CIRCULATED PRIOR TO THE MEETING

REPORT of
DIRECTOR OF FINANCE

to
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
12 NOVEMBER 2026

URGENT ITEM OF BUSINESS

EXTERNAL AUDIT REQUIREMENT: 'GOING CONCERN' CONFIRMATION

1. PURPOSE OF THE REPORT

1.1 As part of the implementation of the International Financial Reporting Standards (IFRS) framework within local government financial reporting, a committee is required to approve a 'going concern' statement. This is now required as part of the work to rebuild assurance locally to support work to move away from 'disclaimed' opinions.

1.2 This matter is brought forward for consideration with the agreement of the Chairperson. It will provide required evidence to support the ongoing external audit review of the 2025/26 accounts and the forthcoming processes of rebuilding assurance and the 2026/27 audit.

2. RECOMMENDATIONS

(i) That the Committee approves this statement of going concern;

(ii) That the Committee agrees this being the basis for valuations undertaken in preparing the Statement of Accounts;

(iii) That the Committee notes the rolling two-year cash flow forecasting process in place

3. SUMMARY OF KEY ISSUES

3.1 **Background** - As part of the annual publication of the draft statement of financial accounts, the Council is required to assess its status as a 'going concern' organisation, and whether it remains appropriate for the Council's annual accounts to be prepared on that basis. This report provides a summarised financial performance assessment identifying the Council's ability to continue to be considered as a 'going concern'.

3.2 **IFRS** - The Committee should note that IFRS covers commercial and 3rd sector organisations as well as public agencies such as the Council. The 'going concern' requirement is more important outside local government because local government is chiefly funded from taxpayer receipts which are less likely to fluctuate than income derived from sales.

3.3 **Financial distress** - When councils have become financially 'distressed' this is often indicated through interventions such as government approval of Exceptional

Financial Support (greater borrowing flexibility) or local publication of a s114 notice ('effective bankruptcy'). Notably, even EFS and s114 situations do not lead to a cessation of local services, even if the management of those services is subject to intervention (commissioners).

3.4 EFS and s114 situations are all characterised by an inability to cover current revenue liabilities from current revenue resources. The level of revenue resources held on hand by this council gives confidence that such a situation is unlikely

3.5 **Going concern** - This describes the basic operating status of the entity. Where an entity is being wound up or liquidated, it is not a going concern. Where the entity expects to continue in usual operation for the foreseeable future it is a going concern. Two general factors support the treatment of the Council as a going concern – first, that we are taxpayer funded and so not subject to the significant variation in income and, second, that the services we provide are required under law and so the Council is obliged to provide them.

3.6 **Impact on the accounts** - When preparing the annual Statement of Accounts, the Council complies with the Code of Practice on Local Authority Accounting 2025/26 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code requires the accounts to be prepared on a going concern basis. In local government, this is important as it has an impact on the valuation of, for example, property. (An alternative valuation basis would be to assume the entity would be 'wound up', and so property assets would be valued at likely market value rather than depreciated book value.)

3.7 **Evidence for a 'going concern' approach** - The Council should be considered as a going concern for the reasons set out below, and so it is appropriate that the Statement of Accounts are prepared on that basis. Those reasons are:

3.7.1 Robust financial position: Balanced budgets and favourable outturn results contributing to strong reserves.

3.7.2 Usable reserves: As at 31 March 2026 the council held usable general revenue reserves of £12.9m (which is higher than the level of Core Spending Power (CSP) – many Councils have usable reserves which equate to only a fraction of CSP).

3.7.3 Balanced budgets. The Council has set a balanced budget in all previous years including for 2025/26 and 2026/27 and has a clear plan in place to continue to deliver local services up to 2029/30 set out in the Medium-Term Financial Strategy and the Medium-Term Financial Plan (MTFP) updated quarterly and reported to committee. Savings have been identified in all years and delivered effectively, providing assurance around value for money.

3.7.4 Organisational governance: The organisation restructured during 2025/26, changing officer responsibilities to better align to organisational functions. This has enabled a greater level of delegation of financial responsibility and a greater focus amongst senior officers on financial management (rather than dealing with specific issues and transactions). Combined with the weekly chief officer team meeting this provides a high level of visibility for financial management and an increased level of assurance as a result.

3.7.5 Risk awareness: There are significant financial, operating or other risks that would jeopardise the council's continuing operations. As the Council does not operate a Housing Revenue Account (HRA) or have any Local Authority Trading Companies (LATCos) our finances are comparatively straightforward and so less likely to contain

substantial emerging issues. The wider corporate risk register informs regular reviews of the council's risk environment.

3.7.6 Local Government Reorganisation (LGR): LGR will reorganise the structure of local government but will not impact on provision of services in the district. All services will remain a going concern as a result.

3.8 As a normal part of the Council's treasury management approach finance officers prepare a cash flow forecast based on a rolling two-year outlook. This supports the forward planning of cashflow and ensures sufficient funds are available to pay staff and suppliers while also securing investment income when possible.

4. CONCLUSION

4.1 For the reasons set out above (paragraph 3.7) it is concluded that the Council should be regarded as a going concern.

5. IMPACT ON PRIORITIES AS SET OUT IN THE CORPORATE PLAN 2025 - 2028

5.1 **Supporting our communities**

5.1.1 Ensuring the Council is a going concern provides assurance that services for communities will continue to be provided.

5.2 **Investing in our District**

5.2.1 A robust cash flow position supports timely investment in the district.

5.3 **Growing our economy**

5.3.1 Council spending is predominantly with local people in terms of service provision, through local suppliers, and to staff, many of whom are local residents.

5.4 **Protecting our environment**

5.4.1 Adequacy of cash flow is essential to support environmental protection activity.

5.5 **Delivering good quality services.**

5.5.1 Adequacy of cash flow is essential to delivery of good quality services.

6. IMPLICATIONS

(i) **Impact on Customers** – Indirect.

(ii) **Impact on Equalities** – Indirect.

(iii) **Impact on Risk (including Fraud implications)** – The subject of the report.

(iv) **Impact on Resources (financial)** – The subject of the report.

(v) **Impact on Resources (human)** – Not directly.

(vi) **Impact on Devolution / Local Government Reorganisation** – Being incorporated in planning.

Background Papers: None.

Enquiries to: Ben Jay, Director of Finance (Section 151).