

Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the County Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The County Council carried out a detailed assessment of future financial risks, including the likely ongoing impact of COVID-19 on its financial position and performance when setting the budget and medium term financial strategy. For the purposes of the assessment, the 'foreseeable future' has been interpreted as the medium term financial planning horizon.

This assessment included consideration of the following:

In relation to the ongoing impact of COVID-19:

- Loss of income on a service by service basis due to temporary closures and reduction in demand, and the potential for increased collection losses and reduced tax base growth.
- Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to and recovery from the crisis such as additional demand in the Multi Agency Safeguarding Hub (MASH).
- Changes to government policy, e.g. guidance on supplier relief, additional funding for local authorities, and additional responsibilities which sit alongside this.
- The impact on the County Council's capital programme, e.g. delays caused by government restrictions, and whether there is a need to rephase work for other reasons.

In relation to the Council's priorities and funding:

- The estimated impact of changes to funding including the Review of Relative Needs and Resource and 75% business rates retention.
- Managing the impact of rising need, caused by population growth and increased complexity, for adult and children's social care through demand management approaches, more effective pathways and delivering better value for money.
- Deliver the ambitions of the climate change action plan in the context of the opportunities for a green recovery.
- Focus on reducing health inequalities, healthy place shaping and working to reduce inequality and support those most vulnerable in our society.

In relation to the overall impact of the above:

- The impact on the County Council's cash flow and treasury management, including availability of liquid cash (as at May 2021 the Council has around £103m instant access investments), impact on investment returns, and availability of external borrowing if required.
- The estimated overall impact on the County Council's General Fund and Earmarked Reserves balances.

This assessment informed the budget for 2021/22, medium term financial strategy to 2025/26, and ten-year Capital Programme to 2030/31 with mitigations and investments included to address risks and issues highlighted in the assessment. The budget was approved by Council on 9 February 2021.

Included in the budget for 2021/22 is £11.9m of general grant funding to manage the ongoing impact of COVID-19. This will be utilised as needed in 2021/22 and beyond alongside the £6.0m Collection Fund Reserve and £14.2m COVID-19 Reserve.

The County Council's General Fund balance as at 31 March 2021 is £34.6m (subject to year-end adjustments and audit). The Council's prudent minimum balance on the General Fund is £28.8m representing 6% of the net revenue budget. It is therefore noted that there is significant headroom within the General Fund to absorb the estimated financial impact of COVID-19 in the short to medium-term and to manage the impact of future changes to funding. This is consistent with the average of 5.5% for County Councils as per CIPFA's Financial Resilience Index 2021.

The Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For this reason and the reasons set out above, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future. In addition, management are not currently aware of any significant information that is available for the period beyond 2025/26 that would indicate a contrary conclusion.