Audit and Governance Committee

15 July 2026

Reading Borough Council
Working better with you

Title	2025/26 Draft Statement of Accounts
Purpose of the report	To note the report for information
Report status	Public report
Executive Director/ Statutory Officer Commissioning Report	Darren Carter, Director of Finance (S.151 Officer)
Report author	Nicky Blacker, Deputy Chief Accountant
Lead Councillor	Cllr Ruth McEwan, Lead Councillor for Corporate Services and Resources
Council priority	Not applicable, but still requires a decision
Recommendations	1. That the Committee notes the unaudited draft 2025/26 Statement of Accounts

1. Executive Summary

1.1. This report updates the Committee and confirms that the draft 2025/26 Statement of Accounts has been published on the Council's website by the statutory deadline of 30 June.

1.2. The formal public inspection period commenced on 1 July 2026 and runs for 30 working days until 11 August 2026.

1.3. The Government has set a backstop date of 31 January 2027 for the external audit opinion to be issued on the 2025/26 Statement of Accounts.

2. Contribution to Strategic Aims

2.1. The external audit process includes the approval by Full Council of the annual Statement of Accounts results and the publication of accurate, transparent financial information which gives a true and fair view of Reading Borough Council's economic performance and financial stability. The Audit and Governance Committee plays an important role in reviewing the Council's processes for producing the accounts, and any associated audit reports.

3. Progress on publication

3.1. Reading's Draft 2025/26 Statement of Accounts has now been published on the Council's website and is available at the link below and also as an appendix to this report:

https://www.reading.gov.uk/the-council-and-democracy/finance-and-legal-information/statement-of-accounts/

3.2. The accounts comprise the Statement of Accounts for Reading Borough Council, and also the Reading Borough Council Group which includes the three significant subsidiaries Brighter Futures for Children (which ceased trading on 30 September 2026), Reading Transport Limited and Homes for Reading.

3.3. The information included for the Group entities is based on draft unaudited financial statements.

3.4. The latest national position for published draft accounts, compiled by an independent local government finance specialist, showed that only 83% of Councils in England published by the statutory deadline, an improvement from last year where only 75% achieved this.

LGimprove — Published Accounts Tracker

	2024/25		2025/26	
	Not published	Published Unaudited	Not Published	Published Unaudited
ILB	1	11	4	8
OLB	6	14	3	17
Met	13	23	8	28
Unitary	13	49	9	53
County	1	20	2	19
Upper Tier	34	117	26	125
Districts	46	118	28	136
Total England	**80**	**235**	**54**	**261**
		75%		83%

Information as at 30 June 2026.

3.5. Members will recall that the Council's accounts were disclaimed last year. This means that the opening balances for the 2025/26 Statement of Accounts, and in many cases prior year comparator figures will need an additional amount of work to gain audit assurance on them. KPMG will be in attendance at the Audit and Governance meeting to give a verbal update on this Building Back Assurance work.

3.6. The Annual Governance Statement is presented for approval elsewhere on tonight's agenda and is also contained in these draft accounts.

4. Audit Progress

4.1. The Council has already been working on the audit by supplying early data and explanations around processes and controls in accordance with the audit plan.

4.2. The main audit fieldwork will commence early in August and will continue through to mid-September, with some residual work continuing afterward.

4.3. KPMG have indicated that they will be selecting samples in July ahead of their main audit visit in August so the Council will be working to provide evidence for transactions for these transactions ahead of the audit fieldwork starting.

5. Draft 2025/26 Statement of Accounts

5.1. The Council is required to prepare annual Statement of Accounts and to arrange for them to be audited and reported in accordance with the Accounts and Audit Regulations 2015 and the 2025/26 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement of Accounts presents the overall financial position of the Council and comprises: a narrative report, annual governance statement, comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, collection fund statement, group accounts, and supporting notes.

5.2. The Council has prepared the accounts on a going concern basis and has disclosed all material and required information in accordance with the Code of Practice.

5.3. There was a net adverse variance of £3.1m on General Fund revenue expenditure and this will be funded from the Financial Resilience Reserve. The general fund balance has increased by £1.1 million to £10.0 million. Earmarked reserves have decreased from

£40.9 million to £31.2 million. These figures included balances of £1.2 million held for individual maintained schools.

5.4. The cumulative Dedicated Schools' grant (DSG) deficit brought forward from the last financial year of £24.9 million has increased by £22.0 million, representing the deficit in 2025/26, to £46.9 million. In line with the School and Early Years Finance (England) Regulations 2020, the deficit reserve is classified as an unusable reserve instead of an earmarked reserve.

5.5. On 9 February 2026, the Government set out a new national approach to DSG Deficits, confirming significant financial support for Local Authorities. Section 2 of the Government's response to the Provisional Local Government Finance Settlement confirms that councils holding a DSG deficit at the end of 2025/26 will be eligible for a new High Needs Stability Grant, which will fund 90% of the total eligible DSG deficit, subject to conditions. The conditions are that the Council commits to funding the remaining 10% and a SEND Reform Plan is approved by the DFE. At the end of 2025/26 the DSG deficit for the Council is £46.9m, 90% of this total would result in potential grant income of £42.2m. At the time of publishing the draft accounts the Council has not yet met these conditions, so the Council has not accounted for this grant income in 2025/26.

5.6. There has been a change to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. Up to 31 March 2025, the Code required that assets included in the Balance Sheet at current value were re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. From 1 April 2025 the requirement is to revalue assets on a five-year rolling basis, supported by indexation in intervening years. The change in policy is applied prospectively, so that the carrying amounts of Property, Plant and Equipment assets at 31 March 2025 have not been adjusted, and indexation has been applied for the first time to establish carrying amounts at 31 March 2026.

5.7. Following a review of the Code as part of the preparation of the draft Statement of Accounts we have expanded our related party disclosure to increase transparency in this area. Note 16 now includes a table of payments made to voluntary bodies and organisations where members have declared an interest. We have also expanded this disclosure note to include information related to our subsidiary entity transactions and balances.

5.8. The Council has consolidated its subsidiary on the basis of unaudited draft accounts for Brighter Futures for Children, and on the latest trial balance information available from Reading Transport Ltd and Homes for Reading. The figures in our Group Accounts will need to be updated when their audits are complete. All subsidiaries are expected to have their audits concluded in time for any potential amendments to Group Accounts to be considered. In the meantime, it is normal auditor to auditor protocol in group structures to exchange commentary and information to support the parent company's (RBC) audit and this will be co-ordinated by KPMG.

6. Environmental and Climate Implications

6.1. None Arising.

7. Community Engagement

7.1. The formal public inspection period commenced on 1 July 2026 and runs for 30 working days until 11 August 2026.

7.2. The public inspection period is a statutory 30-working-day window during which local councils must legally make their unaudited accounting records available for public review. It allows local electors to examine spending or formally object to the accounts.

8. Equality Implications

8.1. None arising.

9. Other Relevant Considerations

9.1. There are none.

10. Legal Implications

10.1. The Accounts and Audit Regulations 2015 (as amended) requires the Council to produce and publish an annual Statement of Accounts in accordance with these regulations and "proper practice".

10.2. Section 21 of the Local Government Act 2003 defines "proper practice" for this purpose to be the Chartered Institute of Public Finance and Accountability (CIPFA) Code of Practice on Local Authority Accounting (the Code) for the relevant year. The Code specified the principles, practices, format and content required in the preparation of the Statement of Accounts.

11. Financial Implications

11.1. The audit fees were contained in the Audit Plan which was presented to the April Audit and Governance meeting.

12. Timetable for Implementation

12.1. Not applicable.

13. Background Papers

13.1. There are none.

Appendices

1. Draft unaudited 2025/26 Statement of Accounts