

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	18 JUNE 2026
Report Title:	GOING CONCERN ASSESSMENT
Report Owner: Responsible Chief Officer / Cabinet Member	CORPORATE DIRECTOR – FINANCE AND TRANSFORMATION
Responsible Officer:	NIGEL SMITH GROUP MANAGER – CHIEF ACCOUNTANT
Policy Framework and Procedure Rules:	There is no impact on the policy framework or procedure rules
Executive Summary:	<ul style="list-style-type: none"> • The Council’s auditors are required to have assurance that the Council is able to evidence that it has completed a ‘going concern’ assessment, which underpins the preparation of the annual Statement of Accounts. • This report confirms the assessment of the Council as a going concern as required by the Chartered Institute of Public Finance and Accountancy’s (CIPFA’s) Code of Practice on Local Authority Accounting.

1. Purpose of Report

- 1.1 This report informs the Committee of the Section 151 (s151) Officer’s (Corporate Director – Finance and Transformation) assessment of the Council as a ‘Going Concern’ for the purposes of producing the 2025-26 Statement of Accounts.

2. Background

- 2.1 The concept of a ‘going concern’ assumes that local authorities, their functions and services, will continue in operation for the foreseeable future. This assumption underpins the Statement of Accounts drawn up under the Chartered Institute of Public Finance and Accountancy’s Code of Practice on Local Authority Accounting (the Code). The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. The assumption is made because local authorities provide services essential to the local community and are themselves revenue-raising bodies through council tax, fees and charges. Should the Council find itself in financial difficulty it would be anticipated that

Welsh Government would need to provide assistance and/or continuance of the Council's services.

2.2 Should the Council be deemed to not be a 'going concern' particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at the book values, and provisions might be needed for closure costs and redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements. The audit of Local Authorities is carried out under the auditing standard *ISA 315 (UK) Identifying and Assessing the Risks of Material Misstatement (Revised July 2020)*. This standard is effective for audits of accounts for periods beginning on or after 15 December 2021 and applies to the audit of all private and public sector entities across the UK. As part of the audit planning for the 2025-26 Statement of Accounts, the auditors will seek the Council's assessment of whether the Council is preparing its Statement of Accounts on a 'going concern' basis.

2.3 This report sets out the position for Bridgend County Borough Council. The Council's accounts are prepared in accordance with CIPFA's Code, which assumes 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. The main factors which underpin this 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 External Regulatory and Control Framework.

Each of the above is considered below.

3. Current situation / proposal

3.1 The Council's current financial position

3.1.1 It is expected that the Council will show an underspend for the current financial year ending 31 March 2026 in the region of £13 million. This takes account of planned draw down from revenue and capital earmarked reserves of £5.020 million during the year and a net increase to reserves of £11.29 million. Going forward the budget will continue to be monitored closely and on a regular basis.

3.1.2 As at 31 March 2026 the Council Fund was £10.286 million, an increase from the previous year balance which was £10.008 million. The Council also held other usable reserves, including earmarked reserves, capital receipts and capital grants unapplied of £113.657 million, an increase of £8.043 million from the previous year.

3.2 The Council's Balance Sheet

3.2.1 Based on the draft, unaudited 2025-26 Statement of Accounts, the Council's net assets amounted to £694.567 million as at 31 March 2026 and usable reserves totaled £123.943 million. Officers are not aware of any 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.

3.3 The Council's Cash Flow

3.3.1 The Council manages its cash, investments and borrowing in line with the approved Treasury Management Strategy. As at 31 March 2026 the Council had long term borrowing commitments of £92 million and held Cash and Cash Equivalent balances of £12.211 million. These include Money Market Fund investments which are classified as Cash and Cash Equivalents rather than short term investments within the Statement of Accounts. The Council has continued to manage its borrowing and investments during 2025-26 in line with the approved Treasury Management Strategy and has adequate financial resources to meet its immediate financial obligations. Officers 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.

3.4 The Council's projected financial position

3.4.1 The anticipated revenue outturn position for 2025-26 is a forecast underspend of £13.381 million. This comprises a net underspend on Directorates of £6.663 million, a net underspend on Council wide budgets of £5.944 million, higher than anticipated council tax income of £0.774 million. Net transfers to Earmarked Reserves was £13.103 million with a net transfer to the Council Fund of £0.278 million.

3.4.2 Going forward the situation remains challenging with the budget for 2026-27 balanced on the basis of achieving £2.348 million of budget reductions and a council tax increase of 4.7%. Projections of funding for future years are still unknown but the situation looks extremely challenging and early and strong financial planning will be essential to setting a balanced budget. The Council currently has in place robust processes to support the budget planning process.

3.5 The Council's Governance Arrangements

3.5.1 The Council has a well-established and robust corporate governance framework. The Council's Code of Corporate Governance was updated during the financial year and was presented to the Governance and Audit Committee on 21 May 2026. The governance arrangements include the statutory requirements for a Head of Paid Service, the Monitoring Officer and the Section 151 Officer. An overview and review of the governance framework is provided within the Annual Governance Statement.

3.5.2 The Head of Internal Audit's overall annual opinion due to be reported to the Governance and Audit Committee on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2025-26 is of 'Reasonable Assurance'. Based on the work undertaken by Internal and External Audit the overall opinion for risk management is one of 'Limited Assurance'. Officers 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.

3.6 The External Regulatory and Control Framework

- 3.6.1 As a local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement to set 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 these there are other factors, such as the role of external audit, as well as the statutory requirements in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.
- 3.6.2 The provision in the Code on the going concern requirements reflects the economic and statutory environment in which local authorities operate. The economic climate for local authorities is challenging, and the Council will have to consider how it shapes its services to meet the financial constraints moving forward. Whilst this will be challenging officers are satisfied that there are not any material uncertainties regarding the Council's ability to continue as a going concern.

3.7 Material Uncertainties

- 3.7.1 The Council is required to consider any material uncertainties related to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern, and there are currently no concerns in this respect.

4. Equality implications (including Socio-economic Duty and Welsh Language)

- 4.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

- 5.1 The Act provides the basis for driving a different kind of public service in Wales, with 5 ways of working to guide how public services should work to deliver for people. The following is a summary to show how the 5 ways of working to achieve the well-being goals have been used to formulate the recommendations within this report.
- **Long-term** - the confirmation of the Council as a going-concern underpins the continued provision of services in both the short-term and long-term.
 - **Prevention** – assessing the Council as a going concern supports the continued provision of services to residents and visitors to the County Borough.
 - **Integration** – the Council has a number of integrated services e.g. health and social care and as a going concern will continue to do so for the future.
 - **Collaboration** – the Council will continue to provide services to its community in a collaborative way with other organisations.

- **Involvement** – the Council has effective partnership working, involving external organisations and individuals and communicates and collaborates with them where necessary.

6. Climate Change and Nature Implications

- 6.1 The assessment of the Council as a going concern will enable it to continue its progress towards decarbonisation. There are no specific impacts arising from this report.

7. Safeguarding and Corporate Parent Implications

- 7.1 The assessment supports the Council's requirement of effective partnership working between all those involved in providing services for children, young people and adults at risk.

8. Financial Implications

- 8.1 There are no specific financial implications arising from this report. The report confirms the assessment of the Council as a going concern.

9. Recommendation

- 9.1 It is recommended that the Governance and Audit Committee note the outcome of the assessment of the Council's going concern status for the purpose of preparing the 2025-26 Statement of Accounts.

Background documents

None