

Bolsover District Council

Meeting of the Audit Committee on 25th September 2025

Assessment of Going Concern Status

Report of the Director of Finance & Section 151 Officer

Classification	This report is public
Contact Officer	Theresa Fletcher Director of Finance & Section 151 Officer

PURPOSE/SUMMARY OF REPORT

To inform the Committee of the Section 151 Officer's assessment of the Council's Going Concern status for the purposes of producing the Statement of Accounts for 2024/25.

REPORT DETAILS

1. Background

- 1.1 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 Statement of Accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out the 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).
- 1.2 If an authority were in financial difficulty, the prospects are 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.
- 1.3 Where the assessment determines the going concern status is not proven, 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.
- 1.4 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2024/25 (hereafter referred to as the Code) which is 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 for 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.

- 1.5 The provisions in the 2024/25 Code section 3.4 (Presentation of Financial Statements) on the going concern accounting requirements, reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their financial statements to be prepared on anything other than a going concern basis.
- 1.6 The requirement to use the going concern basis of accounting means that authorities do not apply paragraph 25 of International Accounting Standard 1 Presentation of Financial Statements mandating management to make an assessment of the authority's ability to continue as a going concern.
- 1.7 Given the significant reduction in funding for local government in recent years and the potential threat this poses to the ongoing viability of councils as a consequence, external auditors continue to place a greater emphasis on local authorities undertaking an assessment of the going concern basis on which they prepare their financial statements.
- 1.8 The main factors which underpin this assessment are:
 - The Council's current financial position;
 - The Council's balance sheet;
 - The Council's cash flow;
 - The Council's projected financial position;
 - The Council's governance arrangements;
 - The regulatory and control environment applicable to the Council as a local authority.

THE ASSESSMENT

The Council's Current Financial Position – Revenue Resources

General Fund

- 1.9 As reported to Executive in July, the Council under spent on the General Fund revenue budget in 2024/25 by £1.588m. As at 31 March 2025, the Council held a General Fund Balance of £2.001m and held Earmarked Reserves totalling £24.672m.
- 1.10 Earmarked Reserves are used to fund both revenue and capital expenditure. The Earmarked Reserves balance has increased by £1.659m during the year, reflecting the favourable outturn on the general fund and under spend on the capital programme, for which the financing will now move into 2025/26.

- 1.11 The adequacy of reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on a regular basis.

Housing Revenue Account (HRA)

- 1.12 The financial performance in 2024/25 resulted in a net under spend of £0.810m after interest and depreciation on the HRA revenue budget. As at 31 March 2025 the Council held an HRA Balance of £2.007m which was increased to this level during 2024/25, as planned in the MTFP.
- 1.13 Earmarked Reserves totalling £3.397m were held and the net reserve movement during 2024/25 was a decrease of £0.561m, which was predominantly used to fund the capital programme. The level of adequate reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on an annual basis.
- 1.14 The HRA has a 30-year Business Plan which is showing as affordable with the required estimated resources available to meet the plan. Following a comprehensive stock condition survey carried out during the financial year, the Business Plan is in the process of being updated, and the capital programme being reprofiled in response to the survey findings.
- 1.15 The Council's full outturn report, which was presented to the Executive on the 28th of July 2025, and contains 7 appendices, is available on our website.
- 1.16 The Section 151 Officer is satisfied that the Council's financial outturn for both General Fund and HRA, does not present any material uncertainties regarding the Council's ability to continue as a going concern.

The Council's Balance Sheet as at 31 March 2025

- 1.17 In finalising the Council's Balance Sheet for 2024/25, detailed consideration was given to a wide range of matters to ensure its robustness, including:
- An assessment of asset valuations based on the latest information.
 - An assessment of the pension liability by the external actuary, Hymans Robertson LLP.
 - A review of debts owed to and by the Council.
 - The adequacy of risk-assessed provisions for doubtful debts.
 - A review of the adequacy and range of reserves set aside to help manage expenditure.
- 1.18 The Council's net assets amounted to £249.952m (£240.637m as at 31 March 2024) and Usable Reserves totalled £53.369m (£49.692m as at 31 March 2024).
- 1.19 We are satisfied that there are no material liabilities or underlying issues regarding the strength of the Council's balance sheet which present any material uncertainties regarding the Council's ability to continue as a going concern.

The Council's Cash Flow

- 1.20 The Council maintains short and long-term cash flow projections and manages its cash, investments and borrowing in line with the Council approved Treasury Management Strategy. As at the 31 March 2025, the Council had long-term borrowing commitments of £78.6m, held £15m in short-term investments and had £5.6m in Cash and Cash Equivalents. The Council has adequate financial resources to meet its immediate financial obligations.
- 1.21 We are satisfied that there are no significant issues regarding the strength of the Council's underlying cash flow which present any material uncertainties regarding the Council's ability to continue as a going concern.

The Council's Projected Financial Position – Revenue Resources

- 1.22 The financial projection for 2025/26 to 2028/29 was approved by Members in January 2025 in the MTFP. The Council set a balanced budget for 2025/26 with a 2.99% increase in Council Tax.
- 1.23 To help mitigate losses caused by expected future changes in Government funding the NNDR Growth Protection Reserve was created a number of years ago. Extra income received from all sources of Government funding was transferred into the reserve if the budget for that year had already been in surplus when the extra funding was realised. The balance accumulated means we are able to use the reserve to even out the anticipated government funding losses over three years of the current MTFP, with a budget gap of £0.953m in the final year.
- 1.24 Latest estimates from the MTFP for transfers from the reserve to support general fund are £0.049m 2025/26; £4.964m in 2026/27; £5.017m for 2027/28 and £4.180m for 2028/29.
- 1.25 The Council's Section 151 Officer made a formal statement in January 2025 as part of the approval on the robustness of estimates and the adequacy of reserves, as contained within the MTFP. We have revisited the underlying assumptions and plan and are satisfied at this stage that the financial plan remains intact. We will continue to review the performance against our 2025/26 budget and ensure our MTFP is updated as part of our 2025/26 budget preparations to reflect any significant changes.
- 1.26 At this stage we are satisfied that the Council's forecast financial position does not present any material uncertainties regarding the Council's ability to continue as a going concern.

The Council's Governance Arrangements

- 1.27 The Council's Constitution sets out our governance arrangements. These describe how the Council conducts its business, how decisions are made, who can make them and what rules and procedures must be followed to ensure those decisions are well-informed, efficiently taken, transparent, and accountable to local people. Some of the processes are required by law, while others have been decided by the Council. The Council will exercise all its powers and duties in accordance with the law and the Constitution.

- 1.28 The Council has a well-established and robust corporate governance framework. This includes the statutory elements such as Head of Paid Service, the Monitoring Officer, and the Section 151 Officer in addition to the current political arrangements. An overview of this governance framework is provided within the Annual Governance Statement which can be found on the Council's website.
- 1.29 Whilst it is not possible to provide absolute assurance, the review process as outlined in the Annual Governance Statement does conclude that the existing arrangements remain fit for purpose and help provide reasonable assurance of their effectiveness. There are no plans for the Council to be reorganised or dissolved before the national programme of Local Government Reorganisation in 2028/29, and we expect to operate under the current framework until this time.
- 1.30 We are satisfied that there are no significant issues regarding the Council's governance framework which present any material uncertainties regarding the Council's ability to continue as a going concern.

The External Regulatory and Control Environment

- 1.31 As a principal local authority, the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for the Council to have regard to consideration of such matters as the 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 the external auditor as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.
- 1.32 The provisions in the Code on the going concern requirements reflect the economic and statutory environment in which local authorities operate. The Council is aware that there is a requirement to consider any material uncertainties which would impact on the Council's ability to continue as a going concern.

Government Funding – Fair Funding Review 2.0

- 1.33 In the quarter 1 budget monitoring report presented to Executive on the 8th of September 2025, the Section 151 Officer gave an update on government funding, with the publication of the Fair Funding Review 2.0 consultation.
- 1.34 Bolsover District Council is included in a group of 49 local authorities who without transitional arrangements, could see their available government funding fall from 2026/27 onwards.
- 1.35 As discussed earlier in this report, we have been making provision for these losses for a number of years, with the NNDR Growth Protection Reserve. Whilst communication from MHCLG is ongoing, we are unlikely to receive any concrete figures on the transitional arrangements before the local government finance settlement is announced in December 2025.

- 1.36 However, it is the Section 151 Officer's view that the combination of the Council's own reserve and the transitional arrangement support will not represent a significant issue regarding the Council's ability to continue as a going concern. We are therefore, satisfied that there are no significant issues regarding the external regulatory and control environment which present any material uncertainties regarding the Council's ability to continue as a going concern.

The Dragonfly Companies

- 1.37 On the 28th of July 2025, the Executive approved the services and staff within the Council's wholly owned companies; Dragonfly Development Limited and Dragonfly Management (Bolsover) Limited, be brought in-house (within Bolsover District Council).
- 1.38 This followed a review of the companies by Local Partnerships, commissioned by the Council during the first quarter of 2025/26. The Local Partnership's option appraisal recommended that this option would be the most beneficial for the Council.
- 1.39 The cost of Dragonfly Management (Bolsover) Limited was 100% funded by the Council. The costs of Dragonfly Development Limited were funded by a small amount of external work for other local authorities, but mainly through providing the Council's Capital Programme.
- 1.40 It is for these reasons that we are satisfied that there are no significant issues regarding the Council's wholly owned companies which present any material uncertainties regarding the Council's ability to continue as a going concern.

CONCLUSION

- 1.41 It is considered that having regard to the Council's arrangements and such factors as highlighted in this report that the Council remains a going concern and the Council's accounts for 2024/25 have appropriately been prepared on this basis. This report gives the assessment by the Council's Section 151 Officer in support of presenting the Accounts for approval and provides assurance to Forvis Mazars, the Council's external auditor.

2. Reasons for Recommendation

- 2.1 An assessment of the Council's going concern status is required for the preparation and approval of the Statement of Accounts for the financial year ended 31 March 2025.

3 Alternative Options and Reasons for Rejection

- 3.1 No alternative options are offered, the going concern status has been determined.
-

RECOMMENDATION(S)

That the Committee accepts the outcome of the assessment of the Council's going concern status for the purposes of preparing the Statement of Accounts for 2024/25.

Approved by Councillor Clive Moesby, Portfolio Holder for Resources

IMPLICATIONS:

Finance and Risk: Yes ☐ No ☒

Details:

There are no additional financial implications arising from this report.

On behalf of the Section 151 Officer

Legal (including Data Protection): Yes ☐ No ☒

Details:

There are no legal or data protection issues arising directly from this report.

On behalf of the Solicitor to the Council

Environment:

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

Details:

Not applicable to this report.

Staffing: Yes ☐ No ☒

Details:

There are no human resource issues arising directly out of this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards, or which results in income or expenditure to the Council above the following thresholds: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies	No
Is the decision subject to Call-In? <i>(Only Key Decisions are subject to Call-In)</i>	No

District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Executive <input type="checkbox"/> SLT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Details:

Links to Council Ambition: Customers, Economy, and Environment.

DOCUMENT INFORMATION	
Appendix No	Title

Background Papers
<i>(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive, you must provide copies of the background papers).</i>
None