# Financial Statements 2023/24 Highlight Report and Going Concern Assessment

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| **Committee considering report:** | Governance Committee |
| **Date of Committee:** | 19 November 2024 |
| **Portfolio Member:** | Councillor Iain Cottingham |
| **Date Head of Service agreed report:** *(for Corporate Board)* | 02.10.2024 |
| **Date Portfolio Member agreed/sent report:** | 02.10.2024 |
| **Report Author:** | Shannon Coleman-Slaughter |

## 1 Purpose of the Report

This report is to inform Members of the key highlights from the draft 2023/24 financial statements and summarise management's assessment of the Council's ability to function as a going concern.

## 2 Recommendation(s)

2.1 No recommendations are made within this report, members are requested to note:

(a) Overall financial performance for the Council was an overspend of £3.1m.

(b) Based on the unaudited Balance Sheet, the Council has a usable reserve of £42.6m. This includes a General Fund level of reserves of £4.1m which is below our minimum level of £7.2m.

(c) The going concern assessment, has concluded that the Council is a going concern as at the Balance Sheet date of 31 March 2024.

## 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 and prepared in accordance with the Local Audit and Accountability Act 2014 and published by the revised 31st May deadline. |

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|---|---|---|---|---|
| | The Balance Sheet shows an overall increase in net assets compared to the previous reporting period. Usable reserves have decreased, and the General Fund reserve is now £4.1m. This represents 57% of the minimum level of the reserve. A balanced budget has been set for 2024/25 with a view to increasing the General Fund reserve back to its minimum level within the next four-year term of the Medium-Term Financial Strategy (MTFS)<br><br>There is no imminent risk to the going concern assertion. | | | |
| **Human Resource:** | Not applicable | | | |
| **Legal:** | The Council is required to ensure the annual financial statements are properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. | | | |
| **Risk Management:** | In accordance with the Code, the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its liabilities in the normal course of business. At the end of March 2024 the General Fund had decreased, from its minimum of £7.2m to £4.1m. This still provides a buffer against unexpected events and is a reflection of the local and national economic impact of inflation, interest rates and service demand pressures. | | | |
| **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:** | Joseph Holmes – executive Director for Resources, s151 Officer | | | |

## 4 Executive Summary

4.1 The financial statements are produced in compliance with the CIPFA/LASAAC code of practice on local authority accounting and the Local Audit and Accountability Act 2014. The draft 2022/23 financial statement were published in accordance with a revised publication timetable of 31st May.

4.2 At the time of writing this report the 2021/22 and 2022/23 accounts remain open. Following guidance from the Ministry for Housing, Communities and Local Government

(MHCLG) and our auditors, Grant Thornton, these accounts will be subject to a disclaimed audit opinion by a backstop date of 13 December.

4.3 The draft Balance Sheet position as at 31.3.2024 shows an increase in the overall net assets to £291.7m. The main reasons behind this are:

4.4 Long term assets have increased following investment and revaluation of our Property, Plant & Equipment as well as the Infrastructure Assets. There has been a sale of an investment property leading to a decrease in the value of this category of asset.

4.5 Current assets have increased at the end of March 2024 following an upward movement in assets held for sale and there has been a significant increase in short term debtors. Within the short term debtors total there is a significant sum owed from Central Government in relation to Business Rates Transitional Protection.

4.6 Total liabilities have increased year on year, up to £453.8m an increase of £26m on the previous year. The most significant movement has been in the short term and long term borrowing. This was needed to fund delivery of the approved capital programme. Long term borrowing protected the Council from future interest rate fluctuations. One aspect of liability that has seen a decrease is the pension liability. This decreased by £23.4m based upon the most recent report by the actuary.

4.7 Currently a statutory override is in place for Dedicated Schools Grant (DSG) deficits. The override allows Local Authorities to transfer accumulated deficits from the General Fund to unusable reserves. A cumulative £9.45 million deficit on the DSG is currently held within the Council's unusable reserves. This deficit has increased by £4.65 million over the reporting period. Potential removal of the override does constitute a significant financial risk to the Council's General Fund. The Council is actively engaged in deficit recovery plans to move the Dedicated Schools Grant to a balanced position as at the year ending 31.3.2026.

## 5 Supporting Information

**Draft Financial Statements 2024/25**

5.1 The Financial Reporting Advisory Board (FRAB) approved a deferral of the IFRS 16 leases implementation. Under IFRS 16, (with the exception of leases of low value items and short term leases), where the Council is lessee to a contract it will need to recognise on the Balance Sheet a right of use asset, and corresponding lease liability. This will increase the Council's Capital Financing Requirement (CFR) and the Council will be required to make a Minimum Revenue Provision. The deferment approved by FRAB will result in IFRS 16 leases not becoming mandatory for local authorities until 2024/25. However, as part of the 2023/24 statements preparation we will need to include an assessment of the impact of accounting standards issued, not yet adopted.

**Proposals**

There are no proposals made within this report.

## 6 Other options considered

Not applicable, this report is to note only.

## 7 Conclusion(s)

7.1 The financial statements are produced in compliance with the CIPFA/LASAAC code of practice on local authority accounting and the Local Audit and Accountability Act 2014. The 2023/24 were published by the 31st May deadline and remain draft and subject to change until the Council's appointed external auditor provides an audit opinion.

## 8 Appendices

8.1 Appendix A – Directors Narrative Statement (extract from financial statements 2023/24)

8.2 Appendix B – Going Concern Assessment as at 31.3.2024

### Corporate Board's recommendation

None

### 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:**

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Job Title: Deputy s151 Officer & Service Director – Finance, Property & Procurement
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# Appendix A

## Executive Directors Narrative Statement 2023/24

**1. Overview**

The 2023-24 financial year has been an extremely financially challenging year for the Council with a combination of financial pressures facing the Council. The overall financial performance of the Council has seen an overspend of £3.1m with a reduction in the general fund reserve to £4.1m. This is below the recommended minimum level from the Chief Finance Officer (s151 officer) but still provides some buffer against future financial pressure. The position highlighted in these financial statements shows the changes that have occurred during the year, for example, a General Fund balance of £4.1m, but overall an increase in reserves overall, particularly in unusable capital reserves. Net assets have also increased.

Within a difficult financial context, the Council has provided a number of achievements. The Council approved a new Council Strategy during the year, following the change of administration at the May 2023 local election. The Council has moved to a Liberal Democrat administration with, as at 31.3.3024, the Council composed of 28 Liberal Democrats, 11 Conservatives, 2 Green Party, 1 Labour and 1 Independent Councillors. The Council Strategy articulates the key priorities of focus for the four years ahead through to 2027 and is accompanied by a delivery plan. During the year the Council re-opened the significantly enhanced Newbury Lido, a key piece of local infrastructure that supports a range of Council strategies.

The wider macro-economic position has impacted the Council. Inflation has been at a historically high level in 2022-23 and this has continued through into 2023-24. Though inflation is now dropping significantly, and is forecast to be around 2% for 2024-25, the impact of inflation during 2023-24 has raised prices, especially in social care settings where there have been some very large inflationary rises. Interest rates rises have increased the cost of borrowing, and so the Council has delayed long-term borrowing decisions. Therefore, Council borrowing has increased, as reflected in the balance sheet, where the Council undertook some shorter term PWLB (Public Works loans Board) lending at year end. The council has an underlying need to borrow, and will commence some further external borrowing, for longer periods, when interest rates start to drop as forecast in the coming 12-24 months. Lastly, the largest pressure has come from the growing demand for Council services. Children's social care numbers rose significantly in 2023-24 and the adult social care numbers have also consistently increased. Both areas of social care have seen increasingly complex cases requiring greater costs for individual care packages with unit costs rising. Temporary housing numbers, and so costs, have also risen during the year. With these increased demands, so has the demand for additional staffing, often through agency workers at the Council. That 19 Councils across the country have requested exceptional financial support, an unprecedented number, reflects the wider financial difficulties that the sector faces.

The Council has responded to this through the establishment of the Financial Review Panel (FRP) and a significant focus on cost reduction. The financial statements reflect the impact of this work with reduced year on year agency costs, reduced capital financing costs, though still a growing level of capital reserves, and the commencement of asset sales and capital receipts reserves. This has protected the general fund to an extent with a reduced overspend actually occurring versus that which was forecast at quarter one.

In respect of the future, the Council knows that it must improve its reserves position. £1.9m has been earmarked in the 2024-25 budget as an increase to the General Fund, so forecasting a balance of £6m. This is crucial to improve the financial resilience of the Council. Inflation forecasts are reducing and so should reduce pressures in external spend areas and staffing cost growth. Interest rates are also forecast to fall, so this should assist with future debt financing that the Council will need to undertake. The position remains difficult, but the Council has made important strides to greater financial sustainability during the year and within the 2024-25 budget, that it will endeavour to build upon to improve its financial resilience.

**Financial Performance**

## Financial Statements 2023/24 Highlight Report and Going Concern Assessment

The 2023-24 financial year has been the most challenging financial year that the Council has faced. The aging demographic of the local population, the increased complexity of social care demand, rising temporary housing costs and the increased number of children presenting with a care or educational support requirement has put revenue budgets under significant strain, all of these a common theme nationally. The Council's final General Fund reserve now stans at £4.1m following an overspend position of £3.1m during the year.

As at quarter one, the initial forecast outturn position was an overspend of £8.7 million against a net approved budget of £164.3 million.
To put this into context the Council's General Fund position as at 1st April 2023 was £7.2 million. The Council, like many Councils across the country faced potentially seeking exceptional financial support from central government or issuing a s114 notice. It should be noted that alongside the quarter one forecast the Council has not received assurance on its Balance Sheet and reserves position due to a backlog in the completion of external audits. The last set of accounts signed off by the external auditor was the financial year 2020/21 (with an opinion received during the 2023-24 financial year).

In response to the quarter one forecast the Council internally adopted stringent financial controls. A Financial Review Panel (FRP) was established consisting of senior officers, including from finance, HR, legal, procurement and transformation teams as well as senior members to provide challenge to internal expenditure and recruitment plans. FRP focused on:

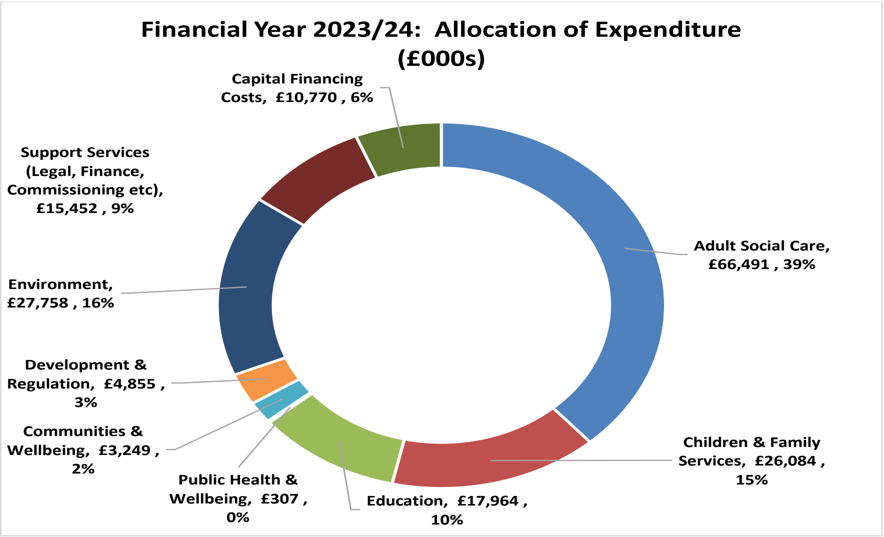
- Reducing agency expenditure
- Reviewing all requests to recruit
- Reviewing all accounting policies
- Reviewing capital financing costs
- Reviewing actions plans developed by overspending services designed to reduce financial pressures.
- Reviewing and approving all expenditure over £1k.

The FRP commenced in July 2023, and its key outcomes from the process were:

A reduction in agency costs. All agency requests were scrutinised by FRP and where possible procured via the Council's central agency supply contract. In 2022/23 the Council spent approximately £12 million on agency support with 20% of the expenditure being with agencies outside of the central contract. In 2023/24, agency spend was reduced by £2.5 million with a further £900k reduction forecast for 2024/25. Reducing dependency on agency is a key financial theme moving into 2024/25 bringing with it the benefits of greater workforce stability (especially in social care where agency has been historically high), and improved service provision to the community.

Capital financing costs were reviewed with a focus on the Council's Minimum Revenue Provision (MRP). The Council historically has provided for significant sums and been an outlier compared to other Councils. The review yielded an in year saving of £4 million and ensures the Council now provides MRP on a more comparable footing with other Council's.

Actions taken in response to the quarter one forecast have resulted in a management accounting outturn position of £3.1 million and a General Fund of £4 million. The General Fund is well below the s151 recommended level of £7 million but ensures the Council has reserves in place for 2024/25.

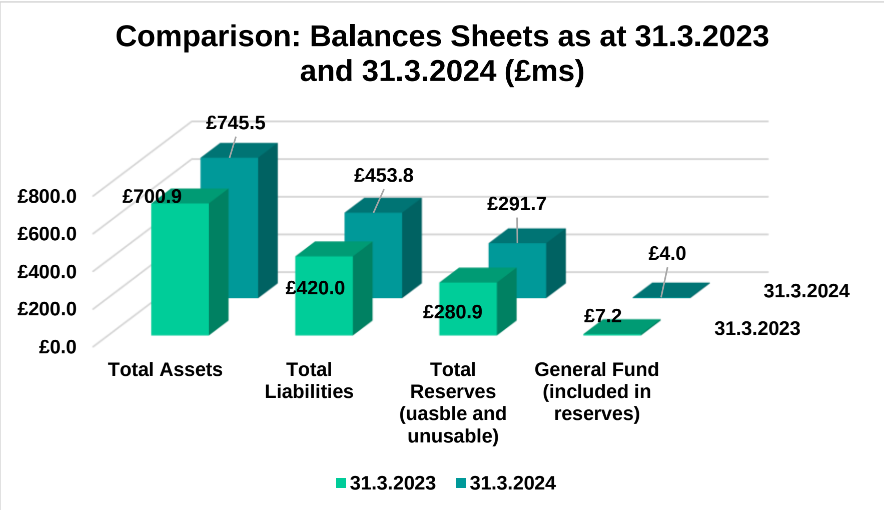



### Financial Context – Balance Sheet Review

**Financial Statements 2023/24 Highlight Report and Going Concern Assessment**

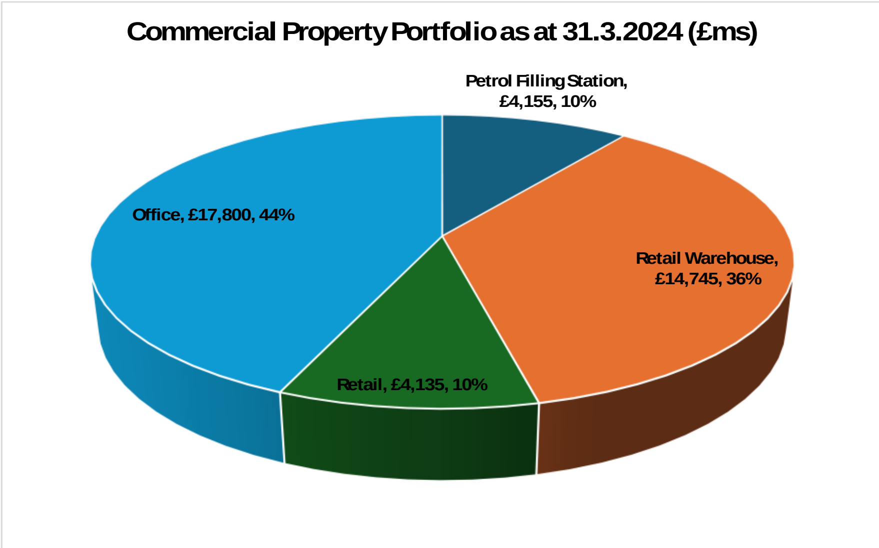
As previously stated, the last signed set of financial statements relate to financial year 2020/21. The current proposals from the government are for all outstanding audits to be concluded and accounts signed by the end of September 2024, or alternatively be disclaimed by the external auditors will potentially see the Council's accounts for financial years 2021/22 and 2022/23 be disclaimed. The recent announcement of a General Election on the 4th July may put greater pressure on this timescale. The Council's external auditor for financial years 2021/22 and 2022/23 confirmed their preference for disclaiming the open accounts at the Governance Committee on 16 April 2024. It should be noted that the Council has historically published all draft accounts by the Government deadlines set including the shortened deadline of 31 May for the 2022/23 accounts and was one of the 30% of councils nationally to achieve the deadline.

As at the 31 March 2024 the Council's Balance Sheet remains strong, with net assets of £291.7 million (£280.9 million as at 31.3.2023).



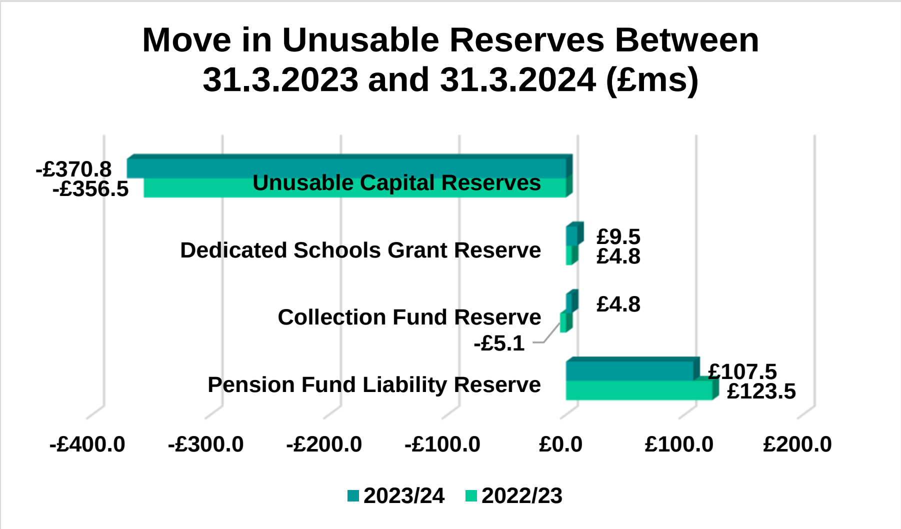

The asset base has grown to £745.5 million as at 31st March 2023. The Council has a significant capital programme which ensures annual investment across the asset base maintaining operational assets and investing in the enhancement of the community through infrastructure, open spaces, and community provision. In Summer 2023 the Northcroft Lido reopened after an extensive investment and remodelling project. A key focus in year has been the provision of affordable housing, a key project being the redevelopment of a formally operational asset (West Point House) into temporary accommodation as part of the Local Authority Housing Fund initiative. Over the financial year West Point House has been converted into five residential dwellings and the Council has purchased a further 18 properties to meet increasing demand locally for temporary accommodation.

During the financial year the Council commenced a strategy of disposing of the commercial property portfolio. The Council historically invested in a commercial property portfolio of approximately £62 million, inclusive of retail, retail warehouse and office assets, predominately out of district with the exception of two office assets located within a local business park. Within the financial year one retail asset was disposed of generating a capital receipt of approximately £6 million. As at 31 March 2024 the remaining portfolio was valued at £40.8 million.




In the post pandemic era, commercial property values have reduced. Although asset disposals create the risk of a realising a loss on disposal, this is offset by the net revenue streams received by the Council over the life of ownership. Furthermore, the Council has proactively moved to minimise the financial risk to the future General Fund position from property risks, such as voids and financing of refit works. The Council's commercial portfolio has seen rental income in the high 90%s of expected rent. The revised Property Investment Strategy identified capital receipts generated from related asset disposals to be utilised firstly, to offset future capital financing costs in what is a high borrowing cost environment, and secondly, to fund transformation programmes across the Council, reducing future revenue expenditure with a view to enhanced long term financial resilience.

As at 31 March 2024, total liabilities on the Balance Sheet had increased to £453.8 million, driven by long-term borrowing to fund delivery of the approved capital programme (£202.2 million), the pension liability (£107.5 million) and other creditors (£144.1 million). Unusabe reserves (reserves that cannot be deployed to fund expenditure because they are unrealised or notional, i.e. not cash backed and relate to accounting adjustments), increased to £249.1 million (£233.3 million as at 31.3.2023).

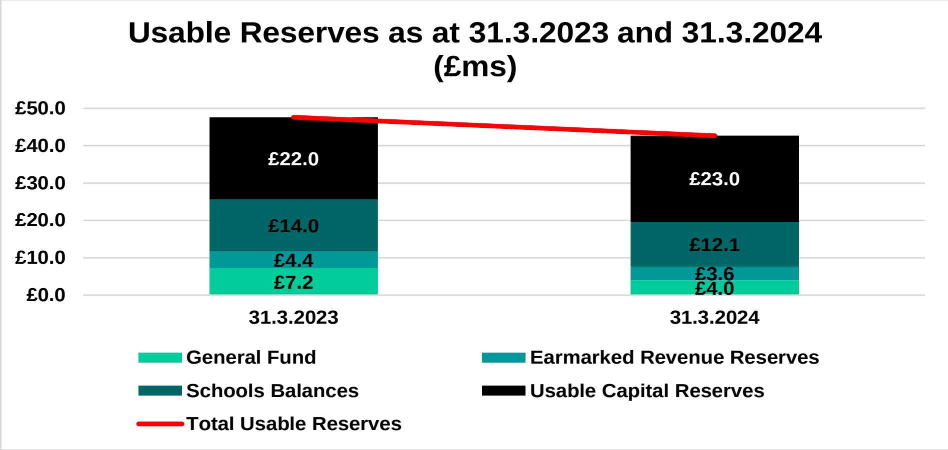



The Collection Fund has moved from a £5.1 million surplus position to a £4.8 million deficit position at 31 March 2024. The deficit position is broken down £1.85 million Council Tax (£1.5 million as at 31.3.2023) and £2.95 million Business Rates (£6.6 million surplus at 31.3.2023). The Council is heavily dependent on Council tax and Business Rates income, the deficit positions were forecast and have been provided for within the Medium-Term Financial Strategy.

Currently a statutory override is in place for Dedicated Schools Grant (DSG) deficits. The override allows Local Authorities to transfer accumulated deficits from the General Fund to unusable reserves. A cumulative £9.45 million deficit on the DSG is currently held within the Council's unusable reserves (£4.8 million as at 31.3.2023). The deficit has increased by £4.7 million over the reporting period. The statutory override has been in place since the financial year beginning 1.4.2020 and has been extended to include the year ending 31.3.2026. Potential removal of the override does constitute a significant financial risk to the Council's General Fund. The Council is actively engaged in deficit recovery plans to move the Dedicated Schools Grant to a balanced position as at the year ending 31.3.2026.

**Future Challenges, Medium Term Financial Planning (MTFS)**

The Council's total level of reserves remains high at £291.7 million, however, the usable reserves (i.e. resources that can be deployed in support of services to taxpayers), have reduced and the Council's General Fund of £4 million is well below the s151 recommended level of £7 million.



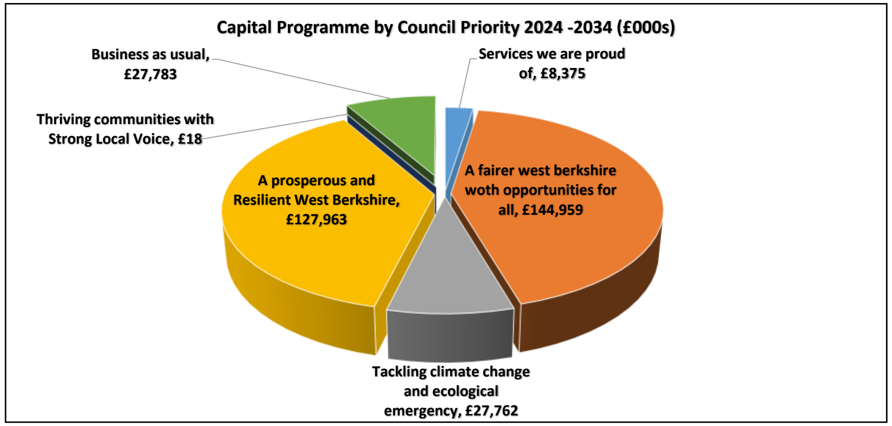

West Berkshire is now one of the Council's with the lowest level of reserves in the country. The pressures experienced on budgets are reflected in the growing number of schools going into deficit at outturn (sixteen schools as at 31.32024 compared to XX at 31.3.2023), reducing the level of schools' balances consolidated into the Balance Sheet. Revenue reserves deployed in support of the 2023/24 budget and outturn position have reduced available earmarked revenue reserves from an already low position of £4.4 million at 31 March 2023 to £3.6 million at 31 March 2024. Usable capital reserves have marginally increased due to balances held from the year sale of commercial property. The low levels of earmarked revenue reserves and in particular the General Fund constrict the Council's ability to respond to any in year financial pressures during 2024/25. However, the 2024/25 revenue budget has made provision for increasing the General Fund by £1.9 million and further increases during the mid-term with the Medium-Term Financial Strategy planning increases to the reserves back up to a position of £10 million.

The potential to increase the General Fund in the immediate and mid-term is largely dependent on the control of expenditure in 2024/25.

At the time of setting the 2024/25 revenue budget, the 2023/24 financial year had seen the highest level of inflation in the United Kingdom in over 40 years. At outturn inflation has reduced (April 2024 2.3%), however borrowing costs to Councils remain high with average 25-year annuities from the Public Works and Loan Board being around 5 – 5.5% compared to historically low averages of 2-3%.

The Council's ability to consume a significant realignment of its cost base caused by high levels of inflation and increased capital financing costs is severely restricted. Council Tax which constitutes approximately 70% of the Council's income is set based on information from October to January of the previous financial year. Retained Business Rates and government funding (New Homes Bonus, Services Grant, Social care Grant and Funding Guarantee) are key income streams, all of which are set / fixed beyond the Council's control. The environment of constrained income, high inflation, and high borrowing costs (capital financing) are compounded by the effect of increasing demand for Council services across both adults and children's social care and increasing home to school transport costs driven by increased Special Educational Needs users and high inflation. In response to demand and inflationary pressures £18.06 million of investment has been allocated to the 2024/25 revenue budget, with a further ongoing investment of £3.7 million which includes an annual increase to the capital financing budgets in support of the approved capital programme. The income constrained environment in which the Council operates increases the Council's requirement to make in year savings to support investment in demand led social care. £14.5 million of savings have been identified and built into the 2024/25 revenue budget, this marks the most significant level of savings that the Council has had to find within a single financial year.

In respect of the capital programme, a ten-year programme aligned to the Council Strategy Framework detailing investment of £336.8 million was approved by Council. 56% of the approved programme is proposed to be financed externally through application of grant finding, section 106 and Community Infrastructure Levy. 44% of the programme is financed through a combination of borrowing and application of capital receipts. Disposal of the commercial property portfolio alongside reviews of the Council's overall asset base with a view to rationalisation and minimising financial risk posed by aging buildings, allows the Council to build up capital reserves for reinvestment in operational assets (including schools) across the district. Application of capital receipts further allows the Council to avoid increased capital financing costs in the currently high cost borrowing environment reducing pressure on the revenue budget and General Fund.




The scale of the capital programme demonstrates a focus and commitment to ensuring the district remains a prosperous and inviting place to live and work. The capital programme alongside an extensive transformation programme seeks to improve services to users through digitisation of processes, asset review and rationalisation, transformation of social care provision, whilst generating long term sustainable delivery models and reducing financial pressure points, building resilience into long term financial planning.

**Overall Council Performance**

The revised Council Strategy was unanimously adopted. The Council has sought to align activities to the new strategy.

The Influencer measures indicated that the local economy remained strong. Empty business rated industrial properties remained at a consistent level, the number of empty non-industrial units continued to reduce and average house prices have continued to increase. In respect social care indicators there has been a significant increase in children's social care referrals and enquiries, with rising numbers of children in need and children subject to a child protection plan in the past two years. The expectation is the increases in demand will decrease but will continue with a longer-term baseline of demand that is likely to remain higher than before the COVID pandemic. The number of Adult Social Care clients requiring long term support which been increasing steadily since September 2020, appears to have settled. The number of households active on the housing register remains higher than in previous years, as does the number of households in temporary accommodation and requiring Council support.

In the face of increasing demand for Council services, Council performance has remained strong. Although the Council's financial position has been constrained, corporate health indicators have remained stable overall, with key successes launching of the Rural England Prosperity business grant scheme, Ofsted determining that care leavers are well supported, and in respect of adult safeguarding 96% of all risks identified were reduced.

# Appendix B

## Going Concern Assessment as at the Balance Sheet Date 31.3.2024

***The Council is required by request from the appointed external auditor to complete a going concern assessment as at the Balance Sheet date 31.3.2024. Paragraphs 4 and 6 of ISA (UK) 570 states 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 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.***

In order to complete the assessment, the following critical areas were reviewed:

(a) The Council's current financial position

(b) The Council's projected financial position

(c) The Council's Balance Sheet

(d) The Council's projected cash flow

(e) The Council's governance arrangements

(f) The regulatory and control environment applicable to the Council as a local authority.

## Going Concern Assessment as at 31.3.2024

### Financial Position at Outturn

The Council's outturn position consisted of £172.9 million of expenditure on provision of direct services which includes £10.7 million of capital financing costs. The overall outturn net expenditure figure of £172.9 million against an original budget of £164.3 million, generating an overspend position of £8.7 million. During the reporting period the Council deployed significant levels of earmarked revenue reserves in support of service delivery. At the Balance Sheet date the Council held usable reserves of £42.7 million (£47.6 million as at 31.3.2023), inclusive of a £4.1 million General Fund position. Within the Council's unusable reserves there is a £9.5 million liability relating to the Dedicated Schools Grant. Currently under a statutory override the deficit does not impact on the Council's General Fund, the statutory override has been extended to 31.3.2026.

### Forecast Financial Position

The Council has set a balanced budget for financial year 2024/25. The budget was set with a Council Tax requirement of £124.2 million, requiring a Council Tax increase of 2.99% and an Adult Social Care precept of 2%. The budget provides for a contribution to the general fund reserve of £1.9 million by the end of 2024/25.

The Medium-Term Financial Strategy (MTFS) which looks at finances in the longer term, includes cost avoidance proposals of £14.5 million. There is a gap between proposals at present and the total savings requirement in the MTFS, but this highlights that proposals are being considered in advance of their requirement to ensure greater medium term financial planning.

In conclusion, the economic environment, paired with the minimum General Fund position as at 31.3.2024 will require robust cost management and focused delivery of planned revenue savings as key in financial year 2024/25.

### Balance Sheet as at 31.3.2024

As at the Balance Sheet date the Council holds total assets of £745.5 million (£700.5 million as at 31.3.2023), liabilities of £453.8 million (£420 million as at 31.3.2023), usable reserves of £42.7 million (£47.6 million as at 31.3.2023), and unusable reserves of £249 million (£233.3 million deficit as at 31.3.2023).

| **Balance sheet as at 31.03.24** | |
|---|---|
| **Net Assets as at 31.03.24** | |
| Assets held at the Balance Sheet date | £'000 |
| Plant,property and equipment | £605,568 |
| Intangible assets | £2,923 |
| Investment properties | £53,701 |
| Current assets(e.g. cash and cash equivalents) | £83,299 |
| Total Assets | £745,491 |
| Liabilities at the Balance Sheet date | £'000 |
| Pension Fund Liability | -£107,463 |
| Long term Borrowing | -£202,242 |
| Other Liabilities | -£144,059 |
| Total Liabilities | -£453,764 |
| Net Assets(Assets plus Liabilities) | £291,727 |
| | |
| **Reserves as at 31.03.24** | |
| Usable Reserves | £'000 |
| General Fund | -£4,100 |
| Earmarked Revenue Reserve | -£3,478 |
| School Balances | -£12,070 |
| Capital Reserves | -£23,026 |
| Total Usable Reserves | -£42,674 |
| Unusable Reserves | £'000 |
| Pension Liability (deficit) | £107,463 |
| Collection Fund | £4,798 |
| Dedicated Schools Grant (deficit) | £9,450 |
| Accumulated Absences | £4,650 |
| Capital Reserves (inc Revaluation) | -£375,414 |
| Toal Unusable Reserve | -£249,053 |
| Net Reserves (Usable plus Unusable) | -£291,727 |

The Council's total assets have increased in Property, Plant & Equipment values from £570.5m (31.3.2023), to £605.6mn as at 31.3.2024.

Year-end current assets (inclusive of cash balances held by the Council) increased from £59.8 million (31.3.2023) to £80.9 million as at 31.3.2024. The key factors driving the overall increase are year-on-year increase in the level of assets held for sale and Short-Term debtor from £39.0 million (31.2.2023) to £63.6 £20.7 million as at 31.3.2024.

The Balance Sheet position as at 31.3.2024 demonstrates an increase in liabilities of £26.4 million - £453.8 million as at 31.3.2024 compared to £427.4 million as at 31.3.2023. The change has been driven primarily by an increase in short-term & long-term borrowings.

At the Balance Sheet date the Council held usable reserves of £42.7 million (£47.6 million as at 31.3.2023) and unusable reserves of £249.1 million (£233.3 million as at 31.3.2023).

In respect of reserves, usable reserves declined by £4.9 million over the reporting period. The reduction in usable reserves has been driven by the application of capital expenditure amounts within the capital grants unapplied account. As at the Balance Sheet date the Council's General Fund was at £4.1 million. As at 31.3.2024, earmarked revenue reserves of £3.6 million are held, focused on insurance and Public Health. In respect of unusable reserves of £249.1 million held as at 31.3.2024, the year on year increase primarily relates to the remeasurement of the net defined benefit liability (£26.2 million), and a gain on revaluations (£17.6 million).

In conclusion, net assets have increased to £291.8 million compared to £280.9 million as at 31.3.2023. The improvement in the Balance Sheet is primarily due to additions to non-current assets (land and buildings). Overall reserves movement (usable plus unusable) is positive compared to the prior reporting period, although usable reserves have been significantly depleted and the Council now holds minimal funds to respond to future significant unplanned / unbudgeted events.

## Projected Cash Flow

The Council maintains and updates short-term and long-term cash flow projections to support service delivery. The Council maintains long-term borrowing commitments to support the capital programme and the Property Investment Strategy. Borrowing is predominately undertaken from PWLB.

As at the Balance Sheet date the Council held £17.3 million of cash, cash equivalents and longer-term external investments compared to £20.6 million as at 31.2.2023. Due to the risk around the interest rate environment, a strategy of not undertaking long-term borrowing in respect of PWLB financing and, instead focusing on supporting delivery of the capital programme through short term borrowing and cash balances has been implemented. The strategy of keeping borrowing and investments below the capital financing requirement, sometimes known as internal borrowing, has reduced risk and interest costs.

In respect of longer-term planning, during 2023/24 the Council adopted the Liability Benchmark. Based on the 2024/25 Q1 capital budget monitoring the Council expects to undertake additional borrowing of £57.2 million in 2024/25 with a further £59.8 million in 2025/26 based on the approved 23/24 capital programme. The additional borrowing required in 2024/25 includes the refinancing of £42m of short-term borrowing which matures during 2024/25. The additional borrowing required in 2025/26 includes the refinancing of £25m of PWLB borrowing which matures during 2025/26.

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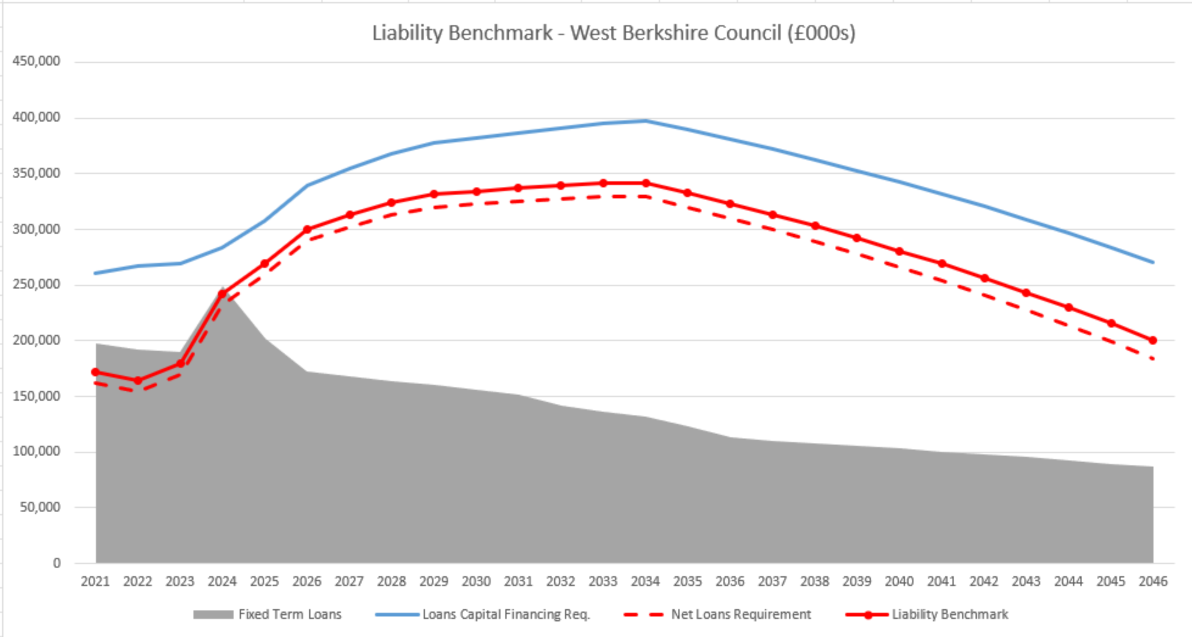
It should be noted that the Balance Sheet resources assumption are based on draft 2023/24 accounts, taking into consideration the current balances of usable reserves (£42.6 million) and working capital (debtors and creditors of £8.6 million). The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

| | 31.3.2023 | 31.3.2024 | 31.3.2025 | 31.3.2026 |
|---|---|---|---|---|
| | Actual | Actual | Projection | Projection |
| | £'000 | £'000 | £'000 | £'000 |
| Loans Capital Financing Req. | 269,226 | 283,063 | 307,894 | 339,704 |
| Less: Balance Sheet Resources | -100,006 | -51,363 | -48,363 | -49,863 |
| Net Loans Requirement | 169,220 | 231,700 | 259,531 | 289,841 |
| Preferred Year-end Position | 10,000 | 10,000 | 10,000 | 10,250 |
| **Liability Benchmark** | **179,220** | **241,700** | **269,531** | **300,091** |




Based on the Council's Capital Financing Requirement and the liability benchmark, the Council is classified as a long-term borrower. Based on the capital outturn position, the Council is currently in an over borrowed position. With forecast balance sheet resources of £48.3 million at 31st March 2025 and a gap of £67.3 million between the liability benchmark and existing external borrowing the Council will need to increase the level of external borrowing in 2024/25 to meet the liability benchmark.

| | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|
| | Actual | Actual | Projection | Projection |
| | £'000 | £'000 | £'000 | £'000 |
| Existing External Borrowing | 189,890 | 248,973 | 202,242 | 172,732 |
| Liability Benchmark | 179,220 | 241,700 | 269,531 | 300,091 |

## Governance Arrangements

The Council has approved and adopted a code of corporate governance in its Annual Governance Statement, which 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 Authority's community. The framework enables the Council to monitor the achievement of its strategic objectives, and to consider whether these objectives have led to the delivery of appropriate, financially cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control 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 impact should they be realised, and to manage them efficiently, effectively and economically.

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of all managers within West Berkshire Council who have responsibility for the development and maintenance of the wider governance environment.

The governance framework was in place at the Council throughout the reporting period. The detailed review process is outlined in the Annual Governance Statement pages within the Council's 2023/24 Statement of Accounts. This framework was deemed fit-for-purpose in respect of 2023/24 and will continue to be reviewed as part of the control framework for 2024/25.

## Regulatory and Control Framework

The Council operates within a highly legislated and controlled environment. The Council is required to set a balanced budget each financial year and reflects adequate levels of reserves. In addition to the legal framework established and Central Government control, other factors must be considered, including the oversight role undertaken by external audit and the statutory requirements for compliance with best practice and guidance issued by CIPFA and other relevant bodies.

## Conclusion

The assessment of the overall strength of the Council's financial position, is that currently there is not an imminent risk to the going concern assertion. Longer term robust cost management and focused delivery of planned revenue savings will be key.