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# Financial Year 2018/19 Going Concern Assessment

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<b>Committee considering report:</b>	Governance and Ethics Committee
<b>Date of Committee:</b>	29 July 2019
<b>Portfolio Member:</b>	Councillor Jeff Cant
<b>Date Portfolio Member agreed report:</b>	05 June 2019
<b>Report Author:</b>	Shannon Coleman-Slaughter
<b>Forward Plan Ref:</b>	GE3781

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## 1. Purpose of the Report

- 1.1 As a result of the significant reduction in funding for local government in recent years and the potential threat this poses to the ongoing viability of one or more councils as a consequence, External Auditors are placing a greater emphasis on local authorities undertaking an assessment of the 'going concern' basis on which they prepare their financial statements. This report summarises the management assessment of the Council continuing to operate as a going concern for the purposes of producing the Statement of Accounts for 2018/19.

## 2. Recommendation

- 2.1 A detailed review of the Earmarked Reserves is undertaken to ensure financial provision aligns to key strategic financial risks identified via our internal governance processes. Future proofing our General Fund Reserve position, in accordance with criteria set by the s151 Officer in conjunction with External Audit.

## 3. Implications

- |     |                         |   |
|-----|-------------------------|---|
| 3.1 | <b>Financial:</b>       | Based on the review undertaken, there is no imminent risk to the going concern assertion. |
| 3.2 | <b>Policy:</b>          | N/a   |
| 3.3 | <b>Personnel:</b>       | N/a   |
| 3.4 | <b>Legal:</b>           | N/a   |
| 3.5 | <b>Risk Management:</b> | N/a   |
| 3.6 | <b>Property:</b>        | N/a   |
| 3.7 | <b>Other:</b>           | N/a   |

## 4. Other options considered

- 4.1 None.

## Executive Summary

### 5. Introduction / Background

- 5.1 The Council is required to compile its Statement of Accounts in accordance with the Code of Practice for Local Authority Accounting (hereafter referred to as the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.
- 5.2 As requested by External Audit, a going concern assessment has been completed. In order to complete the assessment the following areas were reviewed:
- (1) The Council's current financial position;
  - (2) The Council's projected financial position;
  - (3) The Council's Balance Sheet;
  - (4) The Council's cash flow;
  - (5) The Council's governance arrangements;
  - (6) The regulatory and control environment applicable to the Council as a local authority.

### 6. Proposals

- 6.1 On this basis of the s151 Officer's assessment, it is proposed reporting as follows:
- (1) External Auditor: this detailed assessment document is provided as a working paper to the external auditor.
  - (2) Audit Committee: this Executive Summary is included in the covering report with the annual statement of accounts confirming the assessment has been completed and the conclusion maintains the assertion the council is a going concern.

### 7. Conclusion(s)

- 7.1 The Council faced a potential overspend of £3.3m in 2018/19 against a £119.4million revenue budget. The Council responded with a Council wide mitigation programme, including the use of service specific risk reserves, to arrive at a balanced outturn. The provisional outturn for the 2018/19 capital is a £8.68million underspend against a revised capital budget of £89.9million.
- 7.2 The revised Medium Term Financial Strategy (MTFS) for the three year period commencing 2019/20 identifies an annual funding gap of approximately £6million, this is at an assumed Council Tax increase of 2.99% in 2019/20 and 1.99% annually thereafter. The Council has proposed a balanced budget for 2019/20 through a £5.24million savings strategy paired with £1million of additional

commercial income from the Property Investment Strategy. The MTFS has proposed balanced budgets for 2020/21 and 2021/22 with savings targets of £6.7million and £6.3million respectively. The three year capital programme from 2019/20 to 2021/22 allocates £131million of funding sourced through a combination of grants, Section 106, Community Infrastructure Levy and Council capital resources.

- 7.3 The authority's net assets amounted to £12million (£40.5million as at March 2018) and were significantly reduced by the inclusion of the pension scheme liability of £311million (£317million, March 2018). In reality the Council has net usable reserves of £71million, consisting of £41.2million capital, £21.7million Earmarked, £2million working balances and £6.1million General Fund (£60.4million, March 2018).
- 7.4 With regard to cash flow, as at the 31 March 2019 the Council held £34million of investments (£24million, March 2018). Of this sum 24% was held in highly liquid investments. At March 2019 the PWLB loans balance increased to £200.4million, via funding investment in operational assets (£6million), and supporting the Property Investment Strategy (£40.1million), offset by £5.4million of loan repayments. Total debt at 31st March 2019 was £222.6million, inclusive of £13.7million of funding embedded in the Waste PFI.
- 7.5 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The governance framework was in place at the Council for the year ended 31 March 2019 and for the year commencing 1 April 2019. The review process is outlined in the Annual Governance Statement, which as at 2018/19 was deemed fit for purpose and is reviewed as part of the control framework in 2019/20.
- 7.6 Having considered the assessment above and the overall financial strength of the Council, it is concluded that this assessment does not contain an imminent risk to the going concern assertion.

## 8. Appendices

- 8.1 Appendix A – Data Protection Impact Assessment
- 8.2 Appendix B – Equalities Impact Assessment
- 8.3 Appendix C – Supporting Information

## Appendix A

### Data Protection Impact Assessment – Stage One

The General Data Protection Regulations require a Data Protection Impact Assessment (DPIA) for certain projects that have a significant impact on the rights of data subjects.

Should you require additional guidance in completing this assessment, please refer to the Information Management Officer via [dp@westberks.gov.uk](mailto:dp@westberks.gov.uk)

Directorate:	Resources
Service:	Finance & Property
Team:	Accountancy
Lead Officer:	Andy Walker
Title of Project/System:	Financial Accounting
Date of Assessment:	28.5.19

**Do you need to do a Data Protection Impact Assessment (DPIA)?**

	Yes	No
<p><b>Will you be processing SENSITIVE or “special category” personal data?</b></p> <p>Note – sensitive personal data is described as “<i>data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person’s sex life or sexual orientation</i>”</p>	<input type="checkbox"/>	<b>X</b>
<p><b>Will you be processing data on a large scale?</b></p> <p>Note – Large scale might apply to the number of individuals affected OR the volume of data you are processing OR both</p>	<input type="checkbox"/>	<b>X</b>
<p><b>Will your project or system have a “social media” dimension?</b></p> <p>Note – will it have an interactive element which allows users to communicate directly with one another?</p>	<input type="checkbox"/>	<b>X</b>
<p><b>Will any decisions be automated?</b></p> <p>Note – does your system or process involve circumstances where an individual’s input is “scored” or assessed without intervention/review/checking by a human being? Will there be any “profiling” of data subjects?</p>	<input type="checkbox"/>	<b>X</b>
<p><b>Will your project/system involve CCTV or monitoring of an area accessible to the public?</b></p>	<input type="checkbox"/>	<b>X</b>
<p><b>Will you be using the data you collect to match or cross-reference against another existing set of data?</b></p>	<input type="checkbox"/>	<b>X</b>
<p><b>Will you be using any novel, or technologically advanced systems or processes?</b></p> <p>Note – this could include biometrics, “internet of things” connectivity or anything that is currently not widely utilised</p>	<input type="checkbox"/>	<b>X</b>

**If you answer “Yes” to any of the above, you will probably need to complete [Data Protection Impact Assessment - Stage Two](#). If you are unsure, please consult with the Information Management Officer before proceeding.**

## Appendix B

### Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity as set out in the Public Sector Equality Duty (Section 149 of the Equality Act), which states:

- “(1) A public authority must, in the exercise of its functions, have due regard to the need to:**
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;**
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; This includes the need to:**
    - (i) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;**
    - (ii) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;**
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it, with due regard, in particular, to the need to be aware that compliance with the duties in this section may involve treating some persons more favourably than others.**
- (2) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.**
- (3) Compliance with the duties in this section may involve treating some persons more favourably than others.”**

The following list of questions may help to establish whether the decision is relevant to equality:

- Does the decision affect service users, employees or the wider community?
- (The relevance of a decision to equality depends not just on the number of those affected but on the significance of the impact on them)
- Is it likely to affect people with particular protected characteristics differently?
- Is it a major policy, or a major change to an existing policy, significantly affecting how functions are delivered?
- Will the decision have a significant impact on how other organisations operate in terms of equality?
- Does the decision relate to functions that engagement has identified as being important to people with particular protected characteristics?
- Does the decision relate to an area with known inequalities?
- Does the decision relate to any equality objectives that have been set by the council?

Please complete the following questions to determine whether a full Stage Two, Equality Impact Assessment is required.

<b>What is the proposed decision that you are asking the Executive to make:</b>	To note report
<b>Summary of relevant legislation:</b>	Paragraphs 4 & 6 ISA (UK) 570
<b>Does the proposed decision conflict with any of the Council's key strategy priorities?</b>	no
<b>Name of assessor:</b>	Andy Walker
<b>Date of assessment:</b>	28.5.19

Is this a:		Is this:	
<b>Policy</b>	<b>No</b>	<b>New or proposed</b>	<b>No</b>
<b>Strategy</b>	<b>No</b>	<b>Already exists and is being reviewed</b>	<b>No</b>
<b>Function</b>	<b>No</b>	<b>Is changing</b>	<b>No</b>
<b>Service</b>	<b>No</b>		

<b>1 What are the main aims, objectives and intended outcomes of the proposed decision and who is likely to benefit from it?</b>	
<b>Aims:</b>	To provide assurance to External Audit
<b>Objectives:</b>	To provide assurance to External Audit
<b>Outcomes:</b>	As above
<b>Benefits:</b>	As above

<b>2 Note which groups may be affected by the proposed decision. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this.</b> (Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)		
<b>Group Affected</b>	<b>What might be the effect?</b>	<b>Information to support this</b>
Age	N/a	N/a
Disability	N/a	N/a
Gender Reassignment	N/a	N/a
Marriage and Civil	N/a	N/a

Partnership		
Pregnancy and Maternity	N/a	N/a
Race	N/a	N/a
Religion or Belief	N/a	N/a
Sex	N/a	N/a
Sexual Orientation	N/a	N/a
<b>Further Comments relating to the item:</b>		
N/a		

<b>3 Result</b>	
<b>Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?</b>	<b>No</b>
<b>Please provide an explanation for your answer:</b>	
<b>Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?</b>	<b>No</b>
<b>Please provide an explanation for your answer:</b>	

If your answers to question 2 have identified potential adverse impacts and you have answered 'yes' to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the [Equality Impact Assessment guidance and Stage Two template](#).

<b>4 Identify next steps as appropriate:</b>	
<b>Stage Two required</b>	
<b>Owner of Stage Two assessment:</b>	
<b>Timescale for Stage Two assessment:</b>	

Name: Andy Walker

Date: 28.5.19

Please now forward this completed form to Rachel Craggs, Principal Policy Officer (Equality and Diversity) ([rachel.craggs@westberks.gov.uk](mailto:rachel.craggs@westberks.gov.uk)), for publication on the WBC website.