

Hart District Council

Auditor's Annual Report

Year ended 31 March 2025

11 February 2026



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Hart District Council
Civic Offices
Harlington Way
Fleet GU51 4AE

11 February 2026

Dear Audit Committee Members

2024/25 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Hart District Council. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2024/25.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 24 March 2026.

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

Yours faithfully

Andrew Brittain

Partner

For and on behalf of Ernst & Young LLP

Enc

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

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

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

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



01 Executive Summary

Executive Summary

Purpose

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

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

Responsibilities of the appointed auditor

We have undertaken our 2024/25 audit work in accordance with the Audit Plan that we presented at the 25 March 2025 Audit Committee meeting. 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
- have been prepared properly in accordance with the relevant accounting and reporting framework.

Reporting by exception:

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

Responsibilities of the Council

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

Executive Summary (cont'd)

2024/25 conclusions

<p>Financial statements</p>	<p>As reported in our 07 February 2025 Audit Results Report we issued a disclaimer of opinion on the Council's 2023/24 financial statements, and as reported in our 13 November 2024 Audit Completion Report we issued a disclaimer of opinion on the Council's 2022/23 financial statements under the arrangements to reset and recover local government audit.</p> <p>In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. Taking into account the requirement to conclude our work by the 2024/25 backstop date, we will not be able to rebuild assurance over these balances as part of the 2024/25 audit. We have considered the form of our audit report, and whether we could issue a qualified 2024/25 audit opinion this year rather than a disclaimer. This is consistent with LARRIG01 and the illustrative timescale for progress to full assurance and through our performance of audit procedures and building assurance over the closing balances for the year 2024-25, we concluded that sufficient audit evidence was available to support a qualified audit opinion.</p> <p>Accordingly, we have issued a qualified opinion on the 2024/25 financial statements on 11 February 2026.</p>
<p>Going concern</p>	<p>We have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</p>
<p>Consistency of the other information published with the financial statements</p>	<p>Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.</p>
<p>Value for money (VFM)</p>	<p>We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.</p>
<p>Consistency of the annual governance statement</p>	<p>We were satisfied that the annual governance statement was consistent with our understanding of the Council.</p>

Executive Summary (cont'd)

2024/25 conclusions (cont'd)

Additional powers and duties	We had no reason to use our auditor powers.
Whole of Government Accounts	We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO have not yet issued the group instructions. We cannot issue our Audit Certificate until the NAO has confirmed no further procedures are required.
Certificate	We will be able to issue our certificate once the NAO have confirmed whether there are any additional group audit procedures required as part of the 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.

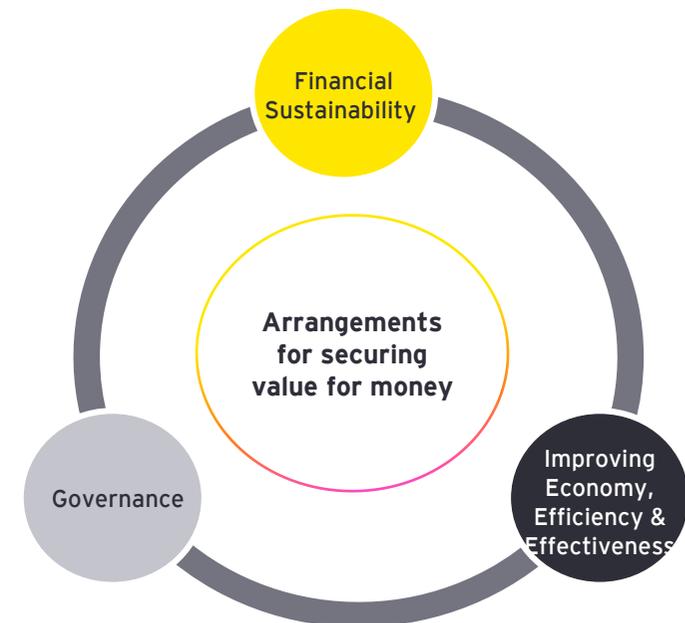
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

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 Executive Director of Corporate Services and S151 Officer (Graeme Clark);
- 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 Auditor's Annual Report, which is issued on 11 February 2026 following to the provisional Auditor's Annual report on 13 November 2025.

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

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	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

Executive Summary (cont'd)

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 :

[EY UK 2025 Transparency Report | EY - UK](#)



02

Audit of financial statements

Audit of financial statements

Key findings

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

Our audit of the 2024/25 is substantially complete and we expect to issue a qualified opinion on the financial statements. For further explanation about the reasons for the qualification of opinion please see page 6 of this report. We reported our audit scope, risks identified and detailed findings to the 07 October 2025 Audit Committee meeting in our Provisional Audit Results Report. We outline below the key issues identified as part of our audit.

Financial statement risks	
Significant risks	Conclusion
Misstatements due to fraud or error - Management override of controls - Fraud Risk	We did not identify 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.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure - Fraud risk	Our work did not identify any evidence of inappropriate capitalisation of revenue expenditure.
Valuation of Investment Properties - Significant risk	As part of our testing, we identified one audit difference within the sample of properties reviewed. The audit difference related to an overstatement in valuation and required a correction of £1,244k which has been agreed by the management. We do not believe this misstatement relates to any material weakness in controls or evidence of material management override concerning the valuation of investment Properties.
Valuation of Property, Plant and Equipment - Significant risk	Our work did not identify any issues or exceptions in this area.
Inherent risks	Conclusion
Net Pension Liability Valuation	As part of our testing, we identified one misstatement in the disclosures relating to the closing fair value of pension assets and asset ceiling effect, amounting to £764k but this has no impact on the reported pension liability in the accounts.
IFRS-16 Leases	Our work did not identify any issues or exceptions in this area.

Audit of financial statements

Financial Statement reporting assessment

Management, and the Audit Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. 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.

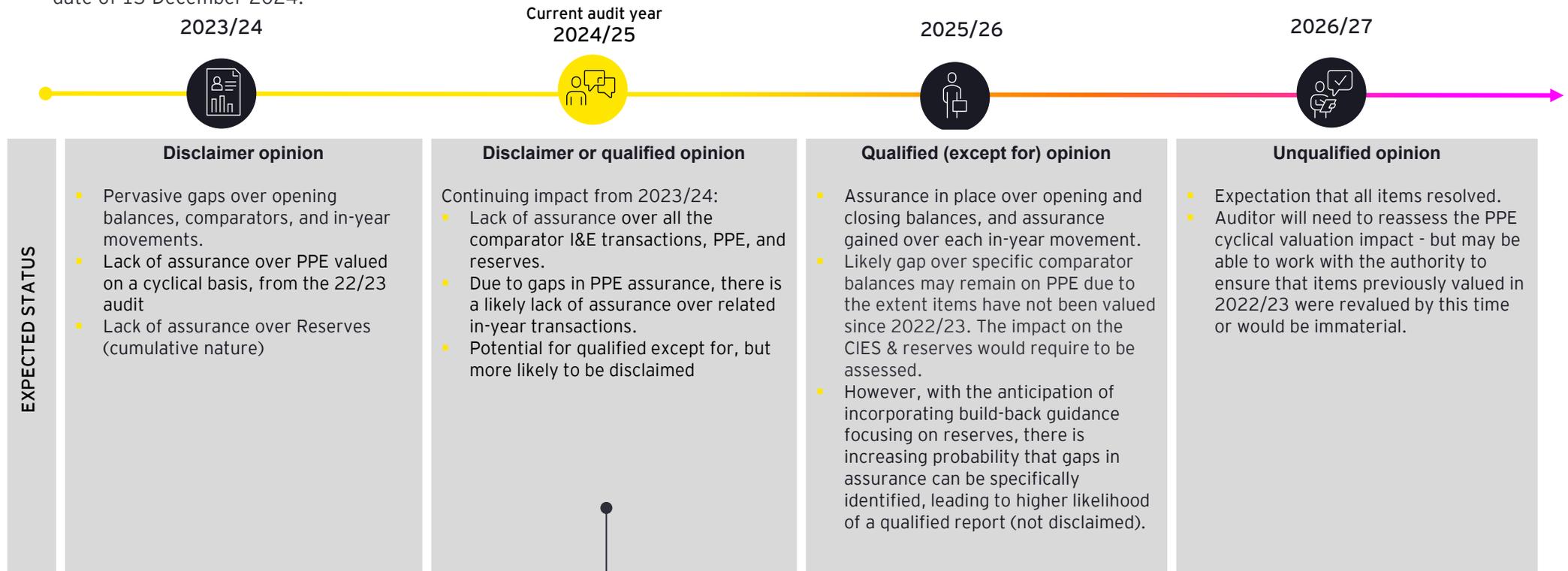
In addition, the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance is set out on page 14. 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.

Area	Status			Explanation
	R	A	G	
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 th June 2025 deadline set out in the Accounts and Audit Regulations.
Quality and completeness of the draft financial statements	Effective			Whilst some errors were identified in the draft financial statements, we did not identify a significant number of material internal inconsistencies or arithmetic errors in the draft financial statements that should have been detected through internal quality review prior to publication. The typographical errors were not fundamental to the understanding of users of the 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	Effective			Working papers and supporting evidence were generally of a good standard.
Timeliness and quality of evidence supporting key accounting estimates	Effective			The quality of evidence and explanations to support key accounting estimates was generally of a good standard and was provided on a timely basis.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Require Improvements			Some delays were experienced in relation to some audit requests, particularly, correspondence with Capita where delays have been noted in relation to the response on the valuation of Investment properties and Property, Plant and Equipment queries.
Volume and value of identified misstatements	Effective			We did not detect a significant number of material misstatements as a result of our work.
Volume of misstatements in disclosure	Effective			A relatively small number of misstatements in disclosure 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, 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.



CURRENT AUDIT STATUS OF HART DISTRICT COUNCIL

- The Council's progress is in line with the expected timescales for rebuilding assurance set out in LARRIG 01.
- The main areas where further is necessary to rebuild assurance is the valuation of property, plant and equipment valued in 2022/23 and assurance over related Income & Expenditure entries, and assurance over reserves.



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
	Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.	<ul style="list-style-type: none"> No significant risks identified 	<ul style="list-style-type: none"> No significant weaknesses have been identified during our procedures
	Governance How the Council ensures that it makes informed decisions and properly manages its risks.	<ul style="list-style-type: none"> No significant risks identified 	<ul style="list-style-type: none"> No significant weaknesses have been identified during our procedures
	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.	<ul style="list-style-type: none"> No significant risks identified 	<ul style="list-style-type: none"> No significant weaknesses have been identified during our procedures



VFM commentary: Financial Sustainability

Financial sustainability: Our audit procedures

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

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

Significant risks identified during planning procedures

Within our Audit Planning Report presented at the 25 March 2025 Audit Committee meeting, we reported that we had not completed our value for money (VFM) risk assessment but expected the areas of focus to be on the arrangements that the Council has in place in relation to financial sustainability. Having updated and completed the planned procedures in this area we did not identify a risk of a significant weakness in the Council's arrangements for financial sustainability.

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 financial sustainability 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 plan and manage its resources to ensure it can continue to deliver its services.



Financial Sustainability considerations

Medium Term Financial Strategy

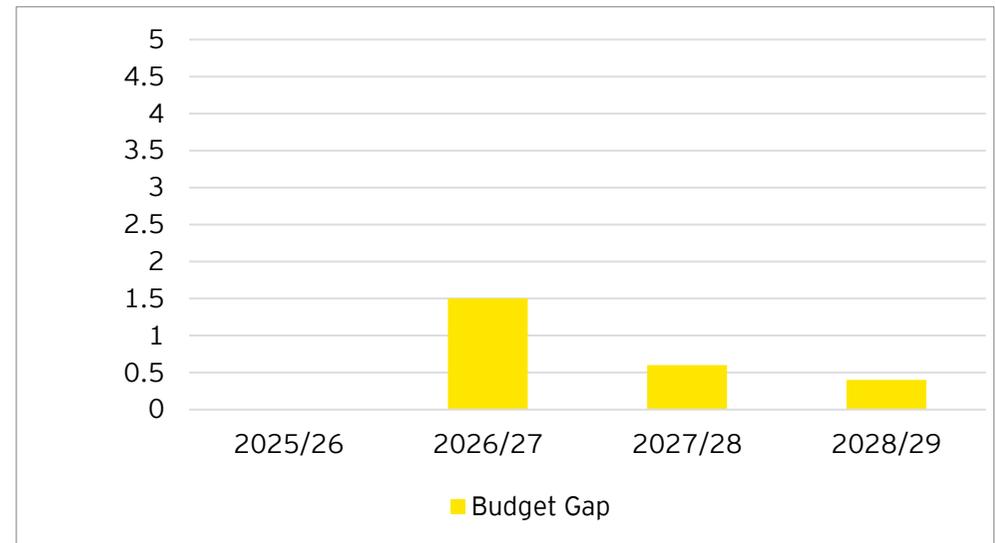
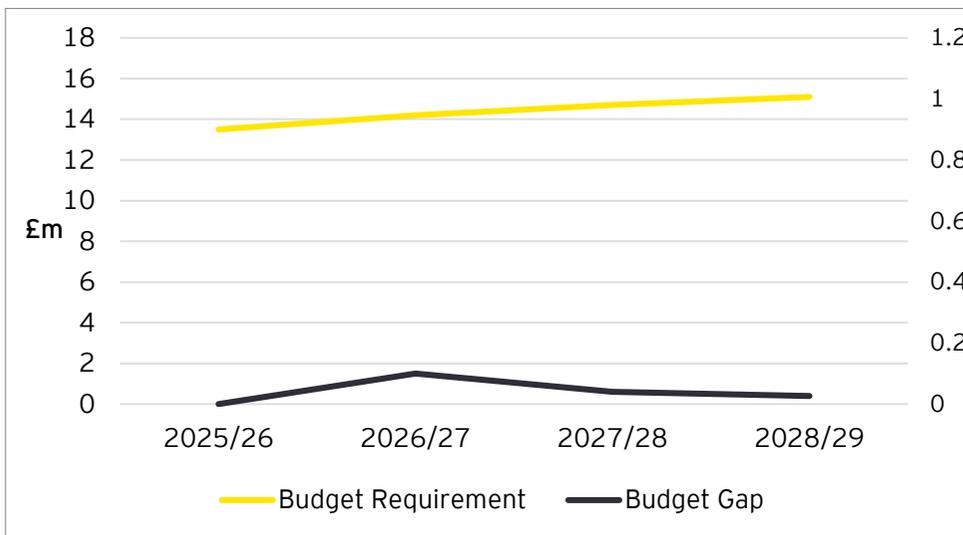
Hart District Council presented its Medium-Term Financial Strategy (MTFS) for 2025/26 to 2028/29 on 20 February 2025.

The 2025/26 Budget has been balanced through the application of £6.5 million of savings and mitigations, without the need to drawdown from unallocated reserves. The MTFS projects a structural funding gap from 2026/27 onwards, even after applying annual council tax increases of 2.99%. The residual gaps are £1.4m in 2026/27, £0.6m in 2027/28, and £0.4m in 2028/29. This results in a cumulative shortfall of £2.4m over the period (see Exhibit A).

The MTFS highlights continuing financial uncertainty for Hart District Council. Key challenges for 2025/26 include inflationary impacts on service costs, increased employer National Insurance contributions of approximately £300k, and new obligations such as the rollout of food waste collection and preparation for potential local government reorganisation, forecast reduction in treasury investment returns due to expected interest rate changes, adding £150k pressure in 2026/27 and £100k in 2028/29.

To mitigate these pressures, the Council proposes a 2.99% increase in Council Tax, generating an additional £254k in 2025/26 raising it to £280k by 2028/29, alongside revised parking charges expected to raise £130k. Despite these measures, the Council remains committed to maintaining vital services and supporting community groups while managing financial resilience in a volatile environment

Exhibit [A]: The Council's MTFP outlines a cumulative gap of £2.4 million by 2028/29





Financial Sustainability considerations

Budget Monitoring

Budget monitoring reports are critical for elected members to make decisions about the prioritisation of resources.

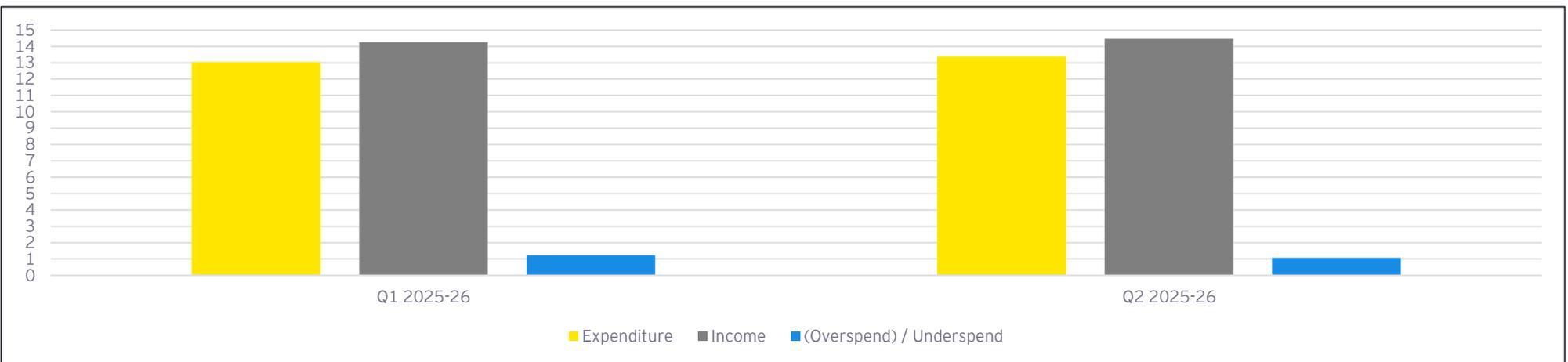
Exhibit B below highlights the projected underspend against service budgets for Quarter 1 of 2025/26 which was presented to the Overview and Scrutiny Committee on 12 August 2025 and Q2 of 2025/26 which was presented to Overview and Scrutiny Committee on 11 November 2025.

At Q1 and Q2 2025/26, Hart District Council is forecasting a £1.2m and £1.1m revenue surplus against a net budget of £13.7m for Q1 and revised budget of £13.8m in Q2. This positive position is driven by service underspends of £662k (Q2: £611k) (Community: £246k (Q2: £187k), Corporate: £416k (Q2: 424K). Also there is £497k gain in retained business rates in Q1 with £106k with Recycling income and £104k Planning development in Q2.. Revenue projects are expected to underspend by £12k. On the cost side, favourable variances include employee costs down by £373k and election costs by £192k with pressure on outsourced contracts up £68k, and. The latter being managed by transferring £150k to reserves. Treasury income is forecast to be £140k below budget, with total investments at £42.1m and no new borrowing taken out. The capital programme is on track, with a forecast outturn of £7.888m, almost exactly matching the revised budget. Essential works at Bramshot Farm and Odiham Common are funded from earmarked reserves.

Overall, the Council's financial outlook at Q1 is robust, but ongoing monitoring of treasury income and inflationary pressures remains essential

We have no recommendations to make regarding budget monitoring arrangements. While the Council faces significant medium-term challenges, including a projected funding gap of £2.4m by 2028/29, its approach, comprising regular monitoring, prudent use of reserves, and a multi-pronged savings strategy, provides a reasonable basis for maintaining financial resilience. Continued focus on delivering planned savings and managing emerging risks will be critical.

Exhibit B: The Council's budget monitoring reports show an increasing projected underspend for 2025/26





Financial Sustainability considerations

Savings plans

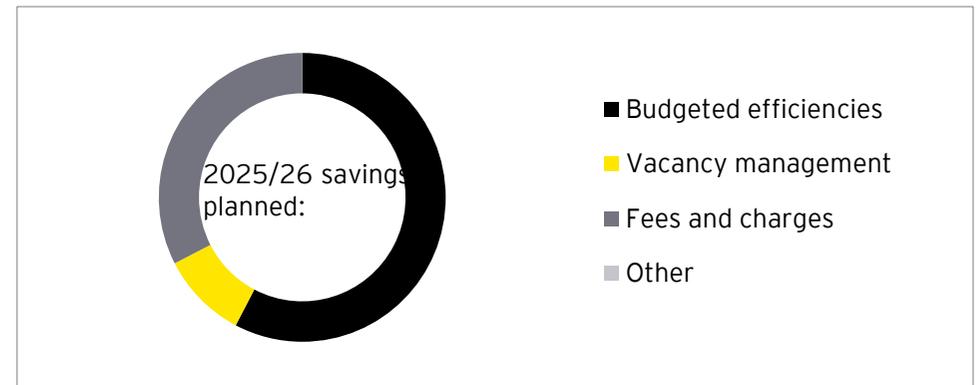
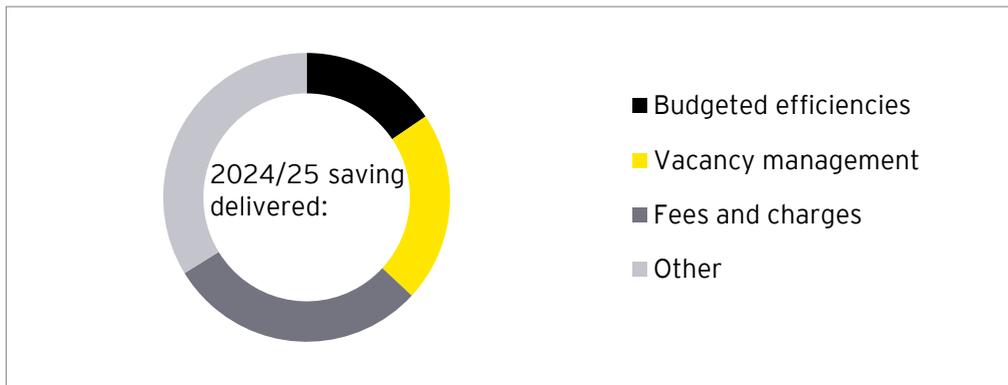
The Council's financial strategy for 2024/25 focused on embedding recurring efficiencies and reducing reliance on reserves to maintain long-term sustainability. The planned savings target was £2.1 million. The actual outturn for 2024/25 met the expectations, delivering a £2.1 million surplus against a revised net revenue budget of £12.4 million and a capital underspend of £1.8 million (actual capital spend was £4.5 million compared to a budget of £6.3 million). These results were driven by treasury income gains of £715k, additional waste and recycling income of £62k, and significant underspends in IT and consultancy budgets, which helped offset inflationary pressures and rising employee costs. Recurring savings were successfully embedded into the base budget, strengthening the Council's financial position for future years.

Looking ahead to 2025/26, the Medium-Term Financial Strategy sets an estimated savings target of £1.274 million. Exhibit [C], below outlines that the Council plan to deliver £1.274 million savings target in 2025/26. This is based on the unavoidable cost of Net inflation on cost, fees and charges of £0.5 million, Cost to execute Waste contracts as £1.3 million, Waste disposal IAA with HCC as £0.2 million, Reset of transitional arrangements of new home bonus and Business rates will have an impact of £0.4 million and Treasury income reduction of £0.15 million. Actual savings within the 2025/26 budget include:

- New burdens funding for food waste £0.8 million
- Income generation measures, including: 2.99% Council Tax increase (£0.3 million)
- Vacancy Management (Senior Leadership team net salary savings): (£0.15 million)

The total unavoidable cost for the entity is £2.4 million with actioned savings are: £1.3 million as stated above. The entity is therefore targeting for £1.2 million of savings in the year 2025/26.

Exhibit [C]: The Council delivered £2.1 million of savings in 2024/25, and expects to deliver a further £1.2 million in 2025/26





Financial Sustainability considerations

Reserves position

The Council approved the Reserves Strategy in September 2023. The Council's Reserves Strategy outlines that the minimum reserves to be held as uncommitted general funds, which equates to around £6 million.

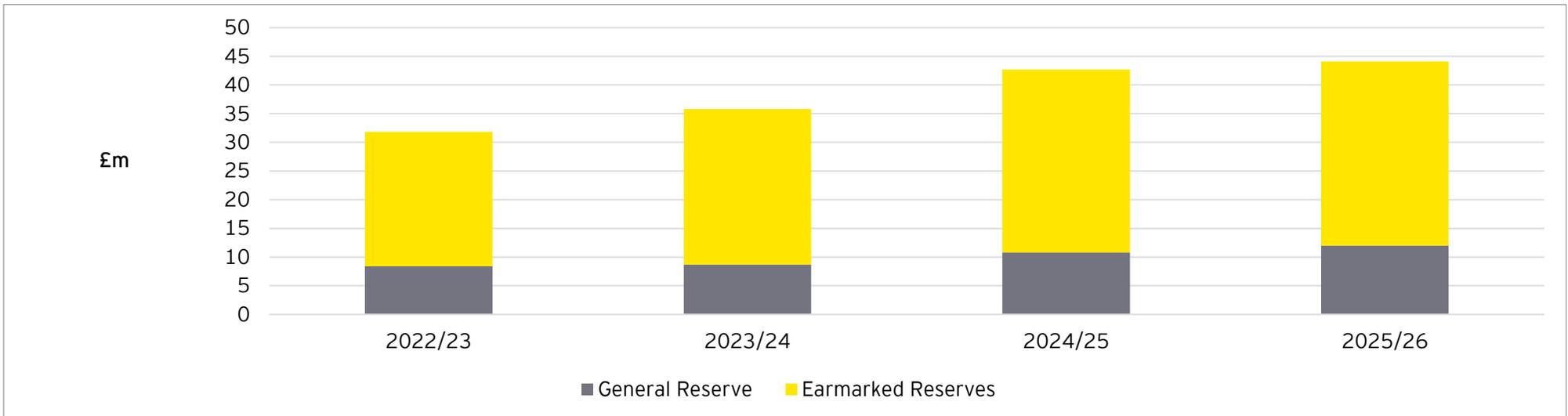
As in previous years, operational underspends resulted in a contribution of Council's General Fund Reserves. Overall, the Council's earmarked General Reserves increased by £4.9 million, to £31.92 million in 2024/25 with expectation to be increased to £32.1 million based on 25/26 Q1 outturn report.

The Council is holding substantial earmarked reserves for specific future commitments, risk mitigation, and service continuity.

The "minimum uncommitted general funds" (around £6 m) provides a buffer for unforeseen events, as established by the Reserves Strategy.

Overall, the trend is positive with reserves growing, which suggests prudent financial management – though future pressures (e.g., funding changes, cost inflation) remain relevant.

Exhibit [D]: The Council's unallocated General Reserve continued to increase by £2.1 million in 2024/25 with a forecast of £1.2 million by 2025/26.





Financial Sustainability considerations

Outturn position

Hart District Council delivered a £2.1m surplus for the financial year 2024/25, an improvement on the previously forecast balanced position.

This positive result was achieved despite significant inflationary pressures and increased service demand. The surplus reflects strong financial management and effective delivery of the council's savings program.

Major contributors for surplus were:

- Additional income from planning fees and garden waste
- Underspends in staffing and corporate projects
- External borrowing: reduced from £13.99 m to £13.62 m
- No new borrowing during 2024/25

Exhibit [E]: The Council recorded an overall underspend of £2.1 million against budget in 2024/25

Title	Budget £m	Expenditure/(Income) £m	(Underspend) /Overspend £m
Community Services	3.5	3.0	(0.5)
Corporate Services	6.6	5.8	(0.8)
Place services	2.3	2.1	(0.2)
Revenue Projects	0.3	0.3	-
Treasury	(1.1)	(1.8)	(0.7)
Funding	(11.6)	(11.5)	-
Net	0	(2.1)	(2.1)



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 presented at the 25 March 2025 Audit Committee meeting, we reported that we had not completed our value for money (VFM) risk assessment but expected the areas of focus to be on the arrangements that the Council has in place in relation to governance. Having updated and completed the planned procedures in this area we did not identify a risk of a significant weakness in the Council's arrangements for governance.

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

Annual Governance Statement

The Annual Governance Statement (AGS) is prepared in accordance with the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government (2016) - and meets the statutory requirement under the Accounts and Audit Regulations 2015. Hart District Council confirms that its governance arrangements are designed to ensure lawful, transparent, and accountable decision-making, safeguarding public money and promoting continuous improvement. The governance framework is underpinned by the Local Code of Corporate Governance, which is reviewed and updated as necessary and approved by the Audit Committee.

The effectiveness of governance arrangements was assessed by the Executive Director of Corporate Services and the Senior Leadership Team, with oversight from the Audit Committee. This review considered adherence to the Local Code, risk management processes, internal audit findings, and performance monitoring systems. No material weaknesses were identified that would compromise the Council's ability to deliver statutory duties. However, areas for improvement disclosed in the AGS include timely completion of audits due to sector-wide resource constraints, enhancement of risk registers to reflect emerging financial and operational risks and strengthening cyber security controls in line with national guidance. The AGS also includes a Governance Improvement Action Plan to implement audit recommendations, improve financial resilience and medium-term planning, and enhance transparency through updated reporting protocols.

Our review confirms that the AGS is consistent with the findings from the audit of the financial statements and the Value for Money assessment. We have not identified any significant weaknesses in the process for preparing the AGS, and the statement appropriately reflects the Council's governance arrangements, areas for improvement, and commitment to continuous enhancement.

Risk Management

The Council operates an established and embedded corporate risk management framework that ensures clear allocation of responsibilities for managing individual risks and alignment of risk management strategy with internal control policies to support the achievement of objectives. The framework is overseen by an independent Audit Committee, which provides assurance on risk management and the control environment and makes recommendations that are acted upon. The corporate risk register is reviewed regularly throughout the year by Cabinet, Executive Directors, and the Audit Committee.

The Council maintains an internal audit service that delivers the annual audit plan in accordance with the approved internal audit strategy and charter. The plan for 2024/25 was presented to the Audit Committee in March 2024, with progress updates provided at subsequent meetings, including August and October 2024, and July 2025. Findings from this work, together with other sources of assurance, inform the Annual Head of Audit Opinion, which provides the Audit Committee with an overall assessment of the adequacy and effectiveness of internal controls.

In addition to internal audit, the Council has an anti-fraud and corruption policy that places responsibility on all employees to remain vigilant and report concerns. Internal audit work includes testing controls designed to prevent and detect fraud and error, with reports highlighting any weaknesses and providing assurance opinions.

The Section 151 Officer is kept informed of significant fraud investigations, particularly where internal fraud is suspected, and acts as the steering officer for such cases, ensuring appropriate oversight and escalation.



Governance considerations

Internal audit arrangements

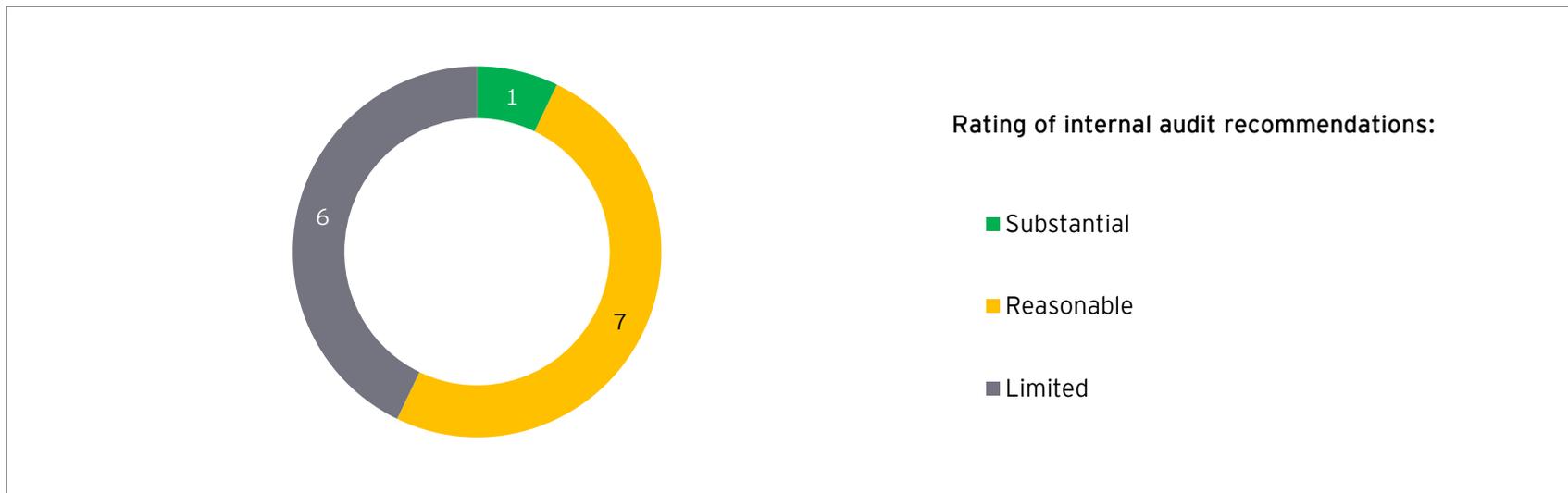
Hart District Council maintains a robust internal audit function delivered through the Southern Internal Audit Partnership (SIAP). The internal audit service operates in accordance with the Global Internal Audit Standards and the CIPFA Application Note for UK Public Sector, ensuring compliance with statutory requirements under the Accounts and Audit Regulations 2015 (as amended).

The Internal Audit Charter, approved by the Audit Committee, defines the purpose, authority, and responsibility of the function. Internal audit provides independent and objective assurance on the adequacy and effectiveness of governance, risk management, and internal control processes across all Council activities.

The Audit Committee oversees the internal audit arrangements and receives regular progress reports against the agreed annual audit plan. The plan is risk-based and designed to provide assurance that significant risks to the achievement of the Council's objectives are managed effectively. Advisory work is also undertaken to support continuous improvement.

Based on the work completed during the year, internal audit has concluded that the Council's governance, risk management, and internal control framework is operating effectively and provides a satisfactory level of assurance. No significant weaknesses were identified that would materially impact the Council's ability to deliver its objectives.

Exhibit [F]: Internal audit's follow up of recommendations noted that around 14 were completed as planned





Governance considerations

Informed decision making and member challenge

The Council has a number of arrangements in place to ensure that appropriate decisions are made. Council decisions may be made either at Full Council meetings, at committees of Council, at a meeting of all executive members i.e., 'Cabinet' or by individual executive members at 'decision days'.

The Constitution, including the Scheme of Delegation to Officers, sets out how different types of decisions are made, including who has the responsibility for making them and what procedures should be followed. Procedures include publishing committee report on the Council's website in advance of meetings.

The Cabinet is the part of the Council that is responsible for most day-to-day decisions. As per the Constitution, the Cabinet (including the Leader) comprises the Leader and between two and nine other councillors who are appointed by the Leader. In the current year, there were 8 members including the leader. When major decisions are to be discussed or made, these are published in the Cabinet's forward plan in so far as they can be anticipated. If these major decisions are to be discussed with council officers at a meeting of the Cabinet, this will generally be open for the public to attend except when personal or confidential matters are being discussed. The Cabinet must make decisions that are in line with the Council's overall policies and budget. If it wishes to make a decision that is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

The Constitution contains a detailed explanation of roles and responsibilities of each committee which in turn lead to effective working of the Council.

The Monitoring Officer and Executive Director of Corporate Services (s151 Officer) maintain their legal responsibilities to ensure that the Council acts legally and within its financial means and are present at all the executive Committee meetings.

Any key decisions due to be made should be published 28 days prior, to enable wider transparency and opportunities for representation to the decision makers.

The Audit Committee's role is not to challenge the decisions of the Council/Cabinet, that is the role of the Overview and Scrutiny Committee. Their role is to review and receive relevant reports related to risk management, fraud, internal and external audit. This includes consideration of all matters relating to the Council's audit function, including receiving the annual audit letter, auditor's reports, and settling the internal audit work programme. The committee meets a minimum of three times a year. We note that the frequency also depends on requirements and importance of discussing areas under the Audit Committee's remit. In 24/25, the Audit committee have met 4 times.



Governance considerations

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 fulfill statutory duties. According to MHCLG guidance issued in July 2025, decisions made by the Council prior to reorganisation regarding ongoing service delivery and the medium-term financial strategy should focus on providing value for money for taxpayers and avoid limiting future decisions or sustainability of new councils.

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

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

Failure to Prevent Fraud legislation

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

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



VFM commentary: Improving economy, efficiency and effectiveness

Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

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

Significant risks identified during planning procedures

Within our Audit Planning Report presented at the 25 March 2025 Audit Committee meeting, we reported that we had not completed our value for money (VFM) risk assessment. Having updated and completed the planned procedures in these areas we did not identify a risk of a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to improving economy, efficiency and effectiveness are not significantly different in 2024/25.

Overview of our conclusions

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



Improving economy, efficiency and effectiveness considerations

Financial and performance information

The Council operates a robust monthly budget monitoring process that reviews all income and expenditure against approved budgets. This process identifies at an early stage any areas where expenditure is being incurred without sufficient budgetary provision. Reports are submitted to the Executive Director of Corporate Services, who takes corrective action by identifying savings or reallocating resources as necessary. Quarterly budget monitoring reports are then presented to Cabinet and Council. At year-end, any overspent areas are discussed at Business Partner meetings, and an action plan is agreed to bring spending under control or update the Medium-Term Financial Strategy (MTFS) and future budgets. Previous examples include the decision to exit elements of Capita 5 Councils' contract following performance monitoring and KPI reviews, and changes to the SERCO waste contract management arrangements in 2021/22, transferring the lead role to Basingstoke & Deane Borough Council.

Contract and performance monitoring are embedded in procurement processes through templates and guidance that require consideration of monitoring arrangements from the specification stage, including data protection compliance. Monitoring processes vary according to contract size and risk. High-risk contracts such as Capita and Leisure include monthly KPI reviews, Service Improvement Groups, open-book financial reviews, and escalation governance, while smaller contracts, such as countryside improvement works, adopt proportionate monitoring such as weekly or daily site meetings during the works phase. This ensures that contract oversight is risk-based and effective.

Service Plans are developed annually, setting priorities, performance indicators, and targets. These plans are reviewed by Overview and Scrutiny, which makes recommendations to Cabinet. Key risks identified in service plans are recorded in service risk registers, with significant risks escalated to the corporate risk register. Performance results are reported by Heads of Service at service panels and subsequently to Overview and Scrutiny, ensuring transparency and accountability in service delivery.

Procurement and contract management

Standing Orders on Procurement and Contracts are set out within the Constitution. This includes the procedures and statutory requirements in terms of the procurement of services. The Council has also developed a Procurement Strategy (Procurement | Hart District Council) which sets the framework in which Hart District Council will work to ensure that procurement delivers value for money across all services and directly contributes to the achievement of their strategic goals.

Procurement procedures are in place and are available to officers via SharePoint. These procedures include a step-by-step guide to 'Buying Something'

A Contract Register is in place. The register is published on the HDC website. [Procurement | Hart District Council](#)

A number of standard procurement forms are available to officers. These documents are held on SharePoint.



Improving economy, efficiency and effectiveness considerations

Partnership working

The Council maintains a Corporate List of its significant partnerships. These are assessed for their significance in terms of the results they seek to deliver, their profile/reputation and resources involved including the 8-year contract extension with Serco that has been approved in October 2024.

The Council has a joint waste contract with Basingstoke and Deane Borough Council (BDBC). Previously Hart DC was the lead i.e., all invoices from Serco were paid by Hart and then charged to BDBC for their share of the costs. However, during 2021/22 the lead role transferred to BDBC. We note that the main contract with Serco is due to end midway through 2026, and due to new government legislation, there is uncertainty on waste services moving forward. This has been identified in their Risk Register as discussed earlier in this document, with The Council, in partnership with Basingstoke and Deane Borough Council, has agreed an 8-year extension with Serco from 1 Oct 2025.

The other main area is the 5 Councils contract. The scope of services under the contract were reduced at the beginning of FY 20/21. This was due to timely monitoring and assessment of KPIs and a further cost v benefit analysis. In conclusion, it was agreed that the HR and payroll function would be brought back in-house along with exchequer service, and from 01/04/23 the finance function as well moved from Mendip DC to in house and also the I.T functions are back in-house since October 2023. This was because the Council did not see planned savings and the KPI monitoring did not show the level expected by Hart DC. This contract was extended from 30 September 2025, with only the housing benefits and land charges, NNDR, and Council Tax Services elements renewed.

The two examples above show that the Council acts where necessary and monitor the performance of the Council, and amends partnership arrangements with its partners.

The information is also taken to the relevant Council meetings to engage stakeholders at the appropriate time.

Procurement and commissioning of services

The Council uses a range of mechanisms, both formal and informal, to evaluate its performance in delivering services, and for identifying and delivering service improvement opportunities.

It starts from the top, with a clear expectation that the services provided should be delivered in a way that puts the customer at the heart of the process. This is further evaluated through feedback options on various services that Hart DC provide through an online customer form - <https://www.hart.gov.uk/feedback>. This can be done through several ways including by phone, email, going to the Council offices, via the website or social media.

The Council also assesses its performance through various sources discussed above including the review of the Corporate Risk Register, Budget monitoring reports etc.

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