

Financial Statements 2024/25 Highlights and Going Concern Assessment

Committee considering report:	Governance Committee
Date of Committee:	Tuesday 29 July 2025
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Christopher Dagnall

1 Purpose of the Report

This report is to inform Members of the key highlights within the Council's draft/unaudited 2024/25 financial statements 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 2024/25 Draft/Unaudited Statement of Accounts:
- (a) The Council's deficit on the provision of services is £43.9m (2023/24: £25.4m)
 - (b) The Council's 2024/25 net assets position is £280.7m (2023/24: £291.7m)
 - (c) The Council's usable reserves total £41.7m (2023/24: £42.7m). The General Fund (usable element) closed at £10.6m in respect of the 2024/25 year-end

3 Implications and Impact Assessment

Implication	Commentary
Financial:	<p>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 (Unaudited) Statement of Accounts was published on the Council's website on Monday 30 June 2025 (the statutory deadline for the 2024/25 financial year)</p> <p>Usable reserves are consistent year-on-year, and the 2024/25 General Fund of £10.6m reflected financial support requested from Central Government via the Exceptional</p>

	<p>Financial Support (EFS) mechanism. £13m was applied in entirety to 2024/25 expenditure and this amount was processed as an accounting adjustment between the General Fund and Capital Adjustment Account, in accordance with written guidance provided by The Ministry of Housing, Communities and Local Government (MHCLG). Minimum Revenue Provision (MRP) was accounted for on this sum. A total of £16m was received in February 2025, meaning that £3m was set aside to fund financial commitments in 2025/26.</p> <p>The Council's assertion is that the Statement of Accounts should continue to be prepared on the going concern basis owing to the following key factors:</p> <ul style="list-style-type: none">- The Council's Balance Sheet net assets profile remains healthy (£280.7m as at 31 March 2025) and is consistent with 2023/24's net assets position whereby the going concern basis was adopted a year ago. A net liabilities position (total liabilities exceeding total assets) is indicative of an organisation in financial distress and there is no immediate likelihood that the Council's 2025/26 Balance Sheet will profile this scenario- Earmarked Reserves levels at £3.4m (2023/24: £3.5m) have held on the prior year, and the General Fund total (including Schools' Reserves) as at 31 March 2025 is above 2023/24, this being £21.7m set against £19.6m- The presence of surplus Cash and Cash Equivalents amounts within the Balance Sheet. The 2024/25 total of £17.3m is also consistent with last year (£17.3m). Furthermore, the Council has not relied on the application of an overdraft facility to meet working capital commitments in 2024/25, and this position is anticipated to continue during 2025/26- Finance's reviews of the 2024/25 Revenue Outturn and future years' financial projections- Taking advice as appropriate from MUFG (the Council's engaged external treasury specialist), Finance continues to prepare and update comprehensive short-term and long-term cashflow projections to support service delivery. Detailed forecasting and modelling of this type ensures that any changes in internal/external circumstances or market uncertainties are identified in a timely manner, especially if said variables have the potential to have an adverse impact upon the Council's ability to continue to operate as a going concern
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Financial Statements 2024/25 Highlights and Going Concern Assessment

	<ul style="list-style-type: none"> - The Council initiated an accelerated capital asset disposal programme in 2024/25 and has committed to this into 2025/26. The programme encompasses undertaking transformation projects to rejuvenate and repurpose assets where possible as well as the disposal of pre-identified surplus assets. Management's intention is that any sale proceeds generated can be used to increase accumulated capital receipts. Moreover, the funding of transformation projects will be the primary purpose for any future capital receipts derived - Whilst an application for further EFS funding would not be ideal, the Council, like numerous UK councils, may be forced to request additional support in view of the wider operational challenges and financial pressures facing the sector. The clear and present risk pertaining to EFS is that all amounts received must be repaid with additional interest. Furthermore, external review controls are in place whereby Central Government will monitor the Council's effectiveness in utilising the funds provided 			
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 foreseeable future ie as a going concern, and that it is able to do so taking allowance of the current financial resources available			
Property:	Not applicable			
Policy:	Not applicable			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				

Financial Statements 2024/25 Highlights and Going Concern Assessment

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, s151 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 Draft Statement of Accounts (2024/25) was published on 30 June 2025.
- 4.2 The Draft Balance Sheet as at 31 March 2025 illustrates that net assets of £280.7m have remained broadly consistent with the prior year (2023/24: £291.7m). Selected Balance Sheet variations across the two years are detailed immediately below.

- 4.3 The total for long-term assets at £655.1m has decreased with one component being the in-year accounting for property valuation movements affecting Other Land and Buildings assets within Property, Plant and Equipment. The equivalent total for 2023/24 was £664.6m.
- 4.4 Short-term debtors as at 31 March 2025 are below the 31 March 2024 equivalent, being £41.3m against £57.5m. The main driver is a reduction in trade receivables to £7.3m (2023/24: £16.6m).
- 4.5 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 the end of the 2027/28 financial year 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 £16.1m at the end of 2024/25. Any future removal of the accounting override does constitute a significant financial threat to the Council as the General Fund would 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. This challenge may be remedied via the future provision of additional Central Government financial support to councils but there is uncertainty. In the meantime, the Council continues to pursue efforts to manage and reduce the DSG deficit in forthcoming financial years.
- 4.6 The Fair Funding Review 2.0 will focus on reforming how councils and fire and rescue authorities receive funding through the Local Government Finance Settlement. The review aims to determine new methodologies for funding allocations, consolidate funding streams and more effectively cost service demand. It is hoped that the review will lead to the easing of demands on Local Government.

Proposals

There are no proposals made within this report

5 Other options considered

Not applicable, this report is to note only

6 Conclusion(s)

- 6.1 The unaudited Statement of Accounts for 2024/25 has been produced to comply with the Code's accounting requirements as well as the Local Audit and Accountability Act 2014. The 2024/25 Accounts were finalised by the statutory publication deadline of 30 June 2025.

7 Appendices

- 7.1 Appendix A – Going Concern Assessment (31 March 2025)

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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Appendix A

Going Concern Assessment as at 31 March 2025

The Council is required on request from KPMG (external auditor) to undertake a going concern review at the Balance Sheet date of 31 March 2025 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 items and subject areas were reviewed:

- The Council's current financial position (Revenue Outturn for 2024/25)
- The Council's projected financial position (2025/26 and beyond)
- The Council's 2024/25 Balance Sheet

Financial Statements 2024/25 Highlights and Going Concern Assessment

- The Council's projected cashflow requirements
- The Council's corporate governance arrangements
- The Council's regulatory and control environment

Going Concern Assessment as at 31 March 2025

Revenue Outturn Financial Position

The Council's outturn position consisted of £181.2m of expenditure on the provision of direct services which included £13.4m of capital financing costs. The overall outturn net expenditure sum of £181.2m against an original budget of £164.6m generated an overspend of £16.6m. At 31 March 2025 the Council's usable reserves totalled £41.7m (£42.7m at 31 March 2024), including a General Fund of £10.6m.

Forecast Financial Position











The Council was unable to set a balanced budget for 2025/26 without seeking financial support from Central Government and this was a primary factor underpinning the request for EFS submitted in January 2025. The budgeted 2025/26 Council Tax requirement (including Adult Social Care precept) is £131.6m, incorporating a Council Tax increase of 2.99% with the Adult Social Care precept at 2%. The budget provides for a contribution of £1.6m to the General Fund reserve by the end of 2025/26.












A key mechanism in monitoring investments and cost savings is the Council's Medium-Term Financial Strategy (MTFS), and this has been prepared for a four-year time horizon. A conclusion within the MTFS is that savings of £30m should be targeted during the next four financial years, and despite the receipt of EFS, the Council is fully committed to achieving these substantial savings requirements.

Balance Sheet - 31 March 2025

The Council's long-term assets and current assets as at 31 March 2025 total £715.5m (£745.5m at 31 March 2024), current liabilities and long-term liabilities as at 31 March 2025 are in the sum of £434.8m (£453.8m at 31 March 2024), usable reserves are £41.7m as at 31 March 2025 (£42.7m-31 March 2024), and the total of unusable reserves is £239m at 31 March 2025 (£249.1m at 31 March 2024).

Financial Statements 2024/25 Highlights and Going Concern Assessment

Assets and Liabilities	2023/24 (£)	2024/25 (£)	Movement
Plant, Property and Equipment	392,926,132	376,154,379	
Infrastructure Assets	217,995,795	227,211,149	
Investment Properties	53,700,791	51,761,474	
Current Assets	80,867,457	60,401,288	
Total Assets	745,490,175	715,528,290	
Pension Fund Liability	-107,463,000	-68,268,000	
Long-Term Borrowings	-202,241,621	-202,732,345	
Other liabilities inc creditors	-144,057,891	-163,795,828	
Total Liabilities	-453,762,512	-434,796,173	
Net Assets	291,727,663	280,732,118	

Reserves	2023/24 (£)	2024/25 (£)	Movement
General Fund	-4,000,000	-10,597,414	
Earmarked Revenue Reserves	-3,578,434	-3,372,192	
Schools Balances	-12,069,424	-7,769,349	
Usable Capital Reserves	-23,026,438	-19,980,545	
Usable Reserves	-42,674,296	-41,719,500	
Pension Fund Liability Reserve	107,463,000	68,268,000	
Collection Fund Reserve	4,798,435	6,538,098	
Dedicated Schools Grant Reserve	9,450,119	16,132,638	
Unusable Capital Reserves	-370,764,921	-329,951,353	
Unusable Reserves	-249,053,367	-239,012,617	
Net Reserves	-291,727,663	-280,732,118	

The Council's Plant, Property and Equipment (PPE) has decreased on last year (down from £392.9m to £376.1m). A key element is that valuation movements on property assets are variable in nature from one financial year to another and are computed by WHE (the Council's external asset valuation specialist).

Year-end current assets (including Cash and Cash Equivalents) decreased to £60.4m (£80.9m as at 31 March 2024). Assets held for sale fell on last year, reduced to £1.8m from £6.1m. Additionally, short-term debt amounts were lower than 2023/24 with the principal change within trade receivables (down to £7.3m from £16.6m).

The Balance Sheet displays reduced current liabilities and long-term liabilities. This year's total is £434.8m against an equivalent total of £453.8m. One cause is the reduction noted within the long-term pension scheme liability. This has decreased (31 March 2025-£68.3m, 31 March 2024-£107.5m). Complex accounting elements that are components within the

year-end pension scheme liability can fluctuate from year to year and are provided by the Council's engaged actuarial valuation specialist.

In respect of reserves, usable reserves only reduced marginally across the two years compared (31 March 2025-£41.7m, 31 March 2024-£42.7m). The overall change is indicative of an increased General Fund (£10.6m for 2024/25 vs £4.1m in 2023/24), this reflecting the accounting for £13m of EFS, and the fact that unapplied capital grant amounts were lower this year than last year - £15.5m against £18.1m. General Fund earmarked reserves sum to £3.4m (31 March 2025), compared to £3.5m last year, and are therefore consistent. Earmarked reserve amounts for Public Health and the Self-Insurance Fund have been retained at their previously established thresholds. Public Health (2024/25: £1.2m, 2023/24: £1m), and Self-Insurance (2024/25: £1m, 2023/24: £1m).

The Collection Fund reserve illustrated in the table above is an unusable reserve and houses Council Tax and Business Rates collection and statutory accounting variances. The Council Tax deficit is consistent when comparing the two financial years (2024/25: £1.9m, 2023/24: £1.8m) and the Business Rates deficit shows an increase (2024/25: £4.6m, 2023/24: £3m). Within the scope of the Fair Funding Review 2.0, Central Government has proposed a reset of the Business Rates retention system in 2026/27, with the implication that this will recalculate how much revenue councils retain.

The Council's net assets total has decreased to £280.7m (as at 31 March 2025) from £291.7m last year but the two years' amounts are still broadly consistent, the year-on-year reduction being only 3.8%.

Projected Cashflows

The Council maintains and updates short-term and long-term cashflow projections to support service delivery. The Council's long-term borrowings are predominantly intended to facilitate the Capital Programme. Such borrowings are sourced primarily from the Public Works Loans Board (PWLb).

The Council's year-end Cash and Cash Equivalents Balance Sheet amount of £17.3m is identical to the 2024/25 equivalent. Due to the wider risks and uncertainties pertaining to interest rates, the Council has adopted a strategy of forsaking the introduction of new long-term borrowing amounts. The 31 March 2025 Balance Sheet notes that long-term borrowings at £202.7m largely align with last year (£202.2m). Rather, the intention has been to secure short-term borrowing to support the delivery of the Capital Programme. Short-term borrowings have risen on last year (£65.5m against £47.6m), but the Council remains acutely aware of the need to reduce risk and limit ongoing interest costs.

Governance Arrangements

The Council has approved and adopted a corporate governance code in the Annual Governance Statement (within the unaudited 2024/25 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. The framework enables the Council to monitor

the achievement of strategic objectives, and to consider whether these objectives 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 the system of internal control. The review of effectiveness is informed by the work of all managers within the Council who have responsibility for the development and maintenance of the wider governance environment.

The governance framework was established at the Council throughout the duration of the reporting period. This detailed review process is outlined in the Annual Governance Statement pages in the Statement of Accounts. This framework was deemed fit-for-purpose for the 2024/25 financial year and will continue to be reviewed on a holistic basis in respect of future financial 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 relevant, 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 assessment of the overall strength of the Council's financial position is that there is currently no imminent risk to the appropriateness of the adoption of the going concern basis. The EFS injection has bolstered the Council's reserves and ensured that the General Fund's closing balance (as at 31 March 2025) remains at the minimum required level of 5% of 2025/26's net revenue budget requirement. Internally, the pursuit of robust cost management strategies and the focused delivery of planned revenue savings remain critical strategic objectives.