Appendix

Assessment of Going Concern

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 2025/26 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code, the Statement of Accounts are 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.

The main factors which underpin the going concern assessment are the Council's current financial position; projected financial position; governance arrangements; and the regulatory and control environment applicable to it as a local authority. These are considered in more detail below.

Current Financial Position

The Council's financial outturn position 2025/26 showed a £1.885m underspend against revised budget which culminated with a £183k contribution to General Fund balances. The General Fund Revenue Reserves amounted to £5.740m as at 31 March 2026. In addition, the Council held earmarked reserves of £3.685m to meet specific identified pressures, but which ultimately may be diverted to support general expenditure by the Section 151 Officer should the need arise.

General reserves reflect the ability of the Council to deal with unforeseen events and unexpected financial pressures in any particular year and are a key indicator of the financial resilience of the organisation. As part of the Medium-Term Financial Strategy, the Section 151 Officer has assessed that the optimum level of general reserves to be held by the Council to be at or above £1.5m and at least equal to 5% of the Council's net operating expenditure. General Fund Reserves were at £5.740m as at 31 March 2026.

The Council also held £12.0m in the form of either cash or short-term investments maturing within the next financial year as at 31 March 2026.

On capital, there was £42.5m of expenditure in the approved capital programme for the year. This represents an underspend of £25.7m against the budget, with the main reasons being general underspending and slippage on major capital schemes (predominantly the housing new build programme and grant funded economic regeneration projects). Budgets to the value of £20.7m have been carried forward into 2026/27. The Council funds its capital programme from a mixture of capital receipts, direct financing from revenue, government grants and partnership funding such as developer contributions and prudential borrowing.

The Council's Balance Sheet, as at 31 March 2026, shows a net worth of £226.4m with a net pension liability of £196k. There are statutory arrangements for funding the pension deficit through increasing contribution over the remaining working life of the employees, as assessed by an independent actuary. The financial position of the Council remains healthy.

Other factors giving rise to this assessment include:

- The adequacy of risk assessed provisions for doubtful debts.
- The range of reserves set aside to help manage expenditure.
- An adequate risk assessed working balance to meet unforeseen expenditure.

Projected Financial Position

In February/March 2026, the Council approved a balanced budget for 2026/27. This allowed for net spending of £16.1m and required a Council Tax increase of 2.94%, pressures/growth of £1.328m, savings/additional income of £835k through the Business Strategy and the use of £760k from General Fund reserves.

The Medium-Term Financial Strategy (MTFS) is updated twice-yearly and reflects a four-year assessment of the Council's spending plans and associated funding. It includes the ongoing implications of approved budgets and service levels and the revenue costs of the capital programme, as well as the management of debt and investments. An update on the MTFS, covering the four-year period to 2029/30 will be reported to Cabinet in November 2026.

With the Council having already overcome significant reductions in government grant funding, it is anticipated that the MTFS will identify a significant budget gap of around £6.2m over the period to 2029/30. The Council has developed a Business Strategy to identify efficiency savings and additional income to manage the reduction in resources. The budget will be monitored over the medium-term period by Cabinet.

The Council has a well-established process for the development of the Capital Strategy, reported to Cabinet every year, which ensures the Council maintains a capital programme which is prudent, sustainable and affordable. The three-year capital budget for 2025/26 to 2027/28 is £59.5m, including capital works for the Housing Revenue Account (HRA), housing delivery and new build programme, significant economic regeneration projects at Stapleford and Kimberley, environmental services and climate change and ICT. There is also £20.7m in capital budgets being brought forward from 2025/26 and the new replacement Bramcote Leisure Centre at a budget of £21.4m to complete the project.

Governance Arrangements

The Council has a well-established and robust corporate governance framework. This includes the statutory elements with the Head of Paid Service (Chief Executive); Section 151 Officer (Deputy Chief Executive); and Monitoring Officer (Director of Legal and Democratic Services); with new interim Director roles now added to the General Management Team (GMT) in addition to the current political arrangements.

An overview of the governance framework is provided in the Annual Governance Statement which is included within the Statement of Accounts. This was presented to this Committee on 18 May 2026 and included a detailed review of the effectiveness of the Council's governance arrangements.

External Regulatory and Control Environment

As a local authority, the Council must 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 local authorities 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 auditors as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

Against this backdrop it is considered unlikely that a local authority would be 'allowed to fail' with the likelihood being that, when faced with such a scenario, central government would intervene and be supported by organisations such as the Local Government Association to bring about the required improvements or help maintain service delivery. That said, given the severity of the earlier pandemic on the country's finances and the recent economic context and inflationary pressures, it would be complacent to sit back and wait for Government intervention.

Local Government Reorganisation

In December 2024, the government published the English Devolution White Paper setting out its vision for simpler local government structures. All two-tier county, district and small unitary councils are to be replaced by larger unitary authorities.

Councils have developed and submitted proposals for the new unitary authorities in line with the Government's criteria and the expectation is that new unitary authorities will be in place by 1 April 2028. Under these plans, Broxtowe Borough Council as an entity would cease to exist but all its services, functions and finances would be transferred to the new unitary authority. As such, the proposed reorganisation does not impact on Broxtowe's operational existence.

Conclusion

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.