
DRAFT Going Concern Assessment as at 31st March 2020 and Supporting Draft Executive Director's Narrative Statement for the 2019/20 Financial Statements

Committee considering report:	Governance and Ethics Committee
Date of Committee:	24 th August 2020
Portfolio Member:	Councillor Ross Mackinnon
Date Portfolio Member agreed report:	
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	GE3822

1 Purpose of the Report

- 1.1 This report summarises the management assessment of the Council continuing to operate as a going concern for the purposes of producing the Statement of Accounts for 2019/20.

2 Recommendation(s)

- 2.1 The following recommendations are made:

- (a) On the basis of the s151 Officer's assessment, it is proposed that this report is provided as a working paper to the external auditor confirming the going concern assessment has been completed and the conclusion maintains the assertion the council is a going concern as at the Balance Sheet date of 31st March 2020.
- (b) To note the draft Narrative Statement

3 Implications and Impact Assessment

Implication	Commentary
Financial:	Based on the review undertaken, there is no imminent risk to the going concern assertion. Joseph Holmes, Executive Director for Resources, S151 Officer.

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Human Resource:	Not applicable			
Legal:	The Council is required to compile its Statement of Accounts in accordance with the Code of Practice for Local Authority Accounting (hereafter referred to as the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code, the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.			
Risk Management:	A risk review has been undertaken in response to the national lockdown and COVID pandemic. The financial impacts have not had a detrimental impact on the going concern assertion. Detailed risk analysis is included in Appendix A.			
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:	<p>Cllr Ross Mackinnon; Executive Portfolio Holder for Finance and Economic Development</p> <p>Joseph Holmes, Executive Director for Resources, S151 Officer</p> <p>Andy Walker, Head of Finance and Property</p>			

4 Executive Summary

- 4.1 The Council is required to compile its Statement of Accounts in accordance with the Code of Practice for Local Authority Accounting as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code, the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business. As part of this process the Council's appointed External Auditor require the Section 151

Officer to undertake a going concern assessment and assert if the Council is able to operate in the foreseeable future as a going concern.

4.2 In order to complete the assessment the following areas were reviewed:

- (a) The Council's provisional outturn (subject to change during the final closure of the financial statements by the 31st August any potential amendments required by External Audit) for 2019/20 is £1.46m, which is 1.2% of the Council's 2019/20 approved net revenue budget of £125m. The provisional outturn for the 2019/20 capital is a £52.4million underspend against a revised capital budget of £91.8million. £35million of the underspend is attributable to Commercial Property Investment Strategy budget which has not been utilised during 2019/20. During 2019/20 the Government announced that PWLB rates could no longer be accessed to fund assets used primarily to generate yield. On 23rd April 2020 the Property Investment Board (PIB) agreed a suspension in future commercial property acquisitions.
- (b) The revised Medium Term Financial Strategy (MTFS) for the three year period commencing 2020/21 identifies an annual funding gap of approximately £12million, this is at an assumed Council Tax increase of 1.99% in 2020/21 and 1.99% annually thereafter supported by an annual 2% increase for the adult social care precept. The Council has proposed a balanced budget for 2020/21 through a £3.24million savings strategy. The MTFS has proposed balanced budgets for 2021/22 and 2022/23 with savings targets of £6.25million and £6.2.9million respectively. The three year capital programme from 2020/21 to 2022/23 allocates £111.2million of funding sourced through a combination of grants, Section 106, Community Infrastructure Levy and Council capital resources.
- (c) The authority's net assets amounted to £98million (£48.4million as at March 2019) and were significantly reduced by the inclusion of the pension scheme liability of £288million (£317million, March 2018). In reality the Council has net usable reserves of £77million, (£71million, March 2019). **The figures in this section are estimates and will be confirmed on completion of the draft financial statements.**
- (d) With regard to cash flow, as at the 31 March 2020 the Council held £32million of investments (£34million, March 2019). At March 2020 the PWLB loans balance increased to £202.3million, via funding investment in operational assets (£7.7million) offset by £5.8million of loan repayments. Total debt at 31st March 2020 was £219.3million, inclusive of £13million of funding embedded in the Waste PFI and £4million of temporary borrowing.
- (e) The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The governance framework was in place at the Council for the year ended 31 March 2020 and for the year commencing 1 April 2020. The review process is outlined in the Annual Governance Statement, which as at 2019/20 was deemed fit for purpose and is reviewed as part of the control framework in 2020/21.

4.3 Having considered the assessment above and the overall financial strength of the Council, it is concluded by the Section 151 Officer (Executive Director for Resources)

that this assessment does not contain an imminent risk to the going concern assertion. This opinion will be finalised upon completion of the 31st March 2020 Balance Sheet, it is anticipated that the Section 151 Officers conclusion will support the going concern assertion.

5 Supporting Information

Introduction

5.1 As requested by the Council's appointed External Auditor Grant Thornton, and as part of the closure of the 2019-20 financial statements, a going concern assessment as at the Balance Sheet date of 31st March 2020 has been completed. In light of the Covid-19 outbreak and the significant expenditure, and lost income, for the Council as well as the financial support provided by Government, this is increasingly important.

5.2 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'.

5.3 The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up 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 were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

5.4 Where the 'going concern' concept is not the case, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be 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 on the financial statements.

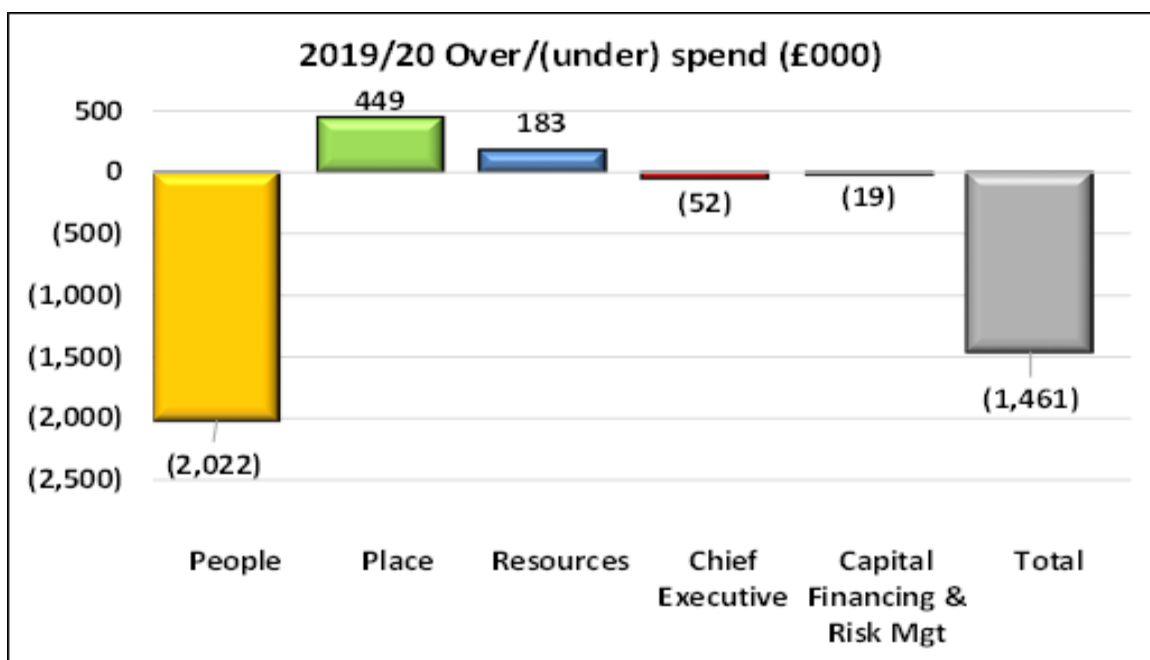
5.5 In order to complete the assessment the following areas were reviewed:

- (a) The Council's current financial position;
- (b) The Council's projected financial position;
- (c) The Council's Balance Sheet;
- (d) The Council's cash flow;
- (e) The Council's governance arrangements;
- (f) The regulatory and control environment applicable to the Council as a local authority.

Background

5.6 The Council's Current Financial Position is outlined below. The figures for the 2019-20 financial year are subject to further amendments completed by the time the Financial Statements are approved by the s151 officer by the 31st August 2020.

- (a) The Council's provisional outturn (subject to any potential amendments required by External Audit) for 2019/20 is £1.46m, which is 1.2% of the Council's 2019/20 approved net revenue budget of £125m. The underspend will be transferred to the General Fund. The Council and individual directorate positions is shown below.



- (b) A formal review of reserves and key financial risks is undertaken as part of the annual budget setting process. Assessment of key financial risks includes allowances for significant risks such as business rates volatility, and demand sensitivity of key services and ongoing potential impacts of the national lockdown in response to the COVID pandemic. Service specific risk reserves have been

established, the levels of these reserves are informed by the level of risks detailed in individual service risk registers.

- (c) The Council has set a balanced budget for 2020/21, inclusive of £6.24million of savings, of which £5.24million relate to transformation. A capital programme of £111.2million has been set for the next three years, inclusive of £52.5m of investment funded via Council borrowing.
- (d) The Medium Term Financial Strategy (MTFS), incorporates the following key assumptions:
 - (i) The provisional settlement figures were issued on 20th December 2019 and the final settlement is anticipated to be announced in February 2020. The underlying principles from Central Government remain similar to in previous year, though the proposed settlement for 2020/21 has seen the introduction of £1bn nationally of social care funding. The Government has proposed to protect all social care grants from 2019/20 as well as providing one-off grant funding for 2020/21 to spend on social care services for children and adults.
 - (ii) Council Tax funds 68% of the revenue budget. The MTFS is built on a 1.99% Council Tax increase and a 2% Council Tax increase through the adult social care precept each year. The tax base growth is built at 0.3% in 2020/21 and at 0.6% thereafter, with a collection rate of 99.6%.
 - (iii) It has been announced that negative Revenue Support Grant will not be charged in 2020/21. Negative RSG is the name given to a downward adjustment of a local authority's business rates tariff, as a consequence of changes to distribution methodology adopted in 2016/17.
 - (iv) Retained Business Rates represents the Council's share of the actual business rate collected in West Berkshire. For 2020/21, West Berkshire will no longer be part of the Berkshire business rates pilot under a 75% retention scheme, and will return to the 50% scheme.
 - (v) The New Homes Bonus will fund all legacy payments associated with previous allocations, and there is a proposed new round of allocations for 2020/21. The Government will be exploring other ways to incentivise growth, and any new 2020/21 allocations will not result in legacy payments in future years.
- (e) The assumptions underpinning the MTFS are kept under regular review to ensure forecasts remain robust. Greater detail and underlying assumptions are provided within the Executive Directors Narrative Statement which forms part of the 2019/20 Financial Statements and is included in Appendix B.

5.7 The Council's Projected Financial Position - Revenue

- (a) The revised MTFS for the three year period commencing 2020/21 identifies a funding gap of approximately £12million over the three year MTFS period. This is at an assumed Council Tax increase of 1.99% per year and an annual 2% adult social care precept.

- (b) The Council has proposed a balanced budget for 2020/21 through a £3.24million savings strategy. The MTFS has proposed balanced budget for 2021/22 requires savings of £6.3m, though the Government's announcement that the fair funding review and increased business rates retention will be delayed until 2021-22 has reduced this assumption.
- (c) The 2020/21 budget is supported through an estimated £7.97million General Fund Reserve and estimated Earmarked reserves of £13.38million supporting key risk areas. Earmarked reserves are reviewed as part of the annual budget setting process. **Reserve levels will be updated on completion of the 31st March 2020 Balance Sheet.**
- (d) A specific earmarked COVID reserve has been created from Government funding to fund emerging pressures. £3.2million of unrestricted COVID emergency support grant was received in March 2020. As at 31st March 2020, £52k of expenditure had been incurred in response to the COVID pandemic and £193k of income was lost largely due to car parking closures. The Council has also benefited from £3.5million of section 31 Business Rate Relief for 2020/21 being paid in advance by central government. Key areas of COVID specific risk assessed are detailed in Appendix A. Though this did not have a material impact on the financial statements in 2019-20, the impact in the new financial year; 2020-21 is material. Appendix A considers some of the key risks that have arisen.

5.8 The Council's Projected Financial Position – Capital

- (a) The provisional outturn for the 2019/20 capital is a £52.4million underspend against a revised capital budget of £91.8million. £35million of the underspend is attributable to Commercial Property Investment Strategy budget which has not been utilised during 2019/20. During 2019/20 the Government announced that PWLB rates could no longer be accessed to fund assets used primarily to generate yield. On 23rd April 2020 the Property Investment Board (PIB) agreed a suspension in future commercial property acquisitions.
- (b) The three year capital programme from 2020/21 to 2022/23 allocates £111.2million of funding sourced through a combination of grants, Section 106, Community Infrastructure Levy and Council capital resources. £55.2million of Council funding has been allocated to the programme, sourced from a combination of prudential borrowing and anticipated capital receipts. Operational assets are funded from borrowing financed through the Council's revenue budget for capital financing. Annual increases of £500K for 2020/21 and £525k and £550k for 2021/22 and 2022/23 respectively have been built into the revenue capital financing budget and MTFS.
- (c) As at 31 March 2019 the Council held usable capital reserves of £41.1million. Current usable balances as at 31st March 2020 are £40.6million.

5.9 The Council's Balance Sheet at 31st March 2020

- (a) The robustness of the Council's balance sheet for 2019/20 will be reassessed on completion of the draft financial statements and reported to the Governance and Ethics Committee in August 2020. Factors giving included in the assessment:

- (i) Review of debts owed to the Council;
 - (ii) An assessment of the Council's net worth;
 - (iii) The adequacy of risk-assessed provisions for doubtful debts and other potential costs;
 - (iv) The range of reserves set aside to help manage expenditure (reported under current revenue position);
 - (v) An adequate risk-assessed working balance to meet unforeseen expenditure (reported under current revenue position).
- (b) The authority's net assets amounted to £98million (£48.4million as at March 2019) and were significantly reduced by the inclusion of the pension scheme liability of £288million (£317million, March 2019). In reality the Council has net usable reserves of £77million, (£71million, March 2019). **This section will be updated on completion of the 31st March 2020 Balance Sheet.**

5.10 The Council's Cash Flow

- (a) The Council maintains short and long term cash flow projections. The Council maintains long term borrowing commitments to support the capital programme and the Property Investment Strategy. Borrowing is predominately undertaken from the Public Works and Loans Board (PWLB).
- (b) As at the 31 March 2020 the Council held £32million of investments (£34million, March 2019). **This section will be updated on completion of the 31st March 2020 balance Sheet.**
- (c) At March 2020 the PWLB loans balance increased to £202.3million, via funding investment in operational assets (£7.7million), offset by £5.8million of loan repayments. Total debt at 31st March 2020 was £219.3million, inclusive of £13million of funding embedded in the Waste PFI and £4million of temporary borrowing.
- (d) The current operational boundary for long term debt is set at £293million for 2020/21 with an authorised limit set £10million higher to allow for any unforeseen borrowing needs. The limits have been increased to £300million for 2021/22 and £313million in 2022/23 to support increased spending on the Council's capital programme. At the time of setting the increased boundaries, ongoing investment into the Council's Commercial Property Investment Strategy was taken into consideration. Post approval of the boundaries, the Council has determined to cease investment in the strategy, the boundaries will be subject to review and potential revision during 2020/21 as part of the future setting of the capital strategy and supporting programme.

5.11 The Council's Governance Arrangements

- (a) 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.

- (b) The governance framework comprises the systems and processes, and culture and values, by the Council is directed and controlled and its activities through which it engages with, leads and accounts to the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- (c) 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 on 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.
- (d) 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 governance environment.
- (e) The governance framework was in place at the Council for the year ending 31 March 2020 and for the year commencing 1 April 2020. The review process is outlined in the Annual Governance Statement, which as at 2019/20 was deemed fit for purpose and is reviewed as part of the control framework in 2020/21.

5.12 The External and Regulatory Framework

- (a) The Council operates within a highly legislated and controlled environment. The Council is required to set a balanced budget each year combined, taking into account robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by External Audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

Proposals

5.13 The following recommendation are made:

- (a) On this basis of the s151 Officer's assessment, it is proposed that this report is provided as a working paper to the external auditor confirming the going concern assessment has been completed and the conclusion maintains the assertion the council is a going concern as at the Balance Sheet date of 31st March 2020.
- (b) The Annual Governance Statement included in section 13 of the Executive Directors Narrative Statement (Appendix B) is agreed.

6 Other options considered

No other options have been considered.

7 Conclusion

7.1 Having considered the assessment above and the overall financial strength of the Council, it is concluded that this assessment does not contain an imminent risk to the going concern assertion. The key risks from the 2019-20 financial year, the financial performance and the Covid-19 outbreak have all been considered.

Appendices

7.2 This report is supported by the following appendices:

Appendix A – COVID Specific Financial Risks

Appendix B – Executive Directors Narrative Statement for the 2019/20 Financial Statements

Background Papers:

None

Subject to Call-In:

Yes: No: X

The Report is to note only X

Wards affected: All

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Document Control

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Change History

Version	Date	Description	Change ID
1			
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Appendix A

COVID Specific Financial Risks

Below is a summary of some of the key COVID specific risks. This has been produced in early August 2020 so is after the balance sheet date, but provides an overview of the key impacts due to Covid and their influence on the Going Concern assessment after the balance sheet date.

Item	Response
<p>Additional expenditure pressures – especially:</p> <ul style="list-style-type: none"> - Adult Social Care - Leisure services - Community Hub - Housing 	<p>Government have provided non ring-fenced funding of £8.6m to support the Council in its response to Covid-19. This figure has been received in three separate tranches.</p> <p>The Council monitors this on a weekly basis.</p> <p>The latest assessment is that the funding provided by Government and the income scheme below are sufficient for the 2020-21 Financial Year based on current estimates. Clearly, these can fluctuate, and will in light of further impacts from the Covid-19 outbreak. The Council also has general reserves to support further impacts and these are above the minimum level set by the s151 officer.</p>
<p>Income pressures, the most significant being:</p> <ul style="list-style-type: none"> - Car parking income - Adult Social Care - Other Sales, fees and charges 	<p>Government have provided an income share scheme. The details, at the time of writing, have not been provided in full, but the overview is:</p> <ul style="list-style-type: none"> - That the Council funds the first 5% of losses - That the Council shares 25% and Government 75% of all further losses.
<p>Cashflow risks</p>	<p>Government provided up front funding of, for example, business grants and paused the payment required for business rates</p>
<p>Specific grants provided by Government for key areas of activity, for example (though not exhaustive);</p> <ul style="list-style-type: none"> - £1.4m for care home infection grant - £0.1m for high street support - £0.5m for outbreak control 	<p>These funds are being applied to support service specific pressures and/or to provide services through the grant.</p>

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<ul style="list-style-type: none"> - £0.6m for Council Tax support - £0.1m for Active Travel 	
<p>Losses on Council Tax and Business Rates</p>	<p>The Council Tax collection rate has held up well to date; collection is marginally down, but the Council did offer the ability to amend the two months of non Council Tax payment to early in the financial year.</p> <p>The Council made a quick early decision in March to suppress business rates recovery and the initial direct debit to support businesses. The Government have also provided a significant amount of business rates reliefs.</p> <p>The Government have announced that the collection fund deficit can be spread across a three year period rather than one year. This option will be considered as part of the budget setting process for the March Council.</p>
<p>Impact on 201-22 budget setting</p>	<p>The long term flow of changed costs and lost income is difficult to estimate in detail. However, the budget for the year ahead is being prepared with adjustments for Covid-19.</p> <p>The Government has also paused the roll out of the fair funding review and further retention of business rates which reduces by just over £1m the savings requirement for 2021-22 on the assumption that all changes are paused, including the rest of business rates baselines.</p>

Executive Directors Narrative Statement 2019/20

Appendix B

1. Finance and Resources

The Council has had an ongoing focus on ensuring strong financial management and resilience. The outturn for the FY 2019-20 will help to support the Council's resilience as well as having continued to deliver a wide range of well receive services. A recent peer review through the Local Government Association supported that the Council has:

Sound financial management with a good track record of delivering savings and increasing income, a £131m capital programme, £100m investment fund and a £1m Transformation fund to help deliver change in the organisation.

Local government finances are increasingly stretched and the sector faces significant financial challenges in the coming years. The current national economic outlook is uncertain. The extraordinary events currently experienced in relation to the COVID 19 pandemic following a decade of financial reductions which already placed considerable strain on local authorities. Increased demand for many public services, directly related to the outbreak of the virus have placed an immediate pressure on local authority cashflows and expenditure budgets. The longer term local and national consequences of a recession triggered by the pandemic have yet to be fully experienced.

The Council prides itself on ensuring services deliver high outcomes and offer value for money, sound and prudent financial management supports this objective. As demonstrated by the Financial Statements, the Council remains financially resilient and prepared to meet future challenges.

Joseph Holmes

Executive Director for Resources, s151 Officer

Date:

2. District of West Berkshire

West Berkshire spans 272 square miles. The district lies at the convergence of two key roads – the M4 and the A34, both providing direct links with key urban centres in the southern region (London, Reading, Southampton, Bristol, Oxford and Swindon). The district has good rail links, with London less than an hour away and further connections, via reading, to all the mainline routes throughout the country.

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The district services an estimated population of 159,000, split between a demographic of 128,000 under 65 year olds and 31,000 residents over 65 years old. District residents predominately reside within the main market towns of Newbury, Thatcham and Hungerford. The average employment rate is 83.1% compared to the national average of 76%. The average crime rate across the district is 51.7% compared to an average rate of 74.3% across the South East region.

3. West Berkshire Council

The Council was created as a single tier (unitary) authority after the dissolution of Berkshire County Council in 1998. The boundary of the Council corresponds with the boundary of the former Newbury District Council.

The Council provides over 700 functions across the district and supports 68,090 properties. 95.7% of schools in the area have been judged good or better by Ofsted as at 31st December 2019.

The Council is made up of 43 Councillors who are elected every four years by the people registered to vote in West Berkshire. There are 24 electoral wards, each ward is represented by up to three Councillors. Politically the Council is currently composed of 24 Conservatives, 16 Liberal Democrats and three Green Party Councillors.

4. Council Strategy

The Council Strategy was refreshed in 2019/20 with a renewed focus on six priority areas. There is an accompanying action plan to deliver the strategy through from 2019-23. In light of Covid-19, the Strategy will need to be

reviewed to consider the implications of the outbreak on our future work.

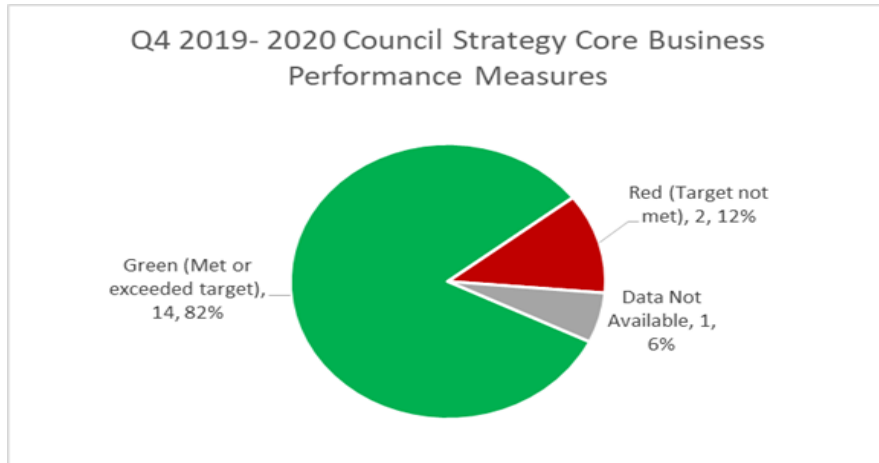


5. Councils Performance Achievements

The Council has a formal quarterly process for measuring performance against strategic objectives. As at 31 March 2020, total of 17 key accountable measures formed part of the reporting framework which monitors the Council's progress against the core business areas included in the Council Strategy.

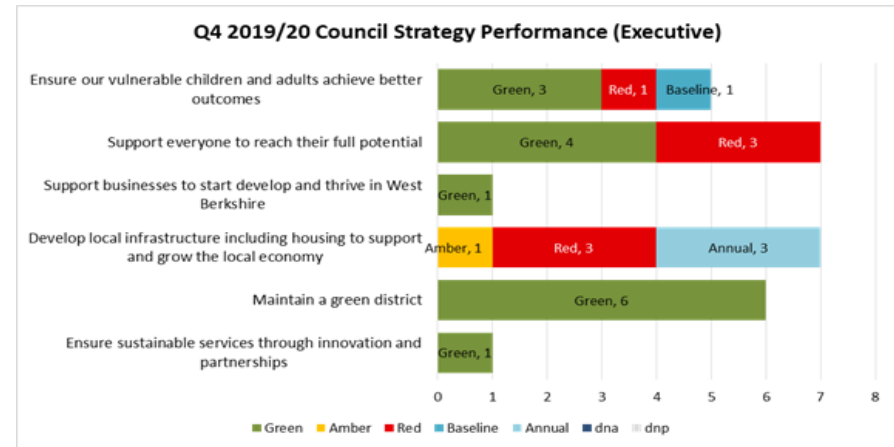
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Provisional end of year results were better than the expected. Targets for 14 measures (82%) and were (RAG) rated 'Green'. Two measures (12%) were not achieved and were RAG Rated 'Red'.



Another component of the performance reporting framework focuses on the progress against delivery of the Council Strategy's Priorities for Improvement. The graphic below illustrates results achieved against each priority for improvement.

Performance information was available for 20 performance measures and an additional four were either annual or baselining measures.

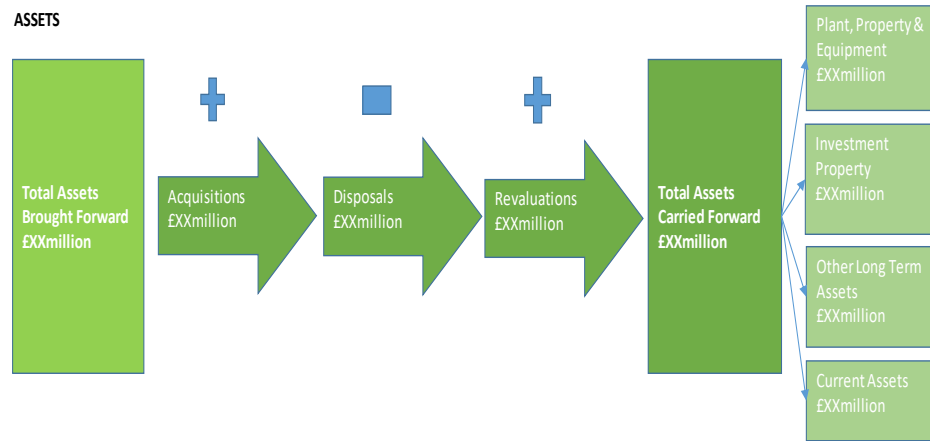


6. Financial Performance – Financial Context of the Council

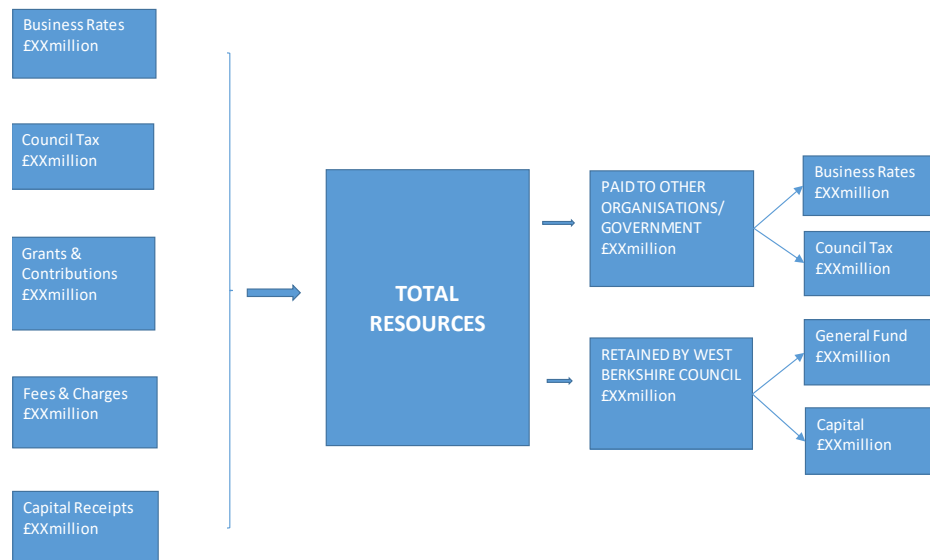
The Council manages net cashflows and assets of over £98million through:

1. Collecting over £85million in Business Rates, on which a proportion is retained.
2. Collecting over £97million of Council Tax
3. Managing a portfolio of £594million consisting of land, buildings and other assets, of which £75million relates to property investment.
4. Investing cash and investment balances of over £32million
5. Spending £145million (net) in support of Council services.
6. Accounting for fee and grant income of £249million for support expenditure on Council services.

ASSETS



RESOURCES



Graphics to be updated on completion of draft financial statements

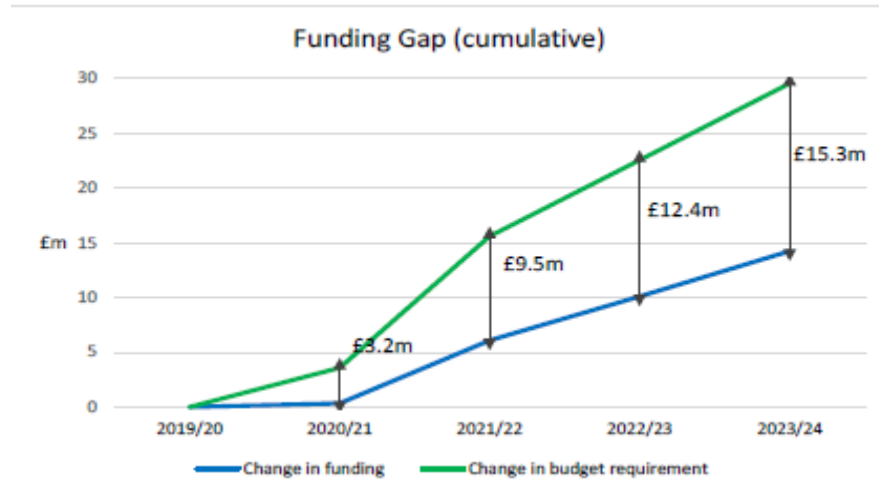
7. Financial Performance - Core Funding

Since 2010, local government has faced an increasingly challenging financial environment. The Council in common with the rest of local government has seen a reduction in grant funding (as part of a strategy to reduce the national deficit) and an increasing dependency on Council tax and Business Rates retention. There has been further uncertainty through the anticipated fair funding review which would set a new baseline funding allocation for local authorities by undertaking updated assessment of relative needs and resources. The outcomes of the government review had been anticipated to be updated in November 2020. However, as a result of the COVID pandemic and Brexit there is a level of uncertainty around the review and around the broader economic outlook presenting implications for local government finances and the review and increase Business Rates Retention plans have been moved back to 2021-22 at the earliest. The Council was successful in 2019-20 at being included in a Berkshire wide Business Rates pool which has seen additional funds to the Berkshire area and especially through to the Local Economic Partnership (LEP).

8. Future Challenges, Medium Term Financial Planning

The Council projects its finances over the medium term to ensure it is in a sustainable position to deliver essential public services and finance the delivery of its corporate plans.

The Medium Term Financial Strategy has been recently updated indicating that there is an expected funding of gap of £15.3million by 2023/24.



9. The Future and COVID 19

The Council holds a variety of statutory and non-statutory receivables including Business Rates (also known as Non Domestic Rates), Council Tax, debtor balances, trade receivables, loans receivable and bank balances. Measures taken nationally to control the pandemic has resulted in significant economic losses (nationally) that have affected collection rates as businesses and individuals experience financial effects of the national lockdown pandemic response.

In the short-term the Council has received £8.6million of COVID support grant funding from central government and £3.5 million of section 31 Business Rates Relief in advance to support short term cashflows.

The uncertainty caused by the pandemic has also significantly increased volatility in markets, impacting on valuations on non-current operational and non-operational assets, but also in investment properties and assets held by pension funds.

The impacts of this uncertainty is reflected within disclosure notes supporting the financial statements.

In 2020-21, at the time of writing, the Government has provided substantial assistance to the Council's financial response to Covid-19, including:

- Non ring-fenced funding of £8.6m
- High street re-opening = £140k
- Business grants = £29.3m
- Discretionary business grants = £1.2m
- Care home infection grant = £1.4m
- Homeless funds – share of national = £105m
- Further welfare support – share of national = £63m
- CTX welfare support - £585k
- Active travel = £124k + £tbck
- Public Health – outbreak plan - £540k

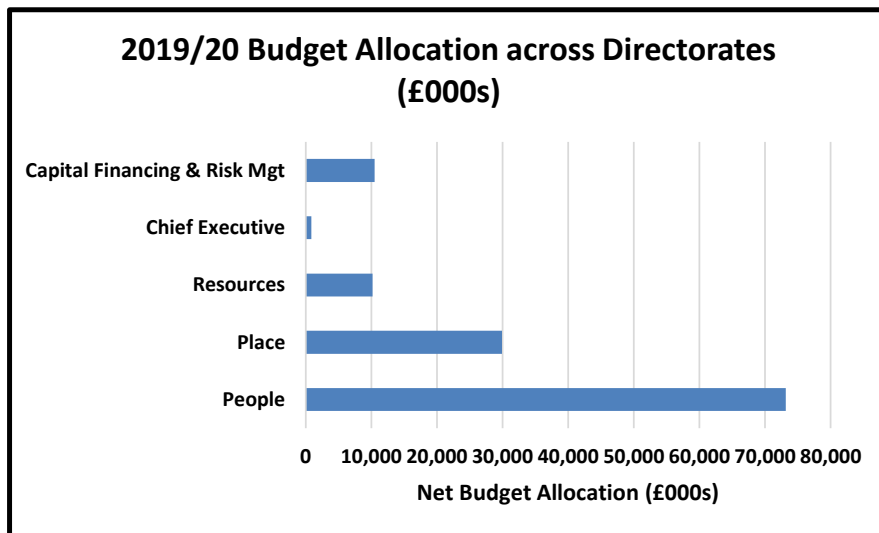
The economic impacts from the COVID pandemic and Brexit are anticipated to create further future economic challenges and uncertainty. To balance the budget there will be a continuing need for service transformation, efficiencies and other savings initiatives for the foreseeable future.

10. Financial Performance - 2019/20 Expenditure

DRAFT Going Concern Assessment as at 31st March 2020 and Supporting Draft Executive Director's Narrative Statement for the 2019/20 Financial Statements

To deliver a balanced budget in 2019/20 the Council undertook a savings programme of £6.2 million. The overarching savings strategy focused on income generation and avoiding service reductions through generation of efficiencies in respect of procurement activities and transformation programmes.

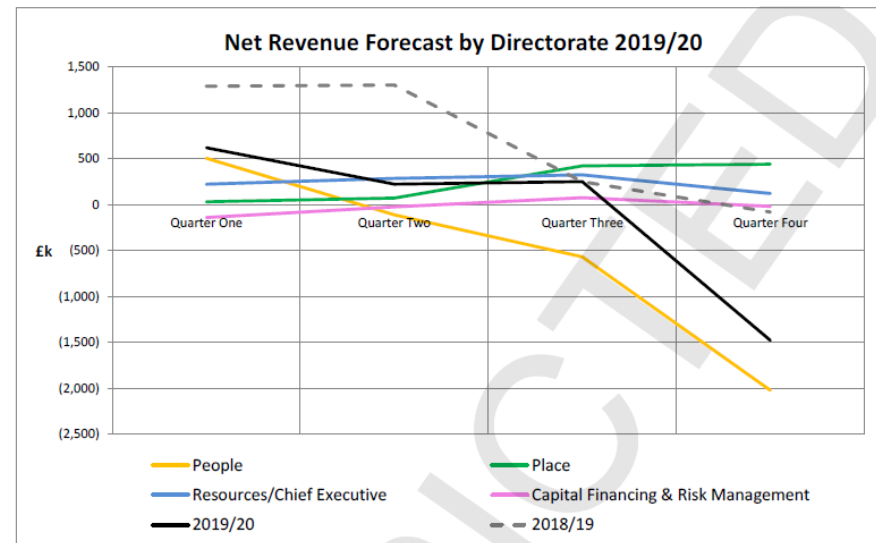
A net revenue budget of £125million was approved by Full Council in March 2019, allocated across services as follows:



Actual expenditure incurred on services during 2019/20 was 99% of the net revenue budget, reflecting robust financial management process of quarterly reporting to senior officers and elected members.

The main areas of underspend were in respect of the People directorate and specifically Adult Social Care of £1.3m. This is positive to see the enhanced financial management arrangements for the year following the review of ASC budget

management undertaken due to the 2018-19 FY. This is also reflected in the Annual Governance Statement. Other services were close to break-even with some smaller over and under-spends. The two key areas of note were the underspend in Children's & Families services, in part due to reduced demand, and un-met income from the Council actively not investing further in commercial property.



11. Financial Performance – The Balance Sheet

NET ASSETS £594 million (£572 million as at 31 March 2019)

The Council's balance sheet shows it has a net worth of £98million.

Total assets of £594million at the balance sheet date include:

- Operational land and buildings of £516million

DRAFT Going Concern Assessment as at 31st March 2020 and Supporting Draft Executive Director’s Narrative Statement for the 2019/20 Financial Statements

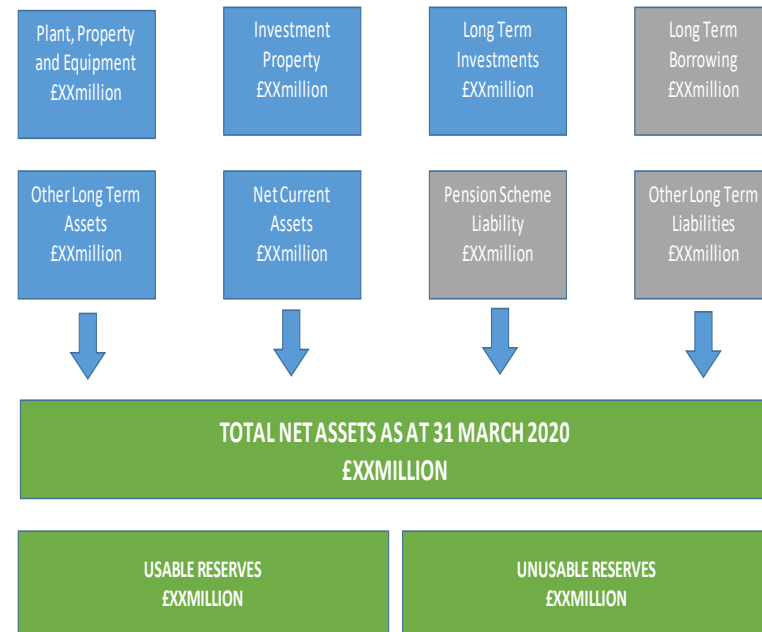
- Investment property of £75million

Total liabilities of £555million include:

- Long term borrowing of £219million
- The pension scheme potential future liability of £288million

The Council’s balance sheet includes £21.5million of useable reserves available to fund future spending plans.

The Council has maintained a strong year-end Balance Sheet. Sufficient funding is in place to repay both long and short term liabilities as these fall due.



This section including graphics will be updated on completion of 31st March 2020 Balance Sheet.

12. Financial Performance - Capital Expenditure

The Council has a three year capital investment programme. The capital programme for 2019/20 was £91.9million. Actual outturn against the programme was £52.4million underspend. The primary reason for the variance was a cessation in Commercial Property Investment during the financial year, reducing the expenditure requirement by £35million. The balance of the underspend relates to project expenditure which will be re-profiled into future financial years.

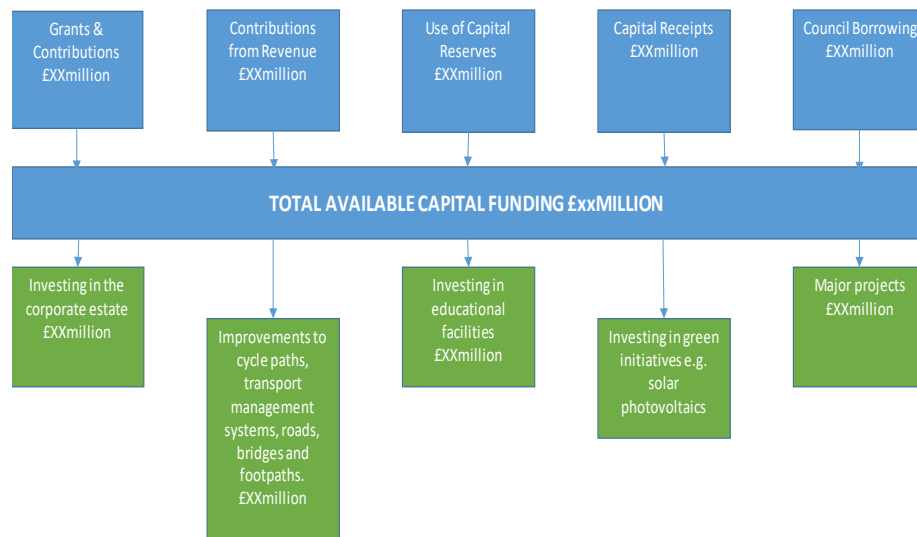
Key capital projects undertaken include:

- Investing in the Council's corporate estate inclusive of social care settings.
- Improved cycle paths, transport management systems, roads, bridges and footpaths.
- Investment into education facilities
- Investment into green initiatives inclusive of solar photovoltaics.
- Investing in new major projects

Graphics to be updated upon completion of the 31st March 2020 balance Sheet.

Insert photos of major schemes for final financial statements

This expenditure is financed from a combination of capital receipts, grant funding and the Council's own financial resources inclusive of long term borrowing. The graphic below details how capital expenditure was financed in 2019/20.



13. Annual Governance Statement

A risk management policy is in place to identify and evaluate risk and to feed into the Annual Governance Statement (AGS). There are clearly defined steps to support better decision making and to facilitate robust understanding of risk, whether a positive opportunity or a threat and the likely impact. The risk management process is subject to regular review and scrutiny. The key actions for the AGS for the year ahead are included in the below in respect of the AGS FY2019-20:



AGS Conclusion

The FY 2019-20 has continued to see the sound financial management highlighted by the LGA peer review. The additional funding to put into reserves for a variety of known financial pressures, both Covid-19 related and in respect of ongoing financial pressures across the sector is important to protect Council services in the long term and also to allow some investment in the new Council Strategy in 2020-21. Performance continues to be good across the Council; the Council understands where performance is stronger or weaker and regularly monitoring allows management action to improve services. The FY 2019-20 saw the start of the Covid-19 outbreak; there will be a much greater impact on the FY 20-21, but the financial position in FY 2019-20 does help support the Council's going concern position as does Government funding provided. The uncertainty provided by Covid-19 will impact these financial statements; risks are changing as is the ability to value assets and the long term position of certain asset classes and the impact on the pension. The Council's continued focus on finance and performance, and use of the LGA peer review to improve, stand the Council in good stead to respond and recover from Covid-19 during the FY 2020-21.

14. Explanation of Accounting Statements

The statement of accounts sets out the Council's income and expenditure for the financial year and its financial position as at 31 March 2020. The accounts comprise of core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting, which in turn is underpinned by International Financial Reporting Standards.

The core statements are:

- The Comprehensive Income and Expenditure Statement – this records all of the Council's income and expenditure for the year. The first half of the statement provides an analysis by service area and the second half focuses on corporate transactions and funding.
- The Movement in Reserves Statement is a summary of the changes to the Council's reserves over the course of the financial year. Reserves are classified as "usable" which can be invested in capital projects or service improvements and "unusable" reserves which must be set aside for specific legal or accounting purposes.
- The Balance Sheet which is a position statement of the Council's assets, liabilities, cash balances and reserves as at the 31 March.
- The Cash Flow Statement which documents the reasons for changes in the Council's cash balances during the financial year, and whether the changes are due to operating activities, new investment or financing activities (e.g. repayment of borrowing or other long term liabilities).

The supplementary Financial Statements are:

- The Annual Governance Statement, which sets out the governance structures of the Council and its key internal controls.
- The Collection Fund, which summarises the collection and redistribution of Council Tax and Business Rates.

The notes to these financial statements provide further detail about the Council's accounting policies and individual transactions.

A glossary of key terms is at the end of the Financial Statements