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Extraordinary Audit and Risk Committee

Tuesday 28 July 2026 at 6.30pm

in the Council Chamber, Council Offices, Market Street, Newbury

Note: This meeting can be streamed live here: https://www.westberks.gov.uk/governanceethicscommitteelive

Date of despatch of Agenda: Friday 17 July 2026

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Gordon Oliver on 01635 519486
e-mail: gordon.oliver1@westberks.gov.uk

Further information and Minutes are also available on the Council's website at www.westberks.gov.uk

West Berkshire COUNCIL

To: Councillors Erik Pattenden (Chairman), Ross Mackinnon (Vice-Chairman), Jeremy Cottam, Laura Coyle, Carolyne Culver, Billy Drummond, Owen Jeffery and Simon Carey

Substitutes: Councillors Adrian Abbs, Dennis Benneyworth, Paul Dick, Alan Macro and Stephanie Steevenson

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Agenda

Part I

Page No.

1	**Apologies** To receive apologies for inability to attend the meeting (if any).	1 - 2
2	**Declarations of Interest** To remind Members of the need to record the existence and nature of any personal, disclosable pecuniary or other registrable interests in items on the agenda, in accordance with the Members' Code of Conduct.	3 - 4
3	**KPMG External Audit Plan and Strategy: 2025-26** To consider the External Audit Plan and Strategy for 2025-26 prepared by the Council's External Auditor (KPMG).	5 - 36
4	**Financial Statements 2025/26 Highlights and Going Concern Assessment** To inform Members of the key highlights within the Council's 2025/26 financial statements (draft) and summarise management's assessment of the Council's ability to operate as a going concern.	37 - 46
5	**Annual Treasury Management Review 2025/26** This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2025/26. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the TM Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).	47 - 68

West Berkshire COUNCIL

Sarah Clarke.

Sarah Clarke
Executive Director - Resources

West Berkshire Council is committed to equality of opportunity. We will treat everyone with respect, regardless of race, disability, gender, age, religion or sexual orientation.

If you require this information in a different format or translation, please contact Gordon Oliver on telephone 01635 519486.

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Audit and Risk Committee – 28 July 2026

Item 1 – Apologies for Absence

Verbal Item

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Audit and Risk Committee – 28 July 2026

Item 2 – Declarations of Interest

Verbal Item

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Agenda Item 3

KPMG External Audit Plan and Strategy: 2025-26

Committee considering report:	Audit and Risk Committee
Date of Committee:	28 July 2026
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Toby Bradley – Service Lead (Finance)

1 Purpose of the Report

1.1 For the Audit and Risk Committee to consider the External Audit Plan and Strategy for 2025-26 prepared by the Council's External Auditor (KPMG).

2 Recommendation

2.1 To inform the Committee of the report and timescales included.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	To outline the 2025-26 audit fee variation. The 2025-26 fee is consistent with Public Sector Audit Appointments' (PSAA) Scale Fees
Human Resource:	None
Legal:	None
Risk Management:	None
Property:	None
Policy:	None

	Positive	Neutral	Negative	Commentary
Equalities Impact:				No decision
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision affect people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		None identified
Health Impact:		X		None identified
ICT Impact:		X		None identified
Digital Services Impact:		X		None identified
Council Strategy Priorities:		X		None identified
Core Business:		X		None identified
Data Impact:		X		None identified
Consultation and Engagement:	None			

4 Executive Summary

4.1 This report is required within the scope of the external audit assurance regime and summarises KPMG's strategy for the audit of the Council's 2025-26 Statement of Accounts (SOA).

4.2 Highlights in the report are:

- Page 3 – KPMG's highlight of the ongoing effort to **rebuild assurance** following multiple prior years of disclaimed audit opinions (up to and including 2024/25), with a detailed risk assessment underway to validate balances and historical movements especially on reserve movements and capital activity.

- Page 4 – audit scope and materiality thresholds for the 2025/26 are disclosed. The key threshold is financial statements materiality at £12.7m, (2024-25 (£12.7m)). KPMG emphasises how the control environment and prior-year findings influence their audit procedures and note that testing will be designed to detect misstatements below overall materiality to manage aggregation risk and ensure sufficient assurance over the financial statements.

- Page 6 – Three key audit areas have been presented. 24/25 had five with Fraud risk from expenditure recognition and Valuation of postretirement benefit obligations excluded from 25/26 plan. The three key for 25/26 are; Investment Property and Land & Buildings asset valuations and Management override of controls.

- Page 19 – this chart denotes the principal dates in the auditor's planning timetable. Within this time scope, a key milestone is the commencement of the audit fieldwork. This is due to begin on Monday 3rd August 2026 and will span to the end of October 2026. Audit completion target is on 29th January 2027 ahead of the statutory deadline of 31st January 2027 (27th February for the 24/25 audit).

- Page 24 – audit fees are listed with a comparison to the prior year. The scale fee for 2025-26 is £306,000 and this was £297,000 in 2024-25. Additional fees are expected for Rebuilding assurance work and VFM risks.

5 Supporting Information

5.1 Appendix A contains KPMG's 2025-26 External Audit Plan and Strategy.

6 Other options considered

6.1 None – there is a statutory obligation for the Council to participate in an external audit. The external audit is a critical element of the wider governance and assurance processes established within the organisation.

7 Conclusion

7.1 For members to consider the report and provide comments.

8 Appendices

8.1 Appendix A – KPMG External Audit Plan and Strategy: 2025-26

Background Papers:

None

Subject to Call-In:

Yes: ☐ No: ☒

The item is due to be referred to Council for final approval	☐
Delays in implementation could have serious financial implications for the Council	☐
Delays in implementation could compromise the Council's position	☐
Considered or reviewed by Scrutiny Commission/associated Committee Task Groups within preceding six months	☐
Item is Urgent Key Decision	☐
Report is to inform only	☒

Wards affected: all

Officer details

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Job: Service Lead (Finance)
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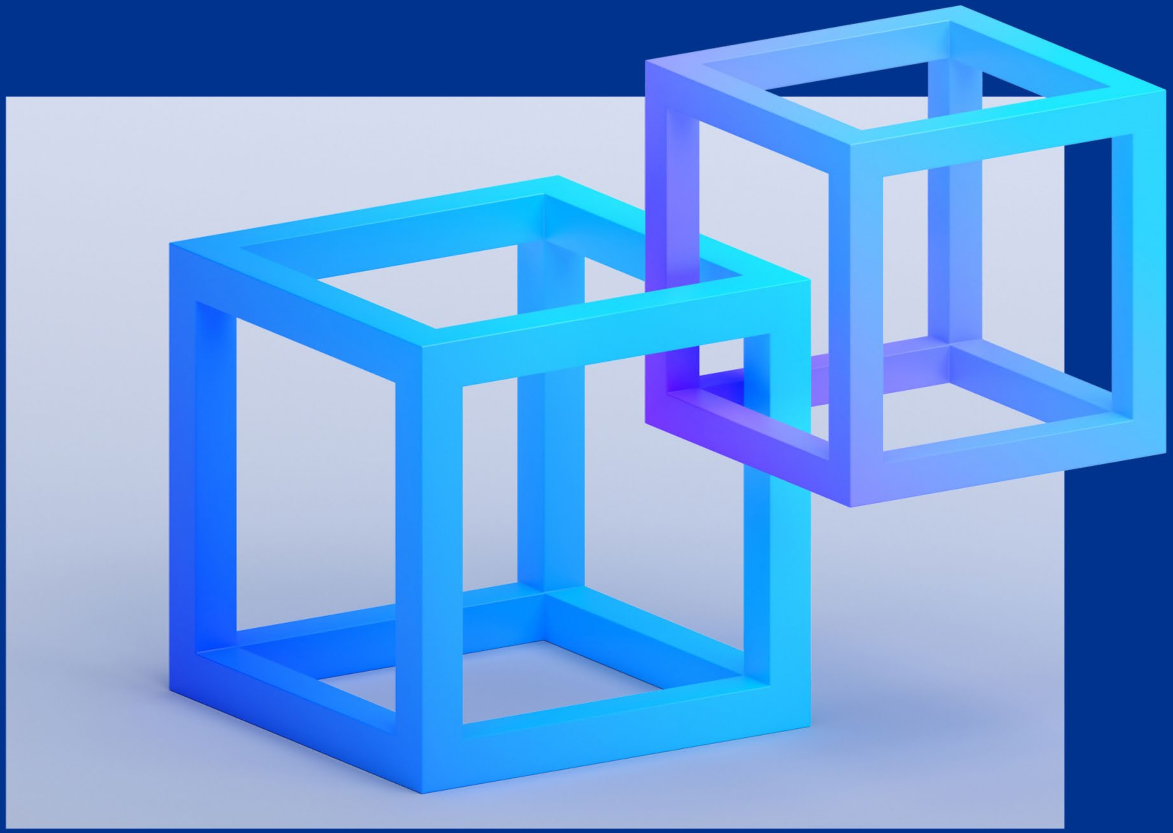
KPMG

West Berkshire Council



Report to the Audit & Risk Committee

External Audit plan and strategy for the year ending 31 March 2026

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23 June 2026

Introduction

To the Audit & Risk Committee of West Berkshire Council

We are pleased to have the opportunity to meet with you on 23 June 2026 to discuss our audit of the financial statements of West Berkshire Council, as at and for the year ending 31 March 2026.

This report provides the Audit & Risk Committee with an opportunity to review our planned audit approach and scope for the 2025/26 audit. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and is carried out in compliance with the NAO's 2024 Code of Audit Practice, auditing standards and other professional requirements.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach subsequently.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

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Overview of planned scope including materiality	4
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Audit Risks and our audit approach including Going concern	7
Mandatory communications	12
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The engagement team

Duncan Laird is the engagement lead on the audit. He has 25 years of local government audit experience.

Duncan shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Jess Townsend (audit manager) and Chirag Arora (audit assistant manager).

Yours sincerely,

Duncan Laird

23 June 2026

Restrictions on distribution

This report is intended solely for the information of those charged with governance of West Berkshire Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when :

- An audit is executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls; and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well-planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner.

We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

We are committed to providing you with a high-quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Duncan Laird (Duncan.Laird@KPMG.co.uk) the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler (tim.culter@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can raise your complaint as per the following process Complaints.

Rebuilding assurance

Background

The Government introduced measures to resolve the legacy local government financial reporting and audit backlog. In 2024, amendments were made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which introduced the requirement for audit reports in respect of any open, incomplete audits up to the period ending 31 March 2023 to be published by 13 December 2024. It also introduced a statutory back stop date of 28 February 2025 and 27 February 2026 for the 2023/24 and 2024/25 audits, respectively.

Guidance has been developed to help support appropriate audit procedures for audits where further work is required to build back assurance. In addition to Local Audit Rest and Recovery Implementation Guidance (LARRIGs) that were published in 2024 by the NAO. Further guidance has now been published by the NAO LARRIG 06 - Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions (e.g. reserves balances where a disclaimer has been previously issued). We note the LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

For the Council this had the impact of disclaimers of opinion issued by your predecessor auditor for two financial years up to and including 2022/23. We then issued a disclaimer of opinion for 2023/24 on 28 February 2025 to comply with the statutory backstop date as reported to your previously. For the 2024/25 audit we issued a disclaimer opinion on 27 February 2026.

The 2025/26 audit

As part of the 2025/26 audit we are in the process of completing by 31 July 2026 our rebuilding assurance risk assessment which includes :

- Inquiries, with regards to changes to the Council during the disclaimed period.
- Considering the disclaimed period and associated reporting including the statement of accounts, Annual Government Statements, findings from the disclaimed period audits and any findings from the section 151 officer in their assessment that the financial statements present a true and fair view.
- Reconciling the planned movement in reserves from budget setting, in year monitoring and outrun reports and documenting our understanding if planned usage and changes in reserves over the disclaimed period.
- Considering the processes over capital additions/disposals.
- A balance sheet financial statement caption by caption assessment of the movement over the disclaimed period overlayed with findings from other risk assessment procedures to determine the appropriate testing strategy to remove the risk of material misstatement in line with the LARRIGs.

We are in the process of completing this risk assessment and will report separately once we complete the risk assessment.

Fees

We note our fees for this work are expected to be in region of:

- Risk assessment - £32,000
- Substantive work - £8,000

We note our fees are subject to fee assumptions on page 42. We also note our fees will be subject to the PSAA fee variation process and PSAA approval. MHCLG has announced grant funding for this work.

Overview of planned scope including materiality

Our materiality levels

We determined materiality for the Council's financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation, senior management turnover and settled financial position when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £9.45m (75% of materiality) driven by our expectations of a normal level of undetected or uncorrected misstatements in the period. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons

We will report misstatements to the Audit & Risk committee including:

- Corrected and uncorrected audit misstatements above £630k.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually and in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised in the previous year and management's response to those findings.

Materiality

Materiality for the financial statements as a whole	**£12.6m** (2025: £12.7m 2.5% of Expenditure)
Performance materiality	**£9.45m** (2025: £8.25m, 65% of materiality)
Misstatements reported to the audit committee	**£630k** (2025: £635k)

Overview of planned scope including materiality (cont.)

Timing of our audit and communications

We will maintain communication led by the engagement lead and manager throughout the audit. We set out below the form, timing and general content of our planned communications:

- Kick-off meeting with management in March 2026 where we present our draft audit plan outlining our audit approach and discuss management's progress in key areas
- Audit & Risk committee meeting in April 2026 where we present our final audit plan having been agreed with management,
- Status meetings with management on a regular basis where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues
- Closing meeting with management in October 2026 where we discuss the auditor's report and any outstanding deliverables
- Audit & Risk Committee meeting when the audit is substantially complete, where we communicate audit misstatements and significant control deficiencies
- Biannual private meetings can also be arranged with the Committee Chair at a frequency to their preference if there is interest.

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
Internal Audit	We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work.
Wilks Head & Eve LLP	We will review the valuation reports provided for the year ending 31 March 2026 as part of our work over both Property, Plant & Equipment and Investment Property.
Barnett Waddingham LLP	We will review the actuarial report provided for the year ending 31 March 2026 as part of our work over post retirement benefit obligations.
KPMG IT Audit	We will work closely with the IT Audit team, as part of our risk assessment procedures.
KPMG Pensions Centre of Excellence	The pensions audit team will perform all planning, risk assessment and substantive procedures over the LGPS account balances. A KPMG actuary will review and assess the underlying assumptions within the entity's year end actuarial report.

Significant risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the industry and the wider economic environment in which West Berkshire Council operates.

We also use our regular meetings with senior management to update our understanding and take input from sector specialists and internal audit reports.

Due to the current levels of uncertainty, there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit & Risk Committee.

Significant risks	
1.	Valuation of land and buildings
2.	Valuation of investment property
3.	Management override of controls

Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and will include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

We will report the result of our risk assessment procedures to the next Committee.

Audit risks and our audit approach

1 Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value

Change vs prior year

Significant audit risk

The Code of Practice on Local Authority Accounting in the UK 2025/26 ('the Code') has introduced changes to asset revaluation. The Code requires revaluations for each class of PPE are undertaken using one of the following:

- A quinquennial revaluation, supplemented by annual indexation in intervening years.
- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.

The Authority has adopted a quinquennial revaluation, supplemented by annual indexation in intervening years. In this year the Authority has revalued all assets as year one of its quinquennial revaluation programme.

Therefore a risk is presented for those assets that are revalued in the year, specifically over the obsolescence assumptions that are applied to the DRC valuations and there is a risk of error that the assumptions are not appropriate or correctly applied.

Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of Wilks Head and Eve LLP, the valuers used in developing the valuation of the Council's properties at 31 March 2026;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

2 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value

Change vs prior year ◀▶

Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value, specifically over the yield rate assumption, and management experts are often engaged to undertake the valuations.

Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's investment property at 31 March 2026;
- We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

3 Management override of controls (a)

Fraud risk related to unpredictable way management override of controls may occur

Change vs prior year

Significant audit risk

Professional standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- Evaluate the selection and application of accounting policies;
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments;
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual;
- Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; and
- Identify journal entries and other adjustments with characteristics that indicate that they may be inappropriate or unauthorised and therefore may have been used to manipulate the financial statements (which we refer to as 'high-risk journals and other adjustments'), using KPMG Clara Journal Entry Analysis.

Audit risks and our audit approach (cont.)

Expenditure – rebuttal of Significant Risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered. Having considered the risk factors relevant to the Council and the nature of expenditure within the Council, we have determined that a significant risk relating to expenditure recognition is not required.

Description of Expenses	Nature of Expense	Rationale for Rebuttal
REFCUS	Expenditure which ordinarily would be revenue but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations.	REFCUS represents revenue expenditure that regulations allow to be capitalised for funding purposes. While eligibility criteria apply, this does not fully remove the possibility of misclassification. However, our assessment indicates that the risk of inappropriate capitalisation here is low. There is also no clear incentive for management to manipulate these balances.
Provisions	Routine reassessment of the Council's obligations, with overall balances remaining immaterial relative to materiality thresholds	Movements in short-term and long-term provisions reflect routine reassessment of the Council's obligations, with overall balances remaining immaterial relative to materiality thresholds. The provisions recognised relate to standard operational matters and do not show characteristics associated with income smoothing or deliberate timing adjustments. The scale, nature, and consistency of these balances indicate that provisions have been determined in line with underlying obligations rather than used as a mechanism to influence expenditure reporting.
Non-pay expenditure	The Council's non-pay expenditure profile is largely driven by supplier-based transactions, contractual arrangements, housing-related payments, and other operational activities.	Mostly is processed automatically through system interfaces. This automation reduces reliance on manual journals and limits intervention points where expenditure recognition could be intentionally altered. The composition and processing route of this expenditure stream demonstrates routine operational spend consistent with prior patterns, with no indicators of classification-based manipulation.
Employee benefits expenses	Payroll and related expenses.	The account is composed of routine transactions, and individual transactions are of low value. The transactions do not require judgment, and minimal estimation is needed, as they follow policies and relevant payroll legislation. There is also no clear incentive for management to manipulate these balances.
Accruals	Recurring operational areas such as payroll, contractual services, and supplier invoices crossing the reporting date.	Year-end accruals remain broadly consistent with the prior year in both scale and composition, with the largest accruals relating to recurring operational areas such as payroll, contractual services, and supplier invoices crossing the reporting date. The distribution of accruals suggests they arise from normal financial activity rather than targeted year-end adjustments. The overall pattern is stable and does not indicate practices that would shift expenditure between financial periods to influence reported results.

Audit risks and our audit approach

Revenue – rebuttal of Significant Risk

Professional standards require us to presume, unless rebutted, that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector, we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
Council tax	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for this balance to be subject to fraudulent financial manipulation.
Business rates	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for this balance to be subject to fraudulent financial manipulation.
Fees and charges	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
Grant income	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

Mandatory communications - additional reporting

Going concern

We will assess the risk relating to management's judgement on the use (or otherwise) of the going concern basis and the adequacy of related disclosures, including any possible material uncertainty. Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern. However, financial sustainability is a core area of focus for our Value for Money responsibilities.

Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily (OK)	We have identified issues that we may need to report	Work is completed at a later stage of our audit so we have nothing to report

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence	OK	No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Mandatory communications

Type	Statements
Management's responsibilities (and, where appropriate, those charged with governance)	Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error. Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.
Auditor's responsibilities	Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Auditor's responsibilities – Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor's responsibilities – Other information	Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
Independence	Our independence confirmation at page 22 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff.

Value for money risk assessment

Our approach

Year ended 31 March 2026

Value for money

Our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility is to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money

Approach we take to completing our work to form and report our conclusion:

Process

Understanding the Council's arrangements → **Evaluation of Council's value for money arrangements** → **Value for money conclusion and reporting**

Understanding the Council's arrangements:
- Financial statements planning
- Internal reports, e.g. IA
- Mgmt. Inquiries
- External reports, e.g. regulators
- Assessment of key processes
- Annual report

Evaluation of Council's value for money arrangements:
- Targeted follow up of identified value for money significant risks
- Continual update of risk assessment

Value for money conclusion and reporting:
- Conclusion whether significant weaknesses exist

Outputs

Risk assessment to Audit & Risk Committee

Our risk assessment will provide a summary of the procedures undertaken and our findings against each of the three value for money domains. This will conclude on whether we have identified any significant risks that the Council does not have appropriate arrangements in place to achieve VFM.

Value for money assessment

We will report by exception as to whether we have identified any significant weaknesses in arrangements.

Public commentary

Our draft public commentary will be prepared for the Audit & Risk Committee alongside our annual report on the accounts.

Public commentary

The commentary is required to be published alongside the annual report.

Appendix

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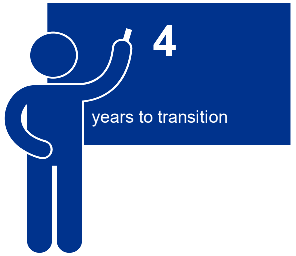
Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit director and firm.

	Duncan is the director responsible for our audit. He will lead our audit work, attend the Audit & Risk Committee and be responsible for the opinions that we issue.		Jess is the manager responsible for our audit. She will co-ordinate our audit work, attend the Audit & Risk Committee and ensure we are co-ordinated across our accounts and VFM work.		Chirag is the in-charge responsible for our audit for the second year. He will be responsible for our on-site fieldwork. He will complete work on more complex section of the audit.

To comply with professional standards we need to ensure that you appropriately rotate your external audit director. There are no other members of your team which we will need to consider this requirement for:



This will be Duncan's first year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.

Audit cycle & timetable

Our schedule March 2026 – January 2027

Key:

- Timing of AC communications
- Key events

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by 29 January 2027, ahead of the backstop date.

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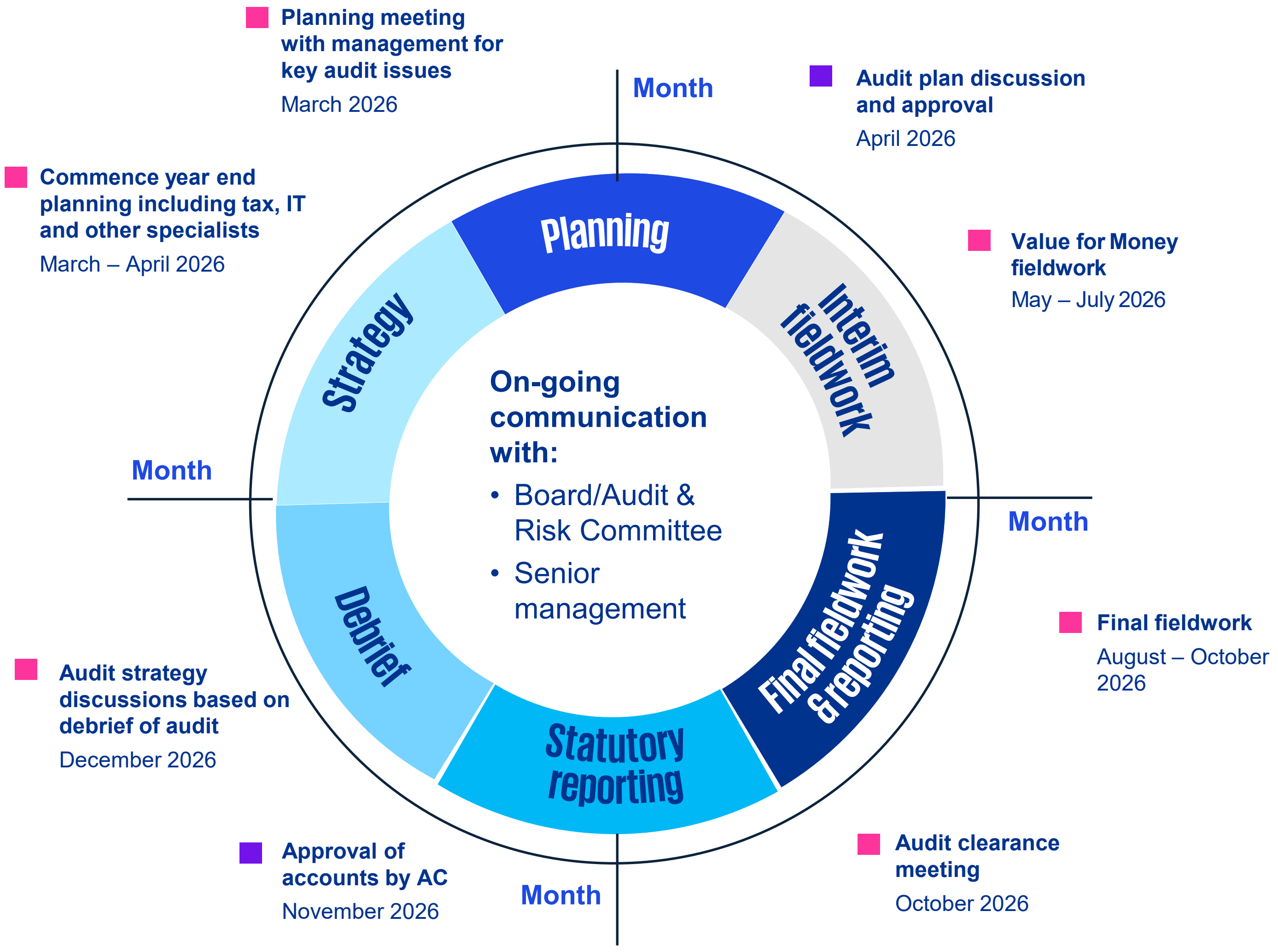


Fees

Audit fee

The audit fees for the year ended 31 March 2026 are set out below:

	2024/25 (£'000)	*2023/24 (£'000)*
Scale fees as set by PSAA	306	*297*
Agreed PY fee variations	-	*22*
Agreed current year fee variations **	TBC	-
Build back fee variation *	TBC	-
TOTAL	**306**	*319*

* See page 3 for more information on rebuilding assurance

** We note we are expecting fee variations for the following areas in 2025/26 and will advise of the level as work progresses:

- LGPS Triennial valuation (we will be in a position to provide an estimate once this has been considered further.
- VFM Significant Risks

Fee variations are subject to PSAA approval.

Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Basis of fee information

Our fees are subject to the following assumptions:

- The entity's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The entity's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.
- There are no VFM significant risks

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Audit & Risk Committee members

Assessment of our objectivity and independence as auditor of West Berkshire Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity except for those detailed below where additional safeguards are in place.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.

Confirmation of Independence

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2026 £'000	Value of Services Committed but not yet delivered £'000
1	Housing benefit grant certification	Management Self review Self interest	• Standard language on non-assumption of management responsibilities is included in our engagement letter. • The engagement contract makes clear that we will not perform any management functions. • The work is performed after the audit is completed and the work is not relied on within the audit file. • Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	-	37*

*estimated base fee

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Council and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.12: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2025/26
	£'000
Scale fees	306
Non–audit services	37
Total Fees	**343**

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit & Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the director and audit staff is not impaired.

This report is intended solely for the information of the Audit & Risk Committee of the Council and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

How we will Collaborate with KPMG Clara collaboration (KCc)

We have successfully deployed KPMG Clara collaboration for West Berkshire Council during 2026, bringing online collaboration features to the audit. The initial implementation has been successful, and we will continue to deploy additional features over the coming years.

What is KPMG Clara for West Berkshire Council?

- Your gateway into the audit - a dynamic, tailored homepage with real time alerts
- Prepared by management (“PBM”) functionality, providing an intuitive user interface for West Berkshire Council to securely provide KPMG with the required information and to track the status of KPMG’s requests.

Additional features to be deployed through the course of the audit:

- A dedicated and user-friendly space to easily share and collaborate on documents
- Access to the results of our digital audit procedures, through interactive data visualisation and dashboards.

What have we achieved so far?

- KCc approved for use by West Berkshire Council
- Access for West Berkshire Council users setup through single sign-on
- Dedicated training sessions for West Berkshire Council.
- Q&A session hosted by KPMG to support onboarding of West Berkshire Council users.
- Use of PBM functionality for the audit in the planning and final audit stages

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Commitment to continuous improvement

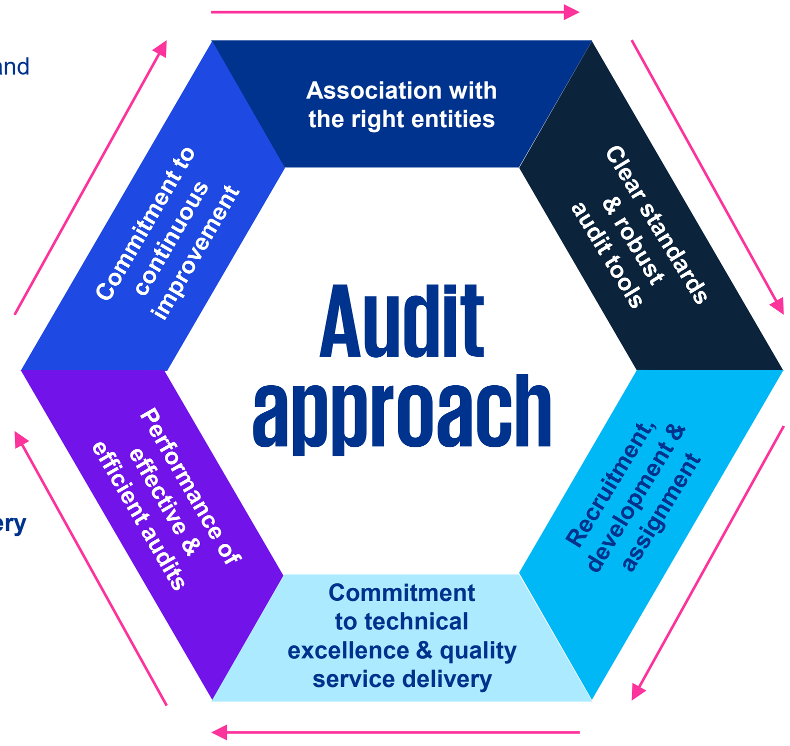
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

2025 AQR results

90%
All audits

91%
FTSE 350

Percentage of our audits rated 'good' or 'limited improvements required' by AQR.

100%

KPMG audits rated 'good' or 'limited improvements required' by QAD.

11%

Proportion of AQR scope audit engagements reviewed.

The FRC published reports on the findings of AQR and QAD 2023/24 inspection of KPMG and the other tier 1 firms (which largely covered years ending between August 2023 and March 2024) on 15 July 2025

Key findings	Our response	Good practice identified
Estimates "Improve the quality and consistency of the audit of estimates in the valuation of investments and provisions."	A targeted programme to support engagements which have estimates with certain characteristics has been initiated. Alongside this, we continue to invest in our training and culture programmes to reinforce the behaviours expected, including consistent application of a critical thinking mindset and the extent of evidence expected.	At an engagement level areas of good practices were identified including: • Risk assessment and planning including bribery & corruption, climate and provisions; • Audit of provisions; • Audit of impairment • Use of specialists; • Group audit oversight; and • Stand-back assessment. Good practices were identified in various areas at the firm level including identification of SOQM deficiencies, component auditors compliance with the ethical standards, the continued roll out of the Ethics Programme and the development and use of new technology.
Consolidation and other journals "Improve the quality of the audit of consolidation and other journals."	Enhanced guidance and continuation of a centrally led process designed to challenge the journals approach at an engagement level, together with additional targeted training are helping us to reduce the recurrence of findings in this area.	

The Audit Quality Review (AQR) team of the Financial Reporting Council (FRC) undertakes independent inspections of the overall quality of the audit work of those UK audit firms that audit listed and other major public interest entities. The AQR inspections involve a number of file reviews at each firm visited. The result of these file reviews are summarised into three main categories as follows:

- Good or limited improvements required;
- Improvements required;
- Significant improvements required

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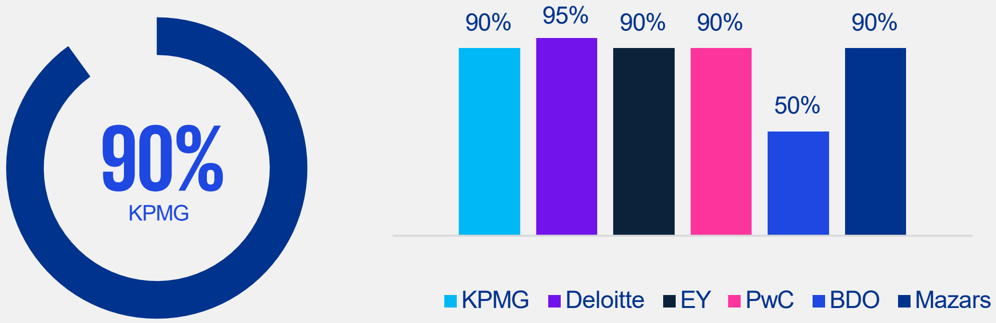
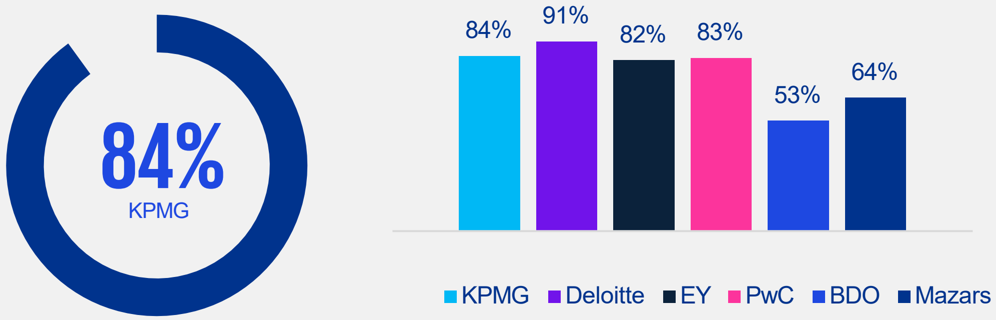
2025 AQR results (cont.)

Percentage of all audits reviewed graded Good/Limited improvements required.

2024/25



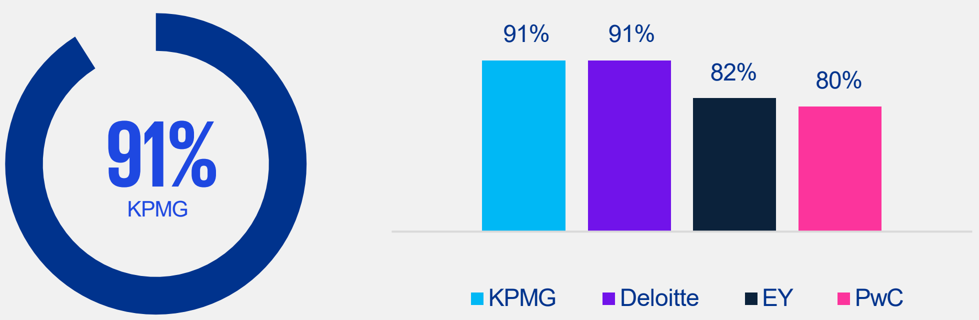
3-year average



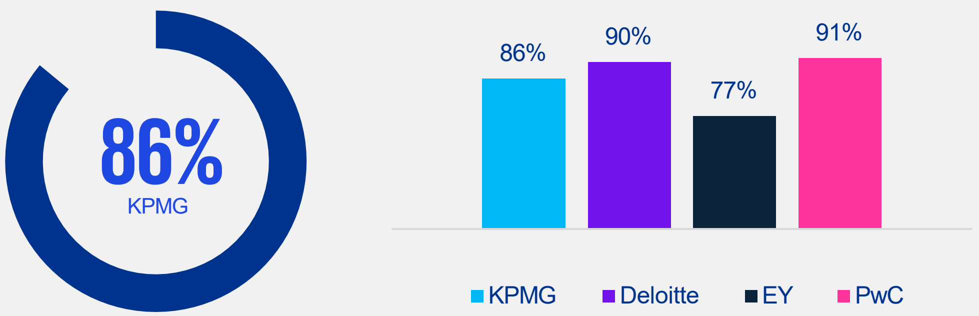
Percentage of all FTSE 350 audits reviewed graded Good/Limited improvements required.

Not disclosed for BDO and Mazars

2024/25



3-year average



kpmg.com/uk

Financial Statements 2025/26 Highlights and Going Concern Assessment

Committee considering report:	Audit and Risk Committee
Date of Committee:	28 July 2026
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Christopher Dagnall

1 Purpose of the Report

The purpose of this report is to inform Members of the key highlights within the Council's 2025/26 financial statements (draft) and summarise management's assessment of the Council's ability to operate as a going concern.

2 Recommendation(s)

2.1 No recommendations are made within this report, members are directed to the following key financial data metrics within the 2025/26 Draft Statement of Accounts:

(a) The Council's deficit on the provision of services for 2025/26 was £30.7m (2024/25: £43.9m)

(b) The Council's 2025/26 net assets position was £229.5m (2024/25: £280.7m)

(c) The Council's usable reserves as at 31 March 2026 totalled £39.4m (31 March 2025: £41.7m). The General Fund balance was £10.6m as at 31 March 2026 (31 March 2025: £10.6m)

3 Implications and Impact Assessment

Implication	Commentary
Financial:	The financial statements have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting ('the Code') and the Local Audit and Accountability Act 2014. The Draft Statement of Accounts for 2025/26 was published on the Council's website on Tuesday 30 June 2026 (the statutory deadline). The total of usable reserves is consistent on the prior year. The closing General Fund of £10.6m has been accounted for

	after reflecting Exceptional Financial Support (EFS) provided by Government. £16.8m was applied during 2025/26. A further £30m of EFS has been earmarked to facilitate the Council's 2026/27 financial commitments. Management's conclusion is that it was appropriate to prepare the 2025/26 Statement of Accounts on the going concern basis and that this should be the position for future financial years due to the following assessments: - The Council continues to present a net assets position. Net assets sum to £229.5m at the end of the 2025/26 year. The presentation of a net liabilities position (total liabilities exceeding total assets) in the Balance Sheet would illustrate that an entity is in financial distress. The Council has sufficient financial headroom at present based upon assets held and liabilities falling due - Earmarked General Fund (Revenue) Reserves at a total £7.7m (2024/25: £3.4m) have increased compared to last year, and the General Fund total (including Schools' Reserves) as at 31 March 2026 is higher than the prior year equivalent. The amounts compared are £25.6m (2025/26) against £21.7m (2024/25) - The presence of surplus Cash and Cash Equivalents amounts within the Balance Sheet. This total is £14.0m in the 31 March 2026 Balance Sheet - Detailed consideration of the Treasury section's projected cashflows - Finance continues to work collaboratively with Arling close (retained third party treasury specialist). Detailed short-term and long-term cashflow projections are updated to complement the Council's service delivery strategies. Detailed forecasting and modelling plans ensure that any changes in the macroenvironment or market uncertainties are identified in a timely manner, especially if such factors are likely to negatively impact the Council's ability to continue to operate as a going concern - £30m of EFS was secured in February 2026 and this amount has been deemed sufficient to support the Council's expenditure plans for 2026/27
Human Resource:	Not applicable

Legal:	The Council must ensure that the Statement of Accounts is properly prepared in accordance with the Code and the Local Audit and Accountability Act 2014			
Risk Management:	The Statement of Accounts is prepared on the basis that the Council will continue to operate in the near future (as a going concern), and that it is able to do so taking account of current available financial resources			
Property:	Not applicable			
Policy:	Not applicable			
	Positive	**Neutral**	**Negative**	**Commentary**
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		

Digital Services Impact:		X		
Council Strategy Priorities:		X		
Core Business:		X		
Data Impact:		X		
Consultation and Engagement:	Shannon Coleman-Slaughter (Service Director for Finance, Property and Procurement, Section 151 Officer)			

4 Executive Summary

4.1 The financial statements are produced in compliance with the Code and the Local Audit and Accountability Act 2014. The 2025/26 Draft Statement of Accounts was published on Tuesday 30 June 2026.

4.2 The Draft Balance Sheet as at 31 March 2026 presents an overall net assets total of £229.5m (2024/25: £280.7m). Selected Balance Sheet movements between 2025/26 and the prior year are detailed below.

4.3 Short-term debtors are above the prior year equivalent, being £47.6m against £41.3m within current assets. The main driver is a £4.2m increase in year-end trade receivables to £11.5m (2024/25: £7.3m).

4.4 Pension scheme commitments have increased on the 2024/25 financial year, rising from £68.2m to £83.7m. The liability is accounted for within amounts falling due after one year in the Balance Sheet. Consistent with past financial years, the engaged actuarial specialist has calculated the Council's year-end scheme liabilities using complex accounting models.

4.5 The growth in long-term borrowings (up from £202.7m to £230.5m) is due to the Council's borrowing activity with the Public Works Loan Board (PWLB) increasing during the current financial year.

4.6 A statutory accounting override remains in place from prior financial periods in respect of the year-end treatment of Dedicated Schools Grant (DSG) deficit amounts. The override has been extended to 31 March 2028 and permits a Local Authority to fund an accumulated deficit balance through the DSG Adjustment Account unusable reserve. The Council's DSG Adjustment Account has a deficit balance of £24.9m as at 31 March 2026. Any future removal of the accounting override will constitute a significant financial threat to the Council as the General Fund balance will need to be sufficient to absorb a cumulative deficit balance. However, this factor should not be a key consideration within any going concern assessment specific to the Council; rather this is a sector-wide accounting issue affecting all councils that carry schools' reserves; and by inference cumulative DSG deficit sums; within their Balance Sheet. On 19 June 2026, the Council submitted its SEND Reform Plan to the Department for Education (DfE). If approved, the Council expects to receive support through the High Needs Stability Grant, which could reduce the deficit within the DSG Adjustment Account by up to 90% based on the position as at 31 March 2026. The Council is developing options to manage the residual deficit balance, should the grant funding be awarded.

Proposals

There are no proposals made within this report.

5 Other options considered

Not applicable, this report is to note only.

6 Conclusion

6.1 The Draft Statement of Accounts for 2025/26 complies with the Code's accounting requirements as well as the Local Audit and Accountability Act 2014. The Accounts were in final form by the statutory publication deadline of 30 June 2026.

7 Appendices

7.1 Appendix A – Going Concern Assessment as at 31 March 2026

Background Papers:

Subject to Call-In:

Yes: ☐ No: ☒

The item is due to be referred to Council for final approval	☐
Delays in implementation could have serious financial implications for the Council	☐
Delays in implementation could compromise the Council's position	☐
Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months	☐
Item is Urgent Key Decision	☐
Report is to note only	X

Wards affected: All

Officer details:

Name:	Christopher Dagnall
Job Title:	Interim Consultant
Tel No:	07917 714358
E-mail:	chris.dagnall2@westberks.gov.uk

Appendix A

Going Concern Assessment as at 31 March 2026

The Council is required on request from KPMG (external auditor) to undertake a going concern review at the Balance Sheet date of 31 March 2026 in respect of the forthcoming 12 months. Paragraphs 4 and 6 of ISA (UK) 570 state the following:

> *4. In other financial reporting frameworks, there may be no explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern. Nevertheless, where the going concern basis of accounting is a fundamental principle in the preparation of financial statements, as discussed in Paragraph 2, the preparation of the financial statements requires management to assess the entity's ability to continue as a going concern even if the financial framework does not include an explicit requirement to do so*
>
> *6. The auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern. These responsibilities exist even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a 'going concern'*

The concept of 'going concern' assumes that a Council, its functions and services, will continue in operational existence for the foreseeable future. This key assumption underpins the financial statements prepared under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of Central Government). If an Authority was in financial difficulty, the prospects are thus that alternative arrangements may be made by Central Government either for the continuation of the provision of services that the Council supplies, or for assistance with the recovery of a deficit over a period of greater than one financial year.

Where the going concern concept is not appropriate relating to the preparation of the financial statements, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment assets may not be fully realisable at their book values, and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact upon an Authority's financial statements.

To undertake the assessment, the following financial reports and functions were assessed:

- The Council's projected financial position (2026/27 and future years)

- The 2025/26 Balance Sheet, including usable reserve levels

- Projected cashflows

- Corporate governance strategies

- The regulatory and control environment

Balance Sheet as at 31 March 2026

Non-current assets and current assets in the 31 March 2026 Balance Sheet sum to £720.8m (£715.5m at 31 March 2025), current liabilities and long-term liabilities are £491.3m (£434.8m at 31 March 2025), and usable reserves are £39.4m at 31 March 2026 (£41.7m-31 March 2025). Unusable reserves total £190.1m at 31 March 2026 (£239.0m-31 March 2025).

Assets and Liabilities	**2024/25 (£'000)**	**2025/26 (£'000)**	**Movement**
Plant, Property and Equipment	376.1	369.5	
Infrastructure Assets	227.2	240.5	
Investment Properties	51.8	47.4	
Current Assets	60.4	63.4	
Total Assets	**715.5**	**720.8**	
Pension Fund Liability	-68.3	-83.7	
Long-Term Borrowings	-202.7	-230.5	
Other liabilities including creditors	-163.8	-177.1	
Total Liabilities	**-434.8**	**-491.3**	
Net Assets	**280.7**	**229.5**	

Reserves	**2024/25 (£'000)**	**2025/26 (£'000)**	**Movement**
General Fund	-10.6	-10.6	
Earmarked Revenue Reserves	-3.4	-7.7	
Schools Reserves	-7.8	-7.4	
Usable Capital Reserves	-19.9	-13.7	
Usable Reserves	**-41.7**	**-39.4**	
Pension Fund Liability Reserve	68.3	83.7	
Collection Fund Reserve	6.5	3.8	
Dedicated Schools Grant Reserve	16.1	24.9	
Unusable Capital Reserves	-329.9	-302.5	
Unusable Reserves	**-239.0**	**-190.1**	
Net Reserves	**-280.7**	**-229.5**	

The Council's Plant, Property, and Equipment (PPE) asset values are down on the prior year, decreasing from £376.1m to £369.5m. The main driver is property valuation movements. These accounting items vary in in nature from one year to another and have been determined by WHE (external asset valuation specialist).

Year-end current assets (including Cash and Cash Equivalents) increased to £63.4m from £60.4m. The year-on-year movement is principally due to short-term debt sums increasing. Short-term debtors were £47.6m as at 31 March 2026 (£41.3m as at 31 March 2025).

A current year increase in combined current liabilities and long-term liabilities has been noted. This year's total is £491.3m against an equivalent £434.8m. A significant driver is the uplift within the long-term pension scheme liability. This has increased on last year, being £83.7m as at 31 March 2026 vs £68.3m (31 March 2025). Complex accounting elements and actuarial modelling within the derivation of the pension scheme liability fluctuate from year to year. All supporting data and Statement of Accounts disclosure content is produced by the Council's actuarial valuation specialist and reviewed by Finance.

The graphic immediately below reflects the Council's strategy of enhancing Earmarked Revenue Reserve levels to support financial sustainability in future years. Top-ups have been noted within Public Health (to £1.6m) and Self-insurance (to £1.3m) as at 31 March 2026. £3.7m has been set aside to address potential Collection Fund-related financial uncertainties relating to business rates and council tax income and expenditure.

Balance at 1 April 2024 £'000	Transfers out 2024/25 £'000	Transfers in 2024/25 £'000	Balance at 31 March 2025 £'000		Balance at 1 April 2025 £'000	Transfers out 2025/26 £'000	Transfers in 2025/26 £'000	Balance at 31 March 2026 £'000
12,069	(5,463)	1,163	7,769	Balances held by schools under a scheme of delegation	7,769	(16,887)	16,480	7,362
1,018	(426)	607	1,199	Public Health reserve	1,199	(461)	819	1,557
1,000	(900)	896	996	Self-insurance fund	996	(494)	800	1,302
0	0	0	0	Collection Fund volatility reserve	0	0	3,697	3,697
664	(602)	1,115	1,177	Specific earmarked reserves	1,177	(182)	163	1,158
797	(797)	0	0	Other earmarked reserves	0	0	0	0
15,548	**(8,188)**	**3,781**	**11,141**	**Total Earmarked General Fund Reserves**	**11,141**	**(18,024)**	**21,959**	**15,076**

Governance Arrangements

The Council has approved and adopted a corporate governance code in the Annual Governance Statement (within the draft/unaudited 2025/26 Statement of Accounts) that is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

The governance framework comprises the systems and processes, and culture and values, established by the Council. The framework is directed and controlled, with a wide range of service activities delivered to the community. This structure enables the Council to monitor the achievement of strategic objectives, and to consider whether these targets have led to the delivery of appropriate, financially cost-effective services.

The overarching system of internal control is a significant element within that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve strategic policies, aims and objectives, and can therefore only provide reasonable, not absolute, assurance of effectiveness. The Council's internal control system is based upon an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised, and the impacts should they be realised, managing such risks efficiently, effectively and economically.

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including internal control infrastructure.

This governance framework was established at the Council during the entirety of the 2025/26 financial year. Additional disclosure is within the Annual Governance Statement in the Draft Statement of Accounts. This framework was deemed fit-for-purpose for 2025/26 and will be reviewed afresh in future years.

Regulatory and Control Framework

The Council operates within a highly legislative and monitored financial environment. In addition to the legal framework established, and Central Government oversight, other functional controls are in place, including the scrutiny role performed by KPMG (external auditor), the service reviews undertaken by the Council's Internal Audit section, and the statutory requirements for compliance with best practice and guidance issued by CIPFA and other relevant external bodies.

Conclusion

The 31 March 2026 year-end financial position is such that the Council's adoption of the going concern basis to prepare the financial statements remains appropriate. EFS has increased the Council's end of year usable reserves. The General Fund remains at the same level as the prior year and at the minimum required threshold of 5% of the net revenue budget requirement for 2026/27.

Agenda Item 5

Annual Treasury Management Review 2025/26

Committee considering report:	Audit & Risk Committee
Date of Committee:	28 July 2026
Portfolio Member:	Councillor Iain Cottingham
Date Portfolio Member agreed report:	2 July 2026
Report Author:	George Winterbourne

1 Purpose of the Report

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2025/26. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the TM Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

2 Recommendation(s)

Members are informed that this report is presented for noting only.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	During 2025/26, gross external borrowing increased by £37.5m, from £267.2m to £304.7m, reflecting borrowing undertaken to support the approved capital programme, the use of Exceptional Financial Support and wider cash flow requirements. As at 31 March 2026, the Council's net borrowing after investments has a weighted average rate of 3.92%. This remained below prevailing PWLB certainty rates at year end, which were materially higher across comparable maturities. The Council's borrowing strategy has therefore helped manage financing costs while maintaining flexibility in a volatile interest rate environment. George Winterbourne, Service Lead – Finance & Strategic Assets

Implication	Commentary
Human Resource:	Not applicable
Legal:	This report fulfils the requirement under the TM Code to produce an annual Treasury Management Outturn Report.
Risk Management:	All investments are undertaken with a view to minimise the risk of financial loss. The Investment and Borrowing Strategy approved by the Council sets an approved counterparty list and limits for the treasury function to operate in to mitigate this risk.
Property:	Not applicable
Policy:	Not applicable

	Positive	**Neutral**	**Negative**	**Commentary**
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		

Implication	**Commentary**			
Digital Services Impact:		X		
Council Strategy Priorities:	X			The treasury function supports the delivery of the Council Strategy through the financing of the Council's approved Capital Programme and monitoring of Council cash flows.
Core Business:		X		
Data Impact:		X		
Consultation and Engagement:	Shannon Coleman-Slaughter - Service Director: Finance, Property and Procurement (Section 151 Officer)			

4 Executive Summary

4.1 The Council's Investment and Borrowing Strategy for 2025/26 was approved by Council in February 2025. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue impact of changing interest rates.

4.2 The Council'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. Flexibility to renegotiate loans should the Council's long-term plans change is considered a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

4.3 Both the TM Code and government guidance also require the Council to invest its funds prudently, and to have regard to the security and liquidity of its 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.

4.4 The economic environment during 2025/26 was challenging, with heightened market volatility driven by global geopolitical developments, including the introduction of US trade tariffs in April 2025 and escalating conflict in the Middle East from February 2026. These factors contributed to sustained upward pressure on gilt yields and, in turn, increased Public Works Loan Board (PWLB) borrowing rates. For example, the PWLB 25-year certainty rate for annuity loans rose from approximately 5.8% in May 2025 to around 6.2% in May 2026, reflecting the higher and more volatile cost of long-term borrowing during the period.

4.5 Despite these difficult market conditions, the Council maintained a prudent treasury management position. Borrowing requirements were managed through a combination of external borrowing and the use of internal cash balances. This approach minimised borrowing costs and reduced exposure to higher interest rates. The Council's historic borrowing portfolio and active cashflow management contributed to an average borrowing rate of 3.92% during the year.

4.6 The table below sets out the impact of capital expenditure during 2025/26 and compares this to the previous financial year:

	24/25 Actual £'000	25/26 Actual £'000
Capital Expenditure	41,056	44,186
General Fund Capital Financing Requirement	319,711	349,773
External debt	(267,242)	(304,732)
PFI and IFRS 16 Lease Liability	(9,441)	(11,838)
Gross borrowing	(276,682)	(316,570)
Investments	17,306	14,034
Net borrowing	(259,376)	(302,536)

4.7 Overall, borrowing undertaken during the year remained within the limits approved in the Treasury Management Strategy. The Council complied with all treasury management prudential indicators and operational limits during 2025/26, as detailed in Appendix C.

5 Supporting Information

The Council's capital expenditure and financing

5.1 Capital expenditure is a key prudential indicator. The Provisional Capital Outturn is £44.2m of expenditure against an approved expenditure programme of £60.9m. Of the £44.2m capital expenditure incurred, £15.0m was funded by the Council. The remaining £29.2m was financed from external sources, primarily grants, the Community Infrastructure Levy (CIL) and Section 106 contributions. Further details of the capital expenditure incurred during 2025/26 can be found in the Council's 2025/26 Financial Performance: Provisional Outturn Report.

5.2 The table below discloses the actual spend compared to budget and prior year and how this was financed, including Exceptional Financial Support (EFS). This process exists to support councils facing unmanageable financial pressures.

5.3 The Council has been supported by EFS since 2024/25. The provisional balance capitalised for 2025/26 is £16.8m. This will be subject to external audit as part of the statutory audit and MHCLG review process.

	24/25 Actual £'000	25/26 Budget £'000	25/26 Actual £'000
Capital Expenditure	41,056	72,978	44,186
Exceptional Finance Support	13,000	3,000	16,800
Total Capital Expenditure	**54,056**	**75,978**	**60,986**
Financed in year (External funds and Other Contributions)	23,400	37,900	29,188
Capital expenditure Financed by borrowing	17,656	35,200	14,996
Capital Expenditure: EFS	13,000	3,000	16,800
Expenditure financed by borrowing	**30,656**	**38,200**	**31,796**

5.4 As at 31 March 2026, the Council recognised £22.4m of leased assets that had been capitalised on-balance sheet following the application of IFRS 16 *Leases* in the previous financial year. Associated lease liabilities of £3.9m were also recognised at the same date, split between short- and long-term obligations.

Capital Financing Requirement

5.5 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The CFR represents a key element of the Council's capital strategy, reflecting the level of capital expenditure that has not yet been financed by capital receipts, capital grants, or revenue contributions. The CFR increases where capital expenditure is incurred without immediate financing and reduces over time through the application of Minimum Revenue Provision (MRP). The movement in the Council's CFR during 2025/26 is as follows:

	31/03/2026 Actual £'000
Opening CFR	319,711
Capital expenditure	14,996
IFRS 16 Impact on Assets	4,882
EFS 2025/26	16,800
Minimum Revenue Provision	(6,616)
Closing CFR	**349,773**

5.6 The table above shows that EFS is a significant driver of the increase in the Council's CFR. This is expected to continue over the medium term. Across the next two financial years, approximately 17% of the forecast increase in the CFR relates to capital expenditure, with the remaining 83% attributable to EFS.

To ensure that borrowing levels are prudent within the medium term, the Council should ensure that its external borrowing requirement (i.e. the liability benchmark) does not exceed the total of the CFR for the current (2025/26) and next two financial years. The table below highlights the Council's gross borrowing position against the CFR for 2025/26 and estimates for the next two financial years:

	31/03/2025 Actual £'000	31/03/2026 Actual £'000	31/03/2027 Forecast £'000	31/03/2028 Forecast £'000
Loans Capital Financing Requirement (CFR)	310,300	337,938	380,487	422,280
Less: Balance sheet resources	(60,334)	(47,239)	(21,370)	3,090
Net loans requirement	**249,966**	**290,699**	**359,117**	**425,370**
Plus: Liquidity allowance[1]	10,000	14,034	10,000	10,000
Liability benchmark	**259,966**	**304,733**	**369,117**	**435,370**

5.7 The liability benchmark indicates that borrowing remains within the Council's prudent borrowing limit and below the CFR in 2025/26 and 2026/27. However, based on current estimates, the liability benchmark is projected to exceed the CFR in 2027/28. This suggests that the Council is expected to fully utilise its internal cash resources over the medium term. As a result, the Council will become increasingly reliant on external borrowing to support both its capital programme and liquidity requirements, thereby exposing it to heightened interest rate and refinancing risks. Consideration will therefore need to be given to the timing and structure of longer-term borrowing to mitigate these risks and ensure ongoing affordability and sustainability. The position will continue to be closely monitored as part of the Council's treasury management and capital planning processes.

Treasury position as at 31 March 2026

5.8 The Council utilises its own internal resources (i.e. usable reserves and working capital) to fund the CFR and reduce how much external borrowing is required. On 31 March 2026, the Council had net borrowing of £290.7 million (i.e. gross external borrowing of £304.7m less net investments £14.0m) arising from its revenue and capital income and expenditure. These factors are summarised in the table below:

Balance Sheet Summary	31/03/2025 Actual £'m	31/03/2026 Actual £'m
General Fund CFR	319.7	349.8
Less: Other Debt Liabilities (Waste Private Finance Initiative and IFRS 16)	(9.4)	(11.8)
Loans CFR	**310.3**	**338.0**
External Borrowing	(267.2)	(304.7)
Internal Borrowing	**(43.0)**	**(33.3)**
Usable Reserves	41.7	39.3
Working Capital	18.6	7.9
Net Investments	**17.3**	**14.0**

[1] The liquidity allowance for 31/03/2026 of £14.0m reflects the actual cash and cash equivalents position at year-end rather than the minimum allowance of £10m that is used for forecasting.

5.9 A breakdown of the Council's borrowing position as at the 31 March 2026 is shown in Appendix A. Loans were drawn to fund the Council's underlying need to borrow (the CFR) and refinance maturing debt. Borrowing decisions are not linked to specific capital schemes and are instead informed by detailed cash flow modelling and the overall treasury management strategy.

Borrowing activity

5.10 As at 31 March 2026, the Council held £297.7m of PWLB loans and £7m of Local Council loans. These are summarised in the table below along with the corresponding weighted average cost of capital and weighted average maturity:

	31/03/25 Actual £m	Net Movement £m	31/03/26 Actual £m	31/03/26 Weighted Average Rate %	31/03/26 Weighted Average Maturity (Years)
PWLB	(247.0)	(50.7)	(297.7)	3.92	16.9
Non-PWLB	(0.2)	0.2	0.0	N/a	N/a
Local Authorities (Short-Term)	(20.0)	13.0	(7.0)	4.22	0.3
Total Borrowing	(267.2)	(37.5)	(304.7)	3.93	16.5
Cash and Cash Equivalents	17.3	(3.3)	14.0	3.82	
Net Borrowing (after investments)	**(249.9)**	**(40.8)**	**(290.7)**	**3.92**	

5.11 Short-term loans represent 24.36% of the Council's total borrowing (£230.5m long-term and £74.2m short-term).[2]

5.12 In accordance with the TM Code, borrowing is not directly attributable to specific expenditure, as it is managed on a pooled cash basis. The net increase in borrowing of £40.8m during 2025/26 reflects a combination of financing for Council-funded capital expenditure of £15.0m, together with short-term support for day-to-day expenditure pressures, including the use of Exceptional Financial Support (£16.8m) and the impact of Dedicated Schools Grant (£8.9m) deficits.

5.13 The borrowing strategy has focused on securing shorter-term loans, typically 12–18 months, to limit exposure to long-term interest rate risk and retain flexibility to refinance should market rates fall. This approach has supported active management of borrowing costs and contributed to the relatively low weighted average rate (3.92%) compared to prevailing long-term PWLB certainty rates at year end.

5.14 However, increased geopolitical uncertainty and inflationary pressures due to the conflict in the Middle East have heightened interest rate risk. As a result, the Council will review its treasury management and borrowing strategy for 2026/27 to

[2] These short- and long-term loan balances represent cash loans only and therefore exclude other liabilities, such as PFI-related borrowing.

ensure it remains appropriate in a more volatile interest rate environment, balancing cost, risk, and flexibility.

Other debt activity

5.15 Although not classified as borrowing, the Council also has a Private Finance Initiative (PFI) liability in respect of the Padworth Waste Recycling Facility. This debt, which is included in the total borrowing shown on the Council's balance sheet, stood at £7.9m as at 31 March 2026 compared to £8.9m as at 31 March 2025. Repayments of this debt are included in the monthly waste contract charges, which are paid from the revenue budget for waste management.

Prudential Indicators: Treasury position and financial control:

5.16 The Council is responsible for ensuring that its capital financing remains prudent, sustainable and affordable over the long term. Prudential indicators play a key role in monitoring and controlling this position by providing a framework for assessing whether borrowing levels remain within approved limits and are aligned with the Council's financial capacity.

5.17 During 2025/26, the Council complied with all approved prudential indicators. Further information on these indicators, including how they are calculated and monitored, is provided in Appendix C.

Treasury performance for year 2025/26

5.18 The Council monitors the financial performance of its treasury management activities; the tables below set out the overall performance of borrowing and investments during 2025/26:

<u>Borrowing performance:</u>

	25/26 Interest Cost Budgeted £'000	25/26 Interest Cost Actual £'000	(Over)/Under £'000	Actual Interest Rate @ 31/03/26 %
Short term borrowing	(578)	(753)	(175)	4.22
Public Works Loan Board	(11,475)	(9,282)	2,193	3.93
Total Borrowing	**(12,053)**	**(10,035)**	**(2,018)**	**3.93**
PFI and Finance Leases	(543)	(543)	(0)	6.10
Total Interest Cost	**(12,596)**	**(10,578)**	**(2,018)**	**3.92**

<u>Investment performance:</u>

5.19 The Council's investment position as at the 31 March 2026 is shown in Appendix B. During 2025/26, the Council's total investment balances earned an average rate of return of 3.96%. The comparable performance indicator is the Sterling Overnight Index Average (SONIA) rate, which was 3.73%. Total investment income was £0.9m compared to a budget of £0.5m.

Non-treasury management investments

5.20 The definition of investments in the TM Code covers all the financial assets of the Council as well as other non-financial assets, which the Council holds primarily for financial return. This is replicated in the Investment Guidance issued by the Ministry of Housing, Communities and Local Government (MCHLG), in which the definition of investments is further broadened to also include all such assets held partially for financial return. At 31 March 2026, the Council held £33.6m of such investments in directly owned property.

5.21 The commercial property portfolio is valued on an annual basis. On 31 March 2026, the value of this property portfolio had reduced in value by £0.4m over the course of 2025/26:

Names and address of property	Property type	Valuation at 31 March 2025 £'000	Valuation at 31 March 2026 £'000	Movement (Loss)/Gain £'000
Dudley Port Petrol Filling Station, Tipton	Petrol Filling Station	3,891	3,531	(361)
79 Bath Road, Chippenham	Retail Warehouse	8,779	8,620	(158)
Lloyds Bank, 104 Terminus Road, Eastbourne	Retail	1,614	1,560	(54)
303 High Street and 2 Waterside South, Lincoln	Retail	2,654	2,552	(102)
3&4 The Sector, Newbury Business Park	Office	10,770	10,929	159
Ruddington Fields Business Park, Mere Way, Nottin	Office	6,297	6,413	116
TOTAL		**34,004**	**33,604**	**(400)**

5.22 The estimated rate of return on these investments for 2025/26 is summarised in the table below. The calculation is based on the property valuation as at 31 March 2026 (£33.604m), with net income reflecting the revenue outturn position as at the same date.

Directly owned Property: Commercial property	**£'000**
Loss on change in market value during 2025/26 (see table above)	(400)
Rental income (less operational cost)	2,789
Net Income	**2,389**
Rate of return excluding MRP and Interest (Net income ÷ property valuation)	**7.03%**
MRP costs	(943)
Interest Costs	(1,533)
Net income less MRP & interest	(87)
Rate of return, after MRP and interest (Net income less MRP & interest ÷ property valuation)	**(0.26%)**

5.23 The Council holds a further £13.7m of investment property where the purchase has not been directly funded through borrowing. Asset valuations are as follows:

Names and address of property	Property type	Valuation at 31 March 2025 £'000	Valuation at 31 March 2026 £'000	Movement (Loss)/Gain £'000
The Stone Building, The Wharf, Newbury	Café	25	52	27
Rainbow Nursery, Priory Road, Hungerford	Children's Nursery	94	92	(2)
Clappers Farm/Beech Hill Farm, Grazeley	Tenanted Smallholding	1,157	911	(246)
Bloomfield Hatch Farm, Grazeley	Tenanted Smallholding	485	477	(9)
Shaw Social Club, Almond Avenue, Shaw	Community Centre	219	215	(4)
Swings n Smiles, Lower Way, Thatcham	Children's Day Centre	273	255	(18)
Units 1 to 7, Kennet Enterprise Centre, Hungerford	Industrial	542	527	(14)
London Road Industrial Estate, Newbury	Industrial	9,103	11,150	2,047
TOTAL		**11,897**	**13,678**	**1,781**

5.24 The estimated rate of return on these investments for 2025/26 is summarised in the table below. The calculation is based on the property valuation as at 31 March 2026 (£13.7m), with net income reflecting the revenue outturn position as at the same date.

Directly owned Property: Investment Properties	**£'000**
Gain on change in market value during 2025/26	1,781
Rental income (less Operational cost)	203
Net Income	**1,984**
Rate of return[3] **(Net income ÷ property valuation)**	**16.68%**

5.25 The rates of return shown above exclude changes in property values. Direct property investment carries both valuation and income risks, including void periods and reduced rental income, which can adversely affect overall returns.

5.26 In accordance with the Council's policy, the strategic approach to the investment portfolio has increasingly focused on longer-term asset disposals, alongside continued active portfolio management. The Council will, where appropriate, consider the disposal of assets to generate capital receipts. These receipts may be applied to support the capital programme, reduce capital financing costs, and/or fund transformation initiatives aimed at delivering sustainable future savings. This approach will be carefully balanced against the potential long-term loss of income arising from the disposal of revenue-generating assets, ensuring that decisions represent a robust value-for-money outcome.

5.27 Considering its EFS position, the Council does not maintain sinking funds in respect of these assets. Consequently, the General Fund remains exposed to potential fluctuations in income and any unplanned expenditure associated with the investment property portfolio.

[3] There is no borrowing on these investments and therefore no MRP and Interest

Proposals

5.28 No proposals are made within this report.

6 Other options considered

Not applicable.

7 Conclusion

The Section 151 Officer is satisfied that the treasury management practices during 2025/26 have operated in compliance with the adopted TM Code and the Council’s approved Investment and Borrowing Strategy.

8 Appendices

Appendix A – The Council’s borrowing position as at 31 March 2026

Appendix B – The Council’s investment position as at 31 March 2026

Appendix C – Prudential indicators: treasury position and financial control

Appendix D – The economy and interest rates

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Appendix A

The Council's borrowing position as at 31 March 2026

Lender	Loan Number	Local authority	Balance Outstanding (£)	Interest Rate	Advance date	Maturity Date
Blackbu	BS2526-006	Maturity	5,000,000	4.2	31 July 2025	30 April 2026
West Yo	BS2526-003	Maturity	2,000,000	4.28	17 June 2025	18 May 2026
Lender	**Loan Number**	**Local authority**	**Balance Outstanding (£)**	**Interest Rate**	**Advance date**	**Maturity Date**
PWLB	PW499397	ANNUITY	928,342	3.63	01-Mar-2012	01-Mar-2037
PWLB	PW502867	ANNUITY	1,691,560	3.93	03-Mar-2014	01-Mar-2039
PWLB	PW502868	ANNUITY	2,336,851	4.24	03-Mar-2014	01-Mar-2054
PWLB	PW505444	ANNUITY	90,349	1.04	03-Oct-2016	03-Apr-2026
PWLB	PW505445	ANNUITY	82,289	1.29	03-Oct-2016	03-Apr-2031
PWLB	PW505446	ANNUITY	4,821,308	2.02	03-Oct-2016	03-Apr-2046
PWLB	PW505447	ANNUITY	1,657,767	2.3	03-Oct-2016	03-Apr-2066
PWLB	PW502579	ANNUITY	3,582,335	3.55	04-Oct-2013	04-Oct-2032
PWLB	PW503351	ANNUITY	6,829,987	3.8	07-Oct-2014	04-Oct-2054
PWLB	PW498487	ANNUITY	4,422,600	5.11	24-Mar-2011	09-Mar-2036
PWLB	PW496827	ANNUITY	2,384,671	4.66	09-Mar-2010	09-Mar-2050
PWLB	PW498488	ANNUITY	1,666,297	5.33	24-Mar-2011	09-Mar-2051
PWLB	PW499007	ANNUITY	1,295,740	4.05	20-Sep-2011	09-Sep-2036
PWLB	PW499008	ANNUITY	7,780,705	4.6	20-Sep-2011	09-Sep-2051
PWLB	PW503751	ANNUITY	1,416,612	2.81	17-Feb-2015	17-Feb-2040
PWLB	PW503752	ANNUITY	2,929,695	3.21	17-Feb-2015	17-Feb-2055
PWLB	PW508286	ANNUITY	6,937,700	2.53	18-Dec-2018	18-Dec-2068
PWLB	PW507249	ANNUITY	15,855,000	2.43	19-Apr-2018	19-Apr-2068
PWLB	PW507078	ANNUITY	13,000,000	2.38	19-Mar-2018	19-Mar-2068
PWLB	PW506928	ANNUITY	314,925	1.99	20-Feb-2018	20-Feb-2028
PWLB	PW506929	ANNUITY	55,995	2.28	20-Feb-2018	20-Feb-2033
PWLB	PW506930	ANNUITY	3,489,761	2.76	20-Feb-2018	20-Feb-2048
PWLB	PW506931	ANNUITY	2,654,656	2.81	20-Feb-2018	20-Feb-2068
PWLB	PW504737	ANNUITY	67,590	2.02	23-Feb-2016	23-Feb-2031
PWLB	PW504738	ANNUITY	3,795,115	2.85	23-Feb-2016	23-Feb-2046
PWLB	PW504739	ANNUITY	4,533,140	3.14	23-Feb-2016	23-Feb-2066
PWLB	PW506489	ANNUITY	2,985,000	2.43	23-Oct-2017	23-Oct-2067
PWLB	PW498735	ANNUITY	4,366,981	4.87	27-Jun-2011	24-Mar-2036
PWLB	PW495889	ANNUITY	57,131	3.95	21-Aug-2009	25-Mar-2029
PWLB	PW495888	ANNUITY	5,602,457	4.29	21-Aug-2009	25-Mar-2049
PWLB	PW496656	ANNUITY	7,037,691	4.5	15-Feb-2010	25-Sep-2034
PWLB	PW495907	ANNUITY	1,302,326	4.21	28-Aug-2009	25-Sep-2049
PWLB	PW504436	ANNUITY	1,719,355	3.41	28-Oct-2015	28-Oct-2055
PWLB	PW507962	ANNUITY	9,740,000	2.58	30-Oct-2018	30-Oct-2068
PWLB	PW506514	ANNUITY	6,248,000	2.5	31-Oct-2017	31-Oct-2067
PWLB	803829	MATURITY	5,000,000	4.9	28-Feb-2025	01-Apr-2026
PWLB	917383	MATURITY	5,000,000	5.1	31-Mar-2026	01-Feb-2028
PWLB	804881	MATURITY	5,000,000	4.83	04-Mar-2025	01-Jul-2026
PWLB	804879	MATURITY	5,000,000	4.83	04-Mar-2025	01-Jun-2026
PWLB	917381	MATURITY	5,000,000	5.07	31-Mar-2026	01-Jun-2027
PWLB	803826	MATURITY	5,000,000	4.9	28-Feb-2025	01-May-2026
PWLB	900457	MATURITY	5,000,000	4.45	02-Feb-2026	02-Apr-2027
PWLB	917386	MATURITY	5,000,000	5.1	31-Mar-2026	04-Jan-2028
PWLB	PW508703	MATURITY	7,487,000	2.39	11-Mar-2019	11-Mar-2069
PWLB	864656	MATURITY	5,000,000	4.59	30-Sep-2025	13-Jan-2027
PWLB	PW508283	MATURITY	428,889	1.71	18-Dec-2018	18-Dec-2028
PWLB	PW508284	MATURITY	3,158,294	2.49	18-Dec-2018	18-Dec-2048
PWLB	PW508285	MATURITY	878,277	2.66	18-Dec-2018	18-Dec-2068
PWLB	PW509710	MATURITY	3,788,745	1.58	19-Aug-2019	19-Aug-2049
PWLB	PW509711	MATURITY	473,484	1.79	19-Aug-2019	19-Aug-2059
PWLB	PW509712	MATURITY	2,332,236	1.84	19-Aug-2019	19-Aug-2069
PWLB	913508	MATURITY	5,000,000	4.69	18-Mar-2026	20-Dec-2027
PWLB	913525	MATURITY	5,000,000	4.69	18-Mar-2026	20-Jan-2028
PWLB	862212	MATURITY	5,000,000	4.59	22-Sep-2025	21-Dec-2026
PWLB	862214	MATURITY	5,000,000	4.59	22-Sep-2025	22-Jan-2027
PWLB	889669	MATURITY	5,000,000	4.46	23-Dec-2025	23-Dec-2026
PWLB	889671	MATURITY	5,000,000	4.49	23-Dec-2025	23-Feb-2027
PWLB	864658	MATURITY	4,000,000	4.59	30-Sep-2025	24-Feb-2027
PWLB	PW477681	MATURITY	3,258,091	8.38	08-May-1996	25-Mar-2056
PWLB	PW490517	MATURITY	5,000,000	4.3	06-Sep-2005	25-Sep-2031
PWLB	PW490770	MATURITY	5,000,000	4.25	21-Nov-2005	25-Sep-2034
PWLB	PW490771	MATURITY	6,581,000	4.25	21-Nov-2005	25-Sep-2035
PWLB	PW478341	MATURITY	666,400	8	17-Oct-1996	25-Sep-2056
PWLB	908352	MATURITY	5,000,000	4.32	27-Feb-2026	26-Nov-2027
PWLB	905863	MATURITY	5,000,000	4.4	19-Feb-2026	27-Aug-2027
PWLB	905859	MATURITY	5,000,000	4.36	19-Feb-2026	27-Jul-2027
PWLB	908346	MATURITY	5,000,000	4.32	27-Feb-2026	27-Oct-2027
PWLB	908340	MATURITY	5,000,000	4.32	27-Feb-2026	27-Sep-2027
PWLB	812321	MATURITY	5,000,000	4.91	28-Mar-2025	28-Aug-2026
PWLB	812323	MATURITY	5,000,000	4.91	28-Mar-2025	28-Jul-2026
PWLB	891065	MATURITY	3,000,000	4.48	30-Dec-2025	29-Apr-2027
PWLB	873684	MATURITY	4,000,000	4.43	31-Oct-2025	30-Apr-2027
PWLB	847759	MATURITY	4,000,000	4.47	31-Jul-2025	30-Sep-2026
		TOTAL (exc PFI)	**304,732,345**			

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The Council's investment position as at 31 March 2026

Counterparty	Type	31/03/2026 £'000
NatWest	Bank Deposit Account and Other Imprest	(4,726)
Santander	Bank Deposit Account	0
Virgin Money - Schools Accounts and Imprest accounts	Bank Deposit Account	3,050
Total managed in house		**(1,856)**
Aviva	Money Market Fund	8,000
CCLA	Money Market Fund	7,615
Goldman Sachs	Money Market Fund	95
Total managed externally		**15,710**
Total Treasury Investments		**13,854**

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Appendix C

Prudential indicators: treasury position and financial control

1.1 The Council is required to ensure that capital financing is reasonable and affordable in the long term. The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year.

1.2 In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit. Within the operational boundary and authorised limit, allowance was made for debt financing of the planned capital programme, existing financing, PFI liabilities, and anticipated additional lease financing following the adoption of IFRS 16 (Leases) in 2024/25. The Council remained compliant with the operational boundary and authorised limit during the reporting period, which is demonstrated in the table below.

1.3 The table also shows the Council’s financing costs as a proportion of the net revenue stream:

	31/03/2026 Actual £'000
Authorised Limit	402,893
Maximum gross borrowing position during the year	316,570
Operational boundary	383,892
Average gross borrowing position	273,720
Financing costs (Excluding IFRS 16) as a proportion of net revenue stream	8.45%
Financing costs (Including IFRS 16) as a proportion of net revenue stream	9.49%

1.4 **Compliance with approved investment counterparty limits**. The Council may invest surplus funds with counterparties detailed in the approved Investment & Borrowing Strategy, subject to specified limits. During the reporting period, the Council has not breached the approved counter party limits. Should a limit be breached, it is reported to the Council’s Treasury Management Group as part of monthly performance reporting.

Investment Limits table	31/03/2026	2025/26	Complied?
	Actual Invested	Individual Counterparty Limit	Yes/No
	£m	£m	
Debt Management Office (DMO)	0	Unlimited	Yes
UK Local Authorities (incuding Police, Fire Authorities and	0	8	Yes - Individual Limit per counterparty has not been exceeded
UK Building Societies (ranked 1-11 by asset size)	0	8	Yes
UK Building Societies (ranked 12-21 by asset size)	0	6.5	Yes
UK Building Societies (ranked 22-25 by asset size)	0	5	Yes
UK Banks and other financial institutions (A- or higher)	-1.7	8	Yes - Individual Limit per counterparty has not been exceeded
Other non-local authority UK public sector body	0	8	Yes
Registered Providers, Charities	0	2.5	Yes
UK based money market funds rated AAAmf	15.7	8	Yes - Individual Limit per counterparty has not been exceeded
Council owned companies and joint-ventures	0	5	Yes

1.5 **Maturity Structure:** The Council measures and manages its exposures to treasury management risks using the Maturity Structure of Borrowing. This indicator is set to control the Council’s exposure to refinancing risk.

Maturity Structure of debt portfolio	31/03/2026	2026/27	2026/27
	Actual	Lower limit	Upper limit
Under 12 months	24.36%	0%	30%
12 months and within 24 months	21.75%	0%	30%
24 months and within 5 years	4.27%	0%	30%
5 years and within 10 years	12.48%	0%	30%
10 years and within 15 years	4.16%	0%	30%
15 years and within 20 years	4.49%	0%	30%
20 years and within 25 years	3.63%	0%	30%
25 years and within 30 years	2.66%	0%	30%
30 years and within 35 years	0.87%	0%	30%
35 years and within 40 years	0.72%	0%	30%
40 years and within 45 years	20.63%	0%	30%
45 years and within 50 years	0.00%	0%	30%

1.6 **Interest rate exposure**: Interest rate exposure illustrates the effect on interest costs of a 1% upward or downward movement in rates. The Council was also compliant with this indicator during 2025/26.

Interest Rate Risk Indicator	31/03/26 Actual	2025/26 Limit	Complied?
Upper limit on one-year Revenue impact of a 1% rise in Interest Rates	(94,252)	(653,126)	Yes
Upper limit on one-year Revenue impact of a 1% fall in Interest Rates	£94,252	£653,126	Yes

The Economy and Interest Rates

Economic Background:

1.1 The financial year was impacted by two periods of significant uncertainty and volatility. The first was the US trade tariff ‘Liberation Day’ in April 2025 and the second was the US/Israel war with Iran at the end of February 2026.

1.2 After the initial fallout from US trade tariffs, the following months saw some improvements as equity markets made gains and bond yields eased modestly. However, in the UK this trend in bond yields reversed somewhat as an uncertain economic outlook together with concerns around the government’s fiscal position and autumn Budget saw ‘term premia’ rise as investors demanded a higher return for holding gilts.

1.3 The Budget itself was more muted than had been expected. Despite a weak economic outlook, this helped UK markets perform better with gilt yields trending downwards, inflation easing, and expectations for cuts in Bank of England (BoE) Bank Rate increasing.

1.4 The end of February 2026 saw the start of the war between US/Israel and Iran. The conflict caused oil and other commodity prices to rise sharply as the shipping lanes in the region became effectively closed, restricting global oil supply. At the end of the period, the economic outlook remained highly uncertain in terms of its impact on inflation as well as countries’ fiscal and monetary policy conditions around the globe.

1.5 Prior to the start of the war, headline UK consumer price inflation (CPI) had generally been trending downwards, albeit the 3% in February 2026 was unchanged from January. Core CPI also stayed put at 3.1%. Inflation was expected to fall further over the coming months to the BoE’s 2% target, but the war changed this. Inflation is now expected to rise again, but how quickly and by how much depends on the duration of the war and how long commodity prices are elevated.

1.6 The Office for National Statistics (ONS) reported the UK economy expanded by 0.1% in Q4 2025. This followed previous modest gains of 0.2% in Q2 and by 0.1% in Q3. Of the subsequent monthly figures, the ONS estimated that GDP showed no growth in January 2026. As this data predates the start of the war, its impact on growth will not be reflected formally in the figures for another couple of months.

1.7 While the most recent labour market figures were slightly better than expected, the general trend has been one of persistent weakness. In the three months to January 2026, the unemployment rate rose to 5.2% (from 5.1%), while the employment rate held at 75.1%. Despite inflation being expected to rise in the coming months, labour market conditions remain loose and so any upward pressure on wages from general inflation is likely to be tempered by the weaker labour market environment.

1.8 After cutting Bank Rate to 3.75% in December 2025, the BoE’s Monetary Policy Committee (MPC) voted 5-4 to hold rates in February 2026 and then unanimously to do so again in March. Until the war started, financial markets were expecting Bank Rate to be cut to 3.5% at the March meeting. However, the conflict in the Middle East quickly changed this. The MPC noted the risks to both inflation and growth and indicated they could move rates either up or down depending on the economic conditions. Financial markets quickly responded to this by pricing in rate hikes.

1.9 Following the March MPC meeting, Arlingclose, the Council's treasury adviser, revised its central interest rate view and now predicts Bank Rate will be held at 3.75%. However, the conflict makes the outlook for rates highly uncertain. In the short term the risks are to the upside with the chance of higher Bank Rate should the MPC decide it wishes to quickly quash potential second-round effects from higher inflation. Further out, if Bank Rate is hiked quickly, the pace and magnitude of subsequent cuts could take it far lower than was previously anticipated as policymakers add significant stimulus to a much weaker economic growth outlook.

1.10 The US Federal Reserve had been cutting rates over the period, reducing the Fed Funds Rate target range by 0.25% at its December meeting to 3.50% -3 .75%. At the three subsequent meetings, the rate was held at the same range. Policymakers noted that while inflation was elevated, economic activity had been expanding but the war with Iran made the path of monetary policy highly uncertain. Despite this, the Fed still suggested that further rate cuts were likely in 2026 and 2027.

1.11 The European Central Bank (ECB) has kept its key interest rates on hold since June 2025, maintaining the deposit rate at 2.0% and main refinancing rate at 2.15%. At its March 2026 meeting, the ECB noted the war in the Middle East had significantly increased uncertainty, creating upside risks for inflation and downside risks for growth, leading it to revise up its forecasts accordingly.

1.12 Financial markets: After declining sharply early in the financial year following the announcement of US tariffs, sentiment in financial markets had improved but equity and bond markets remained volatile throughout. However, the latter part of the period was dominated by the US/Israel war with Iran, which saw equity markets fall sharply, and bond yields rise as concerns over the inflationary impact from sharply higher oil and other commodity prices outweighed the flight-to-quality into government bonds often seen in conflicts.

1.13 Equity markets had been registering gains after the declines during the April sell-off, but the war reversed this and markets saw another sharp drawdown. Both the FTSE 100 and 250 fell by around 10% over the month from the start of the conflict to the end of the financial year.

1.14 The period saw significant volatility in gilt yields. The 10-year UK benchmark gilt yield started the year at 4.65% and ended at 4.86%. However, over this time the 10-year yield hit a low of 4.23% and a high of 4.95% in the space of a month. It was a similar picture for the 20-year gilt which started at 5.18% and ended at 5.45% with a low and high of 4.92% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.01% over the 12 months to 31 March.

1.15 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.

1.16 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.

1.17 Moody's affirmed OP Corporate's rating at Aa3 in May 2025. Later in the period, Moody's upgraded Transport for London, Allied Irish Banks, Bank of Ireland, Toronto-Dominion Bank, DZ Bank, Nordea and HSBC and downgraded Close Brothers. In the last quarter of 2025 S&P upgraded Clydesdale Bank, Allied Irish Banks and Bank of Ireland, and assigned Warrington Council a BBB+ rating.

1.18 After spiking in April 2025 following the US trade tariff announcements, UK credit default swap (CDS) prices had trended down before picking up modestly in October and November. After declining again in December and into the new calendar year, they rose sharply once again when the war in the Middle East started. They were still elevated at the end of the period, but prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

1.19 Overall, 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.

1.20 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 Council's counterparty list recommended by Arlingclose remain under constant review.

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