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

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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.