

the Chair or officers.		
Organise risk process training for Members.	Roger Sanders, Service Manager – Risk, Performance and Procurement	Before the March AGC meeting

RESOLVED: That the Executive Director's Report No. ED2510, be noted.

8. **INTERNAL AUDIT REPORT - USE OF AGENCY STAFF**

The Committee received a verbal update from Executive Head of Finance, Peter Vickers, regarding the internal audit report and the use of agency staff.

The Committee noted the recent internal audit review on the use of agency staff and the governance processes the organisation followed for starters and leavers to the Council.

Members noted that the audit was currently in draft form and would be due to go to the Committee in January, 2026. However, it was noted that the audit had focused on agency staff and consultants, and how the process had been managed from a governance perspective, but no assurance had been given at this time. The Management Team had reviewed the report and prepared a schedule of actions that were being implemented to ensure that the matter was resolved and assurance could be given.

During discussion, Members sought clarification about how the induction procedure would be managed in the future. The Committee were assured that the process would be centralised and the People Team had procedures in place to address the matter, however, compliance would need to be managed.

RESOLVED: That the update on the Internal Audit Report – Use of Agency Staff, be noted.

9. **ANNUAL GOVERNANCE STATEMENT UPDATE**

The Committee received the Financial Governance Manager's Report No. FIN2518, which gave details of work carried out towards the implementation of the actions defined within the Annual Governance Statement, which had been presented to the Committee in May 2025.

It was noted that the Corporate Peer Challenge and the Chartered Institute of Public Finance and Accountancy (CIPFA) Report had been considered and changes had been implemented. Work towards the financial resilience plan was continuing by the Senior Management Team. The Committee were advised that self-assessment actions towards compliance against the CIPFA Financial Management Code were ongoing, with elements forming part of the Financial Resilience Plan.

During discussion, Members asked questions regarding the self-assessment against the CIPFA Financial Management Code.

ACTION:

What	By Whom	When
Provide requirements which are outstanding within CIPFA Financial Management Code to the Committee.	Nikki Fleming – Financial Governance Manager	Before the next AGC meeting – 28th January 2026

RESOLVED: That the Financial Governance Manager's Report No. FIN2518, be noted.

10. **TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2025/26**

The Committee received the Executive Head of Finance's Report No. FIN2517, which set out the main activities of the Treasury Management and Non-Treasury Investment Operations during Quarter 2 of the 2024/25 financial year, and reported on compliance with Prudential Indicators. This was a statutory requirement under the CIPFA Code of Practice on Treasury Management.

The Committee were advised that all treasury activity had been conducted within the approved Treasury Management Practices (TMPs). Borrowing had started to move towards longer term rather than short term, to provide more interest rate stability on borrowing in line with the MTFS rate of 4.78%. The Committee noted that the Council had borrowed substantial sums of money and was therefore exposed to financial risks which included the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remained central to the authority's Treasury Management Strategy. The Committee were advised that the key risks to the Council's delivery of successful treasury and non-treasury investment options included inflation levels, the Bank of England base rate and delivery of the Capital Programme. The Committee were advised that borrowing under 12 months was at 14%, whereas it was 100% under 12 months at the same point in 2024. The Council were changing the way in which they borrowed to provide more certainty with interest rates, which was in line with the external auditors' request to reduce short term borrowing.

The Committee noted that there were some typos in the report, on:

- Page 63, Table 2 – the PWLB was £102.0m and Other was £7.0m;
- Page 64, Table 3A – the net movement total borrowing was £27m; and
- Page 71, Capital Financing Requirement table – 31.3.2026 forecast was 147.5.

RESOLVED: That the Executive Head of Finance's Report No. FIN2517, be noted.

The meeting closed at 8.33 pm.

CLLR BILL O'DONOVAN (CHAIR)

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AUDIT AND GOVERNANCE COMMITTEE

Meeting held on Thursday, 11th December, 2025 at the Council Offices, Farnborough at 6.00 pm.

Voting Members

Cllr Bill O'Donovan (Chair)
Cllr P.J. Cullum (Vice-Chair)

Cllr C.W. Card
Cllr Sue Carter
Cllr A.H. Crawford
Cllr C.P. Grattan
Cllr Jacqui Vosper
Cllr Becky Williams

11. **EXCLUSION OF THE PUBLIC**

RESOLVED: That, taking into account the public interest test, the public be excluded from the meeting during the discussion of the under mentioned item to avoid the disclosure of exempt information within the paragraph of Schedule 12A to the Local Government Act, 1972 indicated against the item:

Minute No.	**Schedule 12A Para. No.**	**Category**
46	3	Information relating to financial or business affairs

12. **GOVERNANCE ARRANGEMENTS FOR THE DISPOSAL OF BLOCKS C AND D, UNION YARD, ALDERSHOT**

The Committee considered the joint Report of the Monitoring Officer and Executive Head of Finance (Section 151 Officer) No. LEG2506, regarding the governance arrangements for the disposal of Block C and D, Union Yard, Aldershot, for review by the Committee.

Following discussions relating to exempt report REG2542, the Chair of Audit and Governance Committee convened a special meeting to consider the due diligence leading to the recommendations in the report to dispose of the Blocks, and to agree that the disposal was in line with best value considerations. Members acknowledged that the meeting had been called to discuss the governance arrangements for disposal of Block C and D, Union Yard and the options for disposal would be considered by Cabinet on 15th December.

RESOLVED: That the Committee were satisfied as to the due diligence undertaken leading to the recommendation within Cabinet Report No. REG2542 and concurred that the recommendation was a Best Value proposition.

The meeting closed at 7.07 pm.

CLLR BILL O'DONOVAN (CHAIR)

Rushmoor Borough Council

Audit results report

Year ended 31 March 2025

January 2026

Audit and Governance committee
Rushmoor Borough Council
Council Office, Farnborough Road
Farnborough, Hants
GU14 7 JU

19 January 2026

Dear Audit and Governance Committee Members

2024/25 Audit results report

We attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit and Governance Committee. We will update the Audit & Governance Committee at its meeting scheduled for 28 January 2026 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2024/25 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Rushmoor Borough Council (the Council's) accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

The Audit and Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit and Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements; and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We draw Audit and Governance Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their financial statements.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit amd Governance Committee meeting on 28 January 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 27 June 2025.

Yours faithfully

Simon Mathers

Partner, For and on behalf of Ernst & Young LLP

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Contents

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 and Governance Committee and management of Rushmoor Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Rushmoor Borough 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 & Governance Committee and management of Rushmoor Borough 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.

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01 Executive Summary

Executive Summary – Context for the audit

Context for the audit - Measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- lack of capacity within the local authority financial accounting profession;
- increased complexity of reporting requirements within the sector;
- a lack of auditors and audit firms with public sector experience; and
- increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG has worked collaboratively with the FRC and other system partners, to develop and implement measures to clear the backlog. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This has now been delivered.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2024/25 financial statements is 27 February 2026. This process of rebuilding assurance will take several years to achieve. The NAO, supported by the MHCLG and the FRC, are responsible for issuing guidance and have been liaising with audit firms to understand the complexities involved and to seek to ensure a more consistent approach for restoring assurance for disclaimed periods. The NAO has now published its Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 setting out considerations for rebuilding assurance following the issue of disclaimed audit opinions under the backstop arrangements. The guidance predominantly focuses on the rebuilding of assurance over reserves, where it is more difficult to obtain assurance because of the way in which they accumulate over successive years. It also continues to recognise that the approach needed to rebuild assurance will differ authority to authority and will need to be considered in the context of both inherent risk factors which all authorities subject to recently disclaimed opinions will share, and factors specific to each individual authority's system of internal control and financial reporting. We will continue to consider the impact of this on our audit approach. In 2024/25 we have continued to audit the closing balance sheet and in-year transactions, which allows the build back of assurances over a large number of balances within the financial statements where audit procedures can be completed for successive years.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 26 February 2025 Audit Results Report we issued a disclaimer of opinion on the Council's financial statements for 2020/21, 2021/22, 2022/23 and 2024/25 under these arrangements to reset and recover local government audit. 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. Taken together with the requirement to conclude our work by the 2024/25 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.

Appendix A sets out the current position of Rushmoor Borough Council in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01. This is informed by the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

Executive Summary – Context for the audit

Scope update

In our Audit Planning Report presented at the 22 May Corporate Governance, Audit and Standards Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Status of the audit

Our audit work in respect of the group opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Full completion of our work on IFRS 16 implementation and disclosures.
- Completion of work to test capital additions.
- Final review procedures on some areas of detailed testing.
- Receipt of updated Annual Report and accounts.
- Review of final signed accounts.
- Going concern review and disclosures.
- Management representation letter.
- Subsequent events review.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix F.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion.

Value for Money

Within our Audit Planning Report, we identified one risk of significant weakness in the Council's arrangements for financial sustainability.

Our work in this area considers the adequacy of the Council's arrangements across three specified reporting criteria:

- 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

Following further work, we have now disaggregated the one risk identified in planning into two risks of significant weakness relating to financial sustainability. See Section 03 of the report for further details.

Executive Summary (cont'd)

Audit differences

We have identified uncorrected misstatements amounting to £401,951 in relation to the turnaround effect of prior year understatement of Consolidated Income & Expenditure (CIES) expenditure, payable accruals and debtors. This has resulted in an overstatement of CIES expenditure in the current audit period.

In addition, the following adjustments above performance materiality have been identified as part of the audit:

1. **Misstatement Relating to Pension Liability and Reserve**

A misstatement of £12.5 million was identified in relation to the pension liability and pension reserve. Management did not update the IAS 19 Pension Liability to incorporate the revised IAS 19 report received from the actuary. This report included the asset ceiling adjustment required under IFRIC 14, which was not reflected in the accounts.

2. **Misclassification of Year-End Capital Accruals**

An amount of £2.3 million in year-end capital accruals was incorrectly included under 'Cash Flow from Investing Activities' in the cash flow statement. This should have been recorded as a non-cash adjustment within the net cash flows from operating activities.

3. Assets Held for sale included in Investment Property

£16.6 million of Assets Held for Sale were misclassified as Investment Property.

4. Disclosure Misstatements

- Narrative Statement: There were inconsistencies between the amounts presented in the tables in the Narrative Statement and those reported in the main financial statements.
- Accounting Policies (General Principles): The Expenditure and Funding Analysis Statement was presented as a primary statement rather than as a note to the accounts, contrary to reporting requirements.
- Note 4 (Assumptions & Uncertainty): The disclosure concerning uncertainty in Property, Plant and Equipment (PPE) was incomplete. It only referenced the useful life assumption, omitting the assumptions used in determining Depreciated Replacement Cost (DRC), Existing Use Value (EUV), and Fair Value (FV). Additionally, required disclosure relating to Investment Properties (IP) was not included.
- Note 4 (Assumptions & Uncertainty): The narrative relating to the NNDR appeals provision on 'back pay' and 'equal pay' for both the full provision (Collection Fund) and the Council's share (Comprehensive Income and Expenditure Statement, CIES) referred to the previous year instead of the current year.
- Note 13 (Property, Plant and Equipment): The Right-of-Use (ROU) assets recognised under IFRS 16, including the transitional adjustment, were not separately disclosed as required.
- Note 39 – Leases (Council as Lessee): The disclosure continued to use the terms 'finance leases' and 'operating leases', which are no longer applicable under IFRS 16.
- Note 40: The disclosure concerning the Virgin Media case had not been updated to reflect the current year's position.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We will provide a further update on our work in this area in due course.

Executive Summary (cont'd)

Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of the Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Where applicable we have identified those matters that we consider to be key audit matters. Key audit matters are selected from the matters we communicate to you that in our opinion are of most significance to the current period audit and required significant attention in performing the audit. In accordance with ISA (UK) 701 key audit matters are included in our auditor's report.

Risk	Status of our work
Significant Risk 1 - Presumptive risk of management override of controls	We have completed all audit procedures in accordance with the Audit Plan subject to final review. During our testing, we identified a control observation pertaining to journal authorisation controls. Refer to Section 06.
Significant Risk 2 - Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	We have substantially completed our audit procedures in accordance with the Audit Plan. We are still in the process of finalising our audit work on capital additions. At this stage there are no matters we wish to bring to your attention. We will provide a verbal update on the conclusions of our work at the Audit and Governance Committee meeting on 28 January 2026.
Significant Risk 3 - Valuation on investment property Significant Risk 4 - Valuation of land and buildings valued under the depreciated replacement cost (DRC) method and the existing use value (EUV) method	Similar with prior year, we were unable to substantiate some key inputs and assumptions used in the valuation of land and buildings valued using Depreciated Replacement Cost (DRC), Equivalent Use Value (EUV) and Fair Value (FV). This includes PPE Other Land and Buildings valued at EUV, DRC and FV; and Investment Properties valued at FV. EY's valuation specialists (EYRE) applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review identified weaknesses in the quality of evidence provided and that certain assumptions adopted by the Council's valuer for assets valued at DRC and FV were not supportable or inconsistent with wider valuation practice. Due to the statutory backstop date of 27 February 2026, we will not be able to complete further procedures to resolve the judgmental differences or conclude on whether potential errors are more pervasive across the untested population.
Significant Risk 5 - IFRS 16 implementation	As at the date of this report, our work on IFRS 16 remains in progress. However, we have identified misstatements relating to compliance with the disclosure requirements of IFRS 16. Refer to Section 05. We will provide a verbal update on the conclusions of our work at the Audit and Governance Committee meeting on 28 January 2026.
Risk of material misstatement 1 - Pension Liability Valuation and the IAS 19 valuations	We have received an updated IAS 19 report following the correction of investment return figures by the actuary, Hymans Robertson, which resulted in changes to the return on assets and the asset ceiling calculation. We have completed all procedures relating to the valuation of pension liabilities. Our EY Pensions Consulting team reviewed the assumptions and performed a roll-forward liability check, and no material variances were noted from this work. However, management used the old report to complete the accounts which resulted in a material misstatement which was subsequently corrected. Refer to Section 05.

Executive Summary (cont'd)

Areas of audit focus

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the [Audit & Governance Committee.

Control observations

During the audit, we identified the following control observations:

- Weaknesses in the quality of evidence provided and assumptions made by the Council's valuer for assets valued using DRC/EUV/FV method. The same observation was raised in the prior year audit results report. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management.
- There were no evidence that a journal was appropriately reviewed and authorised.
- Declarations of interest relating to 12 Councillors were not obtained.

Please refer to Section 06 for details

Independence

Please refer to Section 08 for our update on Independence.

Factors impacting the execution of the audit

Management, and the Audit & Governance 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. The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

Although there remains scope for further improvements as set out over-page, we would like to recognise the improvements that have been to the Council's arrangements in this area and in particular the engaged and constructive approach to the external audit taken by the Section 151 Officer and wider finance team.

Executive Summary (cont'd)

Factors impacting the execution of the audit (cont'd)

Area	Status R / A / G	Explanation	Further detail
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	Effective	There were only a small number of non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements.	N/A
Delivery of working papers in accordance with agreed client assistance schedule	Effective	Working papers were provided to the agreed timetable.	N/A
Quality of working papers and supporting evidence	Requires improvement	The working papers and supporting evidence were generally of a high standard. However, for debtors and creditors, listings of closing balances were not provided, with only in-year transactions available. This led to additional time required to complete these sections.	N/A
Timeliness and quality of evidence supporting key accounting estimates	Requires improvement	In general, management provided timely and good quality supporting evidence in response to the majority of our audit requests. However, during our land and building and IP valuation, EYRE raised concerns during the review of the Council's external valuer's work, particularly regarding the provision of supporting evidence for the valuation of PPE and IP assets. The evidence and explanations provided were insufficient, leading to additional requests for clarification and further documentation. EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with the wider valuation practice. Due to the statutory backstop date of 27 February 2026, we were unable to complete further procedures to resolve the judgmental differences or conclude on whether it resulted in misstatements in the financial statements. We raised a recommendation on this in the prior year which we do not consider has been addressed - see Section 06. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management.	See Section 02 (Significant Risk 3 and 4) for details.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective	There were no issues with access to the finance team and key personnel.	
Volume and value of identified misstatements	Requires improvement	A moderate number of misstatements that were above performance materiality in aggregate were detected as a result of our work across both the main Financial Statements and Disclosures. Management have indicated that these will be adjusted but we have not received the final Statement of Accounts.	See Section 05 for details.
Volume of misstatements in disclosure	Requires improvement	A moderate number of misstatements in disclosures were detected in our work.	See Section 05 for details.

02 Areas of Audit Focus

Areas of Audit Focus

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Significant Risk 1 - Presumptive risk of management override of controls)

What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What are our conclusions?

We have not identified any material weaknesses in controls, evidence of management override or instances of inappropriate judgements being applied. We have obtained sufficient audit evidence regarding any business rationale for unusual transactions.

Our evaluation of potential bias in management estimates has been completed for asset valuations, NDR appeals provision and pension liability. Please refer to section 05 for details on the identified error related to the pension liability; we have concluded that this was not due to management override of controls.

As at the date of this report our work to test journals remains subject to final review. During our testing, we identified an observation pertaining to journal authorisation controls. Further information can be found in Section 06.

Our response to the key areas of challenge and professional judgement

We:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considered whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Undertook procedures to identify significant unusual transactions.
- Considered whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' were required.

Areas of Audit Focus (cont'd)

Significant Risk 2 - Inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

Our response to the key areas of challenge and professional judgement

We:

- Tested Property, Plant and Equipment (PPE)/Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assessed whether the capitalised spend clearly enhances or extends the useful like of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Considered whether any development or other related costs that have been capitalised are reasonable to capitalise, i.e., the costs incurred are directly attributable to bringing the asset into operational use.
- Tested REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

As at the date of this report, our work on work on capital additions, remains in progress. We have completed our testing REFCUS and no significant issues has been identified.

We will provide a verbal update on the conclusions of our work at the Audit & Governance Committee meeting on 28 January 2026.

Areas of Audit Focus (cont'd)

Significant Risk 3 - Valuation of land and buildings and valued under the depreciated replacement cost (DRC) method and the existing use value (EUV) method

What is the risk?

We have disaggregated land and building assets to identify those where we think the significant risk lies. We have associated the risk to those assets that are valued using the DRC and EUV valuation methods.

These valuation methods involve higher risk estimates due to the significant assumptions and judgements involved, which trigger the use of experts by both management and EY.

These estimates heighten the risk of material error.

Our response to the key areas of challenge and professional judgement

We:

- Obtained an understanding of the Council's approach to DRC and EUV assets;
- Determined the impact of revaluations on the financial statements;
- Considered the use of management's specialists – the external valuers - including the scope of work and the professional competencies of the specialist;
- Challenged the assumptions made by management and their specialists, with input from EY real estates (EY specialists);
- Sampled test key asset information used by management's specialists. We will consider if there are any specific changes to assets and whether they have been appropriately communicated;
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code;
- Reviewed assets not subject to valuation in 2024/25 to assess that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation;
- Tested that accounting entries have been correctly processed in the financial statements

What are our conclusions?

Consistent with the prior year, we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using DRC, FV and EUV method. This includes PPE Other Land and Buildings valued at DRC, EUV and FV.

EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with the wider valuation practice. Key differences identified include:

- In one instance the land values used differed due to incorrect classification of land use (developed versus underdeveloped), resulting in lower-than-expected rates per acre.
- In two instances, the Specialist relied on third-party valuations that assumed residential consent, despite the absence of planning consent.
- There were also variances in assumptions such as capital costs and void costs used.

Due to the statutory backstop date of 27 February 2026, we will not be able to complete further procedures to resolve the judgmental differences or conclude on whether potential errors are more pervasive across the untested population.

We raised a recommendation to address this in the prior year we which we do not consider has been addressed - see Section 06. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management.

Areas of Audit Focus (cont'd)

Significant Risk 4 - Valuation of Investment Property valued at fair value

What is the risk?

The council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

These valuation methods involve higher risk estimates due to the significant assumptions and judgements involved, which trigger the use of experts by both management and EY.

These estimates heighten the risk of material error.

Our response to the key areas of challenge and professional judgement

We:

- Obtained an understanding of the Council's approach to the Investment Property;
- Determined the impact of revaluations on the financial statements;
- Considered the use of management's specialists – the external valuers - including the scope of work and the professional competencies of the specialist;
- Challenged the assumptions made by management and their specialists, with input from EY real estates (EY specialists);
- Sampled test key asset information used by management's specialists. We will consider if there are any specific changes to assets and whether they have been appropriately communicated;
- Tested that accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Consistent with the prior year, we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using FV method in investment properties. This includes Investment Properties valued at FV.

EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with the wider valuation practice. Key differences identified include:

- The WHE valuation methodology utilizes gross yields, which is inconsistent with UK market practice where net yields are standard. No analysis or commentary was provided regarding adjustments from gross to net yields, and purchaser's costs were not deducted.
- There were also variances in yield rates used.

Due to the statutory backstop date of 27 February 2026, we will not be able to complete further procedures to resolve the judgmental differences or conclude on whether potential errors are more pervasive across the untested population.

We raised a recommendation to address this in the prior year we which we do not consider has been addressed - see Section 06. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management.

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Areas of Audit Focus (cont'd)

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Significant Risk 5 - IFRS 16 implementation

What is the risk?

IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.

IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.

Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g., RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

Based on our prior year work the Council had made little progress in collecting the information necessary to implement IFRS 16 and determine the impact on its financial statements.

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- Gained an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We will pay particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- Reviewed the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- Reviewed management policies, including whether to use a portfolio approach, low value threshold, and asset classes where management is adopting as the practical expedient to non-lease components.
- Gained assurance over the right of use asset included in the 2024/25 financial statements
- Sampled test leases to ensure that transition arrangements have been correctly applied.
- Considered the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.

What is the status of our work?

As at the date of this report, our work on IFRS 16 remains in progress. However, we have identified misstatements concerning compliance with the disclosure requirements of IFRS 16. Refer to Section 05.

We will provide a verbal update on the conclusions of our work at the Audit & Governance Committee meeting on 28 January 2026.

Areas of Audit Focus (cont'd)

Risk of material misstatement 1 - Pension Liability Valuation and the IAS 19 valuations

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2025 this totalled £2.3 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response to the key areas of challenge and professional judgement

We:

- Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council
- Assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- Considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets based on IAS 19 letter from the auditor of Hampshire Pension Fund. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

What are our conclusion?

We have received an updated IAS 19 report following the correction of investment return figures by the actuary, Hymans Robertson. This resulted in changes to the return on assets and the asset ceiling calculation which was communicated by the Council. Our EY Pensions Consulting team reviewed the assumptions and asset ceiling calculation based on the updated IAS 19 report and performed a roll-forward liability check. No material variances were noted from this work.

We have received the report from the Hampshire Pension Fund audit team in relation to their assurances over the information supplied to the actuary to enable the calculation of the valuation of the gross pension asset and liability at year end. There are no significant matters or issues arising from this report.

We have identified a material misstatement in the amount disclosed in the accounts which were subsequently corrected by management. Refer to Section 05.

03 Value for Money

Value for Money

The Authority's responsibility for Value for Money (VFM)

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 its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

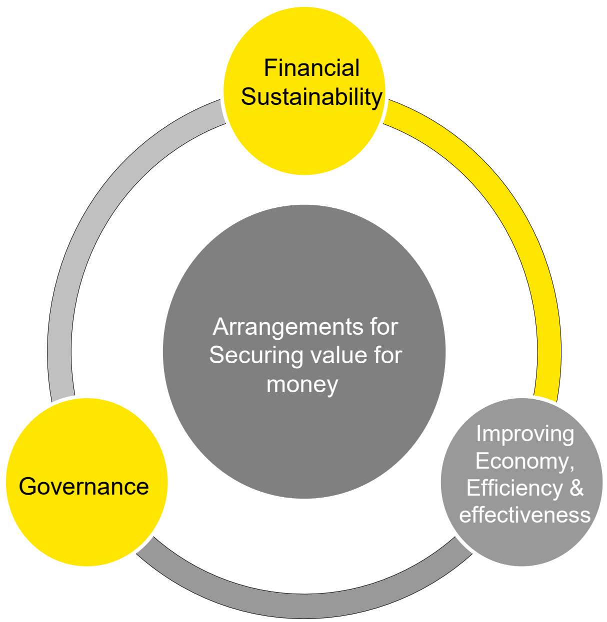
Risk assessment and status of our work

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
We will provide a commentary on the Council arrangements against three reporting criteria:

- 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; and
- 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.

We have completed our detailed VFM work and identified risks of significant weakness as documented on the next page.



Value for Money (cont'd)

Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
Risk 1 – Level of external borrowing - The current level of debt and the impact of increased borrowing costs presents a risk to the Council's financial sustainability. **Risk 2** – Forecast budget shortfall over the medium term - The Stability and Resilience Reserve is being used to balance the budget in the short-term and will be depleted over the MTFS period, if no savings materialise. Therefore, the Council will have insufficient reserves in 2027/28 to set a balanced budget or cover further projected deficit.	**Financial Sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services	**Our approach focused on:** Whether the Council have fully implemented and actioned its Financial Resilience Plan which contains a range of medium and shorter-term actions designed to ensure its financial sustainability. Specifically: ▪ Developed and implemented appropriate arrangements to deliver a permanent removal from the base budget of £0.5 million each year for the four years commencing 2024/25. ▪ Identified and delivered a £40 million asset disposal programme to achieve the Council's interest and cost reduction savings targets. ▪ Replaced short-term with long-term borrowing to reduce the Council's exposure to interest rate risk and allow for more certainty in its medium-term financial planning arrangements.

Findings

We have issued our VFM narrative commentary in our Draft 2024/25 Auditor's Annual Report which we will present to the 28 January 2026 meeting of the Audit and Governance Committee. Having completed our work in this area we expect to report by exception on the Council's arrangements for financial sustainability.

04 Audit Report

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Audit Report

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Draft audit report

As reported in our 26 February 2025 Audit Results Report, we issued a disclaimer of opinion on the Council's financial statements for 2023/24, 2022/23, 2021/22 and 2020/21 financial statements under the arrangements to reset and recover local government audit.

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. 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. We also have not been able to complete all planned procedures to gain assurance on the valuation of property, plant & equipment and investment property in either 2023/24 or 2024/25 because of weaknesses in the quality of evidence provided and in certain assumptions adopted by the Council's valuer for assets valued at Depreciated Replacement Cost, Existing Use Value and Fair Value.

The areas where we have not obtained those assurances are included within the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at **Appendix B**.

Taken together with the requirement to conclude our work by the 2024/25 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.

Appendix A sets out the current position of Rushmoor Borough Council in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01.

As set out in Section 03, we also expect to report by exception on the Council's VFM arrangements in our 2024/25 audit report, particularly in relation to governance and securing economy, efficiency and effectiveness in the use of resources.

The full form and content of the 2024/25 Audit Report will be shared with the Section 151 Officer in due course to enable formal authorisation of the 2024/25 financial statements for issue.

05 Audit Differences

Audit Differences

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In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

During the review of the financial statements, a number of misstatements and disclosure issues were identified. Management has responded to these findings, with several adjustments agreed upon. The following sections provide a detailed account of each misstatement above performance materiality and disclosure matter.

1. **Misstatement Relating to Pension Liability and Reserve**

A misstatement of £12.5 million was identified in relation to the pension liability and pension reserve. Management did not update the IAS 19 Pension Liability to incorporate the revised IAS 19 report from the actuaries. This report included the asset ceiling adjustment as outlined in IFRIC 14, which was not reflected in the accounts.

2. **Misclassification of Year-End Capital Accruals**

An amount of £2.3 million in year-end capital accruals was incorrectly included under 'Cash Flow from Investing Activities' in the cash flow statement. This should have been recorded as a non-cash adjustment within the net cash flows from operating activities.

3. Assets Held for sale included in Investment Property

An amount of £16.6 million of Assets Held for Sale was incorrectly included in Investment Property.

4. Disclosure Misstatements

- Narrative Statement: There were inconsistencies between the amounts presented in the tables in the Narrative Statement and those reported in the main financial statements.
- Accounting Policies (General Principles): The Expenditure and Funding Analysis Statement was presented as a primary statement rather than as a note to the accounts, contrary to reporting requirements.
- Note 4 (Assumptions & Uncertainty): The disclosure concerning uncertainty in Property, Plant and Equipment (PPE) was incomplete. It only referenced the useful life assumption, omitting the assumptions used in determining Depreciated Replacement Cost (DRC), Existing Use Value (EUV), and Fair Value (FV). Additionally, required disclosure relating to Investment Properties (IP) was not included.
- Note 4 (Assumptions & Uncertainty): The narrative relating to the NNDR appeals provision on 'back pay' and 'equal pay' for both the full provision (Collection Fund) and the Council's share (Comprehensive Income and Expenditure Statement, CIES) referred to the previous year instead of the current year.
- Note 13 (Property, Plant and Equipment): The Right-of-Use (ROU) assets recognised under IFRS 16, including the transitional adjustment, were not separately disclosed as required.
- Note 39 – Leases (Council as Lessee): The disclosure continued to use the terms 'finance leases' and 'operating leases', which are no longer applicable under IFRS 16.
- Note 40: The disclosure concerning the Virgin Media case had not been updated to reflect the current year's position.

At the time of writing this report, we have not received the final statement of accounts to confirm the above adjustments have been correctly made.

Audit Differences (cont'd)

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Audit & Governance Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit & Governance Committee and provided within the Letter of Representation:

	Effect on the current period		Net assets (Decrease)/Increase			
Uncorrected misstatements 31 March 2025 (Currency'000)	**OCI Debit/(Credit)**	**Income statement Debit/(Credit)**	**Assets current Debit/ (Credit)**	**Assets non-current Debit/ (Credit)**	**Liabilities current Debit/ (Credit)**	**Liabilities non-current Debit/ (Credit)**
Errors						
Known differences:						
Judgemental differences:						
Balance sheet totals						
Income effect of uncorrected misstatements (before tax)						
Less: tax effect at current year marginal rate						
Cumulative effect of uncorrected misstatements before turnaround effect						
Turnaround effect. See Note 1 below.	402					
Cumulative effect of uncorrected misstatements, after turnaround effect	402					

The amounts presented above reflect the position at the date of this report and may be updated following the completion of final reviews of detailed audit testing.

As at the date of writing, there are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2025.

Note 1: turnaround effect is the impact of uncorrected misstatements related to the prior period, on results of the current period.

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06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have identified a recurrence of the following control, reported in our 2023/24 Audit Results Report findings.

- Aspects of certain assumptions were not consistent with valuation practice or were outside of a reasonable range for some of the assets selected.

Outside of this we also identified further control deficiencies as part of our own work which we consider on the following page.

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The table below provides an overview of the ‘high’ ‘moderate’ and ‘low’ rated observations we have from the 2024/25 audit (including IT controls).

	High	Moderate	Low	Total
Open at 31 March 2024	0	2	3	5
Closed during FY25	0	(1)	(3)	(4)
Escalated during FY25	1	(1)	0	0
New points raised in FY25	0	2	0	2
Total open points as at 31 March 2025	1	2	0	3

Key:

- Green: A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
- Orange: Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
- Red: Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Assessment of Control Environment (cont'd)

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Summary of control observations and recommendations

Grading	Definition
High	Matters and/or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
Moderate	Matters and/or issues considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
Low	A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
Land and Building valuation and Investment Property *Observation* During our land and building and investment property valuations testing we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using DRC/ EUV/FV method. EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with the wider valuation practice. Due to the statutory backstop date of 27 February 2026, we were unable to complete further procedures to resolve the judgmental differences or conclude on whether it resulted in misstatements in the financial statements. *Impact* The issue has the potential to delay the Council's progress against the expected timescales for rebuilding assurance set out in LARRIG 01 (see Appendix A for illustration), as this recurring matter has an impact on the audit opinion.	H			Continue to challenge both the key inputs and assumptions used in the valuation and the outputs from its professional valuer.	The Council has appointed a new external valuer for 2025/26-year end and is working with the new valuer and property services to deliver asset valuations which are appropriately evidenced and challenged.

Assessment of Control Environment (cont'd)

Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
Journal Testing *Observation* During journal testing, we were unable to obtained evidence that a journal above £20,000 was approved by Deputy S151 officer as required in terms of management policy on processing journals. *Impact* Management override of controls is a significant risk and inappropriate review and approval of journals could result in fraudulent transactions being processed. The journal related to an impairment of PPE. We are satisfied that the Deputy S151 officer did consider the adjustment as part of review of the Statement of Accounts and that it is supportable. We are therefore satisfied that the journal does not relate to fraudulent reporting.		M		Ensure that appropriate documentation exists to demonstrate that journals have been reviewed by the designated individual in accordance with the established journal review process.	Management action has been taken to ensure all journals are appropriately reviewed. There will be increased continuity and additional senior technical capacity to deliver the accounts in 2025/26. Additional accounts management sign off process is being considered with this capacity for the 2025/26 financial year.
Related Parties *Observation* Twelve Councillors did not submit there interest declarations as required by the Code of Conduct *Impact* The Council will not be aware of a potential conflict of interest and/or if they are transacting with a related party. All Councillors are required to declare there interest at the beginning of each meeting. Based on our review of Council minutes, and other relevant procedures we did not identify any conflicts		M		Ensure that complete declarations are obtained from all Councillors before the end of the financial year.	The Related parties process will be reviewed to ensure complete declarations are completed by all Councillors and appropriate guidance given and escalated where not provided.

Assessment of Control Environment (cont'd)

Status of previous year's recommendations

Recommendation	Grading (H / M / L)	Update
Management should continue to challenge both the key inputs and assumptions used in the valuation and the outputs from its professional valuer. There should be a clear audit trail to support all assets revalued.	H	Similar with prior year, we identified weaknesses in the quality of evidence provided and assumptions made by the Council's valuer for assets valued using DRC/EUV/FV method. EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with the wider valuation practice. As a result, we do not consider the recommendation to be addressed. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management. We therefore now consider it be a high priority.
Management should ensure that there is evidence of appropriate review of timesheets to support pay costs capitalised as REFCUS.	L	There has been no related finding in the current year based on our work performed. We are therefore satisfied the recommendation has been addressed.
Management should ensure that they perform detailed reconciliation of all balance sheet accounts on a monthly basis which should be reviewed.	M	There has been no related finding in the current year based on our work performed. We are therefore satisfied the recommendation has been addressed.
Management should maintain separate accounting records and operate control processes specific to RHL.	L	There has been no related finding in the current year based on our work performed. We are therefore satisfied the recommendation has been addressed.
Management should ensure that the website is updated and any changes or amendments is appropriately reflected.	L	There has been no related finding in the current year based on our work performed. We are therefore satisfied the recommendation has been addressed.

07 Other Reporting Issues

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Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Rushmoor Borough Council Statement of Accounts 2024/25 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Rushmoor Borough Council Statement of Accounts 2024/25 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

We have not yet performed the procedures required by the NAO on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete, and the NAO has confirmed no further procedure are required.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

We did not identify any issues which required us to issue a report in the public interest/issue statutory recommendations under Schedule 7.

08 Independence

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Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors 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 our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Relationships

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.

Services provided by EY

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

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence

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

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

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

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

- Officers meeting the agreed timetable of deliverables;
- Our financial statements opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.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/. In particular, the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year	Prior Year
	£m	£m
Scale Fee – Code Work	159,935	145,266
Proposed scale fee variation	TBD Note 2	85,629 Note 1
Total fees	**TBC**	**0**

All fees exclude VAT

(1) As set in our 2023/24 Auditor's Annual Report a scale fee variation was submitted to PSAA covering the following areas:

- Additional procedures to implement the revised ISA 315 (UK) auditing standard as originally set out in our Audit Planning Report, totalling £16,902.
- Additional procedures to consider the Council's readiness for the implementation of IFRS 16 as originally set out in our Audit Planning report, totalling £890.
- Additional work performed due quality of supporting evidence provided which resulted in the audit having
- to do numerous follow ups and resampling and additional procedures performed on audit findings
- identified and resulting changes to the accounts totalling £30,438.
- Additional work performed and delays on the information provided to queries raised on PPE valuations, totalling £19,901.
- Additional procedures performed by the Pensions expert due to the error in the IAS pension valuation report, totalling £10,038.
- First year audit of Group accounts, totalling, £7,460.

As at the date of this report that scale fee has not yet been determined.

(2) We propose to submit a scale fee variation to PSAA for additional 2024/25 work covering the following areas:

- Additional procedures to assess the completeness and accuracy of transitional adjustments and disclosures, arising as a result of the implementation of IFRS 16 in 2024/25. PSAA have previously communicated that any additional work required as a result of the implementation of this new accounting standard has not been accounted for within the Scale Fee.
- Work performed by EY Pensions to review the assumptions used in the Pensions Liability and asset ceiling calculation, alongside additional work performed by the EY Audit Team to review the revised IAS 19 report requested from the Pension Fund Actuary.
- Additional work performed by audit team in relation to debtors and creditors testing.

Final scale fee variations remain subject to approval by PSAA.

09 Appendices

Appendix A – Progress to full assurance

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.

EXPECTED STATUS

2023/24

Disclaimer opinion

- Pervasive gaps over opening balances, comparators, and in-year movements.
- Lack of assurance over:
  - PPE
  - comprehensive income and expenditure statement
  - Cash flow statement
  - Collection
  - Other disclosures
- Lack of assurance over Reserves (cumulative nature)

Current audit year 2024/25

Disclaimer or qualified opinion

Continuing impact from 2023/24:

- Lack of assurance over all the comparator I&E transactions, PPE (where cyclical) and reserves.
- Due to gaps in PPE assurance, there is a likely lack of assurance over related in-year transactions
- Potential for qualified except for, but more likely to be disclaimed

2025/26

Qualified (except for) opinion

- Assurance in place over opening and closing balances, and assurance gained over each in-year movement.
- Likely gap over specific comparator balances may remain on PPE due to the extent items have not been valued since 2022/23. The impact on the CIES & reserves would require to be assessed.
- However, with the anticipation of incorporating build-back guidance focusing on reserves, there is increasing probability that gaps in assurance can be specifically identified, leading to higher likelihood of a qualified report (not disclaimed).

2026/27

Unqualified opinion

- Expectation that all items resolved.
- Auditor will need to reassess the PPE cyclical valuation impact - but may be able to work with the authority to ensure that items previously valued in 2022/23 were revalued by this time or would be immaterial.

CURRENT AUDIT STATUS OF RUSHMOOR BOROUGH COUNCIL

- The Council's progress is in line with the expected timescales for rebuilding assurance set out in LARRIG 01.
- Consistent with the prior year, we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using DRC/EUV/FV method and therefore were unable to gain assurance over the valuation of property, plant & equipment and investment property accounts for the in the financial statements. To be able to rebuild assurance on the Council's financial statements in line with the expected timescales, it is now essential that this issue is addressed by management
- Appendix B sets out in more detail the assurance we have gained by accounts area.

Appendix B – Updated summary of assurances

Summary of Assurances

The table below summarises the audit work we have completed on the 2023/24 and 2024/25 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Property, Plant and Equipment ('PPE')	None	None	We have completed testing of the 2023/24 and 2024/25 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2023/24 and 2024/25 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets. However, during our land and buildings valuation testing, we identified weaknesses in the quality of evidence provided and in certain assumptions adopted by the Council's valuer for assets valued using the DRC/FV method. Due to the statutory backstop date of 27 February 2026, we were unable to conclude on whether these matters resulted in material misstatements in the financial statements. Until we are able to rebuild assurance over PPE additions, disposals and revaluations in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2025.
Investment Property	None	None	We have completed testing of the 2023/24 and 2024/25 additions and disposals to the fixed asset register and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognise those assets. However, during our investment property valuation testing, we identified weaknesses in the quality of evidence provided and in certain assumptions adopted by the Council's valuer for assets valued using the FV method. Due to the statutory backstop date of 27 February 2026, we were unable to conclude on whether these matters resulted in material misstatements in the financial statements. Until assurance can be rebuilt over the revaluations in the previously disclaimed periods, and the judgmental differences relating to assets valued using the FV method are resolved, we are unable to obtain full assurance over the completeness and valuation of investment property.
Intangible Assets	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Long Term Investments	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Long Term Debtors	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Investments	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Debtors	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

Appendix B — Updated summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Cash and Cash equivalents	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Creditors (short and long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Borrowings (short and long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Provisions (short and long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Grants received in advance	Partial	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025, but, as we do not have assurance over the opening balance position at 1 April 2024, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Local Government Pension Scheme Liability	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Other Disclosures	Partial	Substantial	We have completed our planned procedures in this area and have obtained assurance over the in-year transactions for the 2024/25 financial year.
Cash Flow Statement	Partial	Substantial	We have completed our planned procedures in this area and have obtained assurance over the in-year transactions for the 2024/25 financial year.
Collection Fund	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Comprehensive Income and Expenditure Statement	Partial	Partial	We completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 and 2024/25 but, as we do not have full assurance over income and expenditure entries relating to PPE and intangible assets, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Reserves	None	None	We have completed our work on the movements in reserves in 2022/23 and 2023/24 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements.

Appendix E — Required communications with those charged with governance

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Required communications with those charged with governance

There are certain communications that we must provide to those charged with governance. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit & Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ▪ The planned scope and timing of the audit ▪ Any limitations on the planned work to be undertaken ▪ The planned use of internal audit ▪ The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report, as presented to the Corporate Governance, Audit and Standards Committee, May 2025
Significant findings from the audit	▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▪ Significant difficulties, if any, encountered during the audit ▪ Significant matters, if any, arising from the audit that were discussed with management ▪ Written representations that we are seeking ▪ Expected modifications to the audit report ▪ Other matters if any, significant to the oversight of the financial reporting process	Audit results report – Audit and Governance Committee, January 2026

Appendix E — Required communications with those charged with governance (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▪ Whether the events or conditions constitute a material uncertainty related to going concern ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The appropriateness of related disclosures in the financial statements	Audit results report – Audit and Governance Committee, January 2026
Misstatements	▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods ▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management	Audit results report – Audit and Governance Committee, January 2026

Fraud	▪ Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity
	▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist
	▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:
	  ▪ Management;
	  ▪ Employees who have significant roles in internal control; or
	  ▪ Others where the fraud results in a material misstatement in the financial statements.
	▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected
	▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud
	▪ Any other matters related to fraud, relevant to Audit & Governance Committee responsibility.
		Audit results report – Audit and Governance Committee, January 2026

Appendix E — Required communications with those charged with governance (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▪ Non-disclosure by management ▪ Inappropriate authorisation and approval of transactions ▪ Disagreement over disclosures ▪ Non-compliance with laws and regulations ▪ Difficulty in identifying the party that ultimately controls the entity	Audit results report – Audit and Governance Committee, January 2026
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report, as presented to the Corporate Governance, Audit and Standards Committee, May 2025 Audit results report – Audit & Governance Committee, January 2026
External confirmations	▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit results report – Audit & Governance Committee, January 2026
Consideration of laws and regulations	▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ Enquiry of the Audit & Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Governance Committee may be aware of	Audit results report – Audit & Governance Committee, January 2026

Appendix E — Required communications with those charged with governance (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
Significant deficiencies in internal controls identified during the audit	▪ Significant deficiencies in internal controls identified during the audit.	Audit results report - Audit & Governance Committee, January 2026
Written representations we are requesting from management and/or those charged with governance	▪ Written representations we are requesting from management and/or those charged with governance	Audit results report - Audit & Governance Committee, January 2026
System of quality management	▪ How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report - Audit & Governance Committee, January 2026
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▪ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - Audit & Governance Committee, January 2026
Auditors report	▪ Key audit matters that we will include in our auditor's report ▪ Any circumstances identified that affect the form and content of our auditor's report	Audit results report - Audit & Governance Committee, January 2026

Appendix F — Outstanding matters

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Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Full completion of our work on IFRS 16 implementation and disclosures	EY to complete the testing on IFRS 16 leases and review the IFRS 16 disclosures	EY
Full completion of our work on capital additions	Management to provide additional supporting evidence and EY to complete the testing	EY
Final review procedures on some areas of detailed testing	EY to fully complete reviews of detailed testing and follow up any issues arising as appropriate	EY
Receipt of updated Annual Report and accounts	Review of the updated financial statements and consistency check of the financial and non-financial information in the Annual Report	EY and management
Review of final signed accounts	Receipt and checking of final signed accounts	Management and Audit & Governance Committee
Going concern review and disclosures	EY review process and finalisation of disclosures and opinion wording	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion.

Appendix G — Regulatory update

The English Devolution and Community Empowerment Bill – Audit Measures

Background

On 16 December 2024, the Government published the English Devolution White Paper. The White Paper outlines how England is one of the most centralised countries in the world and contends that over-centralisation is holding back the prosperity of the regions. As a result, there is an intention from Government to widen and deepen devolution to local areas across England. The English Devolution and Community Empowerment Bill (the Bill) in intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

- Part 1 introduces the new devolution architecture for England, centred around the new category of "strategic authorities" (SAs). These are organisations designated by Government to have responsibility for strategy development and programme delivery over larger functional economic areas.
- Part 2 outlines the powers and duties which existing and future SAs will have, and the new process by which new powers and duties can be conferred on SAs by Government in the future.
- Part 3 is focused on measures designed to strengthen local government and communities.
- Part 4 in intended to strengthen the accountability of the local government sector by reforming the local audit system, including the establishment of the Local Audit Office (LAO) as the body responsible for overseeing local audit.
- Part 5 concerns the banning of upwards only rent review clauses for commercial leases to prevent vacant shops and regenerate high streets in communities across England.
- Part 6 contains the technical sections related to the Bill, including on regulations, commencement and extent.

The draft legislation can be found in full at English Devolution and Community Empowerment Bill.

Part 4 of the Bill - Reforming local audit

The Bill is intended to overhaul the local audit system as is part of the wider measures to address the backlog in local government audit previously considered by this report. Specifically:

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate 'lead individuals' and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Audit Committees will be developed by LAO in conjunction with the Local Government Association, CIPFA and other relevant bodies.

We will continue to keep you updated as these arrangements develop.

Appendix G – Draft management representation letter

Management representation letter

Draft Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Simon Mathers
Ernst & Young LLP
Grosvenor House,
Grosvenor Square,
Southampton
SO15 2BE

This letter of representations is provided in connection with your audit of the consolidated and parent Council financial statements of Rushmoor Borough Council ("the Group and Council") for the year ended 31 March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Council financial statements give a true and fair view of the Group and Council financial position of Rushmoor Borough Council as of 31 March 20225 and of its financial performance and its cash flows for the year then ended in accordance with, for the Group and the Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We understand that the purpose of your audit of our consolidated and parent Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Council, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and parent Council financial statements. We believe the consolidated and parent Council financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Group and parent Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for the Group and for the Council that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Council financial statements taken as a whole. We have not corrected these differences because [specify reasons for not correcting misstatement].
6. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.

Appendix G — Draft management representation letter

Management representation letter

Draft Management Rep Letter

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
    - Involving financial improprieties
    - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Council financial statements
    - Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Council financial statements, but compliance with which may be fundamental to the operations of the Group and Council's business, its ability to continue in business, or to avoid material penalties
    - Involving management, or employees who have significant roles in internal control, or others
    - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Council financial statements
3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: 26 November 2025.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Council financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

Appendix G – Draft management representation letter

Draft Management Rep Letter

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 21 February 2025 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Council financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 44] to the consolidated and parent Council financial statements all guarantees that we have given to third parties.

E. Going Concern

Note 1 to the consolidated and parent Council financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

There have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Council financial statements or notes thereto.

G. Group audits

Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Council, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the consolidated and parent financial statements.
2. The key assumptions used in preparing the consolidated and parent financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, aligned with the statements we have made in the other information or other public communications made by us .

J. Ownership of Assets

Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

K. Reserves

We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

Management representation letter

Draft Management Rep Letter

L. Use of the Work of a Specialist

We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, investment properties, and pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

Valuations of property, plant and equipment, investment properties and net pension liability

1. We confirm that the significant judgments made in making the valuation of property, plant and equipment, investment properties, and pension liabilities have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of property, plant and equipment, investment properties, and pension liabilities.
3. We confirm that the significant assumptions used in making the valuation of property, plant and equipment, investment properties, and pension liabilities appropriately reflect our intent and ability to carry out valuations on behalf of the Council.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of property, plant and equipment, investment properties, and pension liabilities.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

N. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

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Peter Vickers - Section 151 Officer (Chief Finance Officer)

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Councillor Bill O' Donovan– Chairperson of the Audit & Governance Committee

xx February 2026

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

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Ernst & Young LLP

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Rushmoor Borough Council

Draft Auditor's Annual Report

Year ended 31 March 2025

January 2026

The better the question. The better the answer. The better the world works.

Shape the future with confidence

Audit and Governance committee
Rushmoor Borough Council
Council Office, Farnborough Road
Farnborough, Hants
GU14 7 JU

19 January 2025

Dear Audit and Governance 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 Rushmoor Borough 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. If the financial statements audit is still in progress as at 30 November 2025, 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 Rushmoor Borough 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 28 January 2026.

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

Simon Mathers

Partner, For and on behalf of Ernst & Young LLP

Enc

Contents

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 and Governance Committee management of Rushmoor Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee management of Rushmoor Borough 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 and Governance Committee management of Rushmoor Borough 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.

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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 Rushmoor Borough Council (the 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 11 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 Rushmoor Borough 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 Rushmoor Borough Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of **Rushmoor Borough 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	
Financial statements	As reported in our 23/01/2025 Audit Results Report, we issued a disclaimer of opinion on the Rushmoor Borough Council's 2020/21, 2021/22, 2022/2023 and 2023/24 financial statements under the arrangements to reset and recover local government audit. 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. We also have not been able to complete all planned procedures to gain assurance on the valuation of property, plant & equipment and investment property in either 2023/24 or 2024/25 because of weaknesses in the quality of evidence provided and in certain assumptions adopted by the Council's valuer for assets valued at Existing Use Value and Fair Value. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.
Going concern	We have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statements	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Authority's arrangements for financial sustainability for the year ended 31 March 2025: • Level of external borrowing. • Forecast budget shortfall over the medium term. We are likely to report actual significant weaknesses in arrangements in respect of both of these risks in our 2024/25 audit report.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.

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 subject to full completion of our 2024/25 financial statements procedures and work on the Council's Whole of Government Accounts submission.

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.

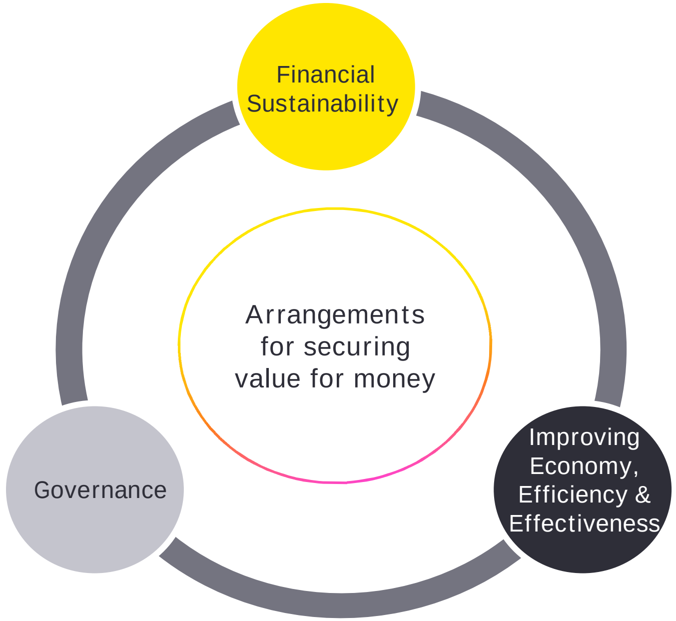
We do not issue a ‘conclusion’ or ‘opinion’, but where significant weaknesses are identified we will report by exception in the auditor’s report on the financial statements.

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 key Council officers;
- 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 by 30 November. Recommendations for the current year are included in Appendix A. Our follow up of prior year recommendations is set out at Appendix 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	Risk 1 – Level of external borrowing Risk 2 – Forecast budget shortfall over the medium term	We expect to report actual significant weaknesses in respect of both risks identified.
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

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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 27 June 2025:

EY 2025 Transparency Report

02 Audit of financial statements

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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 substantially complete. We will report our findings in our Audit Results Report to the January Audit and Governance Committee.

Financial statement risks	
Significant risk	**Conclusion**
Misstatements due to fraud or error – Management override of controls	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. During our testing, we identified a control observation pertaining to journal authorisation controls where there was no evidence that a journal has been reviewed. However, management had appropriate mitigating controls.
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.
Valuation on investment property Valuation of land and buildings valued under the depreciated replacement cost (DRC) method and the existing use value (EUV) method	Similar with prior year, we were unable to substantiate some key inputs and assumptions used in the valuation of land and buildings valued using Depreciated Replacement Cost (DRC), Equivalent Use Value (EUV) and Fair Value (FV). This includes PPE Other Land and Buildings valued at EUV, DRC and FV; and Investment Properties valued at FV. EY's valuation specialists (EYRE) applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review identified weaknesses in the quality of evidence provided and that certain assumptions adopted by the Council's valuer for assets valued at DRC and FV were not supportable or inconsistent with wider valuation practice. Due to the statutory backstop date of 27 February 2026, we will not be able to complete further procedures to resolve the judgmental differences or conclude on whether potential errors are more pervasive across the untested population.
IFRS 16 implementation	As at the date of this report, our work on IFRS 16 remains ongoing. However, we have identified misstatements relating to compliance with the disclosure requirements of IFRS 16.

Audit of financial statements

Financial Statement reporting assessment

Management, and the Audit and Governance 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. The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

In addition, 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 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.

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Audit of financial statements

Financial Statement reporting assessment

Area	Status (R / A / G)	Explanation
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.
Quality and completeness of the draft financial statements	Effective	There were only a small number of non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements.
Delivery of working papers in accordance with agreed client assistance schedule	Effective	Working papers were provided to the agreed timetable.
Quality of working papers and supporting evidence	Requires improvement	The working papers and supporting evidence were generally of a high standard. However, for debtors and creditors, listings of closing balances were not provided, with only in-year transactions available. This led to additional time required to complete these sections.
Timeliness and quality of evidence supporting key accounting estimates	Requires improvement	In general, management provided timely and good quality supporting evidence in response to the majority of our audit requests. However, during our land and building and IP valuation, EYRE raised concerns during the review of the Council's external valuer's work, particularly regarding the provision of supporting evidence for the valuation of PPE and IP assets. The evidence and explanations provided were insufficient, leading to additional requests for clarification and further documentation. EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with the wider valuation practice. Due to the statutory backstop date of 27 February 2026, we were unable to complete further procedures to resolve the judgmental differences or conclude on whether it resulted in misstatements in the financial statements. We raised a recommendation on this in the prior year which we do not consider has been addressed - see Section 06. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective	There were no issues with access to the finance team and key personnel.
Volume and value of identified misstatements	Requires improvement	A moderate number of misstatements that were above performance materiality in aggregate were detected as a result of our work across both the main Financial Statements and Disclosures. Management have indicated that these will be adjusted but we have not received the final Statement of Accounts.
Volume of misstatements in disclosure	Requires improvement	A moderate number of misstatements in disclosures were detected in our work.

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. 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.

EXPECTED STATUS

2023/24

Disclaimer opinion

- Pervasive gaps over opening balances, comparators, and in-year movements.
- Lack of assurance over:
  - PPE
  - comprehensive income and expenditure statement
  - Cash flow statement
  - Collection
  - Other disclosures
- Lack of assurance over Reserves (cumulative nature)

Current audit year 2024/25

Disclaimer or qualified opinion

Continuing impact from 2023/24:

- Lack of assurance over all the comparator I&E transactions, PPE (where cyclical) and reserves.
- Due to gaps in PPE assurance, there is a likely lack of assurance over related in-year transactions.
- Potential for qualified except for, but more likely to be disclaimed

2025/26

Qualified (except for) opinion

- Assurance in place over opening and closing balances, and assurance gained over each in-year movement.
- Likely gap over specific comparator balances may remain on PPE due to the extent items have not been valued since 2022/23. The impact on the CIES & reserves would require to be assessed.
- However, with the anticipation of incorporating build-back guidance focusing on reserves, there is increasing probability that gaps in assurance can be specifically identified, leading to higher likelihood of a qualified report (not disclaimed).

2026/27

Unqualified opinion

- Expectation that all items resolved.
- Auditor will need to reassess the PPE cyclical valuation impact - but may be able to work with the authority to ensure that items previously valued in 2022/23 were revalued by this time or would be immaterial.

CURRENT AUDIT STATUS OF RUSHMOOR BOROUGH COUNCIL

- The Council's progress is in line with the expected timescales for rebuilding assurance set out in LARRIG 01.
- Consistent with the prior year, we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using DRC/EUV/FV method and therefore were unable to gain assurance over the valuation of property, plant & equipment and investment property accounts for the in the financial statements. To be able to rebuild assurance on the Council's financial statements in line with the expected timescales, it is now essential that this issue is addressed by management

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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
Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.	Risk 1 – Level of external borrowing Risk 2 – Forecast budget shortfall over the medium term	▪ The current level of debt and the impact of increased borrowing costs presents a risk to the Council’s financial sustainability. ▪ The Stability and Resilience Reserve is being used to balance the budget in the short-term and will be depleted over the MTFS period, if no savings materialise. Therefore, the Council will have insufficient reserves in 2027/28 to set a balanced budget or cover further projected deficit.	None at this stage and subject to completion of the audit.
Governance How the Council ensures that it makes informed decisions and properly manages its risks.	None at this stage and subject to completion of the audit.	None at this stage and subject to completion of the audit.	None at this stage and subject to completion of the audit.
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.	None at this stage and subject to completion of the audit.	None at this stage and subject to completion of the audit.	None at this stage and subject to completion of the audit.

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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 one risk of significant weakness in the Council's arrangements for financial sustainability. Following further work we have now disaggregated this into two risks of significant weakness relating to financial sustainability. In 2023/24, we identified one recommendation in relation to financial sustainability. We summarise our consideration of the Council's progress against the recommendation in Appendix B and are not satisfied that it has been implemented satisfactorily. 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, we have identified two significant weaknesses in the Council's arrangements that we intend to report by exception in our audit report.

Recommendations

Recommendation 1 - Urgently identify recurrent savings to bridge the budget gap forecast by the Council's updated Medium Term Financial Strategy.

Recommendation 2 - Improve delivery of the asset disposal programme, both in terms of the identification of asset sales and level of capital receipts achieved to reduce the ongoing cost pressures this creates on the Council's revenue budget.

Recommendation 3 - Continue to seek to replace short-term with long-term borrowing to reduce the Council's exposure to interest rate risk and allow for more certainty in its medium-term financial planning arrangements.

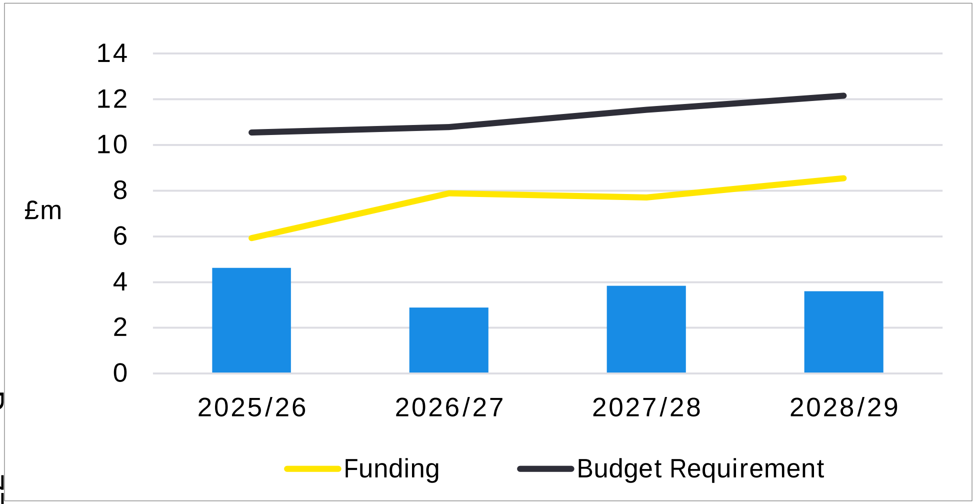
Financial Sustainability considerations

Medium Term Financial Strategy

The Council set its General Fund Budget 2025-26 and its Medium-Term Financial Strategy (MTFS) 2025-26 to 2028-29 on 27 February 2025. This 2025/26 budget is balanced, but only through the use of reserves. The MTFS projects a cumulative gross budget deficit of £16.2 million by 2028/29 and a budget gap after use of earmarked reserves of £14.9 million. The MTFS highlighted the following key challenges and risks:

- Interest on Borrowing: The main driver of the deficit is high interest payments on £167 million of short-term borrowing, which was exposed to rising interest rates.
- Inflation: Previous budgets underestimated inflation, leading to higher costs.
- Asset Sales: The plan relies on £40 million of asset sales to reduce borrowing and associated costs, but only £18.7 million of sales have been identified so far.
- Savings Requirement: The Council must achieve recurrent savings of £3.8 million per year by 2027/28, with £1.8m needed in 2025/26.
- Reserves: Use of reserves is projected to reduce available balances to £3.6 million by 2028/29, leaving little flexibility for unexpected costs.

Exhibit 1: The Council's MTFS outlines a cumulative gap of £14.9 million by 2028/29



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Financial Sustainability considerations

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Outturn position

The Council approved a 2024/25 budget in February 2024 with a projected deficit of £5.38 million, expecting to mitigate this with £740,000 of in-year savings and a planned reserve drawdown of £4.64 million. At the end of the 2024/25 year, total reductions in net expenditure of £5.16 million had been delivered against budget, meaning only £224,000 was required from reserves at year end. The Council ended the year with £10.93 million in useable reserves after the £224,000 draw down at year end and £920,000 planned draw down in the period. Over and above this there was an additional £3.06m in ringfenced reserves mostly relating to government grants.

Actual capital expenditure for 2024/25 was £14.7 million compared to planned capital expenditure of £22.15 million. Of the £7.44 million variance, £3.7 million of was due to project slippage, with budgets carried forward to 2025/26. Of the Council's major projects, Union Yard was completed with a £1.67m overspend; crematorium refurbishment was delayed, and the Galleries scheme is no longer proceeding with Homes England funding.

Exhibit 2: There was a £1.8 million favourable services outturn in 2024/25.

Exhibit 2: The Council recorded an overall underspend against budget in 2024/25

Services outturn by nature	Budget £m	Expenditure £m	(Underspend) /Overspend £m
Staff	14.2	13.5	(0.75)
Staff – non pay	2.2	2.0	(0.21)
Transport	0.07	0.05	(0.02)
Premises	3.2	2.6	(0.63)
Supplies and Services	11.2	10.7	(0.52)
Third Party payments	7.2	6.9	(0.31)
Income	(28.1)	(27.4)	0.69
Total	10.1	8.4	(1.8)

*The information presented in Exhibit 2 is based on the provisional 2024/25 outturn report presented to the Cabinet on 9 July 2025 and does not reflect late changes reflected in the financial statements or adjustments arising as a result of the 2024/25 audit.

Financial Sustainability considerations

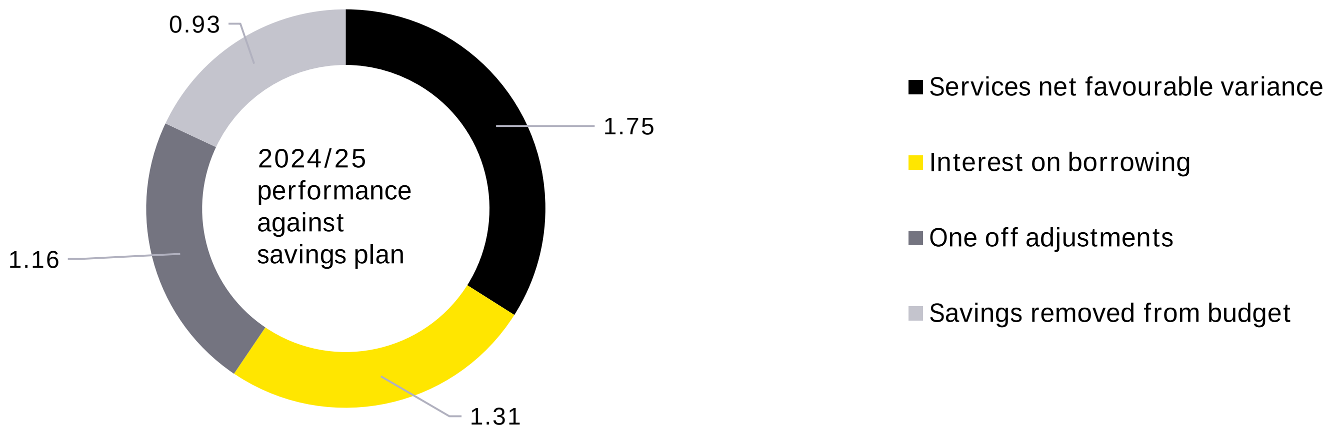
Savings plans

In 2024/25 the Council of the total savings requirement included in the budget of £5.16 million, only £1.75 million was delivered through budget management. £926,000 of saving requirements were removed from the budget. The remaining £2.48 million was delivered by a combination of one-off adjustments and lower interest of borrowing and was therefore non-recurrent in nature (see Exhibit 3).

For 2025/26, the savings target of £1.8 million originally included in the budget has already been achieved. By the end of September 2025 £2.1 million of savings had been delivered in total, including £1 million from a government policy extension on pooled fund investments. The remaining £1.1 million was delivered non-recurrently through reductions identified based on a temporary budget adjustments. Looking forward to 2026/27 the Council needs to deliver a further £2.78 million of total savings, and a further £3.78 million in both 2027/28 and 2028/29. The opportunity to do this from non-recurrent measures cannot be guaranteed, meaning it is essential that recurrent savings are identified as soon as possible to address these gaps.

Exhibit 3: Of the £5.16 million savings planned for 2024/25 only £1.75 million were delivered through budget management.

Exhibit 3: Only £1.75 million of £5.16 million of budgeted savings were delivered through budget management



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Financial Sustainability considerations

Significant Risk: Forecast budget shortfall over the medium term

Medium Term Financial Strategy - Mid year review (October 2025)

A mid-year review of the MTFS up to 2028/29 as of September 2025 was presented to Cabinet on 14 October 2025. The MTFS is under pressure due to increased costs, delays in savings delivery and leadership changes, including the departure of the Chief Executive. The 2025/26 savings target of £1.8 million had been achieved by September 2025, but most savings are one-off and must be found again in 2026/27, with an additional £1 million required. There is a £16.15 million deficit over the MTFS term, and a Financial Recovery Plan is in place to address the challenge. To deliver the plan, the budget will continue to require the implementation of cost reduction, efficiency savings and capital receipts to reduce capital costs whilst drawing down reserves. While the 2025/26 budget is balanced, this was achieved by drawing down on reserves. There remains a gap between estimated spend and funding streams for 2026/27 up to 2028/29. Should the Council not be able to identify a permanent reduced cost base there is a significant risk this will lead to insufficient reserves to call upon to prepare a balanced budget in the 2026/27 financial year and beyond. We consider the Council's reserves position further on the following page.

Exhibit 4: The re-procurement of the Serco waste contract and other cost pressures total £815,000 in 2026/27, rising to £1.5 million by 2027/28. This causes a forecast increase in the revenue deficit from £16.2 million to £20 million.

Exhibit 5: Reserves are projected to be lower than previously estimated, with £4.2m remaining if all savings are achieved and no further reserve-funded budgets are approved.

Exhibit 4: The Councils revised cumulative revenue deficit of £20 million by 2028/29

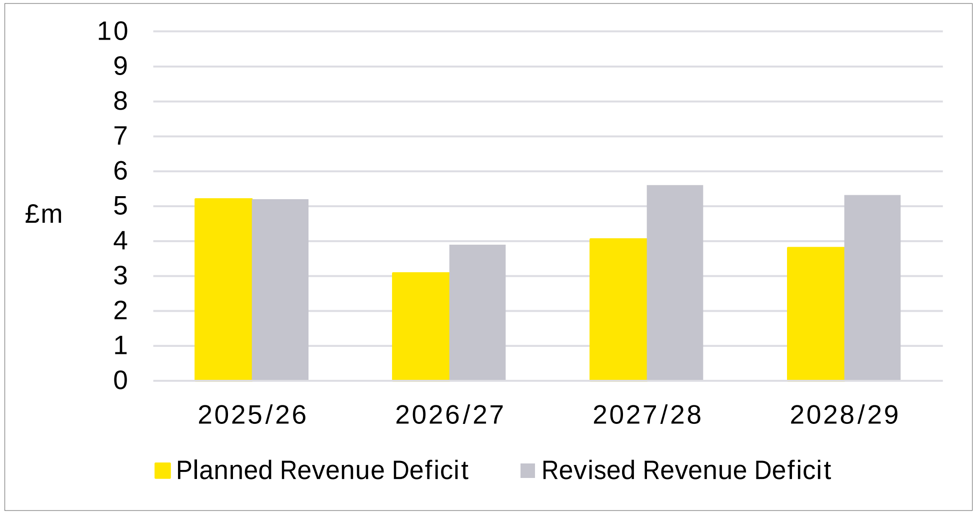
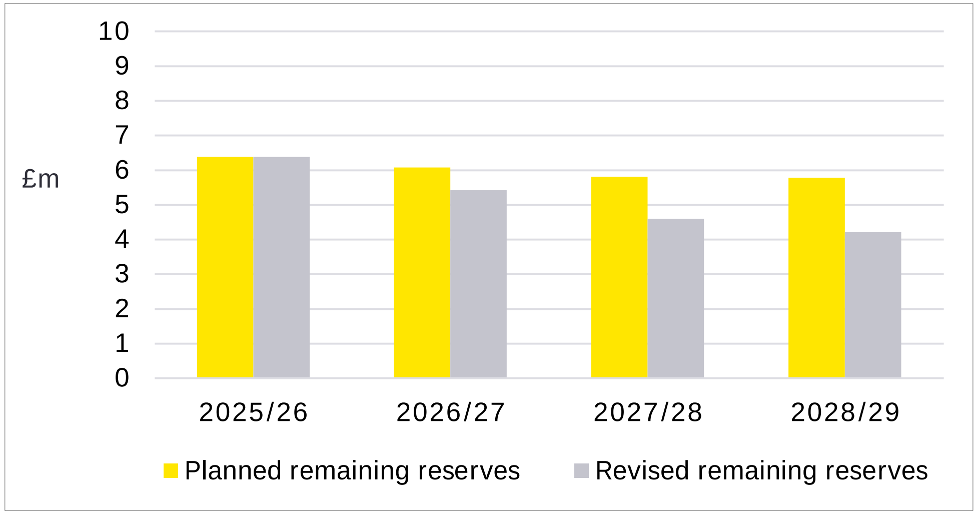


Exhibit 5: The Councils revised reserve position of £4.2 million by 2028/29



Financial Sustainability considerations

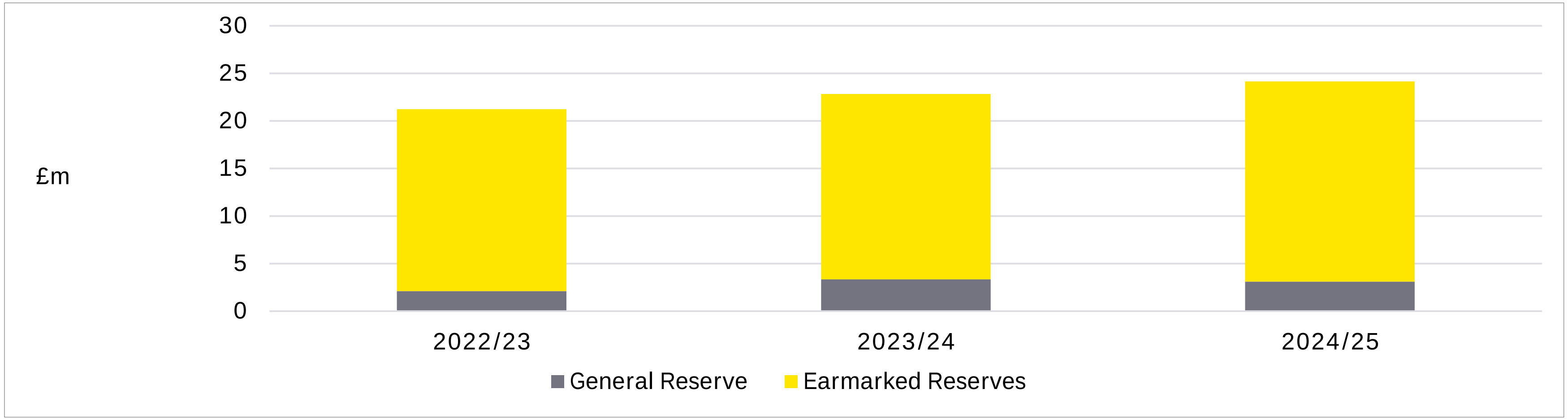
Significant Risk: Forecast budget shortfall over the medium term (continued)

Reserves

The Council holds a number of financial reserves, both revenue and capital. Some of these are internally earmarked and some have other conditions attached. There is also a General Fund and Stability and Resilience Reserve which are specifically available to support the financial pressures faced by the Council. The General Fund balance is where any general overspend/underspend on the revenue budget is transferred to or any general overspend is funded from. The Council's Reserves Strategy outlines that the minimum reserves to be held as uncommitted general funds is £2 million.

Exhibit 6: The year end General Reserve balance of £3.1 million is higher than the minimum balance of £2 million minimum level.

Exhibit 6 : The Council's unallocated General Reserve fell by £239k in 2024/25



Based on our consideration of both the recent updates to the MTFS and the Council's current reserves position it is clear further savings still need to be identified and delivered on a recurrent basis to bridge the widening forecast gap between funding available and spending, The current approach of using reserves to balance the budget is not sustainable. We are likely to consider the need to further develop arrangements to address this to be a significant weakness in the Council's arrangements for financial sustainability and reflect this in our audit report. We raise the following recommendation for improvement.

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Recommendation 1

Urgently identify recurrent savings to bridge the budget gap forecast by the Council's updated Medium Term Financial Strategy.

Financial Sustainability considerations

Significant risk: Level of external borrowing

One of the main pressures on the Council's finances continues to be the high interest payments due on its high level of external borrowing. At the end of 2024/25, the Council held total borrowing of £166 million. The total value of external borrowing held had increased slightly from the prior year, although the level of borrowing held short-term had reduced from £157 million in 2023/24 to £102 million in 2024/25. Total borrowings at the end of 2024-25 had increased to 107% of the Council's liability benchmark and 95% of its Capital Financing Requirement (CFR). The ability to borrow further after 2024/25 judged against CFR is therefore very limited. The increase in the Council's cash balance of £21 million at the end of 2024-25 was primarily due to short-term investments being redeemed close to the end of the year. As part of financial planning there is an aim to secure longer-term borrowing for cost certainty, but market conditions may force reliance on short-term, potentially more expensive borrowing.

As part of the recent review of the Council's financial resilience performed by the Chartered Institute of Finance and Accountancy (CIPFA) it was identified that the Council should seek to dispose of £40 million of its long-term assets to generate capital receipts that could be used to reduce the level of external borrowing and mitigate the adverse impact of the costs of this on its revenue budget. Based on the MTFS update in February 2025, the Council had identified potential sales estimated at £11.9 million, of which £3.3 million were expected to be received by the end of 2024/25 and a further £8.6 million in 2025-26. Based on the draft 2024/25 financial statements submitted for audit, the Council had only generated £2.9 million of capital receipts in the year. The Council therefore urgently needs to both identify further potential asset sales and increase the level of capital receipts generated.

We are likely to consider the need to further develop arrangements to address these points to be a significant weakness in the CouIn the prior year we raised a recommendation that the Council should:

- Identify and deliver a £40 million asset disposal programme to achieve the Council's interest and cost reduction savings targets.
- Seek to replace short-term with long-term borrowing to reduce the Council's exposure to interest rate risk and allow for more certainty in its medium-term financial planning arrangements.

Although some progress has been made in reducing the level of short-term borrowing held, we conclude that the prior year recommendation has not been addressed and raise similar recommendations for improvement in the current yearncil's arrangements for financial sustainability and reflect this in our audit report

Recommendations 2 and 3

Improve delivery of the asset disposal programme, both in terms of the identification of asset sales and level of capital receipts achieved to reduce the ongoing cost pressures this creates on the Council's revenue budget.

Continue to seek to replace short-term with long-term borrowing to reduce the Council's exposure to interest rate risk and allow for more certainty in its medium-term financial planning arrangements.

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, and there are no outstanding recommendations relating to prior years. 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 had proper arrangements in place in 2024/25 to make informed decisions and properly manage its risks.

Governance considerations

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Annual Governance Statement (AGS)

The Annual Governance Statement (AGS) is prepared in accordance with the seven core principles outlined by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework, 'Delivering Good Governance in Local Government'. The Service Manager – Audit (Financial Governance Manager) is responsible for compiling the AGS, incorporating input from key officers across the Council as detailed within the AGS itself. The statement is initially submitted to the Corporate Management Team (CMT) for discussion and updated to include any potential significant governance issues. Subsequently, the revised AGS is presented to the Corporate Governance Group for review and comments. After this stage, the AGS is forwarded to the Executive Leadership Team (ELT) for approval. The draft AGS is then submitted to the Audit and Governance Committee for feedback and authorisation to be signed by the Chief Executive and the Leader of the Council, after which it is published within the Statement of Accounts.

The key action areas which will be reviewed by the Corporate Governance Group and regularly reported to the Audit and Governance Committee, include, follow up on actions as per the financial resilience plan, review of Corporate Peer Challenge and implementation of actions arising from both the Council's self-assessment against CIPFA Financial Management Code and its self-assessment against the seven characteristics of good governance.

Risk Management

The Council's Risk Management Policy ensures that risks, both threats and opportunities, are identified, assessed, and managed effectively to support delivery of strategic objectives and maintain public confidence. The Council oversees the management of risk through the work of CMT, with all significant risks identified through risk management periodically reviewed by CMT. An updated Risk Management Policy and procedure document was agreed by Cabinet on 14 January 2025. The updated policy is designed to allow risk to be managed and mitigated consistently across the Council which contributes to the Council's legal obligations on risk management. Enhancements include the:

- Introduction of a strategic risk appetite framework.
- Clearer guidance on reporting when risks become issues.
- Alignment with Council priorities and CIPFA recommendations.
- Greater focus on identifying opportunities as well as threats.

The Strategic Risk Register documents the factors that could impact on the future delivery of the Council Plan and Council business performance and flags the risks that necessitate the highest level of attention from senior management. It is presented quarterly to the Cabinet to consider updates and changes.

In addition to its risk management policy, the Council maintains several internal policies, including Anti-fraud, Bribery and Corruption, Whistleblowing, Anti-Money Laundering, and Gifts and Hospitality.

Governance considerations

Internal audit arrangements

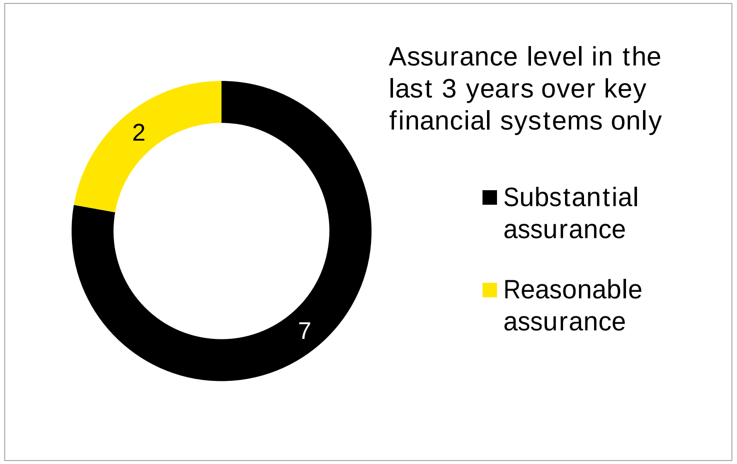
Internal audit is now being delivered at the Council by the Southern Internal Audit Partnership (SIAP). In the current year, to provide further clarity, separate opinions were provided for the internal control environment, risk management and governance arrangements. Assurance over all three areas of the framework was concluded as reasonable. Out of the nine assurance reviews carried out in the current year, eight were assessed as reasonable assurance and one as limited assurance. The limited assurance related to the effectiveness of financial reviews. A self-assessment against the Public Sector Internal Auditing Standards (PSIAS) has been carried out by SIAP and concluded that the internal audit is fully compliant with the standards.

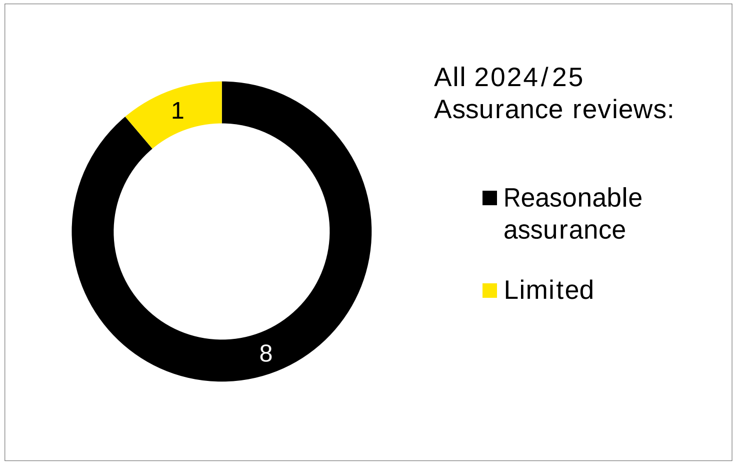
Even though the overall opinion risk assessment was assessed as reasonable, internal audit concluded that there is insufficient evidence of detailed scrutiny over the risks, follow up actions, and mitigations suggested to minimise the risk from materialising. To seek to address this, the Council appointed an external consultant to assist with this process. As set out on the previous page an updated Risk Management Policy and procedure document was also agreed by Cabinet on 14 January 2025.

The Council obtained Public Services Network certification, confirming that IT network controls are adequate and including suggestions for further improvement.

The assurance levels issued by internal audit over last 3 years in reviews of key financial systems have been assessed as either substantial or reasonable. The review of follow ups carried out in 2024/25 also show an improvement in areas which have previously been given a limited assurance.

Exhibit 7: Internal audit's assurance





Governance considerations

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Informed decision making and member challenge

The Council's constitution sets out its governance arrangements and decision-making process. A Policy and Projects Advisory Board provides pre-scrutiny to support the Cabinet and Council in the development of policies and projects that will deliver the Council's priorities. An Overview and Scrutiny Committee reviews past or planned executive decisions, monitors Council performance and holds other public service providers to account.

In order to ensure informed decision making within the Council, the Council undertook the following reviews during the current year:

- A Local Government Association Peer Challenge Review was carried out in June 2024, which included the review of the Council's Governance Structure. Following the review, action plans have been put in place to implement the recommendations made. Implementation is monitored and reported on as part of the performance management process and specific officer groups have been set up to action the work required. Progress towards the implementation of the actions is also reported on a quarterly basis to Cabinet.
- A CIPFA Financial Resilience Review commissioned by the Council which identified significant challenges to the Council's future financial sustainability. The review, which was referenced in the General Fund Budget 2024-25 and MTFS 2024/25 to 2027/28, concluded that without reducing annual spending to align with annual income the Council will not be able to set a balanced budget in 2026/27. Consequently, without mitigation, the Council is not financially sustainable in the medium-term. This is in part driven by the Council's level of debt. A Financial Resilience Plan (FRP) was put in place to address some of the issues identified from the reviews and regular updates are provided to senior management for review and scrutiny of progress towards the implementation of the action plan. We have considered progress against key issues flagged in the FRP in the section of this report on financial sustainability.
- The Council undertook a self-assessment against the CIPFA Financial Management Code (the Code). This concluded that actions were required to ensure full compliance with the Code
- The Council undertook a self-assessment against the governance characteristics outlined in the Centre for Governance and Scrutiny's Seven Key Characteristics. The analysis revealed strong governance practices within the Council but areas for improvement were identified.

Governance considerations

Key changes in management structure

The independent governance and financial reviews carried out by the Council which included CIPFA, SOLACE, and LGA Corporate Peer Challenge, highlighted the need for urgent cost reduction and improved financial sustainability. As a result, there has been a review of the Council's management structure to identify savings and improve alignment with Council priorities and new administration needs. After the initial option was not accepted by Members, a revised option was put forward to make the Chief Executive post redundant and create an Interim Managing Director/Head of Paid Service role. The new structure was presented at a full Council meeting on 11 April 2025 and was unanimously accepted. This was designed to save nearly £180,000 a year and streamline leadership. Paul Shackley, the previous Chief Executive, left the council on the 6 May 2025 for reasons of redundancy.

A recruitment process in line with the constitution was concluded on the 11th March 2025 where Members of the Executive Leadership Team were all invited to apply for the role. The recruitment panel recommended that Ian Harrison, Executive Director be appointed to the role with effect from the 11th April 2025 for an initial period of 6 months. Ian Harrision in the new role of Head of Paid Services could not continue being the Council's Monitoring Officer. It was proposed that the role best suited for this was the Council's Corporate Manager – Legal Services, who has subsequently been made Monitoring Officer. The Head of Paid Service was tasked with bringing forward further options for restructuring, budget savings, and plans to deliver Council priorities.

At the Council meeting held on 25 September 2025, it was recommended and confirmed that the current role of Interim Head of Paid Services and Monitoring officer be extended.

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

There is regular reporting to Chief Officers and to those charged with governance on all significant matters providing sufficient detail and data for scrutiny, oversight and decision making. This includes identification of any new opportunities, risks or issues, and their management. The finance reports communicate operational information, such as financial performance, performance against non-financial key performance indicators and any other relevant information.

A line-by-line budget review was conducted of budgets as part of the MTFS review and budgeting setting for 2024/25 which looked at in year spend and identifying areas for future pressures or savings. During the October, the S151 officer presented a mid-year review of the Councils' performance against the current MTFS. This is being adversely impacted by increased cost pressures identified in the February 2025 budget setting report and delays in identifying and delivering savings, compounded by the Local Government Review's significant impact on strategic leadership capacity and changes within the senior management team due to the departure of the Chief Executive. The main concern being the savings run rate being well below the amount needed with most of the current year savings being non recurrent. The review also highlighted that a repeat of the current year's performance will result in insufficient reserves to call upon to prepare a balanced budget from 2026/27. We have considered this further in the financial sustainability section of this report.

Procurement and contract management

The Council has a procurement strategy approved by Cabinet, which includes a procurement action plan and an ethical procurement statement. This sets out a clear definition of procurement at the entities, the Council's vision for procurement and clear policies for procurements, including policies to reduce risk, to counter fraud and to work within relevant legislation. There is clear governance, structure and responsibilities for procurement across the Council.

The Service Manager for Procurement is responsible for monitoring procurement activity across the Council, including:

- Coordinating this procurement strategy on behalf of the Council and leading on the implementation of the procurement aims.
- Providing guidance to contract owners in the control and management of contracts.
- Development and maintenance of procurement documentation, procedures, guidance and web pages to publicise procurement plans, information and advice to potential suppliers and staff; to comply with transparency requirements and promote the vision and strategy.
- Providing assistance to contract owners in the planning and co-ordination of improvement of current contracts, business continuity, exit strategies and post contract appraisals and reviews.
- Ensuring the procurement process eliminates the potential for fraud and favouritism towards any supplier.
- Supplier analysis to identify supplier base, spend per supplier, spend per category.
- Coordination and monitoring of the Council's contracts register to allow improved advanced planning for procurement and contract management activity.
- Organising training for staff, to include specific procurement training, induction and Contract Standing Orders.

Improving economy, efficiency and effectiveness considerations

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Partnership working

Included within the Council's corporate plan are performance measures in relation to working with partners. These are monitored by the Council as part of the Corporate Plan performance monitoring.

One of the Council's main partnership is with Farnborough Airport Ltd who operates Farnborough Airport (the Airport). The Airport operator prepares monitoring reports quarterly and annually as a condition of the original planning permission for the airport. These reports cover Air quality and odour, complaints and noise and track monitoring. Based on the latest report, all environmental monitoring undertaken has been implemented in accordance with the regulatory requirements and those of the Town and Country Planning Act Section 106 Agreement.

Performance assessment

The Council has established processes and other arrangements to evaluate service performance and identify areas of improvement. These include the review of the Corporate Risk Register, budget monitoring reports and external inspections and action plans based on external reviews. Agreed action plans are considered by the Cabinet and reported to the Council. The Council has an established Corporate Plan. This has four themes which cover both service targets and financial targets. Each theme has performance measures and a councillor and officer lead who has responsibility for specific measures. Measures are monitored regularly and reported upon quarterly to assess performance and identify areas for improvement.

04 Appendices

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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
Financial sustainability - Forecast budget shortfall over the medium term.	Urgently identify recurrent savings to bridge the budget gap forecast by the Council's updated Medium Term Financial Strategy.	Work is underway, senior capacity and focus has been a challenge on this priority. Consideration will be required in the senior management restructure to address this.
Financial sustainability - Level of external borrowing.	Improve delivery of the asset disposal programme, both in terms of the identification of asset sales and level of capital receipts achieved to reduce the ongoing cost pressures this creates on the Council's revenue budget.	Management will be reviewing the capacity and capability to deliver currently identified disposals, and identification of further disposals to reduce the CFR.
Financial sustainability - Level of external borrowing.	Continue to seek to replace short-term with long-term borrowing to reduce the Council's exposure to interest rate risk and allow for more certainty in its medium-term financial planning arrangements.	Progress has been made, as at end of October only 14% of borrowing was due in less than 1 year compared to one year ago, 60% is between 1 and 2 years and 26% between 2-5 years, further opportunity to extend borrowing maturity structure will be in April to June 2026 when the next replacement borrowing is due.

Appendix B – Recommendations from previous years

Recommendations brought forward from previous year

The table below sets out the recommendations arising from the value for money work in the prior year, 2024/25, and progress made in the current year.

Issue	Recommendation	Management response
Financial sustainability	The Council needs to fully implement and action its Financial Resilience Plan which contains a range of medium and shorter-term actions designed to ensure its financial sustainability. Specifically: • Develop and implement appropriate arrangements to deliver a permanent removal from the base budget of £0.5 million each year for the four years commencing 2024/25. • Identify and deliver a £40 million asset disposal programme to achieve the Council's interest and cost reduction savings targets. • Seek to replace short-term with long-term borrowing to reduce the Council's exposure to interest rate risk and allow for more certainty in its medium-term financial planning arrangements.	Based on our current year review of the Council's financial sustainability arrangements the recommendation is not yet addressed. We have therefore raised similar recommendations for improvement in the current year.

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UKC-038566 (UK) 03/25. Creative UK.
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Audit & Governance Committee
28 January 2026

EXECUTIVE HEAD OF FINANCE
REPORT NO: FIN2602

Statement of Accounts

SUMMARY:

The purpose of the report is for the committee to consider and approve the financial statements for 2024/25 following audit.

RECOMMENDATIONS:
Members are requested to:
- (i) Delegate the approval of the Statement of Accounts for 2024/25 to the Chair of Audit Committee and the S151 Officer.
- (ii) Delegate the signing of the Letter of Representation for 2024/25 to the Chair of Audit Committee and the S151 Officer.
- (iii) Confirms that the 2024/25 accounts have been prepared on a going concern basis.

1. INTRODUCTION

1.1 The Councils Constitution sets out in Part 3, Section 6 (Roles and Responsibilities of Council Decision Making Bodies) that it is the Audit & Governance committees' responsibility to:

"Financial Reporting

23. To approve the annual Statement of Accounts and consider whether appropriate accounting policies have been followed and whether any concerns arising from the financial statement or from the audit need to be brought to the attention of the Council.

24. To consider the external auditor's report to those charged with governance on any issues arising from the audit of the accounts."

2. PURPOSE

2.1 This report sets out the 2024/25 accounts which require approval in line with the statutory Local Government Audit backstop position and includes as update on prior years.

<u>Appendix 1 – 2024/25 Statement of Accounts</u>

<u>Appendix 2 – Draft Letter of Representation</u>

BACKGROUND

3.1 The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual Statement of Accounts. These Regulations incorporate a statutory requirement for the Statement of Accounts to be approved by a resolution of a Committee of the relevant body by 31 July for the relevant year.

3.2 The Local Audit the Accounts and Audit (Amendment) Regulations 2022 and Accounts and Audit (Amendment) Regulations 2024 introduced a temporary change to the required dates, moving the dates statutory requirement for the Statement of Accounts to be approved by a resolution of a Committee of the relevant body to later in the year for a temporary period.

3.3 For the 2024/25 Statement of Accounts, the unaudited accounts were required to have been published by 30 June 2025 and the statutory audit backstop date is 27 February 2026.

3.4 The Chief Finance Officer (Section 151 Officer) retains responsibility for the preparation of the Statement of Accounts and is required to certify that they give a true and fair view of the financial position of the Council. Members' role in approval is to demonstrate their ownership of the Statement of Accounts and their confidence in both the Chief Finance Officer and the process by which the accounting records are maintained and the Statement of Accounts prepared.

3.5 Due to prior years having been a disclaimed opinion, and therefore not having reasonable assurance for prior years balances brought forward, the external auditors therefore can only give limited assurance for 2024/25 rather than a clear audit opinion. Work to rebuild assurance is ongoing and an unqualified opinion is anticipated to be achieved for the 2026/27 financial year accounts.

4 STATEMENT OF ACCOUNTS

4.1 The Statement of Accounts for 2024/25 is included as a separate document at Appendix 1.

4.2 The Narrative Report within the set of Accounts provides a summary position of the finances of the Council, highlighting the key issues and including the headline figures to provide a more accessible format.

4.3 The format and content of the accounts is largely prescribed by regulation and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Local Authority Accounting (the Code). It is a requirement that the accounts are arranged with all core financial statements grouped together followed by all notes to these statements in a separate section.

4.4 Changes have been identified through the audit which will be reflected in the final published copy of the accounts, these are included in the schedules below, material items include:

- Assets – Frimley Business Park and Union Yard incorrectly categorised as investment property not Assets Held for Sale

- Pension – pension liability did not include the impact of the IFRIC 14 asset ceiling
- Cashflow – capital accruals not adjusted in cashflow

4.5 The Audit Results Report of the Council's accounts by Ernst & Young is included within this Committees agenda.

4.6 It is a requirement that the Council issues a Letter of Representation to its external auditors at the conclusion of the audit and a draft is attached at Appendix 2.

4.7 Alongside the accounts the Council must publish the Annual Governance Statement which is a statutory document which helps ensure there are the correct controls in place to enable the council to deliver its services and functions and minimise risk to the Council. The Annual Governance Statement is included at the end of the Statement of Accounts.

5 GOING CONCERN REPORT

5.1 International Audit Standards require the Audit Committee to provide confirmation that the Statement of Accounts have been prepared on a 'going concern' basis. The going concern concept is one of the core principles underpinning local authority accounting practice and refers to the assumption made when the Accounts are prepared that the organisation will continue to operate for at least 12 months following the accounting period in question, taking into consideration best estimates of future activity and cash flows.

5.2 The main issues around the application of the 'going concern' concept are to consider the medium-term financial plans and cash flow forecasts in existence to ensure the continuing operation of the Council.

5.3 Rushmoor's Medium-Term Financial Strategy (MTFS) (2025/2026) was agreed by Council in February 2025. The MTFS forecasts the Council's financial performance and identifies budget pressures for the three years of the plan. This plan demonstrates that the Council faces significant financial pressure. External factors have continued to affect the Council's operations and financial position directly and indirectly. The Council is working through it's Financial Resilience Plan to support the financial recovery of the Council with appropriate project governance to secure delivery. Officers have implemented more robust monitoring arrangements and have increased frequency to ensure that the Council has early warning of adverse variations to the forecast so that it can take corrective action.

6 CONSULTATION

6.1 The unaudited accounts were available for public inspection for 30 working days following publishing as required in Section 25 of the Local Audit and Accountability Act 2014

7 IMPLICATIONS

7.1 Risks
The preparation of the Statement of Accounts and the audit scrutiny provide reassurance that the accounts give a true and fair view of the financial position of the Council. The process of clearing down the backlog of the Annual Statements of prior years' means full audit sign off has not been achieved for the four years 2020-2024, therefore risks of the Councils financial accounts not showing a true and fair financial position were increased.

7.2 Legal
The Accounts set out Rushmoor's financial position at the year-end in a format which is prescribed by Regulations and the Local Government Accounting Code of Practice.

7.3 Financial and Resource
There are no additional resource implications resulting from the Statement of Accounts. The Accounts set out Rushmoor's financial position at the year-end in a format which is prescribed by Regulations and the Local Government Accounting Code of Practice.

Audited accounts give strong evidence for a financially sound Council and are a key document that helps to demonstrate the Council's accountability for public funds.

The Value for Money report from audit helps to demonstrate performance against the objective of providing good value for money in how the Council's resources have been utilised.

7.4 Equalities Impact
No direct implications.

7.5 Other
Not applicable.

8. CONCLUSIONS

8.1 The accounts require approval following closure of the audit. The Committee as 'Those Charged with Governance' are required to receive the Audit Findings Report and approve for the Chair to sign the letters of representation on behalf of the Council.

BACKGROUND DOCUMENTS:
None

CONTACT DETAILS:

Report Author: Rosie Plaistowe-Melham – Financial Services Manager
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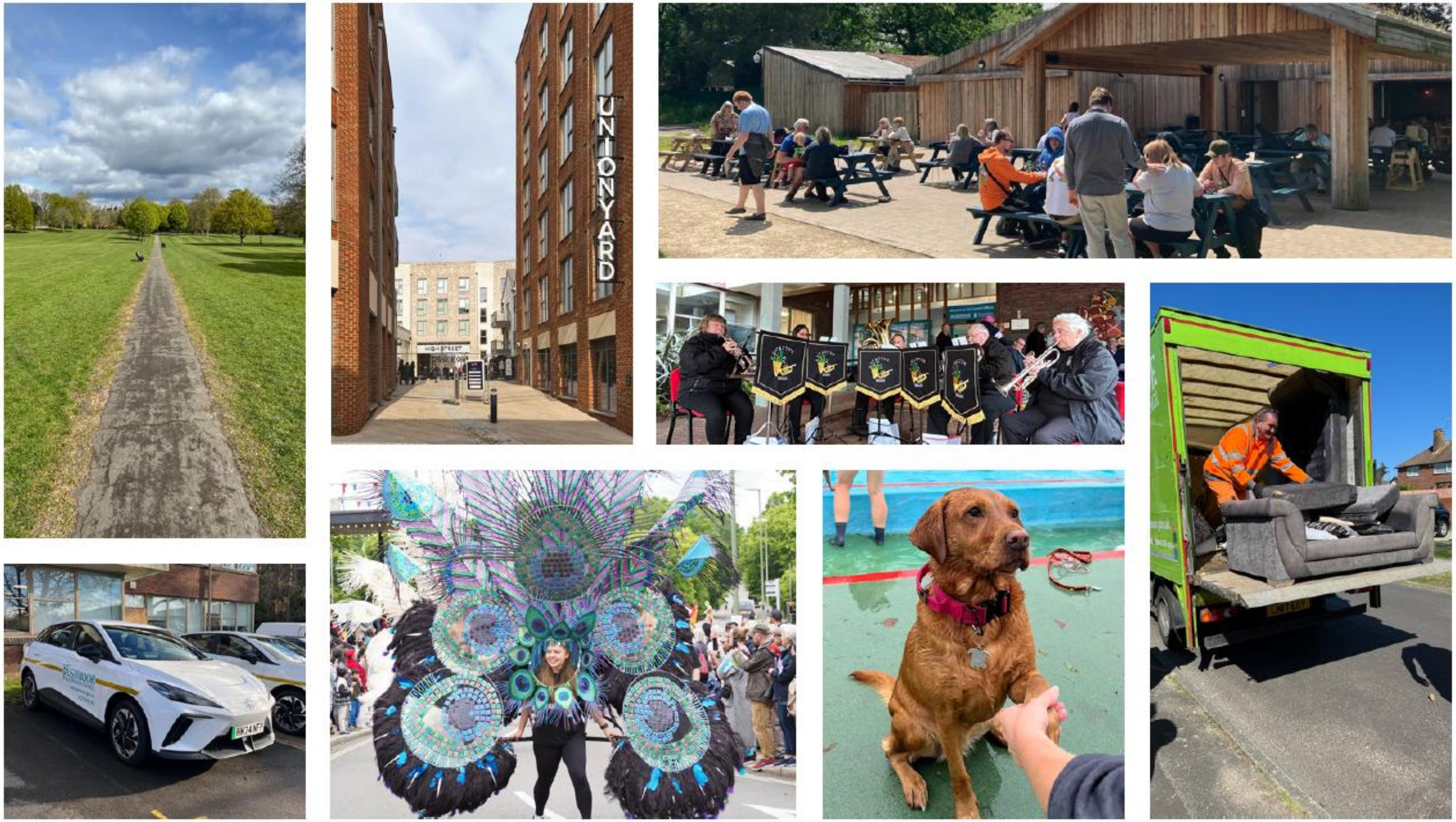
Head of Service: Peter Vickers – Executive Head of Finance, S151
peter.vickers@rushmoor.gov.uk



UNAUDITED STATEMENT OF ACCOUNTS 2024/25

RUSHMOOR
BOROUGH COUNCIL

Table of Contents

Narrative Statement

Introduction

This Narrative Statement provides an overview of Rushmoor Borough Council's financial performance and position for the year ended 31 March 2025. It aims to offer a clear and accessible summary of the Council's financial activities, key achievements, and challenges during the year, as well as the context in which the financial statements have been prepared.

Organisational Overview and Environment

An introduction to Rushmoor

The Borough of Rushmoor, with an estimated population of around 100,000, covers an area of 3,905 hectares at the northeast corner of Hampshire, with its eastern boundary with Surrey being formed by the river Blackwater. London is some thirty miles away and the Borough is served by direct road and rail links to the capital and the south coast. Rushmoor includes the towns of Aldershot, with its world-famous military history and Farnborough, long noted as the birthplace of aeronautical research and development and served by Farnborough Airport.
The urban area extends the full length of the Borough from the southern boundary with Farnham to the towns of Frimley and Camberley across the River Blackwater in the north.

The military area and Farnborough Airport occupy the land between Aldershot and Farnborough and to the west of those towns, works continue on Wellesley, a major redevelopment of an area of former Ministry of Defence land north of Aldershot, which, once completed, will provide an additional 3,850 properties.

Council services and purpose

Rushmoor Borough Council (RBC) delivers more than 100 local services to the communities of Aldershot and Farnborough, including core services such as rubbish and recycling collection, street cleaning, planning, environmental health, housing, parks and leisure facilities. The Council is more complex than ever before and plays an essential role in broad areas like engaging with and where necessary, supporting local communities and business, helping the most vulnerable in society and making sure our Borough continues to develop and thrive economically.

Strategic Objectives and Corporate Delivery Plan

The Council provides services under its overarching Corporate Delivery Plan which was agreed in November 2024. The plan sets out what the Council is doing, why and how it will work with its partners to deliver.

The full plan is available on our website - www.rushmoor.gov.uk/your-council/council-delivery-plan-2025-26/

The Council's priorities include:

- Skills, Economy and Regeneration
- Homes for All: Quality Living, Affordable Housing
- Community and Wellbeing: Active Lives, Healthier & Stronger Communities
- Pride in Place: Clean, Safe and Vibrant Neighbourhoods
- The Future and Financial Sustainability

The Cabinet reviews progress against the Council's Plan on a quarterly basis. This acts as the key corporate performance monitoring process for the Council. The document combines both informative data about the Rushmoor area and some more specific data about the Council as a whole and about individual services. It is provided to give an enhanced overview to inform Cabinet's priorities and its monitoring of performance.

Key Achievements in 2024/25

- Regeneration and Growth: Continued progress on the regeneration of Aldershot town centre with the completion of Union Yard and Farnborough Civic Quarter, supported by external funding and strategic partnerships
- Climate and Sustainability: Ongoing implementation of the Council's Climate Change Action Plan, including energy efficiency improvements in council buildings and expansion of green infrastructure
- Community Support: Delivery of targeted support to vulnerable residents through the Council's hardship schemes and community partnerships.
- Digital Transformation: Further investment in digital services to improve customer access and internal efficiency
- Financial Sustainability: Agreed a budget for 2025/2026 with a clear strategy for addressing the medium-term budget shortfall

Challenges facing the Council

- Budget shortfalls for the period of the MTFS
- Reducing government funding and uncertainty about future funding coming from the Government's Fair Funding Review and Business Rates proposals
- Demographic changes and the budget pressures of adult social care demands being felt by Hampshire County Council and filtering down to Borough Councils
- Staff recruitment and retention in key professional roles
- Local high house prices and demand for affordable housing

Medium-Term Financial Strategy

The Council set its 2024/25 budget and Medium-Term Financial Strategy (MTFS) on 22nd February 2024.

Details of the Council's 2024/25 MTFS can be found on the following link:
Revenue Budget, MTFS, Capital Programme 2024-25.pdf

This 2024/25 budget identified a budget gap of £4.6m in the 2024/25 financial year and looking forward a further £11.2m in the MTFS by 2027/28. A financial resilience plan was proposed and approved to support the Council's financial recovery. This involved identifying revenue savings in the 2024/25 financial year and future years, and disposing of council assets to reduce the levels of borrowing which are currently unaffordable.

Significant work was undertaken in year and permanent savings of £926k have been delivered in 2024/25 and further in year savings of £4.2m have been delivered. A project to dispose of assets is in place and the first disposal was achieved in April 2025, with further disposals programmed for 2025/26 and future financial years.

4. Resource Allocation

Rushmoor Borough Council manages gross resource flows of £238m and assets of £291m by:

i. Holding a General Fund balance of £2m
ii. Collecting £60m of business rates. 60% of the business rates collected is passed onto central government, Hampshire County Council and Fire and Rescue Authority. The Council retains £20m, then a further payment to central government of £15m is made, leaving The Council with £5m to support the General Fund budget
iii. Collecting £70m of council tax payments. 89% of council tax collected is passed on to, Hampshire County Council, Fire and Rescue Authority and Police and Crime Commissioner. The Council retains £7.7m

iv. Managing a £231m portfolio of investment properties, land, building and equipment that generates £9.8m of income
v. Managing a £15m portfolio of and investments that generates £4.1m of income
vi. Managing £166m of borrowing which costs the Council £7.0m
vii. Receiving grants and contribution of £39.1m mainly from central government.

Total asset cash flows through the Council are shown below:

Total Assets Brought Forward			
£312.1 m			
Net Additions/ (Disposals)	Depreciation	Revaluation of Non Current Assets	Other Changes
£11.0m	(£1.1m)	(£35.3m)	£3.7m
Property, Plant & Equipment	Investment Property	Other Long Term Assets	Current Assets
£81.7m	£131.6m	£21.1m	£56.1m
Total Assets Carried Forward			
£290.4m			

Total revenue cash flows through the Council are shown below:

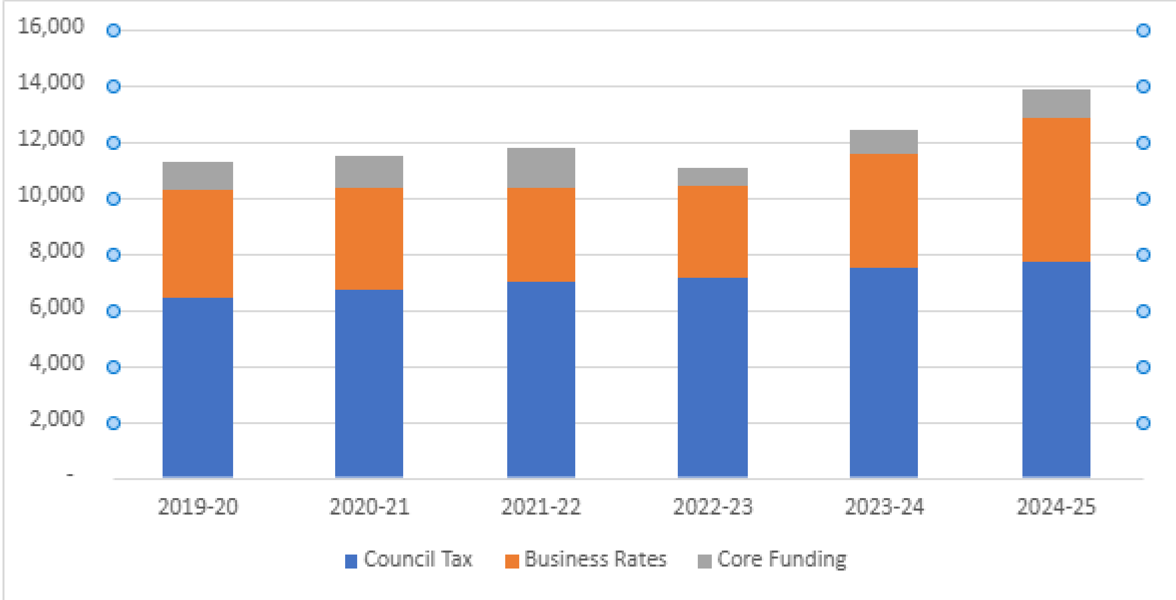
Business Rates	Council Tax	Grants / Contributions	Fees & Charges	Other Income	Investment Income
(£25.0m)	(£7.7m)	(£39.1m)	(£25.7m)	£0.3m	(£4.2m)
Total Resources					
(£101.4m)					
Paid to Others			Financing Local Services		
£46.0m			£55.4m		
Housing Benefit	Interest Payable	Business Rates / Council Tax	Operating Expenses	Capital Costs	Staffing Costs
£23.4m	£7.0m	£24.5m	£34.9m	£32.0m	£15.4m
Net (Surplus)/Deficit on Providing Services					
£35.8m					

Financial performance

Core Funding

The Council, in line with other shire districts continues to experience an increasing real reduction in core government funding. The Government's plan to phase out non-specific grant funding, instead allowing local authorities to retain a higher proportion of business rates collected locally from 2020/21 financial year, was not implemented as originally planned.

Core funding trend:



To address future challenges and reinvest in the Borough, Council Tax has increased by 2.99% in 2024/25 from 2023/24 for an equivalent Band D property.

Financial position

The Council has maintained a good financial position against the backdrop of reduced government funding.

31 March 2024			31 March 2025		
Net Assets		(£115.6m)	Net Assets		(£92.1m)
Funded by:			Funded by:		
Usable Reserves:		(£29.3m)	Usable Reserves:		(£31.1m)
Un-usable Reserves		(£86.3m)	Un-usable Reserves		(£61.1m)
Composed of:			Composed of:		
Long Term Assets	Net Current Assets / (Liabilities)	Long Term Liabilities and Provisions	Long Term Assets	Net Current Assets / (Liabilities)	Long Term Liabilities and Provisions
£283.3m	(£148.3m)	(£19.5m)	£234.5m	(£69.2m)	(£73.1m)

Revenue Outturn

Through financial management and budgetary control during 2024/2025 the Council has maintained service delivery. The outturn position for 2024/2025 is to be reported to the Cabinet in July 2025.

In 2024/2025 Council spending on General Fund Services reported an overall saving against approved budget of £4.2million against an approved budget gap of £4.6m. This has allowed the Council to maintain an improved reserve level as only £224k has been required to balance the General Fund against an original approval of £4.6million. Revenue carry forwards of £129k have been approved to be utilised in 2025/2026.

The main contributors to the reported saving are:
- Reduced Borrowing Interest costs
- Additional Investment Interest income
- Staff savings

The outturn for 2024/25 against budget is shown in the table below;

Services:	Budget	Outturn	Variance
	£'000	£'000	£'000
Community & Residents	1,360	1,337	(23)
Development & Economic Growth	1,095	1,126	31
Enabling Services	5,751	5,230	(521)
Finance	1,968	1,565	(403)
Neighbourhood Services	5,406	4,732	(674)
Policy Climate & Sustainability	879	830	(48)
Regeneration	574	362	(212)
Property	(6,406)	(6,094)	311
Property Meads Business Centre	(37)	(46)	(9)
Property Meads Blocks 1&2	(774)	(787)	(14)
Property Meads Car Park	22	(83)	(105)
Property Meads Shopping Centre	384	351	(32)
Property Union Yard Commercial	28	117	88
Property Union Yard Energy	10	61	51
Property Union Yard PRS	0	46	46
Property Union Yard Student	(157)	(226)	(69)
Service-related grants	0	(168)	(168)
Total: services	**10,105**	**8,354**	**(1,751)**

Capital Outturn

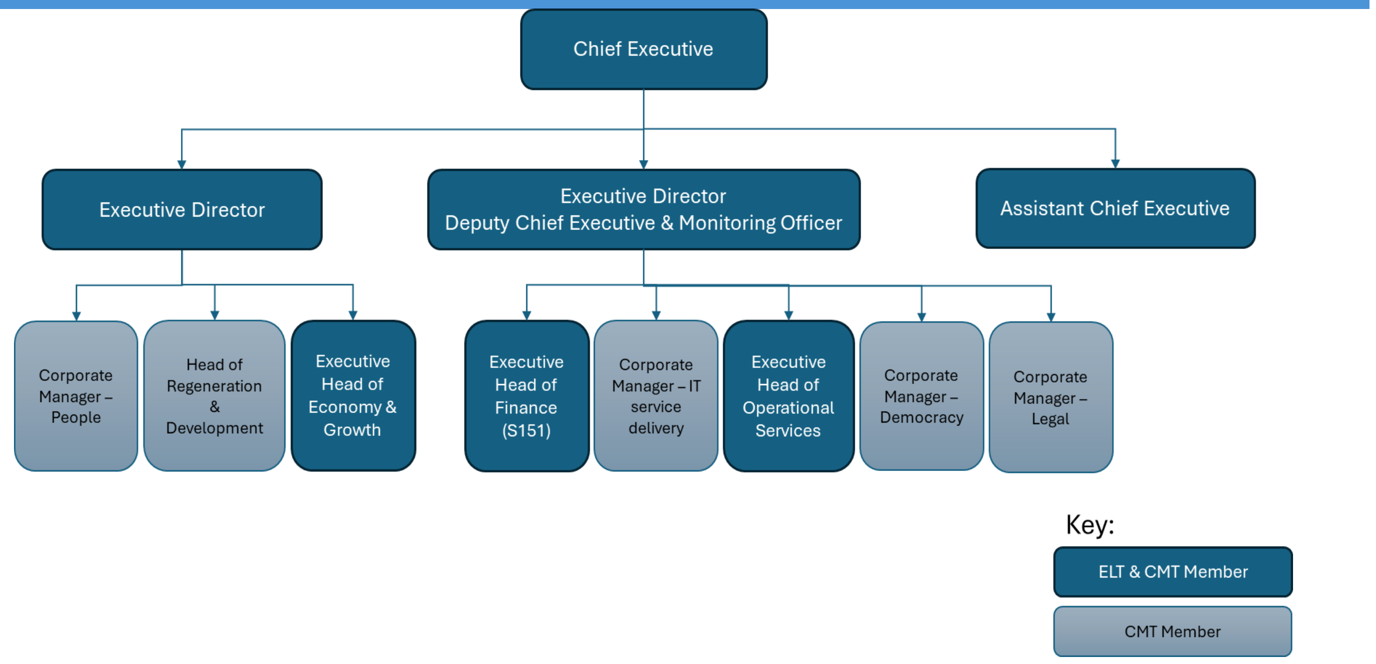
The 2024/25 capital programme was approved at February 2025 Budget Council. There is a reported saving of £7.4million in 2024/25, with £3.6m of this saving approved to be carried forward into 2025/26 to continue to deliver projects.

The outturn for 2024/25 against budget is shown in the table below;

Capital Programme by Scheme	2024/25 Current budget	2024/25 Outturn	2024/25 Variance	Slippage to 2025-26
	£'000	£'000	£'000	£'000
Union Yard commercial units fit out lease contributions	175	-	(175)	175
Union Yard construction	5,929	7,604	1,675	-
RHL development of private rented units	-	36	36	-
Leisure and Civic Hub (CQ Plot B)	333	333	-	-
Civic Quarter (All other Plots - excluding Pinehurst Car Park)	65	65	-	-
Southwood Park (s106)	450	164	(286)	286
Crematorium	4,781	3,145	(1,636)	1,636
Temporary Housing	742	-	(742)	-
Hawley Lane	351	78	(273)	-
Frimley Business Park Plots 4.2 and 4.3	226	132	(94)	-
Ashbourne House	74	-	(74)	74
CQ Pinehurst Car Park Demolition	1,660	1,055	(605)	605
The Galleries	3,400	3	(3,397)	-
CCTV	185	79	(105)	-
Food Waste	7	5	(2)	-
Wheeled Bins	120	108	(12)	-
Disabled Facilities Grants	1,632	1,040	(592)	-
Aldershot Pools Solar panels	208	138	(71)	71
Asset Management Capital expenditure provision	109	-	(109)	-
ICT Services Capital Schemes	775	45	(730)	650
Meads block 4 contract costs UKSPF	399	399	0	-
Council Offices	-	(60)	(60)	-
Various S106 projects (s106 funded)	397	282	(115)	115
LTA Tennis Court Refurbish	33	32	(0)	-
Ceremonial Asset Construction	25	12	(13)	13
Princes Hall Lighting Desk	13	13	0	-
Total:	**22,089**	**14,710**	**(7,379)**	**3,624**

Narrative Statement

Organisational Model



Political Structure of the Council in the 2024/25 Municipal Year

Rushmoor has 13 Wards and the Council consists of 39 elected Members. The political make-up of the Council during 2024/25 was as stated below:

Party	Number of Councillors
Labour	21
Conservative	14
Liberal Democrat	3
Independent	1
Total number of Elected Members	39

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

Management Structure of the Council

The Council has two senior management boards in 2024/25

Executive Leadership team (ELT), which consisted of the Chief Executive, two Executive Directors, Executive Head of Finance, Assistant Chief Executive, Executive Head of Operations and Executive Head of Property and Growth. ELT consider and co-ordinates the strategic direction of the Council.

The Corporate Management Team (CMT) consisted of the Chief Executive, two Executive Directors and three Heads of Service, Assistant Chief Executive and four Corporate Managers. The CMT considers and co-ordinates the management and future plans of the Council, providing operational leadership and support to elected Members alongside the delivery of Council services.

The Executive Head of Finance (Chief Financial Officer) and Executive Director of Operations, as Monitoring Officer, are both members of CMT and ELT, ensuring that these key statutory roles have on-going access to the most senior level of the Council.

As at April 2025, the Management Structure is under review, the Chief Executive role has been removed and an Interim Managing Director is currently the Head of Paid Service.

Governance

The Council maintains robust governance arrangements, including regular review of strategic risks and internal controls. The Corporate Governance, Audit and Standards Committee plays a key role in overseeing financial reporting and audit processes.

Governance arrangements are outlined within the Annual Governance Statement at the end of this document.

Risk and Opportunities

A risk management strategy is in place to evaluate and identify risk. This strategy is subject to regular review and updates. There are clearly defined processes to support robust decision making through the understanding of risk, whether an opportunity or threat exists and the likely impact. The Council believes that its performance monitoring, both financial and non-financial, it's governance arrangements and its focus on the sustainability of the organisation, mitigates the risks the Council is facing and it is well placed to respond to the ever-changing environment.

The Council's Corporate Risk register sets out on the key risks to the Council in achieving its objectives. The key themes include;

- Financial Sustainability
- Financial Sustainability of Public Sector Partners
- External Factors - Economic Conditions & Changing External Policy
- Infrastructure Investment
- Decline in Retail Sector and impact on Town Centres
- Demographic Change
- Poor education attainment
- Poor health outcomes
- Cyber Security
- Data Breach
- Climate Change and achieving carbon neutrality by 2030

Non-Financial Performance of the Council

During 2024/25, Rushmoor Borough Council has continued its drive towards a sustainable future, developing plans for a workforce fit for the future, continuing its improvement and efficiency work and continuing to deliver high quality services to its residents while seeking to reduce costs.

The Council has established financial management processes and procedures and, recognising that it operates in an environment of continuous change, it will pursue its drive for on-going improvement, working collaboratively across the Council, and with partners where appropriate, to deliver effective end-to-end processes.

In 2024/25 the Chartered Institute of Public Finance and Accountancy (CIPFA) was engaged as a critical friend to support the Council through a financial resilience review to provide constructive challenge, advice and insight. An action plan with monitoring process is in place to ensure delivery of recommendations.

Financial Statements

This Narrative Report accompanies the Statement of Accounts. The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position at 31 March 2025. The Statement of Accounts, which comprises statements and disclosure notes, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and complies with International Financial Reporting Standards (IFRS).

The statement of accounts is subject to external audit scrutiny and opinion. This Narrative Report and the Annual Governance Statement, whilst outside the scope of this certification, are considered by the external auditors to confirm in their opinion they are materially consistent with their knowledge of the Council.

The Core Financial Statements are:

The **Comprehensive Income and Expenditure Statement** (page 5) which records all the Council's income and expenditure for the year based on the organisational structure under which it operates and manages its services. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.

The **Movement in Reserves Statement** (page 7) shows movement in the year on the different reserves held by the Council, analysed into 'usable' reserves, those that can be applied to fund expenditure, invest in capital projects or service improvements and 'unusable' reserves which reflect the value of the Council's non-current assets (Property, Plant and Equipment, Investment Property, Heritage Assets and Intangible Assets) and are not available to be spent. Usable reserves are maintained at prudent levels and are subject to any statutory limitations on their use. The Council's approved minimum levels of working balances is £2million for the General Fund.

The **Balance Sheet** (page 9) shows the value, as at the balance sheet date, of the Council's assets, liabilities, cash balances and reserves.

The **Cash Flow Statement** (page 10) shows the changes in actual cash and cash equivalents during the year and whether that change is due to operating activities, new investment, or financing activities (such as the repayment of borrowing).

The **Collection Fund** (page 58) summarises the collection of Council Tax and Business Rates and the redistribution to preceptors, the Government, and the Council's General Fund.

Further information about the statements is available from the Executive Head of Finance, Council Offices, Farnborough Road, Farnborough, Hampshire GU14 7JU. The statements are also available on the Council's website – www.rushmoor.gov.uk

The council has prepared these accounts on the going concern basis. The MTFS incorporates a significant savings target to reduce its net budget and bring the revenue account back into balance without the reliance upon a drawdown of reserves. There is a financial recovery plan in place to ensure delivery of the savings and ultimately the council has the ability to seek support from MHCLG by way of emergency financial support.

………………………… Date: 27 February 2026
Peter Vickers BSc FCA

Statement of Responsibilities

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer (CFO);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the authority'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).

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of Executive Head of Finance and Section 151 Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2025. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the Council's Statement of Accounts and that events after the Balance Sheet date have been considered to this date and the accounts amended accordingly for such events and adjustments arising from audit. The accounts are therefore authorised for issue.

……………………………………………..

Peter Vickers BSc FCA, Chief Finance Officer and S.151 Officer — Dated 27 February 2026

Certificate of Approval by Audit and Governance Committee

I confirm that these account statements were approved by the Audit and Governance Committee of Rushmoor Borough Council on _____________

………………………………………………

Councillor O'Donovan, Chairman – Audit and Governance Committee — Dated 27 February 2026

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council taxpayers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

It also shows how this expenditure is allocated for decision-making purposes between the council's services/departments. Income and expenditure accounted for under generally accepted accounting practices are presented more fully in the Comprehensive Income and Expenditure Statement.

	2023/24				2024/25	
Net Expenditure Chargeable to the General Fund £'000	**Adjustments between Funding and Accounting Basis £'000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £'000**		**Net Expenditure Chargeable to the General Fund £'000**	**Adjustments between Funding and Accounting Basis £'000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £'000**
3,901	(1,357)	2,544	Community & Residents	1,603	16	1,619
2,028	606	2,634	Development & Economic Growth	639	(21)	618
426	100	526	Enabling Services	3,795	1,332	5,127
1,111	(260)	851	Finance	(202)	(17)	(219)
6,656	2,712	9,368	Neighbourhood Services	3,776	1,091	4,867
281	(80)	201	Policy, Climate & Sustainability	985	(7)	978
1,695	(3,048)	(1,353)	Regeneration & Property	969	29,851	30,820
16,098	**(1,327)**	**14,771**	**Net Cost of Service**	11,565	32,245	43,810
(17,679)	10,949	(6,730)	Total: Other Income & Expenditure	**(13,009)**	**5,006**	(8,003)
(1,581)	**9,622**	**8,041**	**(Surplus) or Deficit on Provision of Services**	**(1,444)**	**37,251**	**35,807**
(2,104)			**Opening General Fund Balance**	**(3,350)**		
(1,581)			(Surplus) or Deficit on Provision of Services	(1,444)		
335			Transfer to and from Earmarked Reserves	1,578		
(3,350)			**Closing General Fund Balance**	**(3,216)**		

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Comprehensive Income and Expenditure Statement (CIES)

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the Movement in Reserves Statement.

	2023/24					2024/25	
Gross Expenditure	**Gross Income**	**Net Expenditure**	**CIES Single**	*Note*	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
4,720	(2,176)	2,544	Community & Residents		3,386	(1,767)	1,619
4,275	(1,641)	2,634	Development & Economic Growth		3,269	(2,651)	618
5,718	(5,192)	526	Enabling Services		7,421	(2,294)	5,127
30,873	(30,022)	851	Finance		28,141	(28,360)	(219)
18,436	(9,068)	9,368	Neighbourhood Services		15,293	(10,426)	4,867
1,918	(1,717)	201	Policy, Climate & Sustainability		1,000	(22)	978
2,829	(4,182)	(1,353)	Regeneration & Property		32,702	(1,882)	30,820
68,769	**(53,998)**	**14,771**	**Net Cost of Service**		**91,212**	**(47,402)**	**43,810**
9,892	(25)	9,867	Other Operating Expenditure	*10*	(461)	(46)	(507)
13,537	(15,149)	(1,612)	Financing and Investment I&E	*11*	21,938	(13,753)	8,185
18,127	(33,112)	(14,985)	Taxation & Non-specific Grant Income	*12*	24,494	(40,175)	(15,681)
110,325	**(102,284)**	**8,041**	**(Surplus)/Deficit on Provision of Service**		**137,183**	**(101,376)**	**35,807**
		2,553	(Surplus)/Deficit on revaluation of PPE	*13*			(7,113)
		(5,195)	Remeasure of net defined benefit liability/(asset)	*40*			(5,271)
		(2,642)	**Other Comprehensive I&E**				**(12,384)**
		5,399	**Total Comprehensive I&E**				**23,423**

Group Comprehensive Income and Expenditure Statement (CIES)

Group CIES

The Group Comprehensive Income and Expenditure Statement shows the total income earned and money spent for the financial year by the council and all the entities it controls, combined as if they were one single organisation. It presents a complete picture of the group's financial performance, removing any transactions between the council and its companies to avoid double-counting. The final figure on this statement reveals the overall surplus or deficit generated by the group's activities throughout the year..

	2023/24				2024/25	
Gross Expenditure	Gross Income	Net Expenditure	Group CIES	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
4,720	(2,176)	2,544	Community & Residents	3,386	(1,767)	1,619
4,275	(1,641)	2,634	Development & Economic Growth	3,269	(2,651)	618
5,718	(5,192)	526	Enabling Services	7,421	(2,294)	5,127
30,873	(29,956)	917	Finance	28,141	(28,283)	(142)
18,436	(9,068)	9,368	Neighbourhood Services	15,293	(10,426)	4,867
1,918	(1,717)	201	Policy, Climate & Sustainability	1,000	(22)	978
2,829	(4,182)	(1,353)	Regeneration & Property	32,702	(1,882)	30,820
35	(1,345)	(1,310)	# Rushmoor Homes Ltd #	133	(134)	(1)
68,804	**(55,277)**	**13,527**	**Cost of Service**	**91,345**	**(47,459)**	**43,886**
9,892	(25)	9,867	Other Operating Expenditure	(461)	(46)	(507)
13,537	(15,044)	(1,507)	Financing and Investment I&E	21,938	(13,588)	8,350
18,127	(33,112)	(14,985)	Taxation & Non-specific Grant Income	24,494	(40,175)	(15,681)
110,360	**(103,458)**	**6,902**	**(Surplus)/Deficit on Provision. of Service**	**137,316**	**(101,268)**	**36,048**
0		0	# Tax expense of Subsidiary #	8	0	8
110,360	**(103,458)**	**6,902**	**# (Surplus)/Deficit on Group #**	**137,324**	**(101,268)**	**36,056**
		2,553	(Surplus)/Deficit on revaluation of PPE			(6,659)
		(5,195)	Remeasure of net defined benefit liability/(asset)			(5,271)
		(2,642)	**Other Comprehensive I&E**			**(11,930)**
		4,260	**Total Comprehensive I&E**			**24,126**

Movement in Reserves Statement (MiRS)

This Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year.

The net increase/decrease line shows the statutory General Fund balance movements in the year following those adjustments

MIRS SINGLE 2024/25	Note	General Fund	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March brought forward		**(3,350)**	**(19,470)**	**(3,537)**	**(2,945)**	**(29,302)**	**(86,255)**	**(115,557)**
(Surplus)/Deficit on Provision of Services		35,807				35,807		35,807
Other Comprehensive I&E						0	(12,384)	(12,384)
Total Comprehensive I&E		**35,807**	**0**	**0**	**0**	**35,807**	**(12,384)**	**23,423**
Adjustments between accounting basis & funding basis under regulations	8	(37,251)		(475)	147	(37,579)	37,579	0
Transfer to/from Earmarked Reserves	9	1,578	(1,578)			0	0	0
(Increase) or Decrease in year		**134**	**(1,578)**	**(475)**	**147**	**(1,772)**	**25,195**	**23,423**
Balance at 31 March carried forward		**(3,216)**	**(21,048)**	**(4,012)**	**(2,798)**	**(31,074)**	**(61,060)**	**(92,134)**

MIRS SINGLE 2023/24	Note	General Fund	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March brought forward		**(2,104)**	**(19,135)**	**(3,454)**	**(1,439)**	**(26,132)**	**(94,823)**	**(120,955)**
(Surplus)/Deficit on Provision of Services		8,041				8,041		8,041
Other Comprehensive I&E							(2,642)	(2,642)
Total Comprehensive I&E		**8,041**	**0**	**0**	**0**	**8,041**	**(2,642)**	**5,399**
Adjustments between accounting basis & funding basis under regulations	8	(9,622)		(83)	(1,506)	(11,210)	11,210	0
Transfer to/from Earmarked Reserves	9	335	(335)			0	0	0
(Increase) or Decrease in year		**(1,246)**	**(335)**	**(83)**	**(1,506)**	**(3,169)**	**8,568**	**5,399**
Balance at 31 March carried forward		**(3,350)**	**(19,470)**	**(3,537)**	**(2,945)**	**(29,301)**	**(86,255)**	**(115,556)**

The Group Movement in Reserves Statement explains how the reserves, of the entire group have changed from the start of the year to the end. It takes the surplus or deficit from the Group CIES and shows how this and other accounting adjustments have affected the different types of reserves. This statement helps to understand the change in the group's overall financial health and highlights the resources it has available for future spending

Movement in Reserves Statement (MIRS)

MIRS Group 2024/25	**Note**	**General Fund**	**Earmarked Reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Council Share of Subsidiary P&L Reserve**	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March brought forward		**(3,350)**	**(19,470)**	**(3,537)**	**(2,945)**	**(945)**	**(30,246)**	**(86,706)**	**(116,952)**
(Surplus)/Deficit on Provision of Services		35,807				249	36,056		36,056
Other Comprehensive I&E							0	(11,930)	(11,930)
Total Comprehensive I&E		**35,807**	**0**	**0**	**0**	**249**	**36,056**	**(11,930)**	**24,126**
Adjustments between accounting basis & funding basis under regulations (Note 8)		(37,251)	0	(475)	147		(37,579)	37,579	0
Transfer to/from Earmarked Reserves		1,578	(1,578)	0	0		0	0	0
(Increase) or Decrease in year		**134**	**(1,578)**	**(475)**	**147**	**249**	**(1,523)**	**25,649**	**24,126**
Balance at 31 March carried forward		**(3,216)**	**(21,048)**	**(4,012)**	**(2,798)**	**(696)**	**(31,769)**	**(61,057)**	**(92,826)**

MIRS Group 2023/24	**Note**	**General Fund**	**Earmarked Reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Council Share of Subsidiary P&L Reserve**	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March brought forward		**(2,104)**	**(19,135)**	**(3,454)**	**(1,439)**	**195**	**(25,937)**	**(95,274)**	**(121,211)**
(Surplus)/Deficit on Provision of Services		8,041				(1,140)	**6,901**		6,901
Other Comprehensive I&E								(2,642)	(2,642)
Total Comprehensive I&E		**8,041**	**0**	**0**	**0**	**(1,140)**	**6,901**	**(2,642)**	**4,259**
Adjustments between accounting basis & funding basis under regulations (Note 8)		(9,622)		(83)	(1,506)		**(11,210)**	11,210	0
Transfer to/from Earmarked Reserves		335	(335)				**0**	0	0
(Increase) or Decrease in year		**(1,246)**	**(335)**	**(83)**	**(1,506)**	**(1,140)**	**(4,309)**	**8,568**	**4,259**
Balance at 31 March carried forward		**(3,350)**	**(19,470)**	**(3,537)**	**(2,945)**	**(945)**	**(30,246)**	**(86,706)**	**(116,952)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority.

The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'

Peter Vickers BSc FCA, Chief Finance Officer...

Date: 27 February 2026

SINGLE	GROUP	Balance Sheet	*Single*	SINGLE	GROUP
31/03/2024	**31/03/2024**			**31/03/2025**	**31/03/2025**
£'000	**£'000**		*Note**	**£'000**	**£'000**
119,755	119,755	Property, Plant and Equipment (PPE)	*13*	81,700	81,700
258	258	Heritage Assets	-	258	258
135,812	138,734	Investment Property	*14*	131,633	134,673
36	36	Intangible Assets	*15*	65	65
19,470	19,470	Long Term Investments	*18*	11,913	11,913
7,972	6,612	Long Term Debtors	*17*	8,899	7,539
283,303	**284,865**	**Long Term Assets**		**234,468**	**236,148**
0	0	Assets held for Sale	*14a*	16,573	16,573
15,000	15,000	Short Term Investments	*18*	5,000	5,000
5	5	Inventories	-	14	10
7,271	7,039	Short Term Debtors	*19*	13,552	12,795
6,550	6,617	Cash and Cash Equivalents	*20*	20,928	21,054
28,826	**28,661**	**Current Assets**		**56,067**	**55,432**
(157,000)	(157,000)	Short Term Borrowing	*21*	(102,000)	(102,000)
(19,563)	(19,563)	Short Term Creditors	*22*	(22,614)	(22,648)
(199)	(199)	Short Term Revenue Grants- Receipts in Advance	*35*	(372)	(372)
(324)	(324)	Other Short Term Liabilities (Leases)	*18*	(301)	(301)
(177,086)	**(177,086)**	**Current Liabilities**		**(125,287)**	**(125,321)**
(2,949)	(2,949)	Long Term Provisions (NNDR only)	*23*	(2,510)	(2,510)
(5,000)	(5,000)	Long Term Borrowing	*24*	(64,000)	(64,000)
(8,106)	(8,106)	Other Long Term Liabilities (Pensions & Leases only)	*25*	(2,679)	(2,679)
(3,434)	(3,434)	Long Term Capital Grants- Receipts in Advance	*35*	(3,925)	(3,925)
0	0	# Deferred Tax Liability #	-	0	(319)
(19,489)	**(19,489)**	**Long Term Liabilities**		**(73,114)**	**(73,433)**
115,554	**116,951**	**Net Assets**		**92,134**	**92,826**
(29,301)	(30,246)	Usable Reserves	*MiRS*	(31,074)	(31,769)
(86,253)	(86,705)	Unusable Reserves	*26*	(61,060)	(61,057)
(115,554)	**(116,951)**	**Total Reserves**		**(92,134)**	**(92,826)**

Notes outlined above are single entity only, for group account adjustments please see note 42.:

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

SINGLE	GROUP			SINGLE	GROUP
2023/24	**2023/24**			**2024/25**	**2024/25**
£000	£000		**Notes**	£000	£000
(8,041)	(6,901)	Net surplus or (deficit) on the provision of services	CIES	(35,807)	(36,056)
10,858	10,858	Adjustments to surplus or deficit on the provision of services for non-cash movements	27	47,772	48,082
446	341	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	28	(13,519)	(13,519)
3,263	**4,298**	**Net Cash flows from operating activities**		**(1,554)**	**(1,493)**
(46,930)	(48,080)	Investing activities	30	9,732	9,732
38,933	39,023	Financing activities	31	6,199	6,199
(4,734)	**(4,759)**	**Net increase or decrease in cash and cash equivalents**		**14,377**	**14,438**
1,817	1,857	Cash and cash equivalents at the beginning of the reporting period		**6,551**	**6,616**
6,551	**6,616**	**Cash and cash equivalents at the end of the reporting period**		**20,928**	21,054

1 Accounting Policies

i. General Principles

The statements of account summarise the authority's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Basis of Preparation and Presentation

Explanation of accounting statements

The Statement of Accounts set out the Council's income and expenditure for the year, and its financial position at 31st March 2025.

The format and content of the financial statements is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK 2024/25, in turn underpinned by International Financial Reporting Standards.

The Core (single entity and group) statements are:

i. The Expenditure and Funding Analysis Statement shows the net expenditure that is chargeable to taxation and reconciles it to the Comprehensive Income and Expenditure Statement.

ii. The Movement in Reserves Statement is a summary of the changes to the Council's reserves over the financial year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable", which must be set aside for specific purposes.

iii. The Comprehensive Income and Expenditure Statement records all the Council's income and expenditure for the financial year. The upper element of the statement provides an analysis by service area. The lower half of the statement shows corporate transactions and financing.

iv. The Balance Sheet is a "snap shot" of the Council's assets, liabilities, cash balances and reserves at the end of the financial year.

v. The Cash Flow Statement shows the reason for changes in the Council's cash balances during the financial year and whether those changes are due to operating activities, new investment or financing activities.

Group accounts outlined with single entity statements/notes where applicable.

The supplementary financial statements are:

i. The Collection Fund Statement is a statutory fund maintained by a Billing Authority summarising local taxes and non-domestic rates collected by the Council, along with redistribution payments to Precepting Authorities

ii. The Independent Auditor's Report provides the auditor's opinion on the financial statements and the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

iii. The Annual Governance Statement sets out the governance structure of the Council and its key internal controls.

As at the balance sheet date the Council held short-term borrowing of £102m to be re-financed in 2024/25, this represents a risk to the council if the refinancing interest rates exceed the Medium-Term

Financial Plan assumptions impacting upon the assumed savings to bring the Council's Medium-Term Financial Plan back into balance without reliance upon a drawdown from reserves. Therefore, a material uncertainty exists that may cast significant doubt upon the Council's forecasts which could require an increase in planned income and a reduction in costs to ensure all services levels are maintained. No adjustments have been made in the financial statements to the carrying value of assets should funding not be forthcoming.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected. The de minimis for the accrual of a single item is £2,000.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates & Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

- amortisation of intangible fixed assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales) or the statutory repayment of loans fund advances. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance MRP or the statutory repayment of loans fund advances, by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

vi. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR:

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vii. Employee Benefits

Benefits Payable during Employment:

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits:

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits:

Employees of the authority are members of one pension scheme:

- the Local Government Pensions Scheme, administered by Hampshire County Council.

This scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

The Local Government Pension Scheme:

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Hampshire County Council's pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% based on the indicative rate of return on high quality corporate bond.
- The assets of Hampshire County Council's pension fund attributable to the authority are included in the Balance Sheet at their fair value:
  O quoted securities – current bid price
  O unquoted securities – professional estimate
  O unitised securities – current bid price
  O property – market value.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Hampshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits:

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities:

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial Assets:

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority holds financial assets measured at:

- Amortised cost,
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost:

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the financing and investment income and expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the financing and investment income and expenditure line in the CIES.

Expected Credit Loss Model:

The Council recognises expected credit loss on all its financial assets held at amortised cost or FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Comprehensive Income:

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Financial Assets Measured at Fair Value through Profit and Loss:

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services.

Fair Value Measurements of Financial Assets:

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the authority's financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement data.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES and are balanced by entries in the Pooled Investment Fund Adjustment Account (PIFAA).

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

xi. Heritage Assets

The Council's heritage assets largely comprise items of civic regalia as well as a memorial and statues. They are all held in support of their primary objective of contributing to knowledge and culture and appreciation of the Council's history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the authority's accounting policies on property, plant and equipment.

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

The Council does not have any internally generated intangible assets. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of
the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at cost less accumulated depreciation and any accumulated impairment loss. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

xiii. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

xiv. Long-term contracts

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

xv. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

xvi. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

xvii. Leases

Definition of a Lease

At inception of a contract, the Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Council assesses whether:

- The contract involves the use of an identified asset
- The Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use
- The Council has the right to direct the use of the asset

The Council as Lessee

Recognition and Measurement

The Council recognises right-of-use assets and lease liabilities at the lease commencement date. The right-of-use assets are initially measured at cost, which comprises:

- The initial amount of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred by the Council
- An estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site or restoring the asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset to the Council by the end of the lease term or if the cost of the right-of-use asset reflects that the Council will exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price of a purchase option if the Council is reasonably certain to exercise that option

- Payments of penalties for terminating the lease, if the lease term reflects the Council exercising an option to terminate the lease

The lease liability is subsequently measured by:
- Increasing the carrying amount to reflect interest on the lease liability
- Reducing the carrying amount to reflect the lease payments made
- Remeasuring the carrying amount to reflect any reassessment or lease modifications

When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset or recorded in the Comprehensive Income and Expenditure Statement if the carrying amount of the right-of-use asset has been reduced to zero.

Practical Expedients and Exemptions

The Council has elected not to recognise right-of-use assets and lease liabilities for:
- Short-term leases that have a lease term of 12 months or less
- Leases of low-value assets (assets with a value of less than £10,000 when new)

The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Council as Lessor

When the Council acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future payments expected to be received under the lease.

Lease rentals receivable are apportioned between:
- A charge for the acquisition of the interest in the property – applied to write down the lease debtor
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

Sale and Leaseback Transactions

Where the Council sells an asset and immediately leases it back, the transaction is accounted for based on whether the transfer of the asset qualifies as a sale under IFRS 15 Revenue from Contracts with Customers.

Transfer Qualifies as a Sale

If the transfer of the asset satisfies the requirements of IFRS 15 to be accounted for as a sale:

- The Council derecognises the asset and recognises a right-of-use asset arising from the leaseback at the proportion of the previous carrying amount that relates to the right of use retained.
- The Council recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.
- The right-of-use asset is adjusted for any below-market terms which are accounted for as a prepayment of lease payments.
- The lease liability is recognised in accordance with the Council's standard lease accounting policy.

Transfer Does Not Qualify as a Sale

If the transfer of the asset does not satisfy the requirements of IFRS 15 to be accounted for as a sale:
- The Council continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds.
- The financial liability is accounted for in accordance with IFRS 9 Financial Instruments.
- No gain or loss is recognised on the transaction.

Lease Modifications

As Lessee

The Council accounts for a lease modification as a separate lease if:
- The modification increases the scope of the lease by adding the right to use one or more underlying assets
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope

For a lease modification that is not accounted for as a separate lease, the Council:
- Allocates the consideration in the modified contract
- Determines the lease term of the modified lease
- Remeasures the lease liability by discounting the revised lease payments using a revised discount rate
- Decreases the carrying amount of the right-of-use asset to reflect partial or full termination of the lease for modifications that decrease the scope of the lease
- Makes a corresponding adjustment to the right-of-use asset for all other lease modifications

As Lessor

For a modification to a finance lease, the Council accounts for the modification as a separate lease if:
- The modification increases the scope of the lease by adding the right to use one or more underlying assets
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope

For a modification to an operating lease, the Council accounts for the modification as a new lease from the effective date of the modification.

Transition Arrangements

The Council has applied IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

For leases previously classified as operating leases under IAS 17, the Council has:
- Recognised right-of-use assets and lease liabilities in the Balance Sheet, initially measured at the present value of the remaining lease payments, discounted using the Council's incremental borrowing rate at the date of initial application
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

For leases previously classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application is the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

The Council did not identify any onerous leases under IAS 37 at the date of initial application.

xviii. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

xix. Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the ongoing economic use and efficiency of the asset. Any change in assumption of use of the asset could shorten the assets useful economic life. Applicable assets are valued on a minimum five-year rolling basis.

Recognition:

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement:

Assets are initially measured at cost, comprising:

- purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income and expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the capital adjustment account in the Movement in Reserves Statement.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Impairment:

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation:

Depreciation is provided for on all material Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the remaining useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the remaining useful life of the asset.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale:

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the

Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.
A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xx. Provisions, Contingent Liabilities and Assets

Provisions:

Provisions are made where an event has taken place on or before the Balance Sheet date:
- that gives the authority a present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.
Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.
Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes.

xxii. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiii. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

xxiv. Fair value measurement of non-financial assets

The authority's accounting policy for fair value measurement of financial assets is set out in

note ix. The authority also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

a) in the principal market for the asset, or

b) in the absence of a principal market, in the most advantageous market for the asset.

The authority measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

• Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date

• Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

• Level 3 – unobservable inputs for the asset.

xxv. Capitalisation Criteria

Borrowing Costs - The Council has adopted a policy under IAS 23 'Borrowing Costs' to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. In implementing a policy of capitalisation of borrowing costs the Council has determined what it sees as a qualifying asset and what the borrowing costs are, that are to be capitalised.
- Qualifying Assets – Assets that take a substantial period of time to get ready for their intended use or sale, where this would cause a significant balance of borrowing costs to accrue.
- Borrowing costs – Where the Council borrows to specifically fund a scheme the amount that is capitalised is the actual cost of borrowing less investment income. Where funds are borrowed generally a capitalisation rate is used based on the weighted average of borrowing costs during the period.
The Council only capitalises borrowing costs when in addition to the above it becomes probable that the capital expenditure will result in future economic benefits or service potential to the Council; and that the borrowing costs can be measured reliably.

2 Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 requires authorities to disclose information relating to the impact of accounting standards that have been issued but are not yet adopted by the Code. This requirement applies only to those standards listed in Appendix C of the 2025/26 Code.

For the 2024/25 financial statements, the following accounting standards have been issued but not yet adopted:

- (a) IAS 21 – The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)
  Issued in August 2023, this amendment clarifies how an entity should assess whether a currency is exchangeable and, when it is not, how to determine a spot exchange rate. It also introduces new disclosure requirements to help users understand the impact of using a non-exchangeable currency. This is unlikely to have a material impact for most local authorities but will require assessment of any relevant transactions.

- b) IFRS 17 – Insurance Contracts
  IFRS 17 replaces IFRS 4 and sets out principles for the recognition, measurement, presentation, and disclosure of insurance contracts. It is not expected to apply to most local authorities due to the nature of their transactions, but authorities should assess whether any arrangements fall within scope.

- c) Changes to the measurement of non-investment assets (Operational Property, Plant and Equipment and Intangible Assets)

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These changes include adaptations of IAS 16 and IAS 38, introducing:

- A revaluation approach requiring valuations every five years (or on a five-year rolling basis), with indexation in the intervening years.
- A historical cost measurement requirement for intangible assets.

Although these changes would typically constitute a change in accounting policy, the Code includes relief from retrospective restatement. They will be applied prospectively in the 2025/26 accounts.

The authority does not anticipate that these amendments will have a material impact on the financial statements for the year ending 31 March 2025, but will continue to assess implications as further guidance becomes available.

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are provided as follows:

• Future Funding for Local Government. There is an element of risk about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. In addition, as mentioned in the Narrative Statement, the Council has made judgements about the adequacy of its balances and has also put in place processes to achieve savings that will mitigate or counteract any future changes in its levels of funding or other income.

• Asset Classifications. The Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on an understanding of the main purpose that the Council is holding the asset. If the asset is used in delivering services, or is occupied by third parties who are subsidised by the Council, the asset is deemed to be Property, Plant and Equipment. A non-current asset used solely to earn rentals and/or for capital appreciation is classified as an Investment Property.

• Assets Held for Sale. During 2024/25 the Council approved a programme of asset disposals as part of its capital and financial recovery strategy. Management has exercised judgement in determining that certain investment properties, with a carrying value of £16.573m, met the criteria for classification as assets held for sale at 31 March 2025. This judgement was based on formal approval to dispose of the assets, active marketing at the balance sheet date, the assets being available for immediate sale in their present condition, and the expectation that disposal would be completed within twelve months of the reporting date

- Property, Plant and Equipment. Non-current assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to them. If the useful life of a non-current asset is reduced, depreciation increases and the carrying amount of the non-current asset falls. Annual depreciation charge for buildings would increase proportionately for every year that an asset useful life has to be reduced.

- Lease Classification. The Council has made judgments on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The accounting treatment for operating and finance leases is significantly different.

- Contractual Arrangements. The Council has made judgements on whether its contractual arrangements contain embedded leases i.e. arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment where fulfilment of the arrangement is dependent on the use of specific assets.

- Potential Liabilities. The Council has made judgements about the likelihood of potential liabilities and whether a provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact.

- Bad or Doubtful Debts. The Council has made judgements about the level of bad or doubtful debts and the level of provision that it may need to provide for. These judgements are based on historical experience of debtor defaults and current economic conditions.

- Business Rate Appeals. The Council has made judgements about the number of successful appeals under the Business Rates Retention Scheme.

All of these judgements are the responsibility of the Chief Financial Officer as set out in the Statement of Responsibilities for the Statement of Accounts.

4 Assumptions & Uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the authority's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31st March 2025 for which there is a risk of adjustment in the forthcoming financial year are provided below:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that depend on assumptions about the level of future repairs and maintenance. The current economic climate, inflation in construction costs and uncertainty over future funding for maintenance programmes increase the risk that useful lives may differ from those estimated. PPE valued at depreciated replacement cost (DRC) or existing use value (EUV) relies on significant assumptions used by the external valuer, including BCIS build-cost indices, location factors, market yields, and adjustments for regional market conditions. These inputs are subject to economic and market variability. Applicable assets are revalued on a minimum five-year rolling basis.	If useful lives are reduced, depreciation increases and the carrying amount of the assets falls more quickly. Based on current estimates, a one-year reduction in average useful lives for buildings would increase annual depreciation by £15k. During the most recent valuation cycle, the average movement in OLB assets was 0.7%. If this were applied to similar assets not revalued in-year, their carrying amount would increase by approximately £1k, which is not material enough to warrant a full valuation. Movements in BCIS indices, yields or location factors could materially affect asset values. A 1% change in construction cost indices could result in a significant change in the carrying amount of DRC-valued assets.
Investment Properties	Investment properties are measured at fair value each year using market-based valuation techniques. These valuations rely on unobservable inputs, including assumptions on market yields, rental income, tenant demand, void periods and expectations of future property market conditions. Given current fluctuations in commercial property markets, these assumptions carry a significant degree of estimation uncertainty.	Changes in market yields, rental assumptions or void period estimates would lead to a material change in the fair value of investment properties. Based on the valuer's sensitivity analysis, a 0.25% movement in market yields would increase or decrease the fair value of the Council's investment properties by a material amount. Variations in rental income assumptions (for example, a 5% change in expected rents) could also lead to significant changes in carrying values.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.	The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

	Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes below.	
Provisions (NNDR appeals)	The Council has recognised a provision of £2.510m (£6.275m full collection fund) in respect of appeals against non-domestic rate valuations. The provision represents management's best estimate of the expenditure required to settle obligations arising from appeals lodged at the balance sheet date and is based on the number of appeals received, historical success rates, and the estimated average settlement value per appeal.	There is significant estimation uncertainty in determining the level of the provision, as the final outcome and timing of appeals are dependent on decisions by the Valuation Office Agency and may be influenced by precedent set by other authorities. A reasonably possible change in assumptions, such as a 10% increase in either the number of appeals or the estimated average settlement value, would increase the required provision by approximately £251k
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £2,124k. However, the assumptions interact in complex ways. During 2023/24, the authority's actuaries advised that the net pensions liability had decreased by £1.309m as a result of estimates being corrected as a result of experience and decreased by £4,536k attributable to updating of the assumptions.
Arrears	The NDR arrears balance of £663k (£1,516k full collection fund) at the Balance Sheet date is deemed to be at risk of material adjustment within the next year due to current economic circumstances meaning that businesses are struggling to pay. A review of significant balances suggested that an impairment of doubtful debts of 68% (£410k or £1,025k full collection fund) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, for every 1% reduction in collection rates, an extra £50k would be required to be set aside as an allowance.

5 Events After the Balance Sheet Date

The unaudited statement of accounts were authorised for issue by the Executive Head of Finance on 27 June 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6 Note to Expenditure and Funding Analysis

2023/24					2024/25			
Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000	**Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
(1,341)	(16)	0	(1,357)	Community & Residents	27	(15)	4	16
629	(23)	0	606	Development & Economic Growth	0	(27)	6	(21)
136	(36)	0	100	Enabling Services	1,366	(43)	9	1,332
(236)	(24)	0	(260)	Finance	1	(23)	5	(17)
2,763	(52)	1	2,712	Neighbourhood Services	1,131	(53)	13	1,091
(68)	(12)	0	(80)	Policy, Climate & Sustainability	0	(9)	2	(7)
(3,037)	(11)	0	(3,048)	Regeneration & Property	29,862	(12)	1	29,851
(1,154)	**(174)**	**1**	**(1,327)**	**Net Cost of Services**	**32,387**	**(182)**	**40**	**32,245**
10,192	466	291	10,949	Other income and expenditure from the Expenditure and Funding Analysis	5,205	352	(551)	5,006
9,038	**292**	**292**	**9,622**	**Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services**	**37,592**	**170**	**(511)**	**37,251**

a) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivables without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

b) Net Change for the Pensions Adjustments - net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

c) Other statutory adjustments - between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For services this represents the removal of Accumulated Absences accrual.
- For financing and investment income and expenditure the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Segmental Income

Income received on a segmental basis is analysed below:

2023/24 £000s		2024/25 £000s
(571)	Community & Residents	(708)
(1,195)	Development & Economic Growth	(2,164)
(5,192)	Enabling Services	(2,294)
(2,385)	Finance	(2,956)
(6,724)	Neighbourhood Services	(6,585)
(1,511)	Policy, Climate & Sustainability	(22)
(1,013)	Regeneration & Property	(1,091)
(18,591)		**(15,820)**

7 Expenditure and Income Analysed by Nature

The authority’s expenditure and income is analysed as follows:

2023/24 £000s		2024/25 £000s
	Expenditure:	
14,826	Employee benefits expenses	15,401
6,170	Changes in the Fair Value of Investment Property	12,696
1,561	Depreciation, amortisation, impairment	31,981
18,127	Precepts and levies	24,494
6,900	Interest payments	7,010
43,491	Other services expenses	45,952
9,817	Loss /(gain) on disposal	(703)
467	Net interest on net defined benefit liability/asset	352
101,359	**Total expenditure**	**137,183**
	Income:	
(10,081)	Changes in the Fair Value of Investment Property	0
(15,608)	Fees, charges and other service income	(25,685)
(32,381)	Government grants and contributions	(39,076)
(29,963)	Income from council tax and non-domestic rates income	(32,690)
(4,665)	Interest and investment income	(4,207)
(620)	Other income	282
(93,318)	**Total income**	**(101,376)**
8,041	**(Surplus) or Deficit on the Provision of Services**	**35,807**

The 'Expenditure and Income Analysed by Nature' table provides a breakdown of the Authority's financial performance by the type or economic nature of transactions, rather than by the service provided. This note offers a comprehensive view of the main categories of spending, such as employee costs, premises expenses, supplies and services, and the key sources of income, including fees, charges, and government grants, across the entire Authority

8 Adjustments between Accounting & Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital receipts reserve

The capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital grants unapplied

The capital grants unapplied account (reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2023/24 General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	2023/24	2024/25 General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
				Adjustments primarily involving the Capital Adjustment Account				
(1,520)			1,520	Charges for depreciation and impairment of PPE	(1,150)			1,150
(1,676)			1,676	Revaluation Gain/Loss on PPE	(29,757)			29,757
(3,076)			3,076	Movements in Fair Value of Investment Properties	(12,696)			12,696
(40)			40	Amortisation of intangible assets	(16)			16
6,321		(1,506)	(4,815)	Capital grants & contributions received and applied	3,220		147	(3,367)
(1,383)			1,383	Revenue exp funded from capital under statue (REFCUS)	(1,043)			1,043
(9,817)			9,817	Disposals	(2,520)			2,520
				Insertion of items not dr/cr to CIES				
320			(320)	Capital expenditure charged against General Fund	317			(317)
1,572			(1,572)	Statutory Provision for the financing of capital investment (MRP)	1,746			(1,746)
				Adjustments primarily involving the Capital Receipts Reserve				
83	(83)		0	Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	2,982	(2,982)		
				Use of the Capital Receipts Reserve to finance capital expenditure		2,507		(2,507)
				Adjustment's primarily involving the Pooled Fin Investment Fund Adjustment Account				
177			(177)	Unrealised Fair Value Gain/Loss on Financial Instruments	1,326			(1,326)
				Adjustments primarily involving the Pensions Reserve				
(2,414)			2,414	Pension remeasurements and cost	(2,278)			2,278
2,124			(2,124)	Employer's pension contributions and direct payments	2,107			(2,107)
				Adjustments primarily involving the Accumulated Absences Account				
(290)			290	Council tax and NNDR	551			(551)
				Adjustment's primarily involving the Accumulated Absences Account				
(1)			1	Holiday pay	(40)			40
(9,620)	**(83)**	**(1,506)**	**11,209**	**Total Adjustments**	**(37,251)**	**(475)**	**147**	**37,579**

Notes to the Accounts

9 Transfers to/from Earmarked Reserves

At 01 April 2023 £'000	Internal Transfers £'000	Transfers out £'000	Transfers in £'000	At 31 March 2024 £'000	Earmarked Reserves	Transfers out £'000	Transfers in £'000	At 31 March 2025 £'000
(5,642)	2	47	(341)	(5,934)	Commuted sums	85	(2,119)	(7,968)
(2,913)	(2,785)	(1)	(1)	(5,700)	Stability & Resilience Reserve	518	0	(5,182)
(2,000)	(1,892)	0	0	(3,892)	Business Rate equalisation reserve	0	0	(3,892)
(488)	0	0	(40)	(528)	Mercury abatement	0	(25)	(553)
0	0	0	0	0	Community Recovery Fund	0	(489)	(489)
(812)	0	0	0	(812)	Flexible Homelessness Support Grant	398	0	(414)
(165)	0	0	(155)	(320)	Homes for Ukraine support A	52	(94)	(362)
0	0	0	(144)	(144)	Asylum Dispersal	18	(172)	(298)
(257)	0	0	0	(257)	Regeneration Reserve	0	0	(257)
(253)	0	0	0	(253)	Insurance Reserve	0	0	(253)
(347)	163	79	(49)	(154)	Other grants (below £45k)	37	(108)	(225)
(206)	0	24	(24)	(206)	Civil parking enforcement surplus	4	0	(202)
0	0	0	0	0	Tennis Court Sink Fund	0	(168)	(168)
(107)	0	5	(32)	(134)	Pipeline environmental improvement	21	(25)	(138)
(130)	0	1	0	(129)	Farnborough'b airport environment Fund	0	(5)	(134)
(93)	0	93	0	0	Budget carry forwards	0	(129)	(129)
(111)	0	5	0	(106)	Deprivation reserve	22	(2)	(86)
0	0	0	(42)	(42)	Local Authority Housing Fund (LAHF)	0	(38)	(80)
(75)	0	0	0	(75)	Custom Build Grant	0	0	(75)
(178)	0	54	0	(124)	Climate emergency reserve	57	0	(67)
(14)	0	0	(10)	(24)	Afghan relocation scheme	0	(9)	(33)
(31)	0	4	0	(27)	Cyber security	10	0	(17)
(30)	0	11	0	(19)	Homes for Ukraine support B	8	0	(11)
0	0	0	(7)	(7)	Supp & Temp Accommodation Work	0	0	(7)
(227)	0	14	0	(213)	A331 Air Quality Project	208	0	(5)
(23)	0	15	0	(8)	Control outbreak	5	0	(3)
(100)	0	0	(212)	(312)	Workforce Reserve	312	0	0
(43)	0	0	0	(43)	Covid Council tax hardship	43	0	0
(48)	0	41	0	(7)	UK shared prosperity fund	13	(6)	0
(1,892)	1,892	0	0	0	Covid Business Rates Reserve	0	0	0
(1,483)	1,483	0	0	0	Commercial Reserve	0	0	0
(297)	297	0	0	0	Business support Administration grant admin	0	0	0
(220)	220	0	0	0	Treasury Earmarked reserves	0	0	0
(195)	0	195	0	0	Affordable Housing Reserve	0	0	0
(130)	130	0	0	0	Local Authority Discretionary Grants Fund	0	0	0
(121)	0	121	0	0	Commercial Property Reserve	0	0	0
(93)	93	0	0	0	Localising Council Tax Support scheme administration	0	0	0
(85)	85	0	0	0	Feasibility Victoria Road	0	0	0
(71)	71	0	0	0	Dilapidation reserve	0	0	0
(64)	64	0	0	0	Cohesion/Migration/Gurkha Settlement	0	0	0
(59)	59	0	0	0	Prop Services Covenant release	0	0	0
(45)	45	0	0	0	Land Charges	0	0	0
(37)	37	0	0	0	Covid track & trace	0	0	0
(26)	26	0	0	0	Ward reserve	0	0	0
(14)	0	14	0	0	Election integrity	0	0	0
(10)	10	0	0	0	Administration support - benefits team	0	0	0
(19,135)	**0**	**722**	**(1,057)**	**(19,470)**	**Total**	**1,811**	**(3,389)**	**(21,048)**

10 Other Operating Expenditure

2023/24		2024/25
£'000		**£'000**
(25)	Photovoltaic Cells Feed-in Tariff	**(46)**
9,817	Gain/Loss on disposal of non-current assets	**(461)**
75	Other Corporate I&E	**0**
9,867	**Total Other Operating Expenditure**	**(507)**

11 Financing and Investment Income and Expenditure

2023/24		2024/25
£'000		
6,900	Interest payable and similar charges	7,010
467	Net interest on the net defined benefit liability (asset)	352
(4,665)	Interest receivable and similar income	(4,206)
(3,911)	Income and expenditure in relation to investment properties and changes in their fair value	4,986
(177)	Unrealised Fair Value gain/loss on financial investments	(428)
(227)	Changes in impairment loss allowance of financial instruments	471
(1,613)	**Total**	**8,185**

12 Taxation and Non-Specific Grant Income

2023/24		2024/25
£'000		
(7,448)	Council tax income	(7,684)
57	Collection Fund (Surplus) / Deficit - Council tax	13
3	Collection Fund (Surplus) / Deficit - NNDR	(912)
(2,331)	Non-domestic rates income and expenditure	(2,995)
1,191	NNDR (safety net) / levy payment	3,382
(3,307)	S.31 grants paid to compensate loss of business rates income	(4,134)
(1,167)	Non-ringfenced government grants	(1,282)
(1,983)	Capital grants and contributions	(2,069)
(14,985)	**Total**	(15,681)

13 Property, Plant and Equipment

	Land and Buildings	Vehicles, Plant & Equipment	Right-of - use Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation							
at 1 April 2024	58,870	8,307	0	7,817	723	48,369	124,086
Adjustment for right of use asset (IFRS 16)	(219)	(1,264)	1,483				0
Additions	172	344	46	888	0	11,804	13,254
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,144				(386)		6,758
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,581)					(28,573)	(30,154)
Derecognition/Disposal			(97)				(97)
Reclassifications						(27,400)	(27,400)
at 31 March 2025	**64,386**	**7,387**	**1,432**	**8,705**	**337**	**4,200**	**86,447**
Accumulated Depreciation and Impairment							
at 1 April 2024	(47)	(4,285)		0	0	0	(4,332)
Adjustment for right of use asset (IFRS 16)	14	391	(405)				0
Depreciation charge	(730)	(438)					(1,168)
Depreciation written out to revaluation reserve	356						356
Depreciation written out to the Surplus/Deficit on the Provision of Services	397						397
Derecognition/Disposal							0
at 31 March 2025	**(10)**	**(4,332)**	**(405)**	**0**	**0**	**0**	**(4,747)**
Net Book Value;							
at 31 March 2025	**64,376**	**3,055**	**1,027**	**8,705**	**337**	**4,200**	**81,700**
at 31 March 2024	58,823	4,022	0	7,817	723	48,369	119,754

	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation						
at 1 April 2023	70,051	9,547	7,456	1,310	30,356	**118,720**
Additions	2,326	340	361	38	19,311	**22,376**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3,412)	0	0	(2)	0	**(3,414)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,006)	0	0	(8)	0	**(2,014)**
Derecognition/Disposal	(10,002)	(1,580)	0	0	0	**(11,582)**
Reclassifications	1,913	0	0	(615)	(1,298)	**0**
at 31 March 2024	**58,870**	**8,307**	**7,817**	**723**	**48,369**	**124,086**
Accumulated Depreciation and Impairment						
at 1 April 2023	(667)	(5,109)	0	0	0	**(5,776)**
Depreciation charge	(764)	(756)	0	0	0	**(1,520)**
Depreciation written out to revaluation reserve	861	0	0	0	0	**861**
Depreciation written out to the Surplus/Deficit on the Provision of Services	338					**338**
Derecognition/Disposal	185	1,580	0	0	0	**1,765**
at 31 March 2024	**(47)**	**(4,285)**	**0**	**0**	**0**	**(4,332)**
Net Book Value:						
at 31 March 2024	**58,823**	**4,022**	**7,817**	**723**	**48,369**	**119,754**
at 31 March 2023	69,384	4,438	7,456	1,310	30,356	112,944

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings up to 65 years
- Vehicles, Plant and Equipment up to 15 years

Capital Commitments

As at 31 March 2025, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2024/25 and future years budgeted to cost £2.8m

Effects of Changes in Estimates

In 2024/25, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Council carries out a rolling programme that ensures that all Property (land and buildings) required to be measured at current value or fair value as appropriate is revalued at least every five years, with material assets valued every year. All valuations were carried out by Wilkes, Head and Eve. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations concerning vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices, with consideration given for the condition of the asset.

	Land and Buildings	Vehicles, Plant & Equipment	Right-of - use Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Carried at Historical Cost		3,055	1,027	8,705		4,200	16,987
Valued at Current value as at:							
31/03/2025	**64,286**	**-**	**-**	**-**	**337**		**64,623**
31/03/2024	0	-	-	-	0	-	**0**
31/03/2023	80	-	-	-	0	-	**80**
31/03/2022	0	-	-	-	0	-	**0**
31/03/2021	11	-	-	-	0	-	**11**
Total Cost or Valuation	**64,376**	**3,055**	**1,027**	**8,705**	**337**	**4,200**	**81,700**

14 Investment Properties

The following items of income and expenditure have been accounted for in the Major Projects & Property Services section in the Comprehensive Income and Expenditure Statement:

2023/24		2024/25
Non-Current		**Non-Current**
£'000	**Investment Properties Movements in Year**	**£'000**
128,112	**Opening Balance**	**135,812**
10,776	Additions	210
0	Disposals	(2,520)
(3,076)	Net gains/(losses) from fair value adjustment taken to CIES	(12,696)
0	Transfers to/from Property Plant and Equipment	27,400
0	Reclassified as Assets Held for Sale	(16,573)
135,812	**Balance at the end of the year**	**131,633**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

During the year the Council identified a number of investment properties for disposal. Properties with a carrying value of £16.573m that met the criteria for classification as assets held for sale at 31 March 2025 have been reclassified from Investment Property to Current Assets. These assets are expected to be disposed of during 2025/26

All Investment Properties were re-valued as at 31st March 2025.

The following table summarises the movement in the fair value of investment properties over the year:

2023/24		2024/25
£'000	**Investment Property Income and Expenditure**	**£'000**
(10,081)	Rental income from investment property	(9,832)
3,094	Direct operating expenses from investment property	2,122
(6,987)	**Net (gain)/loss**	**(7,710)**

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

Valuation Techniques Used to Determine Level 2 Fair Value for Investment Property

The fair value for the residential properties (at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and best use of investment properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Valuation techniques

There has been no change in the valuation techniques used during the year for investment properties
.

Valuation process for investment properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out externally by WHE, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

14a Assets Held for Sale

Assets held for sale are assets for which the Council has committed to a plan to sell, the assets are available for immediate sale in their present condition, and the sale is highly probable within twelve months of the balance sheet date.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets held for sale are not depreciated or revalued while classified in this category.

2023/24		2024/25
£'000	**Assets Held for Sale**	**£'000**
0	Investment properties reclassified as held for sale	16,573

2023/24 £'000	Assets Held for Sale	2024/25 £'000
0	**Net (gain)/loss**	16,573

The assets held for sale comprise investment properties previously included within the Council's Investment Property portfolio. These assets were identified for disposal as part of the Council's approved asset rationalisation and financial recovery strategy.

No impairment was required on classification as assets held for sale, as the carrying amounts did not exceed fair value less costs to sell at the balance sheet date.

The Council expects the disposal of these assets to be completed during the 2025/26 financial year.

15 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets consist of purchased licenses only.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £40k charged to revenue in 2023/24 was charged directly to service revenue accounts and is therefore included in the cost of services. No items of capitalised software are individually material to the Financial Statements.

The movement on Intangible Asset balances during the year is as follows:

2023/24		2024/25
£'000		**£'000**
	Balance at start of year:	
1,867	Gross carrying amounts	202
(1,791)	Accumulated amortisation	(166)
76	**Net carrying amount at start of year**	**36**
0	Additions (purchases)	45
(1,665)	Disposals	0
(40)	Amortisation for the period	(16)
1,665	Rev of past amortisation of disposal	0
0	Other charges	0
36	**Net carrying amount at end of year**	**65**

2023/24		2024/25
£'000		**£'000**
-	Comprising:	
202	Gross carrying amounts	247
(166)	Accumulated amortisation	(182)
36	**Total**	**65**

16 Interests in Jointly Controlled Operations

Building Control Service

On 2nd July 2015 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared Building Control service.

Rushmoor Borough Council's element of the shared Building Control service costs are included in the Planning and Economy line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared Building Control service from 1 April 2024 to 31 March 2025.

RBC	Hart DC	TOTAL		RBC	Hart DC	TOTAL
2023/24	**2023/24**	**2023/24**		**2024/25**	**2024/25**	**2024/25**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
191	281	472	Employee related expenditure	190	292	482
8	7	15	Premises related expenditure	13	0	13
3	5	8	Transport related expenditure	3	5	8
6	4	10	Supplies and Services	6	4	10
137	0	137	Support Services	68	0	68
1	0	1	Capital charges	0	0	0
346	**297**	**643**	**Expenditure**	**280**	**301**	**581**
(10)	10	0	Hosting charge	(10)	10	0
(204)	0	(204)	Fees and charges	(208)	0	(208)
(8)	0	(8)	Other income	(18)	0	(18)

As Hart District Council receive their income directly, no figures are shown for their income.

The purpose of the jointly controlled operations is for the councils to work together in a spirit of partnering in connection with their dealings with each other in respect of these services so that, wherever possible the activities of one complement and enhance the activities of the other for the benefit of all residents, businesses and visitors to their respective administrative areas.

There is no requirement for an authority to produce Group Accounts where the authority only has an interest in a jointly controlled operation.

17 Long Term Debtors

2023/24		2024/25
£'000		**£'000**
6,482	Farnborough International Airport Loan	6,587
63	Rushmoor Development Partnerships	63
1,360	Loan to Subsidiary (RHL)	2,168
54	Service Provider Loan	47
4	Car Loans to staff	28
8	Rent Free Lease Periods	6
7,972	**Total**	**8,899**

18 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Categories of financial instruments

The following categories of financial instrument are carried in the Balance Sheet:

Non-current Investment	Debtors	Current Investment & cash	Debtors	TOTAL	Financial Assets	Non-current Investment	Debtors	Current Investment & cash	Debtors	TOTAL
31-Mar-2024	31-Mar-2024	31-Mar-2024	31-Mar-2024	31-Mar-2024		31-Mar-2025	31-Mar-2025	31-Mar-2025	31-Mar-2025	31-Mar-2025
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
19,470	0	0	0	**19,470**	Fair value through Profit or loss	11,913	0	0	0	**11,913**
0	0	15,000	0	**15,000**	Amortised cost - Investments	0	0	5,000	0	**5,000**
0	0	6,227	0	**6,227**	Amortised cost - Cash & cash equivalents	0	0	20,928	0	**20,928**
0	7,972	0	4,659	**12,631**	Amortised cost - Debtors	0	8,899	0	10,121	**19,020**
19,470	**7,972**	**21,227**	**4,659**	**53,328**	**Total financial assets**	**11,913**	**8,899**	**25,928**	**10,121**	**56,861**
0	0	0	2,612	**2,612**	Assets not defined as Financial Instruments	0	0	0	3,431	**3,431**
19,470	**7,972**	**21,227**	**7,271**	**55,940**	**Total**	**11,913**	**8,899**	**25,928**	**13,552**	**60,292**

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

Material Soft Loans

The Council currently has two soft loans, both are immaterial;

- Loan to Active Nation; £54k listed within short and long term debtors on Balance sheet.
- Cycle Loans; £2k listed within short term debtors on Balance Sheet.

Income, expense, gains and losses

Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Total		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Total
31-Mar-2024	**31-Mar-2024**	**31-Mar-2024**		**31-Mar-2025**	**31-Mar-2025**	**31-Mar-2025**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Net gains/losses on:			
-	177	177	Financial assets measured at fair value through Profit or loss	0	(428)	(428)
-	-	0	Financial assets measured at amortised cost	0	0	0
0	**177**	**177**	**Total net gains/losses**	**0**	**(428)**	**(428)**
(4,665)	-	(4,665)	Interest revenue	(4,206)	0	(4,206)
6,900	-	6,900	Interest expense	7,010	0	7,010
2,235	**177**	**2,412**	**Total**	**2,804**	**(428)**	**2,376**

Fair value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2025, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- The fair value of all financial liabilities is equal to the carrying value reported in the balance sheet
- The fair value for all financial assets is equal to the carrying value reported in the balance sheet

Fair values are assessed against the following fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

Notes to the Accounts

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

31/03/2024	Recurring Fair Value Measurements	Input level in Fair Value hierarchy	Valuation technique used to measure Fair Value	31/03/2025
£'000				**£'000**
	Fair value through profit or loss;			
19,470	Pooled investment funds	Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly	11,913
19,470	**Total**			**11,913**

The fair values of financial assets and financial liabilities that are not measured at fair value (but for which fair value disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost. The fair values calculated for these instruments are as follows;

Carrying amount	Fair Value		Carrying amount	Fair Value
31/03/2024	**31/03/2024**		**31/03/2025**	**31/03/2025**
£'000	**£'000**		**£'000**	**£'000**
		Financial Liabilities;		
(162,000)	(162,000)	Loans	(166,000)	(166,000)
(13,989)	(13,989)	Creditors	(14,483)	(14,483)
(999)	(999)	Finance Lease	(649)	(649)
(176,988)	**(176,988)**	**Total**	**(181,132)**	**(181,132)**
		Financial assets;		
15,000	15,000	Investments	5,000	5,000
6,227	6,227	Cash and cash equivalents	20,928	20,928
12,631	12,631	Debtors	19,020	19,020
33,858	**33,858**	**Total**	**44,948**	**44,948**

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value.

Level 2 and 3 fair value hierarchy are used as and where appropriate; borrowing and investments based upon interest rates and others by unobservable inputs.

19 Short Term Debtors

2023/24		2024/25
£'000		**£'000**
567	Trade Receivables	3,146
373	Payments in advance / Prepayments	492
6,331	Other Receivables	9,914
7,271	**Total**	**13,552**

Debtors for local taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

2023/24		2024/25
£'000	**Debtors for local taxation**	**£'000**
0	Less than three months	0
0	Three to six months	0
299	Six months to one year	237
1,241	More than one year	996
1,540	**Total**	**1,233**
(985)	Bad debt provision	(1,037)
555	**Net**	**196**

20 Cash and Cash Equivalents

2023/24		2024/25
£'000		**£'000**
0	Cash and Bank balances held by the Council	2,910
6,550	Short Term Deposits / Cash Equivalents	18,018
6,550	**Total**	**20,928**

21 Short Term Borrowing

2023/24		2024/25
£'000		**£'000**
(157,000)	Borrowing from Local Authorities	(102,000)
(157,000)	**Total**	**(102,000)**

22 Short Term Creditors

2023/24		2024/25
£'000		**£'000**
(5,031)	Trade payables	(11,871)
(1,505)	Receipts in advance	(2,730)
(13,027)	Other payables	(8,013)
(19,563)	**Total**	**(22,614)**

The Council are the Local Trusted Organisation for the Prospect Estate Big Local Partnership. As at 31 March 2025, the Council held £192.71 for this purpose in the creditors analysis (£67,111.68) at 31st March 2024).

23 Long Term Provisions

2023/24		2024/25
£'000		**£'000**
(1,688)	Opening Balance	(2,949)
(1,557)	Increase in provision during year	(119)
295	Utilised during year	558
(2,949)	**Closing Balance**	**(2,510)**

The Council has one long-term provision in respect of Business Rate appeals.

24 Long Term Borrowing

2023/24		2024/25
£'000		£'000
(5,000)	Borrowing from LA's	(2,000)
0	Borrowing from PWLB	(62,000)
(5,000)	**Total**	**(64,000)**

25 Other Long Term Liabilities

2023/24		2024/25
£'000		£'000
(7,431)	Pensions Liability	(2,331)
(675)	Finance Lease Liability (Serco vehicles)	(348)
(8,106)	**Total**	**(2,679)**

26 Unusable Reserves

2023/24		2024/25
£'000		£'000
(33,936)	Revaluation Reserve	(40,955)
(62,415)	Capital Adjustment Account Reserve	(23,263)
2,428	Pooled Investment Funds Adjustment Account Reserve	1,103
7,431	Pension Reserve	2,331
113	Collection Fund Adjustment Account Reserve	(437)
125	Accumulated Absences Account Reserve	161
(86,254)	**Total**	**(61,060)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2023/24		2024/25
£'000		£'000
(44,303)	**Balance 1 April**	**(33,936)**
(1,240)	Upward revaluation of assets	(9,700)
3,793	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	2,586
2,553	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(7,114)**
0	Difference between fair value depreciation and historical cost depreciation	95
7,814	Accumulated gains on assets sold or scrapped	
0	Other amounts written off to the Capital Adjustment Account	
7,814	**Amount written off to the Capital Adjustment Account**	**95**
(33,936)	**Balance 31 March**	**(40,955)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the authority. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

2023/24		2024/25
£'000		£'000
(65,406)	**Balance 1 April**	**(62,415)**
1,520	Charges for depreciation and impairment of non-current assets	1,055
1,676	Revaluation losses on non-current assets	29,757
40	Amortisation of intangible assets	16
1,383	Revenue expenditure funded from capital under statute	1,043
9,817	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,520
14,436	**Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement**	**34,391**
(7,814)	Adjusting Amounts written out of the Revaluation Reserve	0
6,622		**34,391**
0	Use of Capital Receipts Reserve to finance new capital expenditure	(2,506)
(3,559)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,247)
(1,256)	Application of grants to capital financing from the capital grants unapplied account	(2,120)
(320)	Capital expenditure charged against the General Fund balances	(317)
(1,572)	Statutory provision for the financing of capital investment charged against the General Fund balances (MRP)	(1,746)
(6,707)	**Capital financing applied in year:**	**(7,936)**
3,076	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	12,697
(62,415)	**Balance 31 March**	**(23,263)**

Pooled Investment Funds Adjustment Account

Pooled investment funds adjustment account – this reserve is a mechanism that is required by the capital finance and accounting regulations in England and Wales to hold the fair value movements in those pooled investment funds specified by the regulations. The difference between the amount charged or credited in the year to surplus or deficit on the provision of services in accordance with the Code and the amount charged or credited to the General Fund in accordance with regulations should be debited or credited to the General Fund balance with the double entry going to the pooled investment funds adjustment account such that the General Fund is charged or credited with the amount that accords with the applicable regulations.

2023/24		2024/25
£'000		£'000
2,605	**Balance 1 April**	**2,428**
(367)	Upwards revaluation charged to (surplus)/deficit on Provision of Services	(321)
190	Downwards revaluation charged to (surplus)/deficit on Provision of Services	134
0	Realised charge to General Fund	(1,138)
2,428	**Balance 31 March**	**1,103**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2023/24		2024/25
£'000		£'000
12,336	**Balance 1 April**	**7,431**
(5)	Opening balance adjustment per IAS19 actuary report	
(5,190)	Remeasurements of the net defined benefit (liability)/asset	(19,186)
2,414	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,278
(2,124)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,107)
0	Asset Ceiling Adjustment	13,915
7,431	**Balance 31 March**	**2,331**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2023/24		2024/25
£'000		£'000
(178)	**Balance 1 April**	**113**
291	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(550)
113	**Balance 31 March**	**(437)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned, but not taken, in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2023/24		2024/25
£'000		£'000
124	**Balance 1 April**	**125**
(124)	Settlement or cancellation of accrual made at the end of the preceding year	(125)
125	Amounts accrued at the end of the current year	161
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	0
125	**Balance 31 March**	**161**

27 Cash Flow- to net surplus/deficit

2023/24		2024/25
£'000		£'000
1,520	Depreciation of tangible	1,168
40	Amortisation of intangible	16
1,676	Impairment and downward valuations	42,265
(226)	increase/(decrease) in provision for doubtful debts	(684)
4,509	Increase/(decrease) in interest creditors	667
(2,210)	increase/(decrease) in creditors	776
(1,947)	(increase)/decrease in interest debtors	(794)
4,045	(increase)/decrease in debtors	(5,730)
36	(increase)/decrease in inventory	(9)
291	Movement in pension liability	171
9,817	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	10,362
(6,693)	Other non-cash items charged to the net surplus or deficit on the provision of services	(436)
10,858	**Total**	**47,772**

28 Cash Flow- Adjustments for Provision Of Services that are investing or financing activities

2023/24		2024/25
£'000		£'000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(7,985)
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,982)
446	Any other items for which the cash effects are investing or financing cash flows	(2,552)
446	**Total**	**(13,519)**

29 Cash Flow- Operating Activities

2023/24		2024/25
£'000		£'000
2,718	Interest received	2,439
(2,375)	Interest paid	(7,664)
343	**Total**	**(5,225)**

30 Cash Flow- Investing Activities

2023/24		2024/25
£'000		£'000
(31,807)	Purchase of property, plant and equipment, investment property and intangible assets	(11,235)
(15,177)	Purchase of short-term and long-term investments	10,000
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,982
0	Proceeds from short-term and long-term investments	7,985
0	Other payments for investing activities	0
53	Other receipts from investing activities	0
(46,930)	**Net cash flows from investing activities**	**9,732**

31 Cash Flow- Financing Activities

2023/24		2024/25
£'000		£'000
0	Repayments of short- and long-term borrowing	(55,000)
42,000	Cash receipts of short and long term borrowing	59,000
(428)	Cash payments for the reduction of outstanding liabilities relating to finance leases	(350)
(324)	Other receipts for CGRIA	488
(2,315)	Other payments for financing activities	2,061
38,933	**Net cash flows from financing activities**	**6,199**

Notes to the Accounts

32 Recon of Liabilities Arising from Financing Activities

1st Apr'23	Fin cash flows	Non-cash changes	31st Mar'24		1st Apr'24	Fin cash flows	Non-cash changes	31st Mar'25
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
(5,000)	0	0	**(5,000)**	Long Term Borrowing	(5,000)	(59,000)	0	**(64,000)**
(115,000)	(42,000)	0	**(157,000)**	Short Term Borrowing	(157,000)	55,000	0	**(102,000)**
(1,400)	401	0	**(999)**	Lease Liabilities	(999)	350	0	**(649)**
(121,400)	**(41,599)**	**0**	**(162,999)**	**Total Liabilities from Financing Activities**	**(162,999)**	**(3,650)**	**0**	**(166,649)**

33 Officer Remuneration and Termination Benefits

Offices Remuneration

The number of employees whose remuneration (including taxable benefits, but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000, is shown below. This table excludes senior employees, they are listed in the table following this one.

2023/24		2024/25
11	£50,000 to £54,999	11
21	£55,000 to £59,999	22
6	£60,000 to £64,999	14
7	£65,000 to £69,999	5
5	£70,000 to £74,999	6
1	£75,000 to £79,999	1
2	£80,000 to £84,999	0
2	£85,000 to £89,999	1
0	£90,000 to £94,999	2
0	£95,000 to £99,999 …	0
1	£100,000 to £104,999 …	0
0	£125,000 to £129,999 …	0
0	£135,000 to £139,999	0
56	**Total**	**62**

The rate of pension contribution to the Hampshire Pension Fund is 17.9%.

Senior Officer Remuneration

2023/24						2024/25				
Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total		Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
142	-	-	25	167	**Chief Executive**	153	0	0	27	180
108	0	-	19	127	**Executive Director**	114	1	0	20	135
107	0	-	19	126	**Executive Director**	113	1	0	20	134
56	-	-	10	66	**Head of Fin. Services (CFO)**	101	0	0	18	119
96	0	0	0	96	**Head of Fin. Services (CFO) Interim #**	0	0	0	0	0
509	**0**	**0**	**73**	**486**	**Totals**	**481**	**2**	**0**	**85**	**568**

over three different people (two of the three being interims).

Exit Packages

2023/24					2024/25			
Number of comp redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000	Exit package cost band (including special payments)	Number of comp redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000
0	1	1	7,941	£0-£20,000	1	0	1	17,576
1	1	2	44,376	£20,001-£40,000	0	0	0	0
1	1	2	102,416	£40,000-£60,000	0	0	0	0
1	0	1	79,856	£60,001-£80,000	0	0	0	0
0	0	0	0	£80,001-£100,000	1	0	1	84,292
0	0	0	0	£100,001-£120,000	1	0	1	106,591
3	**3**	**6**	**234,590**	**Total**	**3**	**0**	**3**	**208,459**

The authority terminated the contracts of a number of employees in 2024/25, incurring liabilities of £208k (£235k in 2023/24) – see above for the number of exit packages and total cost per band.

34 External Audit Costs

2023/24		2024/25
£'000		£'000
145	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	160
25	Fees payable to external auditors for the certification of grant claims and returns for the year	28
0	Refund of fee payable to external auditors	0
170	**Total**	**188**

35 Grant Income

2023/24		2024/25
£'000		**£'000**
	Credited to Taxation and Non Specific Grant Income	
(658)	New Homes Bonus Grant	(385)
(1,981)	Capital Grants and Contributions	(2,069)
0	Funding Guarantee Grant	(516)
(264)	New Burdens Grant	(53)
(96)	DLUHC Service Grant	(15)
(104)	Revenue Support Grant (RSG)	(101)
(46)	Other non-ring fenced grants	(212)
0	Section 31 Grants in Relation to Business Rates	(4,134)
(3,149)	**Total**	**(7,485)**
	Credited to Services	
	Ministry of Housing, Communities and Local Government	
(663)	Homelessness Grant	(687)
0	Community Recovery Fund	(510)
(68)	UK Shared Prosperity Fund	(501)
(50)	Levelling Up Fund	(438)
0	Rough Sleeping Initiative	(263)
0	NNDR Cost of Collection - Admin Grant	(125)
0	Planning Skills Delivery Fund Grant	(100)
0	Local Audit Fees Grant	(20)
0	Local Government Cyber Get Cyber Assessment Framework Ready Grant	(15)
0	New Burdens	(14)
(160)	Other Grants	(9)
(138)	Local Digital Fund Tax	0
(126)	Localising Council Tax Admin Subsidy	0
	Department for Works and Pensions	
(25,181)	Housing Benefit Subsidy	(23,417)

2023/24		2024/25
£'000		**£'000**
(239)	Housing Benefit Admin Subsidy	(245)
(161)	Discretionary Housing Payment	(161)
0	Housing Benefit Welfare Reform	(31)
0	New Burdens	(29)
0	Housing Benefit Award Accuracy Initiative	(25)
(73)	Other	(20)
(50)	Home Office	(326)
(80)	Homes England	0
(446)	**Developers Contributions**	(2,488)
	Hampshire County Council	
(1,308)	Better Care Fund / Disabled Facilities Grant	(1,493)
0	One Public Estate	(300)
(221)	Homes For Ukraine	(153)
0	Consolidated Hot Spot Response	(79)
0	Half Housing Approach Grant	(29)
(63)	Other	(25)
(84)	Household Support	0
(27)	DEFRA Biodiversity	(27)
(5)	Other	0
(90)	Other Grants and Contributions	(182)
(29,232)	**Total**	**(31,710)**

Revenue Grant Receipts in Advance- Current Liabilities

2023/24		2024/25
£'000		**£'000**
0	Air Quality Grant	(185)
0	Planning Skills Fund Grant	(68)
0	Local Authority Housing Fund	(53)
0	Lottery Fund	(20)
0	Active Travel Grant	(16)
0	Live Longer Better Grant	(15)
(19)	Household Support Grant	0
(28)	Vulnerable Renters Grant	0
(41)	Winter Top-up Grant	0
(105)	Police Crime Commissioner Elections (May 2024)	0
(6)	Safer Streets	(15)
(199)	**Total**	**(372)**

Capital Grant Receipts in Advance- Non-current Liabilities

2023/24 £'000		2024/25 £'000
(3,434)	Developers' Contributions (s106 and other contributions) See below*	(3,925)
(3,434)	**Total**	**(3,925)**
(12)	Creditor- armed forces community covenant	(7)
(12)	**Total**	**(7)**

Grant Receipts in Advance-

The below disclosures help provide transparency about how S106 contributions are being used to benefit the community.

2023/24 Capital Grants £'000	2023/24 Developer Contributions £'000	2023/24 Other Contributions £'000	2023/24 Total £'000		2024/25 Capital Grants £'000	2024/25 Developer Contributions £'000	2024/25 Other Contributions £'000	2024/25 Total £'000
				Short Term:				
0	**0**	**0**	**0**	**Balance as at 1 April**	**0**	**0**	**0**	0
0	0	0	0	Received/Refunded during the year	0	0	0	0
214	1,518	0	1,732	Transferred to the Comprehensive Income & Expenditure Statement during the year	1,036	344	0	1,380
(214)	(1,518)	0	(1,732)	Transfer between short and long term	(1,036)	(344)	0	(1,380)
0	**0**	**0**	**0**	**Balance at 31 March**	**0**	**0**	**0**	**0**
				Long Term:				
(565)	(4,242)	0	(4,807)	**Balance as at 1 April**	(574)	(2,860)	0	(3,434)
(223)	(136)	0	(359)	Received/Refunded during the year	(1,832)	(454)	0	(2,286)
0	0	0	0	Transferred to the Capital Grants Unapplied	415	0	0	415
0	0	0	0	Interest	0	0	0	0
214	1,518	0	1,732	Transfer between short and long term	1,036	344	0	1,380
(574)	**(2,860)**	**0**	**(3,434)**	**Balance at 31 March**	**(955)**	**(2,970)**	**0**	**(3,925)**
(574)	**(2,860)**	**0**	**(3,434)**	**Total Balance at 31 March**	**(955)**	**(2,970)**	**0**	**(3,925)**

36 Members' Allowances

The authority paid the following amounts to members of the council during the year.

2023/24		2024/25
£'000		£'000
364	Allowances	369
8	Expenses	9
372	**Total Members Allowances**	**378**

37 Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

During 2024/25, the Council provided financial assistance to 127 organisations by way of

- direct loans (£2,163,000),
- direct grant payments (£603,091),
- awards of rent relief (£190,434),
- awards of business rates relief (£722,462) and
- free parking permits (£26,128).

Within the Business Rates Retention Scheme, rate relief has been awarded to charitable and not-for-profit organisations. The cost of the rate relief is shared between central government, Rushmoor Borough Council and Hampshire County Council (including Fire Authority) in the following proportions 50:40:10. The Council did not provide material financial assistance to any organisation, being more than 50% of their funding, on terms that gave the Council effective control over their operations. However, of the organisations that the Council provided financial assistance to, significant financial assistance was given to the following organisations:

2023/24	All financial assistance by entity where over £20k for the year	2024/25
£		£
243,862	Rushmoor Citizens Advice	328,369
149,760	Places for People Leisure Ltd	159,705
38,680	Chloe & Sophies Speacial Ears Fund	80,977
85,011	Step-by-Step	77,257
47,472	British Heart Foundation	74,566
67,587	Rushmoor Voluntary Services	74,226
54,351	Phyllis Tuckwell Hospice	65,050
34,360	Dial a Ride (Paid to HCC)	35,554
37,500	Farnborough Football Club	35,000
0	FT Gearing Systems Ltd	28,058
25,468	Aldershot Military Museum	25,230
21,895	Aldershot & Fleet RUFC	21,086
20,736	Royal Aeronautical Society	20,210

Central Government
Central government has significant influence over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31 March 2025 are shown in Note 35.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2024/25 is shown in Note 36. During 2024/25 no works or services were commissioned from companies in which members had an interest.

Financial assistance totalling £583,220 was awarded to voluntary organisations in which 15 members and 1 ex-members had an interest. These financial awards were made with proper consideration of declarations of interest and the relevant members did not take part in any discussion or decision relating to the grants.

Details of all these transactions are recorded in the Statement of Accounts working papers and the Register of Members interest, open to public inspection.

Officers

Financial assistance of £2,163,000 was award to organisations in which 2 senior officers of Rushmoor Borough Council had an interest.

Entities Controlled or Significantly Influenced by the Council

The Council controls Rushmoor Homes Ltd (RHL) through its ownership of 100% of the shares in the company. The company is currently in development and will assist to develop new homes to meet the Council's regeneration priorities and desire to improve the availability of quality housing within the Borough. The first full year of operation was 2021/22. The Council owns all 100 shares in RHL. The Council as at 31st March 2025 has a long-term loan of £1,360k and a short-term loan of £643k with RHL.

The Council holds a 50% stake in Rushmoor Development Partnership (RDP). The partnership is currently in development with the objective to redevelop sites in Farnborough and Aldershot. 2020/21 was the first full year of operation for the partnership. The Council as at 31st March 2024 has a long-term loan of £63k with RDP.

38 Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

2023/24		2024/25
£'000		**£'000**
140,819	**Opening Capital Financing Requirement**	**167,633**
(1,067)	*Opening adjustment*	*(219)*
139,752	**Revised Opening Capital Financing Requirement**	**167,414**
	Capital Investment:	
53	Loans to external bodies	0
22,377	Property Plant and Equipment	13,254
10,776	Investment Properties	210
0	Intangible Assets	45
1,383	Revenue Expenditure Funded from Capital Under Statute	1,043
34,589	**Total Capital Investment**	**14,552**
	Sources of Finance:	
0	Capital receipts	(2,603)
(4,815)	Government Grants and other contributions	(3,367)
	Sums set aside from revenue:	
(320)	Direct revenue contributions	(317)
(1,572)	Minimum revenue provision (MRP)	(1,746)
(6,707)	**Total Sources of Finance applied**	**(8,033)**
167,633	**Closing Capital Financing Requirement**	**173,933**
27,080	Increase in underlying need to borrow (unsupported by government financial assistance)	6,519
(266)	Assets acquired under finance leases	(230)
26,814	**Increase/(decrease) in Capital Financing Requirement**	**6,289**

39 Leases

In 2024/25, the authority applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (ie without recognising the leased property as an asset and future rents as a liability) a right-of- use asset and a lease liability are to be brought into the Balance Sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code:

Leases determined to be of low value assets (value when new of less than £10,000), and short-terms leases of 12 months or less (including leases that expire within 12 months of 31 March 2025) have not been included as a Right-of-Use assets and continue to be expensed to the Comprehensive Income and Expenditure Statement.

Council as Lessee

The Council's lease contract comprises leases of operational land and buildings, plant and equipment and motor vehicles. Most leases are individually immaterial; however, material leases include Refuse vehicles.
The Authority adopted IFRS 16 on 1 April 2024 in accordance with the Code of Practice on Local Authority Accounting 2024/25.

Right-of-Use Assets

Movements in the value of right-of-use assets during the year were as follows:

Right of Use Assets	Land and buildings	Vehicles, plant and equipment	Total
	£'000	£'000	£'000
Balance at 1 April 2024	219	1,249	1,468
Remeasurement	0	15	15
Additions	0	46	46
Revaluations or impairment	0	0	0
Depreciation charge	(14)	(391)	(405)
Disposals and other movements	0	(97)	(97)
Balance at 31 March 2025	205	822	1,027

Transactions under leases

The Council incurred the following expenses and cash flows in relation to leases:

2023/24		2024/25
£'000	**Comprehensive income and expenditure statement**	£'000
17	Interest expense on lease liabilities	13
0	Expenses relating to short-term leases	0
0	Expense relating to exempt leases of low value items	0
0	Variable lease payments not included in the measure of lease liabilities	0
0	Income from subletting right of use assets	0
0	Gains or losses arising from sale and leaseback transactions	0
	Cash flow statement	
(324)	Minimum lease payments	(332)

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments)

2023/24		2024/25
£'000		£'000
(324)	Less than one year	(334)
(675)	One to five years	(344)
0	More than five years	0
(999)	Total undiscounted liabilities	(678)

Council as Lessor

Finance Leases

The Council has no currently determined finance leases as lessor.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- Returns from investment property and the provision of community services, such as sports facilities, tourism services and community centers
- Economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

2023/24		2024/25
£'000		£'000
(10,770)	Not later than 1 year	(11,529)
(31,093)	Later than 1 but no later than 5 years	(33,986)
(119,285)	Later than 5 years	(102,900)
(161,148)	**Total**	**(148,415)**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Contingent rents are immaterial.

40 Defined Benefits Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Hampshire County Council. This is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31st March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the scheme requires employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Hampshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to post-employment benefits.

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year.

LGPS	Disc Benefits		LGPS	Disc Benefits
2023/24	**2023/24**		**2024/25**	**2024/25**
£'000	**£'000**		**£'000**	**£'000**
		Cost of services:		
		Service cost comprising:		
1,836	0	* current service costs	1,916	0
111	0	* past service costs	10	0
		Financing and Investment income and exp:		
467	0	* net interest expense	352	0
2,414	**0**	**Total post employment benefit charged to the surplus/deficit on Provision of Services**	**2,278**	**0**
		Other post emp benefits charge to the CIES		
		Remeasurement of the net defined benefit liability comprising:		
(4,754)	0	* Return on plan assets (excluding amount included as the net interest expenses)	764	0
40	1	* Actuarial gain/loss arising on changes in financial assumptions	(18,350)	1
(2,410)	(30)	Actuarial gain/loss arising on changes in demographic assumption	(218)	(30)
4,240	92	* Actuarial (gains) and losses arising from liability other experience	(1,382)	92
(2,884)	**63**	**Total post employment benefits charged to the CIES**	**(19,186)**	**63**
		Movement in Reserves Statement		
(2,414)	0	* Reversal of net charges made to surplus/deficit on Provison of Services for post employment benefit	(2,278)	0
		Actual amount charged to General Fund for pensions in year:		
1,881	243	* Employer's contributions payable to scheme	1,865	242
(5,108)	(243)	* Retirement benefits payable to pensioners	(5,026)	(242)

Pensions Assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

LGPS	Disc Benefits		LGPS	Disc Benefits
2023/24	**2023/24**		**2024/25**	**2024/25**
£'000	**£'000**		**£'000**	**£'000**
118,081	0	Fair value of plan assets	120,517	0
(122,847)	(2,665)	Present value of the defined benefit obligation	(106,602)	(2,331)
(4,766)	**(2,665)**	**Net liability arising from the defined benefit obligation**	**13,915**	**(2,331)**
0	**0**	Effect of Asset Ceiling	**(13,915)**	**0**
(4,766)	**(2,665)**	Net defined benefit asset recognised on the balance sheet	**0**	**(2,331)**

Reconciliation of the movements in the fair value of scheme (plan) assets

LGPS	Disc Benefits		LGPS	Disc Benefits
2023/24	**2023/24**		**2024/25**	**2024/25**
£'000	**£'000**		**£'000**	**£'000**
110,700	0	**Opening fair value of scheme assets**	**118,081**	**0**
1	0	Opening balance adjustment per 'revised' IAS19 actuary report	0	0
5,144	0	Interest income	5,607	0
4,754	0	Remeasurement gain/(loss) on assets	(764)	0
1,881	243	Contribution from employer	1,865	242
709	0	Contribution from employee's into scheme	754	0
(5,108)	(243)	Net Benefits paid	(5,026)	(242)
118,081	**0**	**Closing fair value of scheme assets**	**120,517**	**0**

Reconciliation of present value of the scheme liabilities (Defined Benefit Obligations)

LGPS	Disc Benefits		LGPS	Disc Benefits
2023/24	**2023/24**		**2024/25**	**2024/25**
£'000	**£'000**		**£'000**	**£'000**
120,190	**2,850**	**Opening balance at 1st April**	**122,847**	**2,665**
(3)	(5)	Opening balance adjustment per 'revised' IAS19 actuary report	0	(5)
1,836	0	Current service costs	1,916	0
5,611	0	Interest income	5,959	0
709	0	Contributions by scheme participants	754	0
		Remeasurement gain/(loss):		
40	1	* Actuarial gain/loss arising on changes in financial assumptions	(18,350)	1
(2,473)	(30)	* Actuarial gain/loss arising on changes in demographic assumption	(126)	(90)
1,934	92	* Actuarial (gains) and losses arising from liability experience	(1,382)	0
(5,108)	(243)	Net Benefits paid	(5,026)	(240)
111	0	Past service costs	10	0
122,847	**2,665**	**Closing balance at 31st March**	**106,602**	**2,331**

Notes to the Accounts

Local Government Pension Scheme assets comprised

2023/24 Quoted £'000	2023/24 Unquoted £'000	2023/24 Total £'000	Fair value of scheme assets	2024/25 Quoted £'000	2024/25 Unquoted £'000	2024/25 Total £'000
945	**0**	**945**	**Cash and Cash equivalents**	**2337**	**0**	**2337**
			Equity instruments: by industry type			
44,788	0	44,788	· Other	40,138	0	40,138
45,733	**0**	**45,733**	**Subtotal equity**	**42,475**	**0**	**42,475**
			Debt securities: by sector			
5,599	0	5,599	· Corp Bonds (non-investment grade)	5,465	0	5,465
17,127	6,048	23,175	· UK Govt	17,561	5,682	23,243
6,334	8,332	14,666	· Other	11,038	3,114	14,152
29,060	**14,380**	**43,440**	**Subtotal bonds**	**34,064**	**8,796**	**42,860**
			Property: by type			
0	8,801	8,801	· UK	0	10,753	10,753
0	**8,801**	**8,801**	**Subtotal property**	**0**	**10,753**	**10,753**
			Private equity:			
0	9,317	9,317	· All	**0**	11,003	11,003
0	**9,317**	**9,317**	**Subtotal private equity**	**0**	**11,003**	**11,003**
			Other investment funds:			
0	10,790	10,790	· Infrastructure	0	12,287	12,287
0	**10,790**	**10,790**	**Subtotal other investment funds**	0	1,139	1,139
			· Other	**0**	**13,426**	**13,426**
0	**0**	**0**	**Derivatives**	**0**	**0**	**0**
0	**0**	**0**	**Other**	**0**	**0**	**0**
74,793	**43,288**	**118,081**	**Total Assets**	**76,539**	**43,978**	**120,517**

All scheme assets have quoted prices in active markets.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2025.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
2023/24		**2024/25**
%		**%**
	Longevity at 65 for current pensioners:	
22.1 yrs	Men	22.0 yrs
24.7 yrs	Women	24.7 yrs
	Longevity at 65 for future pensioners:	
22.6 yrs	Men	22.5 yrs
25.7 yrs	Women	25.6 yrs
2.8%	Rate of inflation (CPI)	2.8%
4.8%	Rate of increase to pensions in payment	4.8%
2.8%	Pension accounts revaluation rate	2.8%
3.8%	Salary increases	3.8%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the defined benefit obligation in the scheme	Approx % increase to Defined Benefit Obligation	Approx monetary amount (£000)
0.1% decrease in real discount rate	2%	1,687
1 year increase in member life expectancy	4%	4,357
0.1% increase in the salary increase rate	0%	41
0.1% increase in the pensions increase rate (CPI)	2%	1,693

Impact on the Council's cashflows.

The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. The scheme’s actuary assessed the scheme to be fully funded. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed early 2026.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £1,854,000 expected contributions to the scheme in 2025/2026.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment is subject to appeal, and the Court of Appeal heard the arguments on 26 and 27 June 2024.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary’s Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 19, or if it can be reliably estimated. As a result, Hampshire Pension fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

41 Nature and Extent of Risk Arising from Financial Instruments

The authority's activities expose it to a variety of financial risks, including:
- Credit Risk: the possibility that other parties might fail to pay amounts due to the authority
- Liquidity Risk: the possibility that the authority might not have funds available to meet its commitments to make payments
- Market Risk: the possibility that financial loss may arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

This risk is minimised through the annual investment strategy, which is available on the authority's website at
ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NONTREASURY INVESTMENT STRATEGY 2024/25

Credit risk management practices

The authority's credit risk management practices are set out on the annual investment strategy, which pays particular regard to the recognition and measurement of expected credit losses:

The authority's financial assets are relatively simple;
- Long term investments at fair value through Profit/Loss pooled property/equity funds
- Short term investments with other local authorities at amortised cost
- Cash and cash equivalents such as instant access Money Market Funds
- Short and long term debtors with businesses, individuals, public sector organisations, subsidiaries and staff.

The 2024/25 Investment Strategy outlines in detail the treasury management prudential indicators and the Authority's specific credit risk and credit score analysis methodology.

The Council's financial instruments are relatively simple in form, only the pooled fund investments bear any need for calculating impairment loss allowances. It is the Council's view that no impairment loss allowance is required for those financial instruments as they stand currently.

Amounts arising from expected credit losses

The total credit loss for 2024/25 was £0 nil (2023/24, £0 nil).

The changes in the loss allowance during the year are as follows:

Asset class (amortised cost)	12 month expected credit losses	Lifetime expected credit losses- not credit impaired	Lifetime expected credit losses- credit impaired	Lifetime expected credit losses- simplified approach	Purchased or originated credit impaired fin asset	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening 01/04/2023	**0**	**0**	**0**	**0**	**0**	**0**
New Fixed Asset originated or purchased	0				0	0
Amounts written off	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
Closing 31/03/2024	**0**	**0**	**0**	**0**	**0**	**0**

During the year, the authority wrote off financial assets with a contractual amount outstanding of £0 nil (£0 nil in 2023/24) that are still subject to enforcement activity.

Credit risk exposure

The authority has the following exposure to credit risk at 31 March 2024:

	Credit risk rating	Gross carrying amount
		£'000
12 month expected credit losses	0	0
Significant increase in credit risk since initial recognition	0	0
Credit impairment as 31 March	0	0
Simplified approach	LOW	11,913

Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that total cash available within 3 months is £5m target.

The maturity analysis of financial liabilities is as follows:

2023/24	Analysis of Financial Liabilities	2024/25
£'000		£'000
(171,198)	Less than one year	(116,784)
(5,673)	Between one and three years	(64,348)
0	More than three years	0
(176,873)	**Total**	**(181,132)**

All trade and other payables are due to be paid in less than one year.

Market Risks

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus of deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the General Fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive income and expenditure.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget management during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2024, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowing	0
Increase in interest receivable on variable rate investments	137
Impact on surplus/deficit on the Provision of Services	137
Decrease in Fair Value of fixed rate investment assets	0
Impact on other comprehensive I&E	0
Decrease in Fair Value of fixed rate borrowing liabilities (no impact on surplus/deficit on the Provision of Services or other Comprehensive Income &Expenditure)	0

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in various pooled funds are subject to price risk;

- Equity funds are subject to the risk of falling share prices-
  A 5% fall in share prices at 31/03/2025 could result in a £236k adjustment
- Diversified funds are subject to the risk of falling share prices, falling property prices and interest rate rises-
  A 5% fall in share prices at 31/03/2025 could result in a 46k adjustment
  A 5% fall in property prices at 31/3/25 could result in a £5k adjustment
  A 1% interest rate rise at 31/3/25 could result in a £9k adjustment
- Bond funds are subject to the risk of interest rate rises-
  A 1% interest rate rise at 31/03/2025 could result in a £346k adjustment

Foreign exchange risk
The authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

42 Subsidiary

2023/24 Single	2023/24 RHL	2023/24 Group	Investment Property Income & Expenditure	2024/25 Single	2024/25 RHL	2024/25 Group
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
(10,081)	(1,345)	(11,426)	Rental income from Investment Property	(9,832)	(134)	(9,966)
3,094	35	3,129	Direct operating expenses from Investment property	2,122	133	2,255
(6,987)	**(1,310)**	**(8,297)**	**Net (Gain)/Loss**	**(7,710)**	**(1)**	**(7,711)**

2023/24 Single	2023/24 RHL	2023/24 Group	Investment Property Movements In Year	2024/25 Single	2024/25 RHL	2024/25 Group
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
128,112	**1,773**	**129,885**	**Opening Balance**	**135,812**	**2,923**	**138,735**
10,776	1,150	11,926	Additions	210	0	210
0	0	0	Disposals	(2,520)	0	(2,520)
(3,076)	0	(3,076)	Net (Gain)/Loss from fair value (CIES)	(12,696)	117	(12,579)
0	0	0	Transfers to/from Property Plant and Equipment	27,400	0	27,400
135,812	**2,923**	**138,735**	**Closing Balance**	**148,206**	**3,040**	**151,246**

Recurring fair value measuring usage 2024/25	Quoted Prices active market (Level1)	Single Other significant observable (Level2)	RHL Other significant observable (Level2)	Significant unobservable (Level3)	Group Fair Value at 31 March 2025
Land	0	59,282	760	0	68,139
Buildings	0	88,924	2,280	0	70,596
	0	**148,206**	**3,040**	**0**	**138,735**

Recurring fair value measuring usage 2023/24	Quoted Prices active market (Level1)	Single Other significant observable (Level2)	RHL Other significant observable (Level2)	Significant unobservable (Level3)	Group Fair Value at 31 March 2024
Land	0	67,408	731	0	68,139
Buildings	0	68,404	2,192	0	70,596
	0	**135,812**	**2,923**	**0**	**138,735**

2023/24	Profit/Loss from Rushmoor Homes Ltd (RHL)	2024/25
£'000		£'000
(1,345)	Turnover	(134)
206	Administration Expenses	86
(1,140)	Operating (Profit)/Loss	(48)
	Exceptional Items	154
0	Fair Value Movements on Investment Properties	(30)
	Interest paid	165
(1,140)	Profit before Tax	241
0	Tax on Profit	8
0	Dividends	0
(1,140)	**Total (Profit)/Loss for the Year**	**249**
1,396	**Shareholder funds**	**696**

2023/24	Share of Ownership Interests between RHL and RBC	2024/25
£'000		£'000
0	Investment in shareholding company(s)	0
1,593	Loans with Rushmoor Borough Council (RBC)	2,163
1,593		**2,163**

43 Capitalisation of Borrowing Costs

Finance costs of £1.9m for the construction of Union Yard and £56k for Crematorium have been capitalised at a rate of 5.03% applied. This interest rate is a calculation of the average borrowing costs incurred within the financial year. Capitalisation will cease on practical completion of the project which will then be categorised and included in the balance sheet in accordance with proper practices.

44 Contingent Liabilities

At 31 March 2025, the Council had the following contingent asset/liabilities as below;

- **Homes England Brownfield Sites**

- £1.725m of funding is tied into the proposals for the Civic Quarter generally which the Council is negotiating with Homes England on future proposals. Whilst there are conditions on a date for this to be spent currently it could be anticipated that Homes England would agree to an extension to this if current negotiations required an extension of time to complete the required works. The deadline to meet conditions is end of year March 2026.

- **LADS/retention on Union Yard - with arbitratio**n

  The retention on Union Yard (c£1.2m) relates to the contractual retention of capital payments withheld under normal contractual conditions. Their release however is now conditional upon the outcome of the LADS dispute that the Council has with the main contractor. It is likely that this dispute will enter into arbitration in order for a resolution to be obtained. It is only when arbitration is complete that we will know the value of the retention that might have to be released and paid to the contractor. The finalisation of this depends on the outcome of arbitration, which is likely to be before the end of financial year 2026.

- **Rights to Light at Union Yard**

  Is a compensation payment made to successful claimants following a negotiation on the amount to be paid. Currently we have an ongoing claim for compensation which is likely to conclude in 2025/26, however the value is unknown at this stage.

Collection Fund Statement

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

	2023/24		-		2024/25	
Council Tax	**Business Rates**	**Total**		**Council Tax**	**Business Rates**	**Total**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			INCOME:			
(66,796)		(66,796)	Council Tax receivable	(70,193)		(70,193)
	(51,317)	(51,317)	Business Rates receivable		(59,623)	(59,623)
	(8,373)	(8,373)	Transitional Protection Payments receivable		(2,287)	(2,287)
(185)		(185)	Council tax discounts funded by billing authority General Fund	(40)		(40)
(66,981)	**(59,690)**	**(126,671)**	**Total amounts to be credited**	**(70,233)**	**(61,910)**	**(132,143)**
			EXPENDITURE:			
			Apportionment of Previous year Surplus/Deficit			
	272	272	Central Government		407	407
65	49	114	Hampshire County Council	147	74	221
10	217	227	Rushmoor Borough Council	23	326	349
11	0	11	Police & Crime Comm. for Hampshire	25		25
4	5	9	Hampshire Fire and Rescue	8	8	16
		0	**Precepts, demands and shares**			
	28,144	28,144	Central Government		30,135	30,135
48,129	5,066	53,195	Hampshire County Council	50,615	5,425	56,040
7,448	22,515	29,963	Rushmoor Borough Council	7,683	24,108	31,791
8,288		8,288	Police & Crime Comm. for Hampshire	8,631		8,631
2,651	563	3,214	Hampshire Fire and Rescue	2,735	603	3,338
		0	**Charges to Collection Fund**			
	(54)	(54)	Write offs of uncollectable amounts		(12)	(12)
1,018	187	1,205	Increase/(decrease) in allowance for debt impairment	713	345	1,058
	3,154	3,154	Increase/(decrease) in allowance for NNDR appeals		(1,098)	(1,098)
	123	123	Charge to GF for allowable nndr collection costs		125	125
67,624	**60,241**	**127,865**	**Total amounts to be debited**	**70,580**	**60,446**	**131,026**
643	**551**	**1,194**	**(Surplus)/Deficit arising in year**	**347**	**(1,464)**	**(1,117)**
298	**(527)**	**(229)**	**(Surplus)/Deficit brought forward at 1st April**	**941**	**24**	**965**
941	**24**	**965**	**(Surplus)/Deficit carried forward at 31st March**	**1,288**	**(1,440)**	**(152)**
			Allocated to:			
	12	12	Central Government		(720)	(720)
685	2	687	Hampshire County Council	937	(130)	807
103	10	113	Rushmoor Borough Council	140	(576)	(436)
116	0	116	Police & Crime Comm. for Hampshire	161		161
37	0	37	Hampshire Fire and Rescue	50	(14)	36
941	**24**	**965**	**Total**	**1,288**	**(1,440)**	**(152)**

Notes to the Collection Fund

1. Council Tax Base

Council Tax derives from charges raised according to the value of residential properties which have been classified into 8 valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hampshire County Council, Police and Crime Commissioner, Fire and Rescue Authority and the Council for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts: 33,011.64 for 2024/25.

Council Tax bills are based on the following dwellings and proportions;

	discounted equivalent dwellings	weighting	2024/25
Tax Band			
Valuation Band A (disabled relief)	2	5/9	1.0
Valuation Band A	910	6/9	576.4
Valuation Band B	6,160	7/9	4,788.3
Valuation Band C	13,647	8/9	11,893.4
Valuation Band D	7,430	1	7,555.1
Valuation Band E	3,770	11/9	4,748.9
Valuation Band F	1,186	13/9	1,747.6
Valuation Band G	294	15/9	484.6
Valuation Band H	5	18/9	20.0
Total Band D Equivalents			**31,815.3**
Valuation Band O (Army)	1,853	-	1,870.1
Allowance for non-collection (2%)			-673.7
Tax Base for year			**33,011.6**

2. Income from Non-Domestic Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate specified by the government. In 2013/14 the administration of NDR changed following the introduction of the business rates retention scheme, so instead of paying the NDR to the pool the local authority retains a share of the total collectable rates due. For Rushmoor this is 40%, Hampshire County Council 9%, Hampshire Fire and Rescue Authority 1% and the Government 50%.

The rateable value of properties at 31st March 2025 is £142.431m and the national non-domestic multiplier was 54.6p (small businesses 49.9p).

Business Rates Revaluation 2023

At revaluation, the Valuation Office Agency (VOA) adjusts the rateable value of business properties to reflect changes in the property market. The most recent revaluation came into effect in England and Wales on 1st April 2023, based on rateable values from 1st April 2021.

Across England as a whole, the revaluation was expected to lead to an increase in the rateable value of the average non-domestic property, with changes unevenly distributed across the country. The Councils 22% rise was 9th highest nationally.

The business rates multiplier was adjusted so that revaluation would be revenue neutral, after accounting for a forecast of the cost of appeals against the new values.

A complex package of reliefs was introduced to phase in the biggest increase in bills to ratepayers resulting from the revaluation.

The impact of revaluation on the amount of business rates retained by individual councils has been offset by changes to the redistributive “tariffs” and “top-ups” between councils, with the aim of leaving underlying budgets unaffected by revaluation.

3. Provision for Council Tax and NDR Bad or Doubtful Debts and NDR provision for valuation appeals

2023/24 £000		2024/25 £000
	Council Tax allowance for non collection	
(4,412)	Provision at 1 April	(5,213)
(1,017)	Provision made in year	(713)
216	Written off in year	338
(5,213)	**Provision at 31 March**	**(5,588)**
	NNDR allowance for non-collection	
(1,295)	Provision at 1 April	(1,024)
(133)	Provision made in year	(346)
404	Written off in year	290
(1,024)	**Provision at 31 March**	**(1,080)**
	NNDR valuation Appeals	
(4,200)	Provision at 1 April	(7,373)
(19)	Adjustment to opening	0
(3,891)	Provision made in year	(296)
737	Written off in year	1,394
(7,373)	**Provision at 31 March**	**(6,275)**

Provisions for bad or doubtful debts are assessed annually and charged to the collection fund.

ANNUAL GOVERNANCE STATEMENT – 24/25

1. Introduction and scope of responsibility

1.1 Rushmoor Borough Council (RBC) is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 The Council is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whist facilitating the effective exercise of its functions.

1.3 The Annual Governance Statement (AGS) states how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6 (1b), and as amended by the Accounts and Audit (coronavirus) (Amendment) regulations 2020, which requires all relevant authorities to prepare an Annual Governance Statement. It is subject to review and approval by the Corporate Governance, Audit and Standards Committee (CGAS Committee), and the Corporate Management Team (CMT).

1.4 In this document the Council:

- acknowledges its responsibility for ensuring that there is a sound system of governance;
- summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- provides details of how the Council has responded to any issue(s) identified in the previous year's governance statement; and
- reports on any key governance matters identified from this review and provides a commitment to addressing them.

2. The Council's governance framework

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

Rushmoor Borough Council (RBC) has approved and adopted a local code of corporate governance, which is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering good governance in Local Government'. A copy of RBC's adopted Code is on the Council's website, (Local Code of Corporate Governance). This details the key policies, procedures and systems by which the Council is controlled and governed. RBC updates it's code annually and evidence is collated and assessment for compliance by the Corporate Governance Group (CCG) and the Executive Leadership Team (ELT).

Rushmoor Borough Council comprises of 39 Councillors who represent 13 wards across the Borough. It currently operates under a Leader and Cabinet structure with Cabinet Members responsible for individual portfolios.
The staff of the Council are managed by the Managing Director (MD), who is the Head of Paid Services. The MD is supported by an Executive Leadership Team (ELT).
Key sources of assurance for the council's governance framework are set out below.

Council, Cabinet and Leader	• Adopting and making substantive changes to the Constitution • Approving or adopting the annual budget • Agreeing and/or amending the Terms of Reference for Committees, deciding on their composition and appointing.
Overview and Scrutiny Committee	• Pre and post Cabinet decisions made are subject to scrutiny/ call in for review by the Committee.
Corporate Governance, Audit and Standards Committee (CGAS)	• Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment. • Promotes high standards of Member conduct • Approves the Annual Statement of Accounts and Annual Governance Statement. • Independent Member.
Risk Management	• The corporate risk register is regularly reviewed and monitored to ensure appropriate mitigation is in place. • Service risk registers are regularly maintained and updated which are fed into the corporate risk register. • Regular updates on risk management and the risk environment is provided to Cabinet.
Corporate Governance Group	• Officers with statutory roles within the Council review and provide assurance over the governance arrangements within the Council including constitutional changes and operational matters.
External assurances	• Assurances are obtained from external bodies e.g. compliance with Public Services Network (PSN) and CIPFA • Peer reviews • Engagement with LGA and encourage reviews.
Information Governance Group (IGG)	• Develops and maintains an information governance framework for effective management of information. • Authority to decide/recommend operational matters around all aspects of information governance and reports to Corporate Governance Group. • Oversight of the Council's cyber security treatment plan.

Capital Programme Board	• Review of governance and risk management over major projects.
Head of Paid Service	• The Interim Managing Director (MD) carries the responsibility for the proper management of RBC and for ensuring that the principle of good governance are reflected in sound management arrangements. • Leads the Council's management team in driving forward the Council's strategic objectives.
Monitoring Officer	• Ensures compliance with established policies, procedures, law and regulations. • Monitors ethical standards. • Reports actual or potential breaches of the law.
Section 151 Officer	• Develops a medium-term financial strategy that is aligned with strategic priorities. • Safeguards public money • Promotes and deliver good financial management and governance.
Executive Leadership Team (ELT)	• Implements the policy and budgetary framework set by the council and provides advice to committees and the Council on the development of future policy and budgetary issues and oversees the implementation of Council policy. • Influences a corporate culture and fostering a culture of high ethical standards and integrity. • Identifies and addresses cross cutting and strategic issues that may impact on the Council's control environment and risk.
Corporate Management Team (CMT), incorporating ELT	• Responsible for developing, maintaining and implementing the Council's governance, risk and control framework. Including maintaining service and corporate risk register. • Contribute to the effective corporate management and governance of the Council. • Provide assurance statements for the governance arrangements within their services which inform the Local Code of Corporate Governance and the AGS. • Performance management.
External Audit	• Audit and report on the Council's financial statements, providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion)
Internal Audit	• Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. • Delivers an annual programme on risk-based audit activity

	• Makes recommendations for improvements in the management of the Council's risk, governance and control environment.
Property Investment Advisory Group	• Oversees the Council's commercial property

3. Principles

4.1 Set out below is a summary of how the Council has complied with the seven principles set out in the CIPFA/SOLACE framework during 2024/25.

A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Council's constitution sets out how the Council operates, roles and responsibilities of Members and Officers, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The constitution is published on the Council's website.

The Monitoring Officer ensures that the Council is compliant with laws and regulations, as well as internal policies and procedures, and is also responsible for matters relating to the conduct of Councillors and Officers, and for monitoring and reviewing the operation of the Council's constitution. In RBC, the Interim Monitoring Officer is Amanda Bancroft (Corporate Manager – Legal) from 12th May 2025.

Section 151 of the Local Government Act 1972 specifies that one officer must be responsible for the financial administration of the organisation and that this officer must be CCAB qualified. In RBC, this is the Executive Head of Finance.

The Council has established a Corporate Governance Group, which includes the Monitoring Officer & deputy, S151 Officer & deputy, Corporate Manager – IT, Information Governance Officer, Service Manager – Risk, Performance and Procurement, Corporate Manager - People Team and Financial Governance Manager, to ensure that the Council works within its rules and that the necessary governance provisions are followed, and associated guidance, advice and training is provided.

The Council has adopted a Corporate Values and Behaviours framework which sets out the attitudes and behaviours expected from staff. The four values are Collaborate, Innovate, Brave and Integrity.

The Council's in-house legal service identifies and advises the Council on key elements of the law and their application. External legal advice is sought where necessary, for example, on specialist areas of law, higher risk and high value matters.

B – Ensuring openness and comprehensive stakeholder engagement

The Council has invested in a range of traditional, digital, and social media channels to enable regular contact, engagement, and consultation with its key stakeholder groups, including customer feedback surveys, workshops, consultation items on the Council's website and regular citizen consultation on both Borough-wide and place specific issues.

There has been extensive consultation for the regeneration function including direct mailshots, public exhibitions, group meetings and presentations.

The Council's 3-year business plan is published on the council's website along with the monitoring of the actions towards the plan.

A statement of community involvement is published on the Council's website. The Council aims to make sure that there is a clear and proper consultation procedure that shows what the community and stakeholder should expect. To achieve this the Council will adhere to the following five principles:

- Ensuring equal opportunity
- Keeping the community informed
- Ensuring the community is involved
- Ensuring community engagement is relevant
- Providing feedback.

Business engagement – the council seeks to engage directly with local businesses to ensure that there is an understanding of local business needs. Underpinned by the aims and objectives of the council's Strategic Economic Framework, this engagement includes bi-annual business surveys, quarterly business forums with businesses and membership of/ regular engagement with, business representative organisations such as the Federation of Small Businesses and Hampshire Chambers of Commerce. A monthly business newsletter has also been developed to engage with local businesses and to provide a consultation mechanism.

C – Determining outcomes in terms of sustainable economic, social and environmental benefits

Our Cabinet has recently agreed to a new set of five priority themes for Aldershot and Farnborough:

- Skills, economy and business
- Homes for all: quality living, affordable housing
- Community and wellbeing: active life, healthier and stronger communities
- Pride in place: clean, safe and vibrant neighbourhoods
- Vision for the future and financial sustainability

The above themes will be part of a new council delivery plan. In the meantime, the Council will still be working to the plans and performance monitoring of the Council plan 2023-26. Our Council plan outlines the Council's priorities over the next three years. It also describes the key strategic projects that will contribute to achieving our vision.

A template is in place for the Council's reports to Cabinet which require the consideration of business, Strategic, Economic, Legal, Financial and Equalities impact of the decisions being made and how decisions are to be made. All reports requiring executive decisions (except those exempt) are accessible via the Council's website.

The Council has adopted and implemented the Local Plan 2014-2032 (adopted 21 February 2019). Details are published on the Council's website. Consultation was undertaken to engage as many residents and stakeholders as possible. Feedback from the consultation informed the submission of the Local Plan. Social, environmental and economic evidence was obtained to inform the development of the Local plan. The Local Plan is the basis together with the National Planning Policy Framework and associated guidance of all development decisions and therefore all decisions are informed by the consultation and evidence at a strategic level and assessed as to how they meet these requirements based on the specific application.

In July 2023, members of the council's Cabinet approved a new Climate change plan and agreed to the council's Carbon footprint being published and monitored.

D – Determining the interventions necessary to optimise the achievement of the intended outcomes

Options are required before decisions are taken and service changes implemented, including seeking external / independent expertise if the decision is of a complex technical nature.

The Overview & Scrutiny Committee considers the effective delivery of Council priorities and recommends interventions and remedies as appropriate.

Arrangements are in place to monitor operational and financial plans, priorities, KPI's, quality and targets and to report on progress, e.g. quarterly monitoring, budget monitoring.

The Council has several key partnerships with other local authorities and stakeholders in order to optimise the achievement of the Council's corporate plan.

The Council has in place more significant arrangements for project development, both internally and through the Member decision making structure. This has been achieved through the revised Member structure to include the following:

- Corporate Governance, Audit and Standards (CGAS) Committee, with specific roles to ensure effective governance
- The Property Investment Advisory Group (PIAG) provides early consideration of projects prior to submission to the Cabinet. This group is supported by LSHIM who provide market-based assessments of acquisition, disposal, and asset performance.
- The Overview and Scrutiny Committee is undertaking both pre- and post-decision scrutiny on a range of issues and projects. Examples of work undertaken by the Committee during 24/25 include:
    - Disposal of units at Union Yard development
- The Regeneration and Major Projects Programme Board provides the oversight and key input into the delivery of projects and meets 6-weekly. Each project within the defined programme has an established resource structure across a number of disciplines within the Council to ensure the right course of action is taken.

E – Developing the entity's capacity, including the capability of its leadership and the individuals within it

The People Strategy includes four key themes which encourages a positive culture enabling high performance, the development of people to realise their potential, that people are engaged and feel valued and supported, as well as the Council being an employer of choice.
Arrangements are in place to ensure staff have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and are able to update their knowledge on a continuing basis e.g., CPD through attendance at seminars/conferences, mandatory training courses via the Council's e-learning modules etc.

The Council supports apprenticeship training for new apprenticeship contracts and for upskilling staff. The Council is currently supporting 9 members of staff to gain apprenticeship qualifications. Leadership programmes are promoted and encouraged to support the continued professional development of staff and succession planning objectives. Development includes the Frimley Health development programmes and District Council Network, Solace and Local Government Association courses and networking opportunities. The annual development reviews and regular one to ones enable the Council to identify development and succession planning opportunities.

The Council regularly supports the attendance of both executive and non-executive councillors at the LGA leadership essential courses and weekend events across a number of topic areas including finance, climate change and equalities.

The Council engages external consultants when additional resources or specialist resources are required to ensure the effective delivery of its services or projects.

The Council subscribes to an Employee Assistance Programme to support health and wellbeing of staff and organises wellbeing walks. Lunch and learn sessions are delivered on topics such as climate change and disability awareness.

The Council's senior leadership structure was restructured at the beginning of 2025 to reflect the considerations made by the LGA Corporate Peer Challenge in June 2024, the CIPFA review and the new administration. The agreed structure proposal of deleting the position of CEX would realise initial savings and an interim Managing Director and Head of Paid service would be appointed to focus on further organisational structure changes and efficiencies.

F – Managing risks and performance through robust internal control and strong public financial management

Work will continue to ensure the risk management process is further embedded within the Council. Cabinet receives quarterly reports covering both performance and risk. Heads of Service update their relevant service risk registers monthly and record these on a central database. Any service risks which are appropriate for the corporate risk register are escalated to the Corporate Management Team (CMT) for further review and consideration. Quarterly the corporate risk register is reviewed by CMT.

Internal Audit provides a risk-based audit plan and reports on the effectiveness of risk management and internal control to the Corporate Governance, Audit and Standards (CGAS) Committee.

The Council's Cyber Security position, plans and mitigations are reported and reviewed via Corporate Governance Group and Corporate Management Team. The Council continues to enhance its cyber aware training and simulation exercises for staff and members. Previous funding from MHCLG was used to set-up immutable backups, enhance the business continuity plan including business impact assessments supporting critical functions of the council and developing and testing a Cyber Incident Response Plan. Comprehensive IT Change management is in place for changes to live systems and infrastructure. A mobile device management solution has been implemented to manage and protect the council's data following NCSC guidelines. A 24*7 managed Security Operations Centre has commenced which reports any unusual cyber activity and detains any security incidents. Audits and remediation continue annually for the Public Services Network to maintain compliance. Data security requirements are being put in place for compliance with the DWP's Memorandum of Understanding for the use of DWP derived data, which is audited. The National Cyber Security Centre (NCSC), Microsoft, Local Government Association (LGA) and (Warning, Advice and Reporting Point) WARP alerting services are used to follow best practice. The MHCLG's Cyber Assessment Framework (CAF) Ready programme has been completed, achieving additional funding to enhance the council's cyber security posture. The Council is also reviewing guidance from the governments Cyber Code of Practice.

Effective arrangements are in place for the safe collection, storage, use and sharing of data with other bodies, including processes to safeguard personal data in line with GDPR requirements. Information governance and data security e-learning modules are mandatory for all staff and Members on how to manage Council data.

Financial management and governance has been strengthened through additional senior qualified and experienced accounting capacity with specific focus on financial management and governance.

G – Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

The Council and its decisions are open and accessible to the community, service users, partners and its staff. The Freedom of Information Act 2000 (FOI) gives anyone the right to ask for any information held by the Council subject to the need to preserve confidentiality in specific circumstances.
The Council's constitution sets out how decisions are made and specific reference to decision making by Full Council, Cabinet, Committees and scrutinised by the Overview and Scrutiny Committee. The Constitution includes the officer Scheme of Delegation which sets out the powers and functions that are delegated to named Council Officers.
The Council seeks peer reviews and implements recommendations made to strengthen the governance, risk and control environment.
Risk based internal auditing provides ongoing assurance that the key risks are being managed.

4. Key governance changes in year

4.1 *LGA Corporate Peer Challenge*

In June 2024 a Local Government Association (LGA) Corporate Peer Challenge was undertaken. An exercise where a team of local authority experts look at how we work as an organisation. The peer team considered the following 5 themes:

- Local priorities and outcomes
- Organisational and place leadership
- Governance and culture
- Financial planning and management
- Capacity for improvement

10 recommendations were made by the review team and an action plan to take these forward was presented and agreed by Cabinet in October 2024. Progress towards the implementation of these actions will continue to be reported as part of the quarterly performance monitoring to Cabinet.

4.2 *Review of Senior Leadership Team*

The senior leadership team is currently under review to align to the priorities set out in the 2025-26 Council Delivery Plan and to demonstrate clearer accountability, a simplified structure and reduced costs. This process began in April 2025 when the Council approved the removal of the role of Chief Executive and agreed new arrangements, appointing an interim Managing Director to complete the review within a 6-month period.

4.3 *Finances*

In February 2023 the council approved a balanced budget without the need to draw on reserves for 2023-24 and forecasted a balanced budget for the following year, 2024-25. However, these forecasts significantly underestimated the interest payment on the £167m of short-term borrowing (February 2023 bank rate 4% vs budgeted 1.66%) and the borrowing was fully exposed to further interest rate rises in the coming year. Inflation had also been underestimated at circa. 2.5% vs inflation of 10.4% as at February 2023 and projected to reduce gradually. Consequently, the revised 2024-25 budget approved on 22nd February 2024 projected a £5.4m deficit before savings and a cumulative £16.6m MTFS deficit to 2027-28 with £10.7m of available reserves to cover the deficit (increased to £12.22m in July 2024 by the 2023-24 outturn surplus).

At the 22nd February 2024 Budget Council, a financial recovery plan was agreed requiring a total recurrent net budget reduction of £4m by the end of 2027-28 to balance the budget without any further reliance on reserves beyond the MTFS period. The plan acknowledged that interest on the £167m of short-term borrowing (i.e. property investment and regeneration projects were funded by borrowing maturing in less than one year where rates were below 1% compared to longer term where rates were 2-3% higher) was the ongoing cause of the deficit, and therefore required £40m of asset sales over the MTFS period to repay borrowing and consequently reduce annual interest and principal (minimum revenue provision - MRP) repayments by £2.04m per year. In addition, whilst ever inflation is above 2%, service expenditure inflation outpaces the council's ability to increase income, resulting in a need for a £500k per year reduction in cost of services to achieve a recurrent £2m per year reduction by the end of the MTFS period.

A significant amount of progress has been made in identifying savings for 2025- 26 onwards. Whilst these are incorporated into the 2025-26 budget estimates, several of the key risks in the February 2024 MTFS have materialised resulting in a 2025-26 estimated deficit of £5.2m (£4.1m projection in February 2024).

The 2025-26 budget and MTFS has been projected in the context of the current Local Government Reorganisation on the basis that the council will continue in existence and is able to balance its budget and MTFS without external financial assistance. There is a high degree of uncertainty in several of the assumptions in the 2025-26 MTFS, and it is therefore crucial that the council achieves a minimum £1.8m net budget reduction (i.e. the 2025-26 required savings) and strives to make significant inroads into the additional £1m increase the following year. The 2025-26 MTFS projects an additional £2.9m drawdown of reserves compared to 22nd February 2024 to a level of £3.6m and therefore has no flexibility for any unplanned draw on reserves in addition to the identified risks around the budget assumptions if the council is to be able to set a balanced budget each year of the MTFS.

A Financial Recovery Plan was approved at 15th October Cabinet establishing three separate workstreams; (1) Revenue Savings, (2) Capital Receipts, and (3) Financial Service capacity and capability. The revenue savings workstream has identified over 30 lines of enquiry and associated actions and progress to date is reflected in the budget, including progress on capital receipts. The lines of enquiry have been an effective lens to enable a systematic and objective review of the councils' services from several angles and as expected have led onto new lines of enquiry that will continue to be pursued.

There are two significant levers within the council's control to resolve the deficit. The most controllable lever is the council's cost base, the second lever is the reduction of interest and MRP through reduction in borrowing. Therefore, the course of action the council will be taking in 2025-26 as a result is to:

a. Continue working through the lines of enquiry
b. Complete a detailed commercial property review and review of portfolio management to drive up income and reduce costs from the portfolio (aim for net £750K improvement) by 2027-28 at the latest.
c. Bring forward the Civic Quarter capital receipt to gain the benefit earlier than 2028/29 (assuming £12m disposal value benefit is Circa £1.1m per year)
d. Identify further asset sales with zero underlying debt to benefit from 1/10th MRP reduction and interest saved on borrowing, outweighing lost income.

Achieving the full £1.8m required cost of services reduction in 2025-26 is a significant challenge. In recognition of this challenge an immediate project is underway to identify a schedule of actions to deliver a budget reduction this year. Services managers have been asked to review specific services, activity and costs which:

- Could stop – i.e. not already contracted or contract not renewed in year
- Expenditure to temporarily stop for current or next year
- Could be carried out in a different way/scaled back to take account of devolution and/or local government reorganisation at reduced cost
- Service development projects/IT upgrades that can be on hold until local government reorganisation is progressed

4.4 *External Audit*

On 5 September 2024 the government published draft the Accounts and Audit (Amendment) Regulations 2024. These Regulations, which were approved on 30 September 2024, set a publication date for financial statements up to and including 2022/23 of 13 December 2024. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

The external auditors issued a disclaimer audit opinion for 2020/21, 2021/22 and 2022/23. Communication has improved with the external auditors, including regular meetings, to ensure that any issues or queries are dealt with promptly and sufficient resources are assigned to deal with requests.

4.5 *Resolution of governance issues identified in 23/24*

The new Freedom of Information (FOI) system came into force in July 2024 to improve the tracking and ensure that responses to requests are carried out in a timely manner. The FOI response rate (statutory turnaround times) has improved from 73 % in Q1 of 2023/2024 to 95% in Q4 of 2024/2025. The percentages vary slightly from quarter to quarter.

The self-assessment against the seven characteristics of good governance has been carried out by the Corporate Governance Group and has been included as part of the annual work plan to review governance and any improvement points highlighted through the group's discussion are recorded as an action point for the group to progress.

Governance actions from the peer and CIPFA review have been included within the Financial Resilience Plan and as part of quarterly monitoring. Whilst the actions are still being implemented these have been embedded within sufficient monitoring mechanisms that progress on the implementation of these will continue to be reported to Cabinet.

5. Effectiveness of the governance framework

The Council reviews the effectiveness of its governance arrangements annually. The key sources of assurance that informs this review are:

- The work of the Corporate Governance, Audit and Standards Committee (CGAS), Members and Senior Officers of the Council who have responsibility for good governance.
- A statement of assurance is obtained from Heads of Service to confirm the governance arrangements in place within their service and any actions to be included within the AGS.
- Risk management reports and the corporate risk register is maintained and scrutinised by Corporate Management Team (CMT) quarterly and subsequently communicated to CGAS, the Corporate Governance Group and Cabinet.
- The Audit Manager's update reports on the internal audit activity, which provides an independent assurance that Governance, Risk management and internal Control is in place and provides an opinion on the effectiveness of these arrangements.
- Half yearly updates to the CGAS Committee monitoring the work carried out towards the governance actions identified in the previous year's AGS.
- Any comments made by External Audit or other external reviews.
- The Corporate Governance Group provides assurance over the governance arrangements within the Council by completing a self-assessment annually against the seven characteristics of good governance and takes forward actions to improve governance.

6. Risk management

6.1 Significant risks must be formally identified, assessed and appropriately managed in order to mitigate their likelihood and/or their adverse impacts, such as on the continued operation of the Council, compliance with legal obligations or achieving strategic objectives.

6.2 Ultimately the responsibility to ensure that the Council's risk management process is effective lies with the Executive Leadership Team (ELT), the Managing Director and elected members. The overall responsibility to manage this process is delegated to the Executive Director, with day-to-day management provided by the Service Manager for Risk, Performance and Procurement.

6.3 The risk management policy and arrangements have been reviewed in year with the following changes being agreed by Cabinet on 14th January 2025:

- The process for developing a strategic level risk appetite
- Further development of the processes used to identify opportunities as well as threats when identifying risks
- Amendments to give further clarity on what must be discussed, agreed and recorded when the risk register is reviewed
- Alignment with the Council's agreed priorities
- Further clarity on the arrangements for reporting when risks become issues.

Work will take place during 25/26 to embed the operational changes and develop a Strategic risk appetite/policy.

7. Managing the risk of fraud and corruption

7.1 The Council is committed to the highest possible standards of honesty, openness and accountability. It will ensure that internal procedures are in place to identify, deter and prevent the risk of fraud and corruption and maintain clear and well publicised arrangements for receiving and investigating issues raised through its governance policies.

7.2 The Council will pursue appropriate action, including the recovery of any losses it has suffered, where fraud and corruption has been identified.

7.3 To mitigate the risk of fraud the Council has in place fraud and governance policies to which staff should adhere. These include the Anti-fraud, Bribery and Corruption policy, Whistleblowing policy, Anti-Money Laundering policy and Gifts and Hospitality policy. Any issues raised relating to these policies are dealt with by the appropriate responsible officer in accordance with the requirements of each policy.

8. Internal audit assurance

AUDIT OPINION ONCE FINALISED

9. External audit assurance

9.1 The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

9.2 The audit of the financial statements for the year ended 31 March 2021, 31 March 2022 and 31 March 2023 for Rushmoor Borough Council were not completed for the reasons set out in our disclaimers of opinion on those financial statements dated 26 November 2024, 13 December 2024 and 13 December 2024 respectively. The audit of the 2023-24 financial statements was signed off on 28th February 2025 in compliance with legislation.

9.3 External audit also provides assurance on the council's arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The audit opinion is that the Council did not have adequate arrangements to reduce its recurrent level of revenue spending so that it can be contained within available resources without the need to call on reserves or reduce the level of planned service provision. In particular, the Council did not have arrangements to reduce its very high level of short-term borrowing to mitigate the impact of this on its revenue budget over the medium term and reduce the level of interest rate risk it is currently exposed to.

10. Actions to implement in 25/26

The review of the effectiveness of the Council's governance framework has identified that the actions carried forward from 2023/24 as detailed below are significant areas for the Council to implement, mainly the financial resilience plan, and therefore remain the key area of focus and remain a key governance area to improve. Therefore, no further governance actions have been put forward. The progress against these actions will be reviewed by the Corporate Governance Group and regularly reported to the Corporate Governance, Audit and Standards Committee.

The below are previous actions highlighted for improvement within the 24/25 AGS and will continue to be implemented and monitored during 25/26.

Action from 23/24 AGS	Original target date	Last update from May 2024	Revised target date	Update November 2024	Revised target date	Direction of travel
Following the changes in political control in May there are likely to be shifts in priorities which may require existing governance arrangements to be reviewed. This will be taken forward by the ELT supported by the governance group. Existing arrangements will have new appointments and training and briefing will be required for new appointees to be able to undertake governance roles effectively	September 2024 As soon as practicable in new Civic year	N/A – New action	N/A	As a result of the Corporate Peer Challenge and the CIPFA report the Council has commissioned a review of some elements of its committee and governance arrangements. This report will be considered once completed. The report will be considered in January 2025 with any changes agreed being brought in from May 2025.	Report – January 2025 Changes (if required) May 2025	Progressing ⬆
The governance actions which transpire from the CIPFA review will be actioned accordingly.	TBC when actions from the report agreed	N/A – New action	N/A	A Financial Resilience Plan has been agreed which incorporate actions from the CIPFA review and the peer challenge. Work towards the plan is regularly reviewed by ELT.	Ongoing	Progressing ⬆
A self-assessment against the CIPFA Financial Management Code will be carried out. The actions resulting from the self-assessment will be carried out to ensure compliance with the code.	September 2024 September 2025	N/A – New action	N/A	The self-assessment against the CIPFA Financial Management Code has been carried out and further action is required to fully implement the requirements so that the Council is fully compliant with the code.	September 2025	Progressing ⬆
A self-assessment against the seven characteristics of good governance has been carried out by the Corporate Governance Group. Actions arising from this review will be taken forward to improve any governance gaps.	TBC when actions agreed	N/A – New action	N/A	The self-assessment is being scheduled to be reviewed annually. Currently the 2nd review against these characteristics is being carried out.	Business As Usual	Completed

11. Certification

11.1 To the best of our knowledge, the governance arrangements, as defined above and within the Council's Code of Corporate Governance, have been effectively operating during the year with the exception of those areas highlighted on page 17 above. We propose over the coming year to take steps to address the above matters identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed:

	Gareth Williams **Leader of the Council**	**Ian Harrison** **Interim Managing Director**
Date:	27 February 2026	27 February 2026

Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accounting Policies

The specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting financial statements.

Accruals

Sums included in the financial statements to recognise income or expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

Accrued Interest

Interest accumulated but not yet received or paid.

Actuarial

The appraisal of economic and demographic factors in order to estimate future pension liabilities.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

Agency Services

Services which are performed by or for other councils or bodies, where the council/body responsible for the service reimburses the council carrying out the work for the costs incurred.

Amortisation

The apportionment (charging or writing off) of the cost of an intangible asset as an operational cost over the asset's estimated useful life.

Amortised Cost

The amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount.

Asset

An item having value to the Council in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash);
- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. the Civic Centre, or intangible, e.g. computer software licence.

Audit of Accounts

An independent examination of the Council's financial affairs.

Authority/Local Authority

A Local Authority is an administrative body in local government, also referred to in the Statement of Accounts as a Council.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

Billing Authority

A local authority responsible for collecting the council tax and non-domestic rates in areas where there is a two-tier system of county and district councils.

Borrowing

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

Budget

The forecast of net revenue and capital expenditure over the accounting period.

Capital Expenditure

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Financing

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue contributions, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

Capital Grants

Grants received towards capital expenditure.

Capital Programme

The capital schemes the Council intends to carry out over a specific period of time.

Capital Receipt

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

Collection Fund

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks.

Componentisation

Component parts of a major asset may not have the same useful lives (i.e. they wear out or depreciate at different rates); therefore those components with a value that is significant in relation to the total value of the asset shall be depreciated separately. The purpose is to ensure that the depreciation charged in the Income & Expenditure Statement properly reflects the consumption of economic benefit.

Comprehensive Income and Expenditure Statement (CIES)

The account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or

- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

Council Tax

A local tax on domestic property set by local authorities in order to meet their budget requirement.

Council Tax Base

The total number of properties within the local authority area expressed in terms of band D equivalents, incorporating discounts, deductions and exemptions.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Current Assets

Assets which may change in value on a day-to-day basis

Current Service Cost (Pensions)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

Defined Benefit Pension Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

Depreciated Replacement Cost (DRC)

A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence. It is used for specialist assets where no market exists.

Depreciation

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

Direct Revenue Contributions

Capital expenditure funded from revenue budgets. Also known as Revenue Contributions to Capital Outlay (RCCO).

Discretionary Benefits (pensions)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

Doubtful Debt (also known as bad debt)

A debt that the Council may not be able to recover. A provision is made in the accounts for doubtful debts each year based on the value and age of debts outstanding.

Earmarked Reserves

Reserves which are held by a Council for specified purposes.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items

Material (see materiality) items that derive from events or transactions that fall within the ordinary activities of the Council but which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Existing use Value (EUV)

The amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction in its existing use; it is used for most PPE assets with a variation required for council dwellings.

Expected Return on Pension Assets

Glossary

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Asset

Any asset that is cash, a contractual right to receive cash or another financial asset from another party, or an equity instrument issued by another party, examples include bank deposits, bonds and stocks.

Financial Instrument

A financial asset that is tradable, for example, bank deposits and investments.

Financial Liability

An obligation to deliver cash or another financial asset.

Funded Benefits

The funded benefits are those payable by the Fund in accordance with The Local Government Pension Scheme Regulations 2013 (as amended and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

General Fund

The main revenue fund from which the Cost of Services is met.

Going Concern

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

Government Grants

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

Held for Sale

Asset held for sale are those assets where it is probable that the carrying value will be recovered principally through a sale transaction rather than through continuing use.

Heritage Assets

Assets that are held and maintained by an entity principally for their contribution to knowledge and culture. The key feature of heritage assets is that they have cultural, environmental or historical associations that make their preservation for future generations important.

Highest & Best Use

The highest and best use of the asset provides the maximum value to market participants through its use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible.

Historic Cost

The amount originally paid for a fixed asset.

Housing Capital Receipts Pool

A proportion of receipts relating to housing disposal is payable to the Government in accordance with statutory requirements. This is known as housing capital receipts pooling.

IFRS

International Financial Reporting Standards (IFRS) a global language for business affairs so that accounts are understandable and comparable across international boundaries.

Impairment

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

Infrastructure Assets

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are footpaths and coast protection defences.

Intangible Assets

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment Property

Interests in land and/or buildings which are held solely to earn rentals or for capital appreciation or both. Investment Properties are valued at highest and best use and must be revalued every year.

Investments (Pension Fund)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

Joint Ventures

An entity established with contractual or binding arrangements whereby two or more parties are committed to undertake an activity that is subject to their joint control, with strategic,

financial and operating decisions relating to the activity requiring the unanimous consent of the parties sharing the control.

Lease

A contract for the hire of a specific asset. The lessor owns the asset but conveys the right to use the asset to the lessee for an agreed period of time in return for the payment of specified rentals. Leases may be either operating leases or finance leases.

Liability

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

Liquid Investment

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

Market Participants

Buyers and sellers in the principal (or most advantageous) market for an asset or liability. The principal market is that with the greatest volume and level of activity, whilst the most advantageous is the market that maximises the amount that would be received to sell the asset or paid to transfer the liability after taking into account transport and transaction cost.

Market Value

The amount at which a property would be exchanged between knowledgeable and willing parties in an arm's-length transaction.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MHCLG

Ministry of Housing, Communities and Local Government, the main Government department dealing with local government, housing and community issues.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Non-Domestic Rates (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Council on behalf of itself, central government and major preceptors.

Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

Observable Inputs

Are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

Operating Lease

A lease where the ownership of the fixed asset remains with the lessor.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Orderly Transaction

A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction.

Payables (also known as Creditors)

Financial liabilities arising from a contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier. They are only recognised when the goods or services are delivered or received by the Council.

Past Service Cost (Pensions)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

Pension Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Precept

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

Precepting Authority

An authority that sets a precept to be collected by a billing authority (Arun) through the Council Tax bill. West Sussex County Council and Sussex Police & Crime Commissioner are known as major precepting authorities. Parish/Town Councils are known as local precepting authorities.

Prepayment

An adjustment made in the financial statements for goods or services already paid which relate to the next financial year.

Prior Year Adjustment

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Property, Plant & Equipment (PPE)

Tangible assets (i.e. assets with physical substance) that are held for use by the Council for the supply of services, for rental to others or for administrative purposes that are expected to

be used for at least part of the succeeding financial year. These may be operational or non-operational.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Public Works Loan Board (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

Rateable Value

The annual assumed rental of a hereditament, which is used for NNDR purposes.

Receivables (also known as Debtors)

Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents. They are only recognised when goods or services have been transferred to the service recipient before the customer pays consideration or before payment is due.

Related Parties

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

Related Party Transactions

The Statement of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revenue Expenditure

The day-to-day expenses of providing services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure which ordinarily would be revenue but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature such as disabled facility grants.

Support Services Costs/Charges

Expenditure on administrative and professional services and office accommodation, which is recharged to service users on a specified basis.

Tangible Fixed Asset

Physical assets that yield benefits to the Council and the services it provides for a period of more than one year.

Useful Economic Life (UEL)

The period over which the Council will derive benefits from the use of a fixed asset.

Unobservable Inputs

Are inputs for which market data is not available and that are developed using the best information available to the Council about the assumptions that market participants would use when pricing the asset or liability.

Unusable Reserve

Those reserves that the Council may not use to fund the services it provides. This includes the Revaluation Reserve that holds the unrealised gains and losses on Property Plant and Equipment.

Usable Reserve

Those reserves that the Council may use to fund the services it provides, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt.

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01252 398 399

April 2025

Simon Mathers

Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

Contact: Peter Vickers

E-mail: Peter.vickers@rushmoor.gov.uk

Date: TBC 2026

This letter of representations is provided in connection with your audit of the consolidated and parent Authority financial statements of Rushmoor Borough Council ("the Group and Authority") for the year ended 31 March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the Group and Authority financial position of Rushmoor Borough Council as of 31 March 20225 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Authority, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25**.**

We understand that the purpose of your audit of our consolidated and parent Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. **Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and parent Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The material accounting policy information adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements**.**

4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for the Group and for the Authority that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because they are below materiality levels.

B. We confirm the Group and Authority does not have securities (debt or equity) listed on a recognized exchange. **Non-compliance with laws and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Group and Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Authority financial statements may be materially misstated as a result of fraud.

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Group or Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial statements, but compliance with which may be fundamental to the operations of the Group and Authority's business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. **Information Provided and Completeness of Information and Transactions**

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

- Additional information that you have requested from us for the purpose of the audit; and

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Authority financial statements

3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: 26 November 2025.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Authority financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

6. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From 21 February 2025 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. **Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Authority financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and

claims, both actual and contingent, and have disclosed in Note 44 to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 1 to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. **Subsequent Events**

1. There have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

G. **Group audits**

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

H. **Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the consolidated and parent financial statements.

2. The key assumptions used in preparing the consolidated and parent financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, aligned with the statements we have made in the other information or other public communications made by us.

J. **Ownership of Assets**

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.

K. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, investment properties, and pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

Valuations of property, plant and equipment, investment properties and net pension liability

1. We confirm that the significant judgments made in making the valuation of property, plant and equipment, investment properties, and pension liabilities have taken into account all relevant information of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of property, plant and equipment, investment properties, and pension liabilities.

3. We confirm that the significant assumptions used in making the valuation of property, plant and equipment, investment properties, and pension liabilities appropriately reflect our intent and ability to carry out valuations on behalf of the Council.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of property, plant and equipment, investment properties, and pension liabilities.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements.

N. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

***Yours faithfully*,**

Peter Vickers - Section 151 Officer (Chief Finance Officer)

Councillor Bill O’Donovan– Chairperson of the Audit & Governance Committee

RUSHMOOR BOROUGH COUNCIL

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Communication schedule for corrected misstatements

Entity: Rushmoor Borough Council **Period ended:** 31-Mar-2025 **Currency:** GBP

Corrected misstatements			**Analysis of misstatements Debit/(Credit)**							
No.	**W/P ref.**	**Account** (misstatements are recorded as journal entries with a description)	**Assets Current** Debit/(Credit)	**Assets Non-current** Debit/(Credit)	**Liabilities Current** Debit/(Credit)	**Liabilities Non-current** Debit/(Credit)	**Equity components** Debit/(Credit)	**Effect on the current period OCI** Debit/(Credit)	**Income statement effect of the current period** Debit/(Credit)	**Non taxable**
	25 RBC PG1.01.02 IAS	Pension liability did not include IFRIC 14 asset ceiling								
		Pension reserve (Asset ceiling)						13,915,000		
		Pension liability			-12,542,000					
		Pension reserve (ROA Adjustment)						-1,373,000		
1	25 RBC K PPE SWP	Asset Existence								
		Asset		(857,100)						
		Impairment							857,100	
	MIRS	MIRS						(857,100)		
		Capital Adjustment account					857,100			
	25 RBC - Long Term Debtors	Farnborough interest on Loan not accrued for								
		LT Debtors		105,000						
		Interest							(105,000)	
	25 RBC - Long Term Debtors	Reclassification of Loan between RHL and RBC from ST to LT								
		Short - term Debtors	(165,215)							
		Long- term Debtors		165,215						
	25 RBC K PPE SWP	Assets Held for sale (Frimley Buisness Park and Union Yard) not disclosed								
		Investment Property		-16,572,900						
		Assets Held for Sale		16,572,900						
Total of corrected misstatements before income tax			(165,215)	(586,885)	(12,542,000)	0	857,100	11,684,900	752,100	

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Cash flow misstatements schedule

Entity:	Rushmoor Borough Council	Period ended:	31-Mar-2025	PM: 2,025,420
		Currency:	GBP	TE: 1,012,710
				Nominal amount: 101,271

No.	W/P ref.	Statement of cash flows line (Misstatements in the statement of cash flows are recorded as journal entries with a description)	Analysis of misstatements Increase/(Decrease): Operating cash flows	Investing cash flows	Financing cash flows	
Corrected cash flow misstatements:						
		Capital accruals not adjusted as a non-cash flow adjustment				
		Purchase of property, plant and equipment, investment property and intangible assets		-2,272		
		Increase/decrease in creditors	2,272			
Total of uncorrected cash flow misstatements			0	0	0	
Statement of cash flows subtotals						
Effect of uncorrected cash flow misstatements on subtotals:			0.0%	0.0%	0.0%	

Corrected misstatements in disclosures:

1	25 RBC PG1.01.02 IAS 19	Differences between what is on the IAS 19 report and what was disclosed in the accounts	CIPFA Code	
2	25 RBC 280-E(R) Estimation SCOT form-PPE Valuation and 25 RBC B05.280-E(R) Estimation SCOT form-IP and Surplus Assets Valuation	Sensitivity disclosure in Note 4 does not clearly state what the assumptions are that causes the sensitivity and the impact of a change in the assumption	CIPFA Code	
3	25 RBC financial statements overall review	Disclosure differences identified upon review. See referenced document for detail	See referenced document for detail	
4		Right-of-use asset balances are presented in Note 39 Leases instead of either: • as a separate category in the Balance Sheet, or • in the line appropriate to the underlying asset (eg property, plant and equipment) Meanwhile, we noted that in Note 13 PPE there is no separate column for ROU just because client mentioned that it is already included in VPE and OLB.	Required by paragraphs 4.2.2.65 to 4.2.2.68 of the Code. With summary of interpretation in CIPFA Code of Practice on Local authority accounting guidance notes - MODULE 4 \ NON-CURRENT ASSETS section F129.	
5		In Note 39 Leases, there should be no disclosure anymore about finance or operaitng leases under Council as lessee to avoid confusion with the implementation of the IFRS 16.	As set out in paragraphs 4.2.1.4 and 4.2.1.5 of the Code. With the interpretation: "IFRS 16 Leases' main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as 'pay as you go' arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset" presented in https://www.cipfa.org/-/media/files/publications/1newpublications/pub-	
6		In Note 39 Leases (under Council as lessee), there is no narrative par. Outlining the nature, commencement date, term years, with renewal option/none, with rental increase clause or none, and value of the asset at YE related to material lease contracts.	Required by paragraph 4.2.4.10 of the Code. With sample tabular presentation in CIPFA Code of Practice on Local authority accounting guidance notes - MODULE 3 \ THE FINANCIAL STATEMENTS section 45 Leases.	
7		In Note 39 Leases (under Council as lessee), there is no tabular presentation that shows the change in the value of right-of-use assets held under leases by the authority. This includes the reconciliation from Beg bal + additions +/- revaluations - dep and amort - disposal = End bal. As per client's IFRS 16 working paper, these information are captured in there.	Required by paragraphs 4.2.4.4 a), h) and j) of the Code. With sample tabular presentation in CIPFA Code of Practice on Local authority accounting guidance notes - MODULE 3 \ THE FINANCIAL STATEMENTS section 45 Leases.	
8		In Note 39 Leases (under Council as lessee), there is no tabular presentation that shows the Council's incurred costs that has been included in the carrying amount of ROU asset during the reporting period.	Required by paragraph 4.2.4.4 b), c), d), e), f), g), and i) of the Code. With sample tabular presentation in CIPFA Code of Practice on Local authority accounting guidance notes - MODULE 3 \ THE FINANCIAL STATEMENTS section 45 Leases.	

Communication schedule for uncorrected misstatements

Entity: Rushmoor Borough Council **Period Ended:** 31-Mar-2025 **Currency:** GBP

No.	W/P ref.	Account (Note 1) (misstatements are recorded as journal entries with a description)	Assets Current Debit/(Credit) (Note 2)	Assets Non-current Debit/(Credit) (Note 2)	Liabilities Current Debit/(Credit) (Note 2)	Liabilities Non-current Debit/(Credit) (Note 2)	Equity components Debit/(Credit)	Effect on the current period OCI Debit/(Credit)	Income statement effect of the current period Debit/(Credit)	Income statement effect of the current period Non taxable	Income statement effect of the prior period Prior period Debit/(Credit)	Income statement effect of the prior period Non taxable
Factual misstatements:												
		Creditors (9313)opening balances brought forward from 22/23 into 23/24's opening (P0) position were not fully reversed in P1.										
		Creditors										
		Expenditure									(796,342)	
		Debtors (9316)-opening balances brought forward from 22/23 into 23/24's opening (P0) position were not fully reversed in P1.										
		Debtors										
		Revenue									(254,459)	
		Code 9326 – BAL INCOME IN ADVANCE- adj debit transaction in error (creditors *RiA class in SoA)										
		Income received in advance										
		Revenue									(66,452)	
		Short term debtors-Long outstanding debt to be written off										
		Debtors										
		Debt impairment									715,302	

Communication schedule for uncorrected misstatements

Entity: Rushmoor Borough Council | **Period Ended:** 31-Mar-2025 | **Currency:** GBP

No.	W/P ref.	Account (Note 1) (misstatements are recorded as journal entries with a description)	Assets Current Debit/(Credit) (Note 2)	Assets Non-current Debit/(Credit) (Note 2)	Liabilities Current Debit/(Credit) (Note 2)	Liabilities Non-current Debit/(Credit) (Note 2)	Equity components Debit/(Credit)	Effect on the current period OCI Debit/(Credit)	Income statement effect of the current period Debit/(Credit)	Income statement effect of the current period Non taxable	Income statem effect of the pr period Prior period Debit/(Credit)	t
Judgmental misstatements:												
		Expenditure-Limitation of scope										
		Other services expense							280,648		280,648	
		Payables			(280,648)							
		Accrual 2022/23-No evidence provided for this journal										
		Short term creditors			145,968							
		Revenue							(145,968)		(145,968)	
		REFCUS - No system to record time charged to REFCUS										
		Additions		(96,662)								
		Expenditure							96,662		96,662	
		Prior year clearing journal - no supporting evidence provided										
		Expenses							(152,795)			
		Creditors			152,795						(152,795)	
Total of uncorrected misstatements before income tax			0	(96,662)	18,115	0	0	0	78,547		(323,404)	
Total of uncorrected misstatements			0	(96,662)	18,115	0	0	0	78,547		(323,404)	
Financial statement amounts												
Effect of uncorrected misstatements on F/S amounts			0.0%	0.0%	0.0%	0.0%	0.0%		0.0%		0.0%	

		Current period		Prior period
Memo: Total of non-taxable items (marked 'X' above)		0		0
Uncorrected misstatements before income tax	0.0%	78,547		(323,404)
Less: Tax effect of misstatements at current year marginal rate		0		0
Uncorrected misstatements in income tax		0		0
Cumulative effect of uncorrected misstatements after tax but before turnarou	0.0%	78,547		(323,404)
Turnaround effect of prior period uncorrected misstatements		**After tax**	**Memo: Before tax**	
All factual and projected misstatements:		401,951	401,951	
Judgmental misstatements (Note 3):		(78,547)	78,547	
Cumulative effect of uncorrected misstatements, after turnaround effect	0.0%	401,951		

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AUDIT AND GOVERNANCE COMMITTEE **Head of Partnership**
REPORT NO. SIAP 26/01

28th January 2026

INTERNAL AUDIT PROGRESS REPORT DECEMBER 2025

SUMMARY:

As required by the Global Internal Audit Standards in UK Public Sector this report presents the Internal Audit Progress Report December 2025.

- The Internal Audit Progress Report – December 2025 (Appendix A) provides the Audit and Governance Committee with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of key updates pertinent to the discharge of the committee's role in relation to internal audit.

RECOMMENDATION:

Members are requested:

- to **note** the Internal Audit Progress Report – December 2025 (Appendix A).

1 Introduction

1.1 The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

1.2 From 1 April 2025, the 'standards or guidance' in relation to internal audit are those laid down in the:

- Global Internal Audit Standards (GIAS),
- Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) and
- Code of Practice for the Governance of Internal Audit in UK Local Government.

The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).

1.3 In accordance with proper internal audit practices (Global Internal Audit Standards in the UK Public Sector), the Chief Internal Auditor is required to provide a written status report to the Audit & Governance Committee, summarising:

- ongoing confirmation or otherwise regarding independence, and impairment [Standard 7.1]
- a summary of significant issues and escalation of matter of importance [Standard 8.1]
- overview and sufficiency of resourcing [Standards 8.2, 10.1, 10.2, and 10.3]
- communicating of unresolved issues that fall outside of the Council's risk tolerance [Standard 11.5]
- update on progress and any changes to the annual audit plan [Standard 9.4]
- internal audit performance measures [Standard 12.2]
- status of 'live' internal audit reports and status on the implementation of management actions [Standard 15.2]

1.4 Appendix A summarises the activities of internal audit for the period up to December 2025

2 Recommendation

2.1 Members are requested to note the Internal Audit Progress Report – December 2025 (Appendix A)

AUTHOR: Neil Pitman, Head of Southern Internal Audit Partnership
Neil.pitman@hants.gov.uk

HEAD OF SERVICE: Peter Vickers, Executive Head of Financial Services and S151 Officer

Internal Audit Progress Report

Rushmoor Borough Council

Prepared by: **Neil Pitman, Head of Partnership**

December 2025

1. Internal Audit Mandate

The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

'5. (1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(a) make available such documents and records; and
(b) supply such information and explanations

as are considered necessary by those conducting the internal audit.'

The role of internal audit is best summarised through its definition within the Standards, as an:

'An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.'

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

2. Internal Audit Standards

With effect from 1 April 2025, the 'Standards' against which internal audit within the public sector must conform are those laid down in the Global Internal Audit Standards, Application Note: Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements are referred to as the Global Internal Audit Standards in the UK Public Sector.

3. Purpose of Report

In accordance with proper internal audit practices (Global Internal Audit Standards in the UK Public Sector), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to Senior Management and the Corporate Governance Audit & Standards Committee, summarising:

- The monitoring of 'live' internal audit reports
- an update on progress against the annual audit plan and any subsequent revisions
- acknowledgement of any actual or perceived impairments to internal audit independence
- internal audit performance, planning and resourcing issues
- results of audit assignments and insights.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of controls in place focusing on those designed to mitigate risks to the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

4. Resourcing

As Chief Internal Auditor I am of the opinion that there is a sufficient level of resource available, supported by an appropriate range of knowledge, skills, qualifications and experience to deliver the internal audit plan (2025/26) and in the fulfilment of the audit mandate and delivery of the internal audit strategy.

- **Human Resource -** the Southern Internal Audit Partnership has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the internal audit strategy and risk-based audit plan.
- **Financial Resource -** the Head of Southern Internal Audit Partnership will manage the internal audit budget to enable the successful implementation of the internal audit mandate and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and relevant technologies and tools.
- **Technological Resource -** the internal audit function has the technology to support the internal audit process and regularly evaluates technological resources in pursuit of opportunities to improve effectiveness and efficiency.

I have not been made aware of any implications on organisational capacity that may adversely affect the delivery of the internal audit plan.

5. Independence

As your chief internal auditor, I retain no roles or responsibilities that have the potential to impair my independence, either in fact or appearance. Internal auditors engaged in the delivery of the 2025-26 internal audit plan have had no direct operational responsibility or authority over any of the activities reviewed. I can confirm there has been no interference encountered relating to the scope, performance, or communication of internal audit work during the year to date in the delivery of the internal audit plan or the fulfilment of the internal audit mandate.

6. Impairments

There have been no impairments to internal audit activity during the year. The internal audit function has remained free from all conditions that threaten our ability to carry out responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. The internal audit team have maintained an unbiased mental attitude allowing them to perform engagements objectively enabling them to believe in their work product, with no compromise to quality, and no subordination to their judgment on audit matters, either in fact or appearance.

7. Rolling Work Programme

The internal audit plan for 2025-26 was originally presented to Senior Management and approved by the Corporate Governance Audit & Standards Committee in April 2025. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed below.

Audit Review	Sponsor	Scoping Held	ToR Issued	Fieldwork Start	Draft Report	Final Report	Assurance Opinion	Comment
Disabled Facility Grants	EHO	01.05.24	03.06.24	17.06.24	11.10.24	13.06.25	Limited	2024/25
Capital Programme	EHF	22.07.24	03.09.24	18.09.24	23.04.25	04.09.25	Reasonable	2024/25
Effectiveness of Financial Rules	EHF	23.09.24	13.11.24	18.11.24	28.05.25	22.07.25	Limited	2024/25
NNDR Billing, Collection, Recovery	EHF	09.10.24	07.11.24	16.12.24	30.04.25	11.07.25	Reasonable	2024/25
FMS & Bank Reconciliations	EHF	07.11.24	16.01.25	04.03.25	27.05.25	21.07.25	Reasonable	2024/25
Sales Ledger	EHF	06.03.25	26.03.25	22.04.25	24.09.25	13.11.25	Reasonable	2024/25
Union Yard	EHF	27.01.25	07.07.25	28.07.25	02.10.25			
Pay360	CMIT	12.02.25	21.07.25	20.08.25	22.09.25	21.10.25	Limited	
Procurement	EHF	20.05.25	10.06.25	30.06.25	13.08.25	19.09.25	Reasonable	
Financial Recovery Plan	EHF	15.05.25	28.05.25	25.06.25	26.08.25			
LGA Peer Review – Action Plan	IMD	04.06.25	27.06.25	04.07.25	26.08.25			
Agency Staff	EHF	26.06.25	07.07.25	28.07.25	07.10.25	30.12.25	No	
Budget Management	EHF	28.07.25	08.10.25	12.09.25	14.11.25			
Risk Management	ED	08.10.25	13.10.25	05.11.25				
Cyber Security – Training & Awareness	CMIT	13.10.25	27.10.25	21.11.25				
Treasury Management	EHF	20.10.25	27.10.25	19.11.25	15.12.25			
Recruitment & Retention	CMP	14.10.25	24.10.25	17.12.25				
Temporary Accommodation	EHO	20.10.25	30.10.25	08.12.25				
Asset Management & Disposal	EHPG	06.01.26						
Programme / Project Management	EHO	22.07.25	11.11.25	28.11.25				
Contract Management	ED							
IT Contingency	CMIT							
Contingency – Devolution & LGR	IMD							

IMD	Interim Manging Director	CMD	Corporate Manager, Democracy
ED	Executive Director	CMIT	Corporate manger, IT
EHF	Executive Head of Finance	CMLSMO	Corporate Manager, Legal Services & Monitoring Officer
EHO	Executive Head of Operations	CMP	Corporate Manager, People
EHPG	Executive Head of Property & Growth		

8. Adjustment to the Internal Audit Plan 2025-26

Internal Audit focus continues to be proportionate and appropriately aligned. The plan remains fluid and subject to on-going review and amendment, in consultation with the relevant audit sponsors, Senior Management, and Corporate Governance Audit & Standards Committee, to ensure internal audit are able to react to new and emerging risks and the changing needs of the Council.

Such amendments to the 2025-26 internal audit plan are detailed below with explanations for the proposed amendments.

Additions	**Audit Review**	**Reason for inclusion in the plan**
	None	N/A
Withdrawals	**Audit Review**	**Reason for removal from the plan**
	None	N/A

9. Acceptance of Risk

Internal audit reporting protocols are in place to ensure that the scope of work and findings for all assignments are reported appropriately and that agreed management actions are approved by senior management.

Every effort will be made to resolve disagreements that may arise during the audit process. However, if, unresolved issues are considered by internal audit to fall outside of the Council’s risk tolerance, these will be escalated to Senior Management and Corporate Governance Audit & Standards Committee as deemed necessary.

There are no such instances to report from our delivery of the 2025–26 internal audit plan to date.

10. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

Title: Agency Staff		
Audit Sponsor	**Assurance opinion**	**Management Actions**
Executive Director, Karen Edwards	No	12 High / 11 Medium / 0 Low

Summary of key observations:

The purpose of the audit was to review the Council's use of agency staff to assess compliance with internal policies and statutory obligations. It also evaluated the effectiveness of controls around authorisation, pre-engagement checks, induction and financial oversight.

Testing found that there are currently no formal policies or procedures in place governing the engagement or use of agency staff.

Employment Law and Agency Worker Regulations 2010 govern the rights of agency workers and obligations of the employee after a worker has completed a period of continuous service. Testing found the duration of contracts held by agency staff would be considered long term, including three agency staff remaining in place for up to four years.

Through review of eight agency staff across four service areas, testing has been unable to provide assurance that 'Contract Standing Orders V1.1 30.01.25' had been followed.

Employing services do not routinely consult with the Procurement team during the recruitment of agency staff. Testing was unable to provide assurance that the Council's 'Procurement Strategy' is effectively applied to safeguard agency workers or ensure that only reputable agencies with appropriate policies are used.

The 'Skillsgate' system is used to complete mandatory training such as 'Data Protection', 'Display Screen Equipment' and 'Managing Information Securely'. Review of eight agency staff found two were registered on 'Skillsgate' within the first week of being recruited, however, the remaining six were not registered on the 'Skillsgate' system within the initial period of their start date. The timeframe for registration ranged from one month to four years.

'IR35' status checks are required to be completed prior to engagement with agency or consultancy staff. Review of eight agency staff highlighted inconsistencies in both the completion and retention of IR35 assessments, including missing supporting documentation and delays in completing checks.

An 'Approval to Recruit' form is used to record details such as length of engagement and estimated budgeting costs and submitted to Executive Leadership Team (ELT) for approval. Testing of eight agency staff found no evidence of the 'Approval to Recruit' form being used.

The People Team maintains a 'Contractor Spreadsheet' to provide a high-level overview of agency staff engaged across the Council. This includes key details such as job title, service area, daily rate, agency used, and contract start and end dates. However, there is no established mechanism in place to ensure the People Team are consistently informed of newly recruited agency staff or changes to existing contracts, such as extensions or terminations.

Testing was unable to evidence corporate oversight of the level of spend on agency staff. Additionally, there is a lack of evidence regarding how agency staff are monitored for performance and productivity to ensure best value for money is achieved.

The Finance Department processes invoices for agency staff payments following approval from Heads of Service. For this test, six agency staff invoices were reviewed, along with screenshots of the approval process within the 'Integra' system. Testing found that three invoices had been appropriately approved by Heads of Service. However, one timesheet had been approved by a PA, one timesheet from July 2025 had been authorised by a fellow agency staff member and still required formal approval from Heads of Service. Additionally, one invoice covering July and August was also pending approval from the relevant Head of Service.

A comprehensive action plan has been put in place to mitigate the risks arising from the audit review all of which are scheduled to be implemented by the end of this financial year (31 March 2026).

11. Analysis of ‘Live Audit Reviews’

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions											
				Agreed			Pending			Complete			Overdue		
				L	M	H	L	M	H	L	M	H	L	M	H
IT Software Development	2022/23	CMIT	Reasonable	2	8	1	-	-	-	2	4	1	-	4	-
Information Governance	2022/23	CMLSMO	Reasonable	1	9	-	-	-	-	1	7	-	-	2	-
Crematorium	2022/23	EHO	Reasonable	-	9	1	-	-	-		8	1	-	1	-
Biodiversity BNG	2024/25	EHO	Reasonable	-	6	2	-	-	-	-	5	2	-	1	
Elections	2024/25	CMD	Reasonable	5	-	-	3	-	-	2	-	-	-	-	-
Disabled Facility Grants	2024/25	EHO	Limited	1	10	8	1	8	-	-	2	7	-	-	1
Effectiveness of Financial Rules	2024/25	EHF	Limited	1	5	2	-	1	-	1	3	1	-	1	1
Pay 360	2024/25	EHO	Limited	2	6	7	2	3	7	-	-	-	-	3	-
Sales Ledger	2024/25	EHF	Reasonable	-	3	-	-	2	-	-	-	-	-	1	-
Procurement	2025/26	EHF	Reasonable	-	-	4	-	-	4	-	-	-	-	-	-
Agency Staff	2025/26	CMP	No	-	11	12	-	11	12	-	-	-	-	-	-
Total				**12**	**67**	**37**	**6**	**25**	**23**	**6**	**29**	**12**	**-**	**13**	**2**

Annexe 1

Overdue 'High Priority' Management Actions

Disabled Facilities Grants			
Observation: The Rushmoor Borough Council Retention Guidelines state that the retention period for grants made through RBC, is six years after the last payment. It is also a requirement of the Data Protection Act 2018 to not keep data for longer than is necessary. The Private Sector Housing Manager stated there is a known issue with retention adherence and support had been sought through the IT department, however, this remains a known issue that retention guidelines are currently unable to be maintained and complied with. Data from 2010 is currently still in circulation. It was also stated that retention adherence has not been possible to maintain within the UNIFORM system site.			
Risk: Breach of GDPR regulations leading to action from the Information Commissioners Office (ICO).			
Management Action	**Original Due Date**	**Revised Due Date**	**Latest Service Update**
This issue has been raised with the Senior IT Manager at Rushmoor. They are looking at a way forward and we will continue to chase a positive outcome to this risk. A response has been received from our IT team which confirms that we are currently working on a move across to IDOX Cloud for all Uniform applications throughout the Council. Once we go live there are retention capabilities available within the system. Meetings are taking place to discuss this transition which will enable us to address the problem.	30.09.25	**TBC**	This issue is part of a wider issue in the organisation for users of IDOX and UNIFORM. The matter is being dealt with at a corporate level.

Effectiveness of Financial Rules			
Observation: It is a requirement under the Financial Regulations that expenditure should only be incurred only if it is provided for in the revenue or capital budget. Nonetheless, the existing purchase and payment process cannot ensure this requirement is fulfilled. Specifically, nether PO and IAS modules has the functionality to enforce this budgetary controls when the authorised officers commit into purchases or approves payments. Whilst it is likely that budget monitoring and control will subsequently pick this up it is after the expenditure has been committed or made.			
Risk: Budgets are overspent.			
Management Action	**Original Due Date**	**Revised Due Date**	**Latest Service Update**
Roll out No PO, No Pay process to organisation	31.12.25	31.04.26	Project underway for a go live date of 1/4/26 to tie in with new financial year and new budgets. Logistically difficult to deliver mid-year.

Annexe 2

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
IT Software Development				1	-	**28.02.26**
				1	-	**28.02.26**
				1	-	**28.02.26**
				1	-	**28.02.26**
Information Governance	2022/23	Reasonable		1	Sep 2023	**31.03.26**
				1	Sep 2023	**31.03.26**
Crematorium	2022/23	Reasonable		1	Dec 2022	**28.02.26**
Effectiveness of Financial Rules	2024/25	Reasonable		1	31.12.25	**31.04.26**
Pay360	2024/25	Limited		1	31.12.25	**30.09.26**
				1	31.12.25	**31.03.26**
				1	31.12.25	**31.03.26**
Sales Ledger	2024/25	Reasonable		1	30.11.25	**31.01.26**
Biodiversity BNG	2024/25	Reasonable		1	30.05.25	**31.04.26**
Total			-	**13**		

Annexe 3

Southern Internal Audit Partnership - Performance Measures

Performance Measure	Regularity	Target	Actual 25/26	Status	Direction of Travel
1. Percentage of the agreed audit plan completed (issue of draft / final report)	Ongoing	90%	47%		n/a
2. Audits delivered within agreed timescales (% year to date)					
○ To issue of draft report	Ongoing	80%	38%		n/a
○ To issue of final report	Ongoing	80%	0%		n/a
3. Conformance with the Global Internal Audit Standards in the UK Public Sector	Annual	Generally conforms	Generally conforms		
4. Audits conducted optimising the effective use of data analytics (% year to date)	Ongoing	60%	38%		n/a
5. Stakeholder satisfaction (annual survey)					
○ Audit Committee		90%	n/a	n/a	n/a
○ Senior Management	Annual	90%	n/a	n/a	n/a
○ Key Contacts		90%	n/a	n/a	n/a
6. Internal audit effectively communicates with key stakeholders					
○ Audit Committee		90%	n/a	n/a	n/a
○ Senior Management	Annual	90%	n/a	n/a	n/a
○ Key Contacts		90%	n/a	n/a	n/a
7. Sufficiency of input to and discussion of the internal audit plan					
○ Audit Committee	Annual	90%	n/a	n/a	n/a
○ Senior Management		90%	n/a	n/a	n/a
8. Appropriate focus on key risks					
○ Audit Committee		90%	n/a	n/a	n/a
○ Senior Management	Annual	90%	n/a	n/a	n/a
○ Key Contacts		90%	n/a	n/a	n/a

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AUDIT AND GOVERNANCE COMMITTEE **Head of Partnership**
REPORT NO. SIAP 26/02

28th January 2026

SIAP EXTERNAL QUALITY ASSESSMENT – OUTCOME REPORT

SUMMARY:

As required by the Global Internal Audit Standards in UK Public Sector this report presents the outcomes from the External Quality Assessment of the Southern Internal Audit Partnership against the new Standards.

- The external assessor report of the External Quality Assessment conducted on the Southern Internal Audit Partnership provides an independent oversight of conformance against the new Global Internal Audit Standards in the UK Public Sector as required under Standard 8.4 [External Quality Assessment].

RECOMMENDATION:

Members are requested:

- to **note** the report of the External Assessor following the External Quality Assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector (Appendix A) and the action plan developed against suggested opportunities for future development (Appendix B).

1 Introduction

1.1 The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

1.2 From 1 April 2025, the ‘standards or guidance’ in relation to internal audit are those laid down in the Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).

1.3 The Standards (8.4) require that *'the Chief Internal Auditor must develop a plan for an external quality assessment and discuss the plan with the Audit Committee. The external audit assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external assessment may also be met through a self-assessment with independent validation*.

External Quality Assessment

1.4 An External Quality Assessment of the Southern Internal Audit Partnership was undertaken during September to December 2025. The scope was comprehensive including review of the Southern Internal Audit Partnership's:

- Conformance with the Global Internal Audit Standards in the UK Public Sector.
- Mandate, charter, strategy, methodologies, processes, risk assessment and internal audit planning.
- Performance measures and outcomes.
- Qualifications and competencies including those of the Chief Internal Auditor.
- Integration into the organisation's governance processes.
- Contribution towards the organisation governance, risk management, and control processes.
- Contribution to the organisations operations and ability to attain its objectives.
- Ability to meet the expectations of stakeholders.

1.5 The External Quality Assessment was undertaken by John Chesshire of JC Training Ltd who met all of the necessary requirements of the enhanced qualification and experience required of an external assessor in the public sector. John is also the current Chairman of the Internal Audit Standards and Advisory Board whose role includes oversight of the development and periodic revision of the Global Internal Aduit Standards. As such John is ideally positioned to provide the most credible assessment of the Southern Internal Audit Partnership against the new Standards.

External Quality Assessment Outcome

1.6 A full copy of the External Quality Assessment – Final Report is provided (Appendix A), in concluding their conformance opinion, the external assessor states:

'I undertook this EQA review to provide an independent, objective, examination of SIAP against the GIAS, the Application Note, and the expectations within the CIPFA Code, as well as considering the function's effectiveness and delivery compared with other internal audit functions, current and emerging good practice(s).

The GIAS comprises five Domains, 15 Principles and 52 Standards. For each Standard, there are Requirements, Considerations for Implementation and Examples of Evidence of Conformance to achieve.

***SIAP has achieved an excellent result of 'generally achieves' in this EQA** in relation to the GIAS and Application Note. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."*

I include a summary of SIAP's conformance to the GIAS, below. Overall, I believe that the team has achieved an excellent performance given its size, together with the breadth and depth of the benchmark established by the new GIAS.

***I am delighted to confirm that SIAP fully achieves 46 of the 52 Standards and generally achieves the remaining six Standards.** There are no partial conformances, or areas where the team do not conform with any Standards.*

*I have undertaken ten reviews of diverse internal audit functions using the (new) GIAS to date and **this result puts SIAP firmly within the top quartile and represents the highest level of achievement and conformance with the new GIAS that I have seen to date.'***

Summary of IIA Conformance	Standards	Does not Conform	Partially Conforms/ Achieves	Generally Conforms/ Achieves	Fully Conforms/ Achieves	Total
Purpose of Internal Auditing	N/A					N/A
Ethics and Professionalism	13				13	13
Governing the Internal Audit Function	9			3	6	9
Managing the Internal Audit Function	16			1	15	16
Performing Internal Audit Services	14			2	12	14
	52	0	0	6	46	52

1.7 In contextualising the overall assessment outcome, the external assessors clarify:

'Given these results, you may ask why does SIAP not fully achieve/conform, overall, given this level of attainment? The reason is that the IIA have set an incredibly high, and some may say excessively high, benchmark for the 'fully achieves' level of attainment. To fully achieve or conform, the IIA state that "The internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing." To fully achieve each of the 15 Principles, an internal audit function must fully conform with each of the 52 Standards.

Given that the GIAS remains 'comply or explain' in nature, an internal audit function can reasonably decide that some elements are not necessary to fully adopt, given the team's nature, size, sector, cost/benefit, value for money considerations, or target maturity level. Not everything must be platinum-plated, and a level of common sense, judgement and proportionality is important.'

Opportunities for Improvement

1.8 It is important to note that the external assessor in their final report clearly states *'**I do not make any formal recommendations in this report**. To aid continuous improvement however, I do make a small number of suggestions for future development'.*

1.9 Whilst there is no obligation on the Southern Internal Audit Partnership to address the highlighted areas of improvement, our culture as a learning organisation seeks continual development in ensuring our service is future proofed, lean, efficient, and effective. Consequently, an Action Plan (Appendix B) has been compiled to consider each of the suggested future development opportunities.

Conclusion

1.10 The decision to undertake an early external quality assessment and the resulting outcome provides assurance to the Council that the Southern Internal Audit Partnership are operating in general conformance with the Global Internal Audit Standards in the UK Public Sector and remain well position as your internal audit provider.

2 Recommendation

2.1 Members are requested to **note** the report of the External Assessor following the External Quality Assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector (Appendix A) and the action plan developed against suggested opportunities for future development (Appendix B).

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HEAD OF SERVICE: Peter Vickers, Executive Head of Financial Services and S151 Officer

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11 December 2025

Neil Pitman
Head of Southern Internal Audit Partnership

Dear Neil,

Please see attached my final report as promised.

This report forms the final phase of the external quality assessment exercise. Congratulations on an excellent result.

Many thanks once again to you and the team for facilitating the exercise smoothly, professionally and efficiently.

Best wishes as ever and very happy to answer any questions.

John Chesshire
Director, JC Audit Training Ltd

External Quality Assessment

INDEPENDENT REVIEW
FINAL REPORT

GENERAL ACHIEVEMENT	SOUTHERN INTERNAL AUDIT PARTNERSHIP GENERALLY ACHIEVES THE GLOBAL INTERNAL AUDIT STANDARDS, THE INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK AND THE UK PUBLIC SECTOR APPLICATION NOTE

John Chesshire CFIIA CRMA CIA CISA
JC Audit Training Ltd

11 December 2025

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Executive Summary

1. The Institute of Internal Auditors (IIA) launched their new Global Internal Audit Standards (GIAS) in January 2024, providing organisations, and their internal audit functions, twelve months to adapt their practices to meet the updated benchmark. The UK public sector delayed formal implementation to align with reporting years, and the GIAS became formally effective across this sector from 1st April 2025.

2. The GIAS comprises five Domains, 15 Principles, and 52 Standards. They replace the previous iteration and the UK's Public Sector Internal Audit Standards (PSIAS), which in turn were based upon the IIA's earlier International Standards.

3. The Southern Internal Audit Partnership (SIAP) commissioned this external quality assessment (EQA) in 2025 to assess their service against the new GIAS, as the very latest, best international internal audit practice. The GIAS requires an EQA at least once every five years, with SIAP last having one in September 2020. I was requested to undertake this current engagement, and, for the record, I also delivered the previous exercise on behalf of the Chartered IIA.

4. I am an experienced EQA reviewer, a former Head of Internal Audit and Chief Assurance Officer, and current Audit Committee Chair. I have delivered approximately 60 EQA reviews over the last eight years to a variety of clients of all sectors and sizes, across the UK and overseas. I have already undertaken several of these using the new GIAS.

5\. I undertook this EQA by undertaking a formal validation of the team's internal assessment in Autumn 2025. This included examining SIAP's approach, ways of working, methodologies, remote document review and analysis, a selection of stakeholder and team member interviews, a targeted review of a selection of recent internal audit assurance and advisory engagement files, evaluation and the drafting and communication of this report.

5\. I am delighted to report that SIAP **generally achieves** the GIAS which represents the global benchmark for internal audit quality. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."

6\. This is an **excellent result**, particularly given the recent launch of the GIAS and SIAP's complexities as a multi-client provider of internal audit services. Many internal audit functions are struggling to conform with aspects of the GIAS, and others within the public sector are certainly not as well advanced in their implementation and maturity.

7. I have undertaken ten reviews of diverse internal audit functions using the (new) GIAS to date and this result puts **SIAP firmly within the top quartile and represents one of the highest levels of achievement and conformance with the new GIAS that I have seen to date.** Congratulations to all involved.

8. SIAP, and their key stakeholders, have established an effective governance and management framework over their activity that includes:

    - Well-established Audit Committee (or equivalent) oversight, appropriate functional and administrative reporting lines, with revised Internal Audit Mandates and Charters, updated in line with the new GIAS.

    - A very experienced Head of Partnership leads SIAP, supported by an Assistant Head, four deputies and a knowledgeable professional team with diverse knowledge, backgrounds and capabilities. The SIAP team are trusted, valued and respected for their professionalism by key stakeholders.

    - SIAP strategic and operational priorities are guided by regular engagement with key stakeholders, an overarching audit strategy aligned with the new GIAS, flexible periodic audit plans, an updated quality assurance and improvement programme, investment in learning and development, and increasingly effective use of specialist internal audit software applications.

    - Revised SIAP working practices, templates, tools and an updated internal audit methodology aligned with the GIAS that seeks to balance agility and efficiency, with root cause analysis and depth to deliver added value, insight and - increasingly - foresight to its key stakeholders.

9. From the EQA results, I am satisfied that SIAP clearly conforms with the fifteen GIAS Principles. SIAP also conforms with the fifty two Standards. **I am very pleased to report that there are no Standards that the Internal Audit Service 'partially achieves' or 'does not achieve'.** Once again, this is very positive and represents an excellent level of performance against a challenging - and new - set of demanding benchmarks.

10. Given SIAP's high level of performance and achievement with the GIAS, I do not make any formal recommendations in this report. To aid continuous improvement, however, I do make a small number of suggestions for further development.

11. I would like to thank everyone who assisted us in this review, most obviously the Head of Partnership, for organising everything, and their SIAP colleagues and key stakeholders I interviewed as part of this EQA process. Thank you all.

Introduction and approach

12. The Head of Southern Internal Audit Partnership (SIAP) commissioned this External Quality Assessment (EQA) against the Institute of Internal Auditors (IIA) Global Internal Audit Standards (GIAS). The GIAS were formally implemented across the UK public sector on 1st April 2025 and forms the key part of the broader IIA International Professional Practices Framework (IPPF) alongside the new Topical Requirements[1].

13. The GIAS builds upon the previous International Standards and the associated UK Public Sector Internal Audit Standards. For the UK public sector, the GIAS are also supplemented by the Global Internal Audit Standards in the UK Public Sector Application Note (Application Note).

14. The Chartered IIA state that the GIAS, "guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are fifteen guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation, and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfill the Purpose of Internal Auditing". The GIAS comprises five Domains, 15 Principles and 52 Standards, with some additional public sector nuances introduced through the Application Note.

15. In local government, the CIPFA Code of Practice for the Governance Internal Audit in UK Local Government (CIPFA Code) also applies to address the 'essential conditions' for the governance of internal audit set out in Domain III of the GIAS. The Code concerns the roles of senior management and the audit committee regarding internal audit. EQAs must also consider the governance of internal audit, which for local government is set out in this CIPFA Code.

16. Where internal audit providers have more than one local government client, like SIAP, the governance arrangements for internal audit should be separately considered so that there can be a conclusion for each client. This does not mean that a separate EQA is required for each authority, only that the EQA must be able to conclude individually for each principal local authority client. I have undertaken this in this EQA.

[1] The IIA states that the Topical Requirements "enhance the consistency and quality of internal audit services, increasing the professionalism of internal auditors' performance. They help strengthen the relevance of internal auditing to address pervasive and evolving risks." The first Topical Requirement on Cybersecurity becomes properly effective on February 5, 2026. As a result, Topical Requirements were not applicable at the time of this EQA.

17. Where the internal audit function applies a common approach to its working practices for all its clients (e.g. engagement planning and conduct of audits), again like SIAP, then the EQA assessor may sample across the client base to verify those aspects of the standards. Where the internal audit provider has a large client base, this may mean the conduct of internal audit engagements at an authority may not be selected for sample testing. If the EQA assessor is satisfied that the provider adopts a common approach across the clients, then the authority can still be satisfied with the assessor's conclusion. This is the approach that I have also undertaken in this EQA exercise.

18. The SIAP team comprises 61 internal audit, IT audit and counter fraud professionals. SIAP seeks to bring together the professional discipline of internal audit across partnering organisations, pooling expertise and enabling a flexible, responsive and resilient service to its partner and client portfolio. SIAP currently delivers internal audit services to 20 local authorities, including Hampshire and West Sussex County Councils, five blue light clients and six other smaller clients. The SIAP partner and client base has continued to grow since the 2020 EQA exercise and delivers nearly 10000 days' chargeable work.

19. The Head of Partnership, supported by the Assistant Head and four Deputy Heads fulfil the Chief Internal Auditor (CIA) roles for their respective portfolios. They report functionally to Audit Committees in the partner and client organisations. In addition, the Head of Partnership reports strategically to the Strategic and Key Stakeholder Boards.

20. SIAP last had an EQA in 2020, undertaken by the Chartered Institute of Internal Auditors (Chartered IIA). The GIAS mandate these EQAs at least once every five years.

21. Like many internal audit teams, SIAP has reviewed its governance, management and operational practices because of the update and implementation of the GIAS. The IIA are keen that the GIAS help 'raise the bar' for internal audit services across the world. As a result, SIAP undertook a thorough gap analysis and embarked upon identifying and implementing changes and enhancements to better align with the new GIAS, the associated Application Note and the expectations of the Code.

22. This EQA included examining SIAP's overall approach, methodology, processes, remote document review and analysis, interviews with the team and stakeholders, a targeted review of a selection of their recent internal audit assurance engagement files, evaluation and the drafting and communication of this report. I have included a list of stakeholder interviewees at appendix one, SIAP team members interviewed at appendix two, and a sample of the feedback at appendix three.

23. The EQA primarily involved comparison of working practices against the GIAS. The tried and tested process I followed involved:

- Examining and reflecting upon the requirements of the Purpose of Internal Auditing, the five Domains, the 15 Principles and the 52 Standards. I have also employed the 'Considerations for Implementation' and the 'Examples of Evidence of Conformance'.

- Assessing the key criteria needed to demonstrate appropriate compliance.

- Recording the necessary evidence to demonstrate SIAP's conformance status with each Standard. I have undertaken this through documentation review, thorough consideration of SIAP's latest (and comprehensive) self-assessment, a targeted examination of working papers, with evidence drawn from across the whole client base, discussions with team members and selected interviews (et al), as noted above. I have recorded the sample SIAP engagements I reviewed in detail in appendix four, but I examined aspects of work SIAP have undertaken with each client.

- Comparing the evidence to the key conformance criteria and assessing the degree of conformance. I have employed the standard IIA definitions for this and have provided these in appendix five.

Conformance opinion

24. As noted above, I undertook this EQA review to provide an independent, objective, examination of SIAP against the GIAS, the Application Note, and the expectations within the CIPFA Code, as well as considering the function's effectiveness and delivery compared with other internal audit functions, current and emerging good practice(s).

25. The GIAS comprises five Domains, 15 Principles and 52 Standards. For each Standard, there are Requirements, Considerations for Implementation and Examples of Evidence of Conformance to achieve.

26. **SIAP has achieved an excellent result of 'generally achieves' in this EQA** in relation to the GIAS and Application Note. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."

27. I include a summary of SIAP's conformance to the GIAS, below. Overall, I believe that the team has achieved an excellent performance given its size, together with the breadth and depth of the benchmark established by the new GIAS.

28. **I am delighted to confirm that SIAP fully achieves 46 of the 52 Standards and generally achieves the remaining six Standards.** There are no partial conformances, or areas where the team do not conform with any Standards.

29. I have undertaken ten reviews of diverse internal audit functions using the (new) GIAS to date and **this result puts SIAP firmly within the top quartile and represents the highest level of achievement and conformance with the new GIAS that I have seen to date.**

Summary of IIA Conformance	Standards	Does not Conform	Partially Conforms/ Achieves	Generally Conforms/ Achieves	Fully Conforms/ Achieves	Total
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Performing Internal Audit Services	14			2	12	14
52		0	0	6	46	52

30. Given these results, you may ask why does SIAP not fully achieve/conform, overall, given this level of attainment? The reason is that the IIA have set an incredibly high, and some may say excessively high, benchmark for the 'fully achieves' level of attainment. To fully achieve or conform, the IIA state that "The internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing." To fully achieve each of the 15 Principles, an internal audit function must fully conform with each of the 52 Standards.

31. Given that the GIAS remains 'comply or explain' in nature, an internal audit function can reasonably decide that some elements are not necessary to fully adopt, given the team's nature, size, sector, cost/benefit, value for money considerations, or target maturity level. Not everything must be platinum-plated, and a level of common sense, judgement and proportionality is important.

32. I summarise the results further using a red, amber, light and dark green (RAGG) colour-coding covering each of the 15 Principles as shown below:

Principles	
1	Demonstrate Integrity
2	Maintain Objectivity
3	Demonstrate Competence
4	Exercise Due Professional Care
5	Maintain Confidentiality
6	Authorized by the Board
7	Positioned Independently
8	Overseen by the Board
9	Plan Strategically
10	Manage Resources
11	Communicate Effectively
12	Enhance Quality
13	Plan Engagements Effectively
14	Conduct Engagement Work
15	Communicate Engagement Conclusions and Monitor Action Plans

33. For SIAP's conformance with the 52 Standards, the results are:

Standards							
1.1		6.1		9.5		13.2	
1.2		6.2		10.1		13.3	
1.3		6.3	Support	10.2		13.4	
2.1		7.1		10.3		13.5	E. Resource
2.2		7.2		11.1		13.6	
2.3		8.1	Board	11.2		14.1	
3.1		8.2		11.3		14.2	
3.2		8.3		11.4		14.3	
4.1		8.4		11.5		14.4	
4.2		9.1		12.1		14.5	
4.3		9.2	Strategy	12.2		14.6	
5.1		9.3		12.3	Oversee	15.1	
5.2		9.4	Plan	13.1		15.2	

Deliverables

34. In addition to this report, I have provided the Head of Partnership and the Internal Audit Service with a briefly annotated version of their own Internal Quality Assessment (IQA) which I have validated through this EQA. This evidences my view of the team's own IQA.

35. I make several small suggestions to help promote ongoing development and continuous improvement. I have included these suggestions on pages 11-14 below.

Key achievements

36. I believe that SIAP performs very effectively in its own governance, risk management and internal audit practices. I was particularly impressed with the following:

- SIAP delivers a very effective, efficient, independent, and objective assurance and advisory service across its partners and clients, covering their diverse and complex activities.

- SIAP's own governance framework is mature, with strategic oversight through a well-established Key Stakeholder Board, as well as partner and client Audit Committee (or equivalent) and senior management engagement, oversight, reporting and regular communications.

- SIAP's revised Internal Audit Charter fully aligns to the good practice detailed in the GIAS. It clearly details the team's mandate, purpose, authority, and accountability.

- A very experienced Head of Partnership leads SIAP, supported by an Assistant Head, four deputies and a knowledgeable professional team with diverse knowledge, backgrounds and capabilities. The Learning and Development Plan 2024-26 represents good practice, covering SIAP's overall approach to induction, vocational training, performance management, and learning and development.

- Team members have considerable practical and professional experience and undertake an appropriate range of Continuing Professional Development (CPD) activities to maintain and enhance knowledge, skills, and experience. Less experienced colleagues are supported through a very well-received, effective induction programme. SIAP maintains a useful log of the team's collective Knowledge, Qualifications, Skills and Experience.

- Partners and clients highly value the team's specialisms and capabilities in IT audit and counter fraud expertise, together with the resilience and capacity that SIAP bring.

- SIAP has established an Internal Audit Strategy for 2025-2028. This is clear and well presented, with valid relevant objectives and priorities for the team to aim for and deliver. This has been developed with partner and client involvement and indicates how SIAP aims to continue to enhance the assurance and advisory services it delivers to help them enhance their own governance, risk management and control practices, and thereby deliver their own objectives.

- SIAP agree flexible internal audit plans with their partners and clients. These include future engagements based upon key risks, client priorities, other sources of assurance and SIAP views and judgement. The client Audit Committee (or equivalent), senior management and other assurance providers are closely involved in, or contribute to, the SIAP planning process.

- SIAP have sought to develop effective working relationships with other partner and client functions in the second and fourth lines of assurance, most obviously with risk management and external audit. Some reliance is placed on the work of other teams, when appropriate, such as transformation or quality assurance, and SIAP have developed a methodology for this

- Delivery of the Internal Audit Strategy 2025-2028 and internal audit plans are supported by an updated, effective Quality Assurance and Improvement Programme, with associated improvement priorities and a suite of Internal Audit Performance Measures.

- In recent years, SIAP has enhanced its use of technology, invested in K10 audit management software, data analytics tools and expertise and is continuing to explore how generative artificial intelligence (Copilot) can further enhance efficiency and effectiveness. This technology focus outpaces many comparable functions. The team has achieved clear benefits and efficiencies from their use of technology to date but also recognise that there is more to be achieved in each area.

- SIAP have also updated their own methodologies, procedures and templates in line with the GIAS. In particular, the team's refreshed report template is particularly user-friendly, and the embedding of root cause analysis, together with the benefits this should bring SIAP, its partners, and clients, continues.

- It is clear from the EQA that SIAP are trusted, respected and valued by key stakeholders. Feedback was very positive about the service and its delivery, both in the interviews undertaken for this review and through the team's own surveys and related feedback mechanisms.

37. In conclusion, SIAP have invested time and effort in reviewing, updating, communicating and aligning their own governance, planning, quality and delivery methodologies to the GIAS. This has clearly paid off with an approach that clearly mirrors good global practice.

Areas for improvement

38. I believe that the Head of Partnership and SIAP have clearly embedded a culture of continuous improvement in their approach and ethos. And like most internal audit functions everywhere, they continue their journey embedding the new GIAS and ensuring their services are future-proof, lean, efficient and effective.

39. I include a small number of observations and suggestions for the Head of Partnership and SIAP to consider below, linking them to relevant elements of GIAS. Some are general points to consider, but I also mention the rationale for each of the six 'generally achieves' results below.

40. I will repeat again, however, that these areas still appropriately meet the expectations of the GIAS, and me as the EQA assessor. They **do not** represent shortcomings or failures in respect of conformance with the GIAS. These observations and suggestions do not require a formal response.

    - SIAP fully achieves Standard 1.1 Honesty and Professional Courage and Standard 1.2 Organisation's Ethical Expectations.

      Going forward within the planned training on these areas and Domain II in general, detailed in the Learning and Development Plan 2024-2026, the Head of Partnership could usefully consider including practical ethical dilemmas, ethics scenarios or case studies, common challenges and how to deal with them, in future learning coverage.

    - SIAP fully achieves Standard 3.1, Competency.

      While many of the team are highly skilled, knowledgeable and experienced, other team members continue to gain competence and confidence. SIAP actively supports team members as they gain experience. SIAP have certainly also put effort and resources into growing their specialist teams, primarily IT audit and counter fraud, and developing the skills sets within these teams.

SIAP leadership and their stakeholders recognise that additional emphasis on advisory, rather than assurance engagements, will be needed over the medium term as Local Government Reorganisation and Devolution proceeds. Additional advisory skills and learning may be necessary to add value, insight and foresight across SIAP.

The team does not always have deep, specialist expertise in everything they may be asked to deliver assurance over, such as AI as a topical example, and staying up to date with IT and cyber security changes and associated developments are a real challenge for any internal audit function. This is normal for any internal audit function.

A clear related risk is that of succession and service continuity, whether in respect of the potential loss of more experienced team members, or specialists within the IT audit or counter fraud teams. SIAP has clearly recognised these challenges and has boosted both capacity and capability.

Continuing to manage these risks will be key to SIAP's future resilience at a time of change.

- SIAP generally achieves Standard 6.3, Board and Senior Management Support, and 8.1, Board Interaction.

  The Head of Partnership and SIAP have undertaken everything I would expect of them under these Standards, the related Application Note and CIPFA Code.

  Where SIAP do not have a direct influence, I am satisfied that the team have engaged with each partner and client highlighting the importance of Domain III, the Application Note and Code and developing an action plan to encourage compliance, highlighting its importance and their ability as an organisation to confirm in the 2025/26 Annual Governance Statement that they are conforming with the GIAS in the UK Public Sector. Some partners and clients are fully compliant, while others still have some actions to progress, resulting in a general, rather than full, level of achievement for SIAP against these Standards.

- SIAP fully achieves Standard 8.3, Quality. The team revised their Quality Assurance and Improvement Programme in June 2025. The result is excellent. SIAP will need to continue to focus on embedding and implementing the various actions and priorities contained within this document to progress the five identified areas for improvement. I support these next steps and the periodic reporting of progress to partner and client Audit Committees (or equivalent) and senior management, as well as to other key stakeholders.

- SIAP generally achieves Standard 9.2, Internal Audit Strategy.

  SIAP has established an Internal Audit Strategy for 2025-2028. This is clear and well presented, with valid relevant objectives and priorities for the team to aim for and deliver. This has been developed with partner and client involvement, but given the number of partners and clients, it is not practical for this to be aligned to each separate organisation's key objectives and priorities.

  The Head of Partnership and SIAP have consciously chosen not to seek to implement every aspect of this Standard, where it makes little practical sense to do so, given the size and nature of their function. In my opinion, this makes perfect sense, as there is little value in conformance for the sake of conformance, but it does result in this generally (rather than fully) achieves assessment here.

- SIAP generally achieves Standard 9.4, Internal Audit Plan.

  Going forward, SIAP should add additional detail – ideally bespoke for each partner or client – on the rationale for not including an assurance engagement in a high-risk area or activity in its flexible internal audit plans. SIAP currently includes a short standard statement, but this would benefit from being more tailored to the individual partner or client if a 'fully achieved' rating is considered necessary.

- SIAP fully achieves Standard 11.1, Building Relationships and Communicating with Stakeholders, and 11.3, Communicating Results.

  At interview, and in the April 2025 SIAP survey responses, some stakeholders commented whether there was more that could be done in terms of sharing cross-client themes, issues, results, root causes and insights. This is an obvious benefit of the partnership model and AI may enable the development of additional insights that could be efficiently created and add value.

- SIAP generally achieves both Standard 12.3, Oversee and Improve Engagement Performance, and 13.5 Engagement Resources.

  SIAP has set a strategic objective to innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation. Some stakeholders at interview, through the April 2025 SIAP survey, and my own sample of engagements, commented that occasionally there were delays in the completion of engagements.

While there can be varied reasons for these delays, this may require closer monitoring and earlier supportive intervention from engagement managers if delivery is affected and the allocation of additional resources, where necessary, to help ensure any particularly critical milestones or deadlines are achieved.

I support the planned actions detailed in the Internal Audit Strategy 2025-2028 for investigating and addressing these concerns.

- SIAP fully achieves Standard 13.3, Engagement Objectives and Scope, 13.4, Evaluation Criteria, and 14.3 Evaluation of Findings

  SIAP will need to consider how best to incorporate the IIA's Topical Requirements into their methodology, particularly when it comes to engagement scope and objectives. At the time of this EQA, two Topical Requirements have been finalised to date, two have been released in draft, and others are in the production pipeline. The first on Cybersecurity comes into effect in February 2026.

  Additional thinking, guidance and review on what constitutes the 'criteria' against which performance is assessed could also prove beneficial, as this is a key change included within the GIAS.

  Finally, the use of root cause analysis has commenced within the team, and the initial results are promising from both a SIAP and stakeholder perspective. There will be further opportunity to deliver insights on common root cause categories and themes across the partner and client base.

- The obvious opportunities and challenges associated with Local Government Reorganisation were highlighted by several SIAP team members and stakeholders during this EQA.

  In times of change and transformation, there is likely to be a far greater demand for SIAP to support its partners and clients through advisory and/or 'real time' assurance engagements. To date, the majority of SIAP work has been of an assurance nature, given stakeholder resourcing constraints and priorities.

  Ensuring that the team can meet partner and client diverse assurance and advisory needs in this volatile time of change will be key to maintaining effective relations, supporting and helping clients through added value, insights and foresight when stakeholder capacity for internal audit activity may be stretched.

Appendix One - Stakeholder Interviewees

Interviewee	Position
Peter Appleton	Section 151 Officer, Surrey/Sussex Police Force
Cllr Ian Booth	Chair, Audit and Scrutiny Committee, Tandridge District Council
Jo Cassar	Monitoring Officer, Eastleigh Borough Council
Cllr Nigel Dennis	Chair, Regulation, Audit and Accounts Committee, West Sussex County Council
Ian Duke	Chief Executive, Crawley Borough Council
David Ford	Chief Executive, Tandridge District Council
Caroline Martlew	S151 Officer, Crawley Borough Council
Cllr Steve Holes	Chair, Audit and Resources Committee, Eastleigh Borough Council
Cllr Kiran Khan	Chair, Audit Committee, Crawley Borough Council
Sarah King	S151 Officer, Eastleigh Borough Council
Cllr Derek Mellor	Chair, Audit Committee, Hampshire County Council
Kelvin Menon	S151 Officer, Surrey Office of the Police and Crime Commissioner
Patrick Molineux	Chair, Surrey Joint Audit Committee
James Strachan	Chief Executive, Eastleigh Borough Council
Mike Suarez	S151 Officer, West Sussex County Council
John Ward	Chief Operating Officer and S151, Chichester District Council
Andy Lowe	Director of Corporate Operations (S151), Hampshire County Council
Gary Westbrook	Chief Executive, Hampshire County Council
Leigh Whitehouse	Chief Executive, West Sussex County Council

Appendix Two - SIAP Interviewees

Interviewee	Position
Vanessa Anthony	Audit Manager
Nick Barrett	Audit Manager
Donna Bone	Auditor
Amanda Fahy	Auditor
Liz Foster	Audit Manager
Emma Fullerton	Senior Auditor
Laura Hutchison	Auditor
Dorota Kruczynska	Senior Auditor
Lisa Lowe	Auditor
Neil Pitman	Head of SIAP
Hayley Pothecary	Auditor
Laura Scull	Auditor
James Short	IT Audit Manager
Lisa Smy	Audit Manager
Nigel Spriggs	Senior Auditor
Sophie Taylor-D'Arcy	Auditor
Sun Wong	Senior Auditor

Appendix Three - Selected Interview Feedback

“I’m very pleased with the SIAP service – it is very professional and very prepared. They know what they are doing and involve the right stakeholders.”

“We really value internal audit’s conclusions and advice – even though we have had a run of limited assurances recently.”

“They have had some staffing issues last year and this caused some delays in delivery of the plan, but these have been resolved now.”

“SIAP are flexible, responsive and adapt the plan when we request it so that the focus is on higher priority areas. We get sufficient assurance from them because of their risk-based approach.”

“Communications with the Audit Committee are good, clear and professional. We really value the quality of their reports.”

“We have seen a stepped improvement since bringing SIAP in, leading to an elevated profile for internal audit and their work is taken far more seriously by management.”

“The development of the internal audit plan is participative and iterative, resulting in good engagement and a very good plan that looks at the right areas at the right time.”

“Because SIAP generally work remotely, interactions feel slightly more distant and a step removed from us. This has some disadvantages, and I wonder whether they can effectively pick up on the things an embedded service would pick up on.”

“I particularly value the IT audit expertise that SIAP bring.”

“SIAP resources are my only concern. They have been upfront about the challenges, and they are managing these. They do a good job on prioritizing their work on the most important areas.”

“They are definitely a trusted partner to us and where there have been the occasional issues, they get it right.”

“The specialist fraud team is really useful and a big benefit of having SIAP.”

“I’m very happy with the Partnership and their continued growth speaks volumes about their quality, effectiveness and delivery.”

“SIAP are very collaborative, and they are challenging when they need to be.”

“Some of the SIAP reports are a little confusing, lengthy and too detailed.”

"They have faced some challenges with resourcing, vacancies and churn, but we have not seen an impact on the internal audit programme, on delivery or on quality."

"The SIAP induction process was excellent. I had a good mentor and the whole process was supportive and informative. It has given me confidence in the new role." (SIAP)

"LGR is an obvious challenge for us and for SIAP. How we come up with an internal audit workplan that adds value in the time of LGR may be difficult, especially when combined with the capacity of the organisation to accept internal audit work and reviews."

"SIAP are approachable and flexible, but firm when they need to be."

"I like the quality of the internal audit reports – they are well-structured, readable and not too long. The actions are appropriate and address the issues."

"SIAP's presentations at Audit Committee are good, professional, and clear. They deal with the Committee's questions confidently and effectively."

"I have nothing bad to say about the service we get from SIAP. Their communications are good, they are approachable and they involve us appropriately in developing the internal audit plan and in the delivery of individual engagements."

"They have briefed the Audit Committee on the new Standards. I have found the team to be helpful, and they deliver the assurance we need."

"Some audits have taken longer than expected, but on balance it is beneficial having a bigger partnership and I'm pretty happy with the service we have received."

"I feel very well engaged, supported and assured by the SIAP team. I have regular dialogue and ongoing interaction with them. This has led to a mature and trusted relationship."

"We have had some benefits from SIAP consultancy services and not just their assurance work. In respect of LGR, we need to make sure we use internal audit in this process."

"Future proofing will be important – not just because of LGR, but because of developments in digital, AI, the general technology space and data governance."

"We are wanting to see more in the way of best practice from others so we can learn from SIAP's wider client base. No onsite presence does also mean less visibility of internal audit."

"Overall, we are getting the assurance we need. They are engaging, receptive and professional in their approach and work."

Appendix Four - List of Reviewed 'Deep Dive' Internal Audit Engagements[2]

Engagement
Chichester District Council, Safeguarding, 2025/26
Crawley Borough Council, Food Safety 2025/26
Eastleigh Borough Council, Treasury Management, 2025/26
Epsom and Ewell Borough Council, Tree Preservation Orders 2024/25
Hampshire County Council – Information Governance 2025/26 (in progress at review)
Hampshire and the Isle of Wight Fire and Rescue Service, Risk Management 2025/26
Runnymede Borough Council, Emergency Planning and Business Continuity 2024/2025
Spelthorne Borough Council, Main Accounting 2025/26
Tandridge District Council, Climate Change Strategy 2025/26
West Sussex County Council, Pool Cars 2025/26 (in progress at review)

[2] As noted earlier, I also briefly reviewed governance and engagement documentation for each client.

Appendix Five - External Quality Assessment Ratings

Quality Rating	Total Opinion	Principle Opinion	Standard Opinion
Full achievement The HIA can state that all internal audit activities were performed in full conformance with the Global Standards.	The internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing.	The internal audit function is fully achieving all the Standards related to the Principle and the Principle's intent.	The internal audit function is fully conforming with all requirements of the Standard and the Standard's intent.
General achievement The HIA can state that internal audit activities were performed in general conformance with the Global Standards.	The internal audit function is achieving the Purpose of Internal Auditing however it is not fully achieving at least one Principle or aspect of Domain I.	The internal audit function is achieving the Principle's intent. However, it is not fully achieving at least one Standard.	The internal audit function is achieving the intent of the Standard but not fully conforming with at least one requirement of the Standard.
Partial achievement The HOIA may not state that all internal audit activities were performed in conformance with the Standards but may be able to depending on the activity.	The internal audit function achieves some Principles. However, it is not fully achieving at least one Principle and one aspect of Domain I and the impact is significant enough to rate the function's overall achievement as partially achieving.	The internal audit function achieves some Standards. However, it is not fully conforming with at least one Standard, and the impact is significant enough to rate the function as Partially achieving the principle.	The internal audit function achieves some requirements of the Standard. However, it is not fully conforming with at least one requirement, and the impact is significant enough to rate conformance with the Standard as partially conforming.
Nonachievement The HIA may not state that internal audit activities were performed in conformance with the Standards.	The internal audit function fully achieves some Principles; however it is not fully achieving more than one aspect of Domain I and the impact is significant enough to rate the function's overall achievement as not achieving.	The internal audit function is not fully conforming with more than one Standard, and the impact is significant enough to rate the function as not achieving the Principle's intent.	The internal audit function is not fully conforming with more than one requirement, and the impact is significant enough to rate conformance with the standard as not achieving the Standard's intent.

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Appendix 2

External Quality Assessment December 2025 - Action Plan

Standard	Detail	Action Owner	Target Date	Action
Non – Compliance with the Global Internal Audit Standards in the UK Public Sector; Application Note; and Code Governance				
N/A	N/A	N/A	N/A	N/A
Suggested areas of improvement				
1.1 & 1.2	SIAP **fully achieves** Standard 1.1 Honesty and Professional Courage and Standard 1.2 Organisations Ethical Expectations Going forward within the planned training on these areas and Domain II in general, detailed in the Learning and Development Plan 2024-2026, the Head of Partnership could usefully consider including practical ethical dilemmas, ethics scenarios or case studies, common challenges and how to deal with them, in future learning coverage	Deputy Head of Partnership (IB)	March 2026	To include including practical ethical dilemmas, ethics scenarios or case studies, common challenges and how to deal with them, in future learning coverage
3.1	SIAP **fully achieves** Standard 3.1, Competency. SIAP leadership and their stakeholders recognise that additional emphasis on advisory, rather than assurance engagements, will be needed over the medium term as Local Government Reorganisation and Devolution proceeds. Additional advisory skills and learning may be necessary to add value, insight and foresight across SIAP. Staying up to date with IT and cyber security changes and associated developments are a real challenge for any internal audit function. This is normal for any internal audit function.	Head of Partnership	July 2026	Arrange training and support to develop advisory skills to compliment future client needs (particularly in light of LGR & Devolution). Review IT staff CPD and ongoing training needs to support the evolving technical landscape (particular focus on AI and cyber)

Standard	Detail	Action Owner	Target Date	Action
6.3 & 8.1	SIAP **generally achieves** Standard 6.3, Board and Senior Management Support, and 8.1, Board Interaction. The Head of Partnership and SIAP have undertaken everything I would expect of them under these Standards, the related Application Note and CIPFA Code. Where SIAP do not have a direct influence, I am satisfied that the team have engaged with each partner and client highlighting the importance of Domain III, the Application Note and Code and developing an action plan to encourage compliance, highlighting its importance and their ability as an organisation to confirm in the 2025/26 Annual Governance Statement that they are conforming with the GIAS in the UK Public Sector. Some partners and clients are fully compliant, while others still have some actions to progress, resulting in a general, rather than full, level of achievement for SIAP against these Standards.	SMT	February 2026	Discuss and implement action plans developed as part of partner organisations compliance with the Code of Practice for the Governance of Internal Audit in UK Local Government.
8.3	SIAP **fully achieves** Standard 8.3, Quality. The team revised their Quality Assurance and Improvement Programme in June 2025. The result is excellent. SIAP will need to continue to focus on embedding and implementing the various actions and priorities contained within this document to progress the five identified areas for improvement. I support these next steps and the periodic reporting of progress to partner and client Audit Committees (or equivalent) and senior management, as well as to other key stakeholders.	Head of Partnership	December 2026	Ongoing implementation of actions within the QAIP. • Continue to develop K10 to optimise SIAP efficiencies and effectiveness • Review and update the Partnership website • Explore the opportunities presented from the use of AI in the audit process *Actions in relation to Code of Governance & Topical Requirement covered elsewhere in this action plan

Standard	Detail	Action Owner	Target Date	Action
9.2	SIAP **generally achieves** Standard 9.2, Internal Audit Strategy. SIAP has established an Internal Audit Strategy for 2025-2028. This is clear and well presented, with valid relevant objectives and priorities for the team to aim for and deliver. This has been developed with partner and client involvement, but given the number of partners and clients, it is not practical for this to be aligned to each separate organisation's key objectives and priorities. The Head of Partnership and SIAP have consciously chosen not to seek to implement every aspect of this Standard, where it makes little practical sense to do so, given the size and nature of their function. In my opinion, this makes perfect sense, as there is little value in conformance for the sake of conformance, but it does result in this generally (rather than fully) achieves assessment here.	N/A	N/A	No action – accepting of the fact that due to SIAPs multi-client provider status we will never fully achieve this standard.
9.4	SIAP **generally achieves** Standard 9.4, Internal Audit Plan. Going forward, SIAP should add additional detail – ideally bespoke for each partner or client – on the rationale for not including an assurance engagement in a high-risk area or activity in its flexible internal audit plans. SIAP currently includes a short standard statement, but this would benefit from being more tailored to the individual partner or client if a 'fully achieved' rating is considered necessary.	SMT	March 2026	To incorporate an additional annex in the audit plan report listing all areas assessed as high priority that are not covered in the plan along with a reason for their omission.

Standard	Detail	Action Owner	Target Date	Action
11.1 & 11.3	SIAP **fully achieves** Standard 11.1, Building Relationships and Communicating with Stakeholders, and 11.3, Communicating Results. At interview, and in the April 2025 SIAP survey responses, some stakeholders commented whether there was more that could be done in terms of sharing cross-client themes, issues, results, root causes and insights. This is an obvious benefit of the partnership model and AI may enable the development of additional insights that could be efficiently created and add value.	Head of Partnership	April 2026	Head of Partnership to engage with Key Stakeholders to determine the ask. From there to develop a process and means of correspondence to meet stakeholder expectations.
12.3 & 13.5	SIAP **generally achieves** both Standard 12.3, Oversee and Improve Engagement Performance, and 13.5 Engagement Resources. SIAP has set a strategic objective to innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation. Some stakeholders at interview, through the April 2025 SIAP survey, and my own sample of engagements, commented that occasionally there were delays in the completion of engagements. While there can be varied reasons for these delays, this may require closer monitoring and earlier supportive intervention from engagement managers if delivery is affected and the allocation of additional resources, where necessary, to help ensure any particularly critical milestones or deadlines are achieved. I support the planned actions detailed in the Internal Audit Strategy 2025-2028 for investigating and addressing these concerns.	SMT	As per Strategy December 2025 to March 2027	To complete objectives within the internal audit strategy 'Innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation' KPIs have been put in place to help identify process bottlenecks.

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Standard	Detail	Action Owner	Target Date	Action
13.3, 13.4, &14.3	SIAP **fully achieves** Standard 13.3, Engagement Objectives and Scope, 13.4, Evaluation Criteria, and 14.3 Evaluation of Findings SIAP will need to consider how best to incorporate the IIA's Topical Requirements into their methodology, particularly when it comes to engagement scope and objectives. At the time of this EQA, two Topical Requirements have been finalised to date, two have been released in draft, and others are in the production pipeline. The first on Cybersecurity comes into effect in February 2026. Additional thinking, guidance and review on what constitutes the 'criteria' against which performance is assessed could also prove beneficial, as this is a key change included within the GIAS. Finally, the use of root cause analysis has commenced within the team, and the initial results are promising from both a SIAP and stakeholder perspective. There will be further opportunity to deliver insights on common root cause categories and themes across the partner and client base.	Head of Partnership	March 2026 July 2026	To update audit Practice Notes to incorporate consideration of Topical Requirements Ensure root cause is appropriately captured at year end to inform themes to be incorporated within the Annual Conclusion(s)

Audit and Governance Committee
28th January 2026

EXECUTIVE HEAD OF FINANCE
REPORT NO: FIN2607

TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2025/26 – Quarter 3

SUMMARY:
This report sets out the activities of the Treasury Management and non-Treasury Investment Operations for quarter 3 in the financial year 2025/26, and reports on compliance with Prudential Indicators.

RECOMMENDATIONS:
Members are requested to:
(i) Make any recommendations, as appropriate, to the Cabinet on the contents of this report in relation to the treasury management and non-treasury investment operations carried out.

1. INTRODUCTION

1.1 This report sets out the Treasury Management and Non-Treasury Investment operation performance for Quarter 3 2025/26. This report is a statutory requirement under the CIPFA Code of Practice on Treasury Management.

1.1 Full Council approved the Annual Treasury Management Strategy and Non-Treasury Investment Strategy for the financial year 2025/26 in February 2025. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management 2021 ("the Code") and is fully incorporated into the Council's adopted strategy.

2. PURPOSE

2.1 This report sets out compliance with the strategy and performance against Prudential Indicators to the end of December 2025 within appendices (1-4):

<u>**Appendix 1**</u>

- The **Treasury Management operations** which sets out how the Council's treasury service operated during the period to December 2025;
- The **Treasury Management Borrowing** which sets out the Council's borrowing during the period to December 2025, and;
- The **Treasury Management Investments** which sets out the Council's Treasury Management investment operations for the period to December 2025.

<u>**Appendix 2**</u>

- the **Prudential indicators** performance is compared to the indicators set out in the Annual Capital Strategy for the year 2025/26.

Appendix 3

- The list of borrowing counterparties as at end of December 2025.

Appendix 4

- Market commentary regarding from the Council's treasury management advisors Arlingclose

3 BACKGROUND

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued guidance on the aims and requirements of a Capital Strategy focusing on a whole organisation approach to prudent, sustainable, and resilient local government investment.

3.2 CIPFA have also issued two professional Codes of Practice to which the Council is required to "have regard to". These Codes provide frameworks that are designed to support local strategic planning, local asset management planning and proper option appraisal:

- The Prudential Code – developed to support local authorities in taking decisions around their capital investment programmes. The objectives of the Prudential Code are to ensure, within a clear reporting framework, that a local authority's capital expenditure plans and investment plans are affordable and proportionate; that all external borrowing and other long-term liabilities are within prudent and sustainable levels; that the risks associated with investments for commercial purposes are proportionate to their financial capacity; and that treasury management decisions are taken in accordance with good professional practice.
- The Treasury Management Code - Treasury Management is defined as 'The management of the organisation's borrowing, investments, and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

3.3 The primary purpose of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed to deliver the Councils services. The secondary function of the treasury management operation is the funding of the Council's capital programme and manage cashflow requirements over a longer-term period.

3.4 Non-treasury investment operations should ensure that all investments made primarily for service reasons. Then, second to this, the function of investment management is to generate returns.

3.5 This quarterly report provides an additional update and includes the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators.

4 CONCLUSIONS ON THE TREASURY MANAGEMENT AND NON-

TREASURY INVESTMENT OPERATIONS DURING Q2 2025/26

4.1 During quarter 3 the Council exceeded its TM limits for investment in counterparties. The TM strategy limit set on a single local authority and single money market fund is £6m. At the beginning of November the council had a significant cash holding in excess of the cash limit of £3m in our own bank (as per the treasury strategy) with all the councils money market funds accounts fully invested to the £6m limit, the decision was taken by the s151 to invest £10m (i.e. £4m over limit) with a local authority for a short term (3 months) at a favourable rate and the amount is due to be repaid on the 30th January. Whilst this does exceed our set £6m limit, every Local Authority has recourse to the PWLB to borrow and therefore there is considered zero risk of non-repayment.

4.2 Borrowing maturity is now starting to move towards longer term to give cost certainty, with 6% of our borrowing portfolio under 12 months maturity. This provides more interest rate stability on borrowing, which is in line with the MTFS rate of 4.78%.

5 KEY RISKS

5.1 The Council has borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

5.2 The key risks to the Councils delivery of successful treasury and non-treasury investment options include:

- Inflation levels
  Inflation rates are now reducing after a prolonged period of increased levels.
- Bank of England Base rate
  Base rate has reduced to 3.75%. Expectations are that this will reduce further, however a slow reduction is anticipated.
- Delivery of Capital Programme
  Will impact borrowing requirements and timing will impact rates achievable for both borrowing and investments during the years

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Treasury Management Report Q3 2025/26

Introduction

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code). This quarterly report includes the requirement in the 2021 Code of quarterly reporting of the treasury management provides an update of the treasury management prudential indicators. The non-treasury prudential indicators are included in Appendix 2.

The Council's treasury management strategy for 2025/26 was approved at a meeting on 27th February 2025. The Authority has borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

Local Context

On 31st March 2025, the Council had net borrowing of £127m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR) summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.25 Actual £m	31.3.26 Forecast £m
General Fund CFR	174.2	170.9
Less: Other debt liabilities*	0.6	0.6
Loans CFR	**173.9**	**170.6**
External borrowing**	166.0	149.0

* leases, PFI liabilities and transferred debt that form part of the Authority's total debt
** shows only loans to which the Authority is committed and excludes optional refinancing

The treasury management position at 31st December 2025 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.25 Balance £m	Movement £m	31.12.25 Balance £m	31.12.25 Rate %
Long-term borrowing				
- PWLB	62.0	65.0	127.0	4.75
- Other	2.0	10.0	12.0	4.58
Short-term borrowing	102.0	(82.0)	20.0	4.41
Total borrowing	**166.0**	**(7.0)**	**159.0**	
Long-term investments	16.0	(3.0)	13.0	5.07
Short-term investments	5.0	22.0	27.0	4.17
Cash and cash equivalents	18.0	(5.8)	12.2	4.16
Total investments	**39.0**	**13.2**	**52.2**	
Net borrowing	**127.0**	**(20.2)**	**106.8**	

Borrowing Strategy and Activity

As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

After substantial rises in interest rates since 2021 central banks have now begun to reduce their policy rates, albeit slowly. Except in the much long-term gilt yields have decreased slightly over the period, reflecting expectations of lower interest rates, a tepid economy and to some extent an improvement in the UK governments fiscal position following tax rises in the autumn budget.

The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.34% at the end. The lowest available 10-year maturity certainty rate was 5.17% and the highest was 5.62%. Rates for 20-year maturity loans ranged from 5.71% to 6.30% during the period, and 50-year maturity loans from 5.46% to 6.14%. The cost of short-term borrowing from other local authorities has been similar to Base Rate during the period at 4.0% to 4.5%.

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Authority has no new plans to borrow to invest primarily for financial return.

The Authority currently holds £148m in commercial investments primarily for financial return that were purchased prior to the change in the CIPFA Prudential Code. Before undertaking further additional borrowing the Authority will review the options for exiting these investments.

Loans Portfolio

At 31st December the Authority held £159m of loans, (a decrease of £7m from the position as of 31st March 2025), as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st December are summarised in Table 3A below.

Table 3A: Borrowing Position

	31.3.25 Balance £m	Net Movement £m	31.12.25 Balance £m	31.12.25 Weighted Average Rate %
Public Works Loan Board	62.0	65.0	127.0	4.75
Local authorities (long-term)	2.0	10.0	12.0	4.58
Local authorities (short-term)	102.0	(82.0)	20.0	4.41
Total borrowing	**166.0**	**(7.0)**	**159.0**	

The average rate on the Authority's short-term loans at 31st December 2025 on £20m was 4.41%, this compares with 4.51% on £30m loans 3 months ago.

Table 3B: Long-dated Loans borrowed

	Amount £m	Rate %	Period (Years)
PWLB Maturity Loan	127.0	4.75	2-4
Horsham District Council	2.0	5.10	2
South Yorkshire Mayoral Combined Authority	5.0	4.45	3
Torbay Borough Council	5.0	4.50	4
Total borrowing	**139.0**		

The Council's new borrowing decisions to replace existing borrowing as current loans mature are determined by a cashflow projection.

Forward starting loans
No forward starting loans were obtained during Q3.

There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below PWLB. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

Treasury Investment Activity

The CIPFA Treasury Management Code defines treasury management investments as those investments which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Council holds some invested funds, representing income received in advance of expenditure plus balances and reserves held. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.25 Balance £m	Net Movement £m	31.12.25 Balance £m	31.12.25 Income Return %
Banks & building societies	0.3	(0.2)	0.1	4.00
Local authorities and other govt entities	5.0	22	27.0	4.17
Money Market Funds	17.7	(5.5)	12.2	4.18
Other Pooled Funds				
- *Strategic bond funds*	6.0	0	6.0	4.97
- *Equity income funds*	5.0	0	5.0	8.52
- *Property funds*	3.0	(3.0)	-	-
- *Multi asset income funds*	2.0	0	2.0	6.00
Total investments	**39.0**	**13.3**	**52.3**	

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

As demonstrated by the liability benchmark in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

<u>Table 5: Investment Benchmarking – Treasury investments managed in-house</u>

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2025	5.14	A+	78%	7	5.65
31.12.2025	4.72	A+	100%	1	8.27
Similar LAs	**4.55**	**A+**	**58%**	**53**	**4.70**
All LAs	**4.59**	**A+**	**60%**	**13**	**4.56**

Externally Managed Pooled Funds
£13m of the Council's investments is invested in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

Most asset classes achieved positive performance over the first half of the 2025/26 financial year, although conditions remained volatile and heavily influenced by political and macroeconomic developments.

The Authority has budgeted £540k income from these investments in 2025/26. Income received up to 31st December was £581k.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.

Statutory override
Further to consultations in April 2023 and December 2024 MHCLG wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. On the assumption that when published regulations follow this policy announcement, the statutory override will be extended up until the 1st April 2029 for investments already in place before 1st April 2024. The override will not apply to any new investments taken out on or after 1st April 2024. The Authority had set up a reserve of £1m to mitigate the impact of the

statutory override not being extended. Given current budgetary pressures and the extension of the override the authority decided to release £1m from this reserve.

Non-Treasury Investments

The definition of investments in the Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

The Authority also held £155.9m of such investments in:

- directly owned property £148m
- loans to local businesses and landlords £6.5m
- Subsidiaries £1.4m

A full list of the Council's non-treasury investments is available.

Treasury Performance

The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

Compliance

The Section 151 Officer reports that all treasury management activities undertaken during the year complied fully with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

	31.12.25 Actual	2025/26 Limit	Complied?
Any group of pooled funds under the same management	0	15m	Yes
Negotiable instruments held in a broker's nominee account	0	15m	Yes
Limit per non-UK country	0	6m	Yes

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 8 below.

Table 8: Debt and the Authorised Limit and Operational Boundary

	31.12.25 Actual	2025/26 Operational Boundary	2025/26 Authorised Limit	Complied?

Borrowing	159.0	150.0	180.0	Yes
PFI and Finance Leases	**0.6**	**1.8**	**2.0**	Yes
Total debt	**159.6**	**151.8**	**182.0**	

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

1. Liability Benchmark

This indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £21m. This incorporates £16m invested in strategic pooled funds, that cannot be sold at short notice, and an additional £5m liquidity buffer to manage short-term cashflow requirements. Whilst the £5m liquidity buffer has been maintained the pooled funds element has been reduced to £13m, due to the sale of some funds to mitigate the losses of a fund which was closing. The original £21m was set as the pooled funds were long term investments but had little impact on the liquidity for cashflow purposes hence the minimum level of cash held has not been increased. The updated minimum level of £18m will be reflected in the Treasury Management Strategy for 26/27.

	31.3.25 Actual	**31.3.26 Forecast**	**31.3.27 Forecast**	**31.3.28 Forecast**
Loans CFR	173.3	170.6	144.8	141.5
Less: Balance sheet resources	45.1	41.1	39.8	40.3
Net loans requirement	128.1	129.5	105.0	101.2
Plus: Liquidity allowance	21.0	18.0	18.0	18.0
Liability benchmark	**149.1**	**147.5**	**123.0**	**119.2**
Existing borrowing*	**166.0**	**149.0**	**75.0**	**65.0**

* shows only loans to which the Authority is committed and excludes optional refinancing

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing, minimum revenue provision on new capital expenditure based on a variable year asset life and income, expenditure and reserves all increasing by inflation. This is shown in the chart below together with the maturity profile of the Council's existing borrowing.

Rushmoor BC

	Actual	Forecasts	£m								
Position at 31 March	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**
Loans CFR	173.3	170.6	144.8	141.5	135.5	134.4	133.2	132.0	130.8	129.5	128.2
External borrowing	-166.0	-149.0	-75.0	-65.0	-25.0	0.0	0.0	0.0	0.0	0.0	0.0
Internal (over) borrowing	7.3	21.6	69.8	76.5	110.5	134.4	133.2	132.0	130.8	129.5	128.2
Balance sheet resources	-45.1	-41.1	-39.8	-40.3	-40.5	-41.4	-42.4	-43.4	-44.4	-45.4	-46.4
Investments (new borrowing)	37.9	19.5	-30.0	-36.2	-70.0	-92.9	-90.9	-88.7	-86.4	-84.1	-81.8
Treasury investments	37.9	19.5	18.0	18.0	18.0	18.5	18.9	19.4	19.9	20.4	20.9
New borrowing	0.0	0.0	48.0	54.2	88.0	111.4	109.8	108.1	106.3	104.5	102.6
Net loans requirement	128.1	129.5	105.0	101.2	95.0	92.9	90.9	88.7	86.4	84.1	81.8
Liquidity allowance	21.0	18.0	18.0	18.0	18.0	18.5	18.9	19.4	19.9	20.4	20.9
Liability benchmark	149.1	147.5	123.0	119.2	113.0	111.4	109.8	108.1	106.3	104.5	102.6

Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk.

2. Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper Limit (%)	**Lower Limit (%)**	**31.12.25 Actual (%)**	**Complied?**
Under 12 months	100	0	6	Yes
12 months and within 24 months	100	0	53	Yes
24 months and within 5 years	100	0	41	Yes
5 years and within 10 years	100	0	0	Yes
10 years and above	100	0	0	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

3. Long-term Treasury Management Investments

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2024/25	**2025/26**	**2026/27**
Limit on principal invested beyond year end	£30m	£30m	£20m
Actual principal invested beyond year end	£13m	£13m	£13m
Complied?	Yes	Yes	Yes

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Additional indicators

Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating and credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	2025/26 Target	31.12.25 Actual	Complied?
Portfolio average credit rating	A+	A+	Yes
Portfolio average credit score	5	4.72	Yes

Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	31.12.25 Actual	2025/26 Target	Complied?
Total cash available within 3 months	12.2	5	Yes

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk.

Interest rate risk indicator	**2025/26 Target**	**31.12.25 Actual**	**Complied?**
Upper limit on one-year revenue impact of a 1% rise in interest rates	£2m	£100k	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	£2m	£100k	Yes

CIPFA encourages the use of this indicator but does not require or recommend it; this is our recommended replacement indicator, which matches the one in the statement of accounts disclosure notes.

For context, the changes in interest rates during the quarter were:

	31/3/25	31/12/25
Bank Rate	4.50%	3.75%
1-year PWLB certainty rate, maturity loans	4.82%	4.37%
5-year PWLB certainty rate, maturity loans	4.94%	4.78%
10-year PWLB certainty rate, maturity loans	5.38%	5.34%
20-year PWLB certainty rate, maturity loans	5.88%	5.88%
50-year PWLB certainty rate, maturity loans	5.63%	5.71%

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

Prudential Indicators Q3 - 2025/26

The Council measures and manages its capital expenditure and borrowing with references to the following indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

Capital Expenditure

The Council has undertaken and is planning capital expenditure as summarised below:

	2024/25 actual	2025/26 Budget	2026/27 Forecast	2027/28 Forecast
Capital expenditure	14.6	12.3	3.6	2.7

The main General Fund capital projects to date have included Union Yard, and Aldershot Crematorium.

Capital Financing Requirement

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 forecast
CFR	174.2	170.9	145.0

Gross Debt and the Capital Financing Requirement

Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 forecast	Debt at 31.12.2025
Debt (incl. PFI & leases)	166.6	149.6	124.6	159.0
Capital Financing Requirement	174.2	170.9	145.0	

Debt and the Authorised Limit and Operational Boundary

The Council is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	Debt at 31.12.25	2025/26 Authorised Limit	2025/26 Operational Boundary	Complied?
Borrowing	159.0	180.0	150.0	Yes
Leases	0.6	2.0	1.8	Yes
Total debt	**159.6**	**182.0**	**151.8**	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Net Income from Commercial and Service Investments to Net Revenue Stream
The Council's income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below.

	2024/25 actual	**2025/26 forecast**	**2026/27 forecast**
Total net income from service and commercial investments	7.9	7.9	8.0
Proportion of net revenue stream	56.99%	56.54%	57.96%

Proportion of Financing Costs to Net Revenue Stream
Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue.

The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2024/25 actual	**2025/26 forecast**	**2026/27 forecast**
Financing costs (£m)	7.0	6.9	6.5
Proportion of net revenue stream	50.59%	49.15%	46.85%

Treasury Management Indicators
These indicators (Liability Benchmark, Maturity Structure of Borrowing, Long-Term Treasury Management Investments) are within the Treasury Management Report Q3 2025/26 at Appendix 1.

LIST OF DEBT COUNTERPARTIES AS AT 31ST DECEMBER 2025

	Amount
PWLB	5,000,000
PWLB	5,000,000
South Yorkshire Mayoral Combined	5,000,000
PWLB	10,000,000
South Yorkshire Mayoral CA Police Fund	10,000,000
PWLB	15,000,000
PWLB	10,000,000
Torbay Borough Council	5,000,000
PWLB	20,000,000
PWLB	12,000,000
PWLB	20,000,000
PWLB	10,000,000
PWLB	15,000,000
PWLB	5,000,000
Bolton Metropolitan Borough Council	5,000,000
Thames Valley PCC	5,000,000
Horsham District Council	2,000,000
	159,000,000

External Context

Economic background

Early in the first quarter was dominated by US trade tariffs and the negative impact on equity and bond markets. While this was reversed somewhat in the second quarter with equity markets making gains, it also saw a divergence in US and UK government bond yields. UK yields persisted at higher levels as investors demanded higher returns in the form of term premia due to the more uncertain UK fiscal and economic position.

The latter part of the period included the government's November autumn Budget. Despite much speculation and drip-feeding of potential policies in the weeks leading up to the event, what was ultimately announced was generally deemed more muted than had been anticipated, helping ease investors' fears of significantly higher government borrowing.

UK consumer price inflation (CPI) inflation was 3.2% in November 2025, down from 3.6% in the previous month and lower than the 3.5% expected, but still well above the Bank of England (BoE) target. Core CPI eased to 3.2% from 3.4%, against forecasts of it staying at 3.6%.

According to the Office for National Statistics (ONS), the UK economy expanded by 0.7% in the first quarter of the calendar year, by 0.3% in Q2 and by 0.1% in Q3. Of the subsequent monthly figures, the ONS estimated that GDP fell by 0.1% In October.

The labour market continued to ease over the period as unemployment rose, vacancies fell and inactivity remained flat. In the three months to October 2025, the unemployment rate rose to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%.

The Bank of England's Monetary Policy Committee (MPC) voted 5-4 to cut Bank Rate to 3.75% in December 2025, as was expected. Policymakers wanting a cut judged that disinflation was established while those preferring to hold Bank Rate at 4% argued that inflation risks remained sufficiently material to leave it untouched at this stage.

The November BoE Monetary Policy Report projected GDP would expand by a modest 0.2% in calendar Q4 2025. Estimates of inflation in the report were quickly out of date when CPI fell quicker than expected in November. Predictions of a modestly growing economy were echoed by the Office for Budget Responsibility in its Economic and Fiscal Outlook published with the Autumn Statement which revised down its estimate of annual GDP to around 1.5% between 2025 and 2030.

Arlingclose, the authority's treasury adviser, held a central view that Bank Rate would be cut further in 2025/26 with most BoE policymakers remaining more worried about weak GDP growth than higher inflation. In line with Arlingclose's central forecast, Bank Rate was reduced to 3.75% in December. Further cuts are expected in 2026, with the central forecast being that Bank Rate will be eased to around 3.25%.

The US Federal Reserve continued cutting rates, reducing Fed Funds Rate target range by 0.25% at its December meeting to 3.50%-3.75%. The meeting minutes noted that most policymakers judged that further rate cuts would be likely in 2026 if inflation continues to ease, however they were still divided in their assessment of the risks between inflation and unemployment.

The European Central Bank (ECB) held its key interest rates in December for a fourth consecutive meeting, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB maintained that future policy decisions will remain data-dependent, that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.

Financial markets

After declining sharply early in the period, sentiment in financial markets has been mostly buoyant, but risky assets remained volatile. Bond yields initially declined early in the period, but increasing uncertainty around the UK's economic and fiscal outlook caused medium and longer yields to rise. Yields remained elevated until the third quarter when the potential negative impact of the UK Budget were deemed less than expected and yields eased modestly.

Equity markets gained the previous declines seen in the April sell-off and have continued to rise, even in the face of ongoing uncertainty around the existence of an AI-related 'bubble' and concentration in US and global stock markets.

Over the period, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.48%. However, these nine months saw significant volatility with the 10-year yield hitting a low of 4.39% and a high of 4.82%. It was a similar picture for the 20-year gilt which started at 5.18% and ended at 5.11% with a low and high of 5.05% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.10% over the nine months to 31st December.

Credit review

Arlingclose maintained its recommended maximum unsecured duration limit on most of the banks on its counterparty list at 6 months. The other banks remain on 100 days.

Earlier in the period, Fitch upgraded NatWest Group and related entities to AA- from A+ and placed Clydesdale Bank's long-term A- rating on Rating Watch Positive. Fitch later upgraded Clydesdale Bank and HSBC, but downgraded Lancashire CC and Close Brothers.

In May, Moody's downgraded the United States sovereign long-term rating to Aa1 and affirmed OP Corporate's rating at Aa3. Moody's later upgraded Transport for London, Allied Irish Banks, Bank of Ireland, Toronto-Dominion Bank, DZ Bank, Nordea and HSBC and downgraded Close Brothers.

S&P upgraded Clydesdale Bank, Allied Irish Banks and Bank of Ireland, and assigned Warrington Council a BBB+ rating.

After spiking in April following the US trade tariff announcements, UK credit default swap (CDS) prices trended down before picking up modestly in October and November. They declined again in December and ended the year in line with levels seen in the first half of the year and most of 2024.

European banks' CDS prices have generally been flatter and lower compared to the UK, as have Singaporean and Australian lenders while some Canadian bank CDS prices have remained elevated since the beginning of the period in part due to ongoing trade tensions with the US.

At the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

Financial market volatility is expected to remain, and CDS levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.