

Audit Committee
Meeting Date – 29th August
2024



Going Concern Report for 2023/24 Statement of Accounts

Executive Member(s): Liz Leyshon – Lead Member for Resources and Performance

Lead Officer: Jason Vaughan – Executive Director Resources & Corporate Services
(Section 151 Officer)

Author: Jason Vaughan – Executive Director Resources & Corporate Services (Section
151 Officer)

Contact Details: Jason.Vaughan@somerset.gov.uk

Summary / Background

1. Public sector organisations have always been assumed to be a “going concern” because they are financed by taxation. However, austerity over the last decade has started to throw doubt on that assumption because a number of local authorities have issued Section 114 notices. These developments have caused external auditors to request that their auditees undertake an assessment into whether the organisation is a going concern, rather than make an assumption.
2. The Statement of Accounts for Somerset Council are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code). The Code has been prepared under International Financial Reporting Standards, which have been adopted as the basis for public sector accounting in the UK. The Code is prepared and published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
3. In accordance with the Code, the Statement of Accounts are prepared on the basis that Somerset Council is a going concern. This assumes that the council will have the resources to continue to deliver their respective functions and

services for the foreseeable future.

4. When it appears to a Section 151 Officer that the organisation does not have sufficient resources to meet its proposed expenditure in a financial year the Section 151 Officer must make a report under Section 114(3) of the Local Government Finance Act 1988. Several Local Authorities have now issued Section 114 reports. In auditing the Statement of Accounts, external auditors are placing greater emphasis on considering an organisation's ability to operate as a going concern. They are now looking for a clear demonstration that an organisation has actively considered whether it has the resources to continue to deliver its services and functions for the foreseeable future.
5. The main factors which underpin an assessment of "going concern" are:
 - The current financial position;
 - The projected financial position;
 - The strength of the Balance Sheet;
 - Cash flow;
 - Corporate governance arrangements
 - The external regulatory and control environment.

The financial challenges facing the new Council have been documented, with a "financial emergency" being declared in November 2023. The Section 151 Officer has carried out a review of the Council's finances which is set out in Appendix A. The conclusion is that the council is now in a more positive financial position with:

- 2023/24 underspend of just under £2m
 - General Reserves of over £52m
 - 2024/25 budget monitoring forecasting an underspend of £0.2m
 - Approved Financial Strategy and updated MTFP showing that the budget can be balanced over the medium term.
6. On this basis it is appropriate that the 2023/24 statement of accounts are prepared on a "going concern" basis.

Issue for Consideration / Recommendations

7. Members of the Audit Committee are asked to note the Section 151 Officers assessment that the Council is a “going concern” and that the 2023/24 statement of accounts should be prepared on that basis.

Financial and Risk Implications

8. Appendix A sets out the details of the Council's finances and the conclusion that a Section 114 Notice is not required. However, there remains several significant risks that will need to be carefully monitored and if things change, the council will need to be agile and react quickly to the changing circumstances and taken decisive action.

Legal Implications

9. There are no specific legal issues relating to this report.

Background Papers

10. Section 151 Officer 25 Report on the 2024/25 Budget in respect of the Robustness of the Budget Estimates and Adequacy of Reserves.
11. 2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council 22 February 2023
12. Letter from DLUHC 24 January confirm
13. 2024/25 Budget Setting reports, Treasury Management Report and Capital Strategy to Council 20 February 2024

Appendices

Appendix A – Section 151 Officers Assessment of the need to issue a section 114 notice
– 12 August 2024