



## Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making.

Audit Committee 4 February 2026

Wards affected: All Wards

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### STATEMENT OF ACCOUNTS 2024/25 UPDATE

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Report of Section 151 Officer

#### **1. Purpose of report**

- 1.1 To present to the Audit Committee an update on the Financial Statements for 2024/25 and Annual Governance Statement for 2024/25 that are currently being finalised.

#### **2. Recommendation**

- 2.1 The report is noted and the Financial Statements for 2024/25 and Annual Governance Statement for 2024/25 are approved for publication, subject to completion of the final element of External Audit process, and
- 2.2 The Chair of Audit Committee is given delegated authority to approve the final 2024/25 Statement of Accounts once the audit has been completed if there are any further amendments or audit requirements needed.

#### **3. Background to the report**

- 3.1 In accordance with Accounts and Audit regulations, draft Financial Statements must be signed off by the Council's Responsible Finance Officer (S151 Officer) by the 30 June 2025. The financial statements were published by the date and brought to this committee for review on the 1<sup>st</sup> of October. The overall content of the financial statements is explained in Table 1 below.

Table 1 Information included within the financial statement	
<b>Comprehensive Income and Expenditure Statement (CIES)</b>	<p>This covers the sources of all income received and the cost of providing services in the year based on International Financial Reporting Standards and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), rather than the amount funded from Council Tax, and other Government grants.</p> <p>The amount funded from Council Tax and Government grants differ from the information in CIES by a series of amendments made in accordance with regulations, these amendments are reflected through the Movement in Reserves Statement.</p>
<b>Movement in Reserves Statement (MIRS)</b>	<p>The MIRS shows the movement in the year on the various reserves held by the Council. Reserves are classified into usable and unusable reserves. Usable Reserves are those that can be used to cover expenditure or reduce the level of local taxation required.</p> <p>They include the general fund, earmarked reserves and the capital receipts reserve.</p> <p>Unusable reserves tend to arise due to difference in the legal responsibilities that cover how transactions need to be accounted for and accounting requirements. These reserves cannot be used to cover expenditure, and include the pensions reserve, the revaluation reserve and the capital adjustment account.</p>
<b>Expenditure &amp; Funding Analysis</b>	<p>This is a reconciliation between management reporting segments and the CIES surplus and defect on the provision of services. The statement brings together local authority performance reported on the basis of expenditure measured under proper accounting practises with statutory defined charges to the General fund and HRA.</p>
<b>Balance Sheet</b>	<p>The Balance sheet gives the value of the Council's assets and liabilities at the financial year end, referred to as the Balance Sheet date. The net position of the total assets less total liabilities are matched by the overall level of reserves held.</p>
<b>Cash Flow Statement</b>	<p>The cash flow statement discloses movements in cash flows of the authority during the financial year. The cash flow statement shows movements in the authority's cash and cash equivalents. Cash equivalents include short term investments that are easily changeable into cash and only have an insignificant risk of changes in value.</p>
<b>Notes to the financial statements</b>	<p>These include a summary of significant accounting policies that guide our basis for the way items are accounted for, notes that give further information on items included in the main financial statements and other explanatory information.</p>
<b>Supplementary Statements: Housing Revenue Accounts, and Collection Fund</b>	<p>These are the Housing Revenue Account (HRA) and Collection Fund. The HRA covers the income from housing activities and Council's expenditure on Council housing; this has to be shown separately and has its own set of notes giving more detailed</p>

	information. The Collection Fund gives level of business rates and council tax that the Council has to collect, not only for itself, but also for Central Government, Leicestershire County Council, Leicestershire Police & Crime Commissioner, Leicester, Leicestershire and Rutland Combined Fire Authority and on behalf of Town & Parish Councils.
<b>Annual Governance Statement</b>	The Council has approved and adopted a code of corporate governance, which is consistent with the national requirements on good governance in local government. The Annual Governance Statement provide a summary of how the Council has reviewed compliance with this code, the role of the governance structures involved, such as the Audit Committee and other Committees as relevant to governance, and any issues, if any are identified and proposed action needed.
<b>Critical Judgment and Major Sources of Estimation Uncertainty</b>	Critical Judgment and Major Sources of Estimation Uncertainty are also used in the preparation of the accounts. More information is in appendix 1

- 3.2 The Audited final Statement must be approved by the 27<sup>th</sup> of February 2026. This is in line with the revised backstop regulations published by central government in August 2024 . Draft statements have been supplied to our External Auditor (Azets) for them to complete their audit. Azets will be giving a progress update at today's meeting. The attached Financial Statements reflect the current position based on audit findings as at January 16<sup>th</sup> 2026.

- 3.3 A summary of the main findings to date are noted below:-

Agreed Adjusted items	Amendment Value to primary statements.	Comment	Impact on Usable Reserves
<b>Note 29 – External Audit Costs</b>	n/a	Update note to ensure greater transparency of which fees relate to which year	None
<b>Note 33 – Officer Remuneration</b>	n/a	Updated officer remuneration in numbers in bandings	None
<b>Note 11 – Capital Commitments</b>	n/a	Updated to reflect commitment Position at year end	None
<b>Note 31 Related Parties</b>	n/a	Note adjusted to reflect additional minor transactions.	None
<b>Note 33 – Exit Packages</b>	n/a	Updated to reflect two additional departures	None
<b>Changes in Accounting Policy</b>	n/a	Note updated to reflect IFRS 16 changes.	None

- 3.4 Once audit work has been finalised and adjustments agreed, the Statements will require sign off by The Chair of the Audit Committee. To ensure that the agreed backstop date can be met, it is proposed that the committee approve

that the Chair of the Audit Committee be given delegated authority to sign off the Accounts.

- 3.5 Although no material movement to balances have been found to date, if material changes are required, they will be emailed to committee members. In the event of material movements in General Fund or HRA balances, these will also be reported to full Council.
- 3.6 Due to the backlog issues reported previously to the Audit Committee in was always the case that 2024/25 was going to be a disclaimed opinion as there was no assurance on the brought forward balances. There as been considerable work done on trying to address the issues this lack of prior year audit assurance has created. There are some key areas reported in the Audit Completion report where issues have been raised as per the table below.

Significant risk	Audit conclusion	Comment
<b>Management override of controls</b>	Our work has not identified any significant issues in respect of this risk.	Unable to draw finalised conclusions as unable to reach a conclusion on all accounting estimates used by management in the financial statements, including property valuations
<b>Presumption of fraud in revenue and expenditure recognition</b>	We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.	As part of the back log action plan resources have been focused on testing balance sheet items in the 2024/25 financial statements. Therefore, Audit did not complete any testing on income and expenditure transactions. Therefore, this cannot be concluded on.
<b>Valuation of council dwellings and other land and buildings</b>	We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.	Due to the amount of work needed to provide information requested, it could not be supplied in time for Audit to complete our work ahead of the backstop date.
<b>Completeness of HRA Land</b>	We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.	Due to the amount of work needed to provide information requested, it could not be supplied in time for Audit to complete our work ahead of the backstop date.
<b>Valuation of pension assets and liabilities (IAS19)</b>	We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.	Audit have not been able to gain any assurance over year-on-year movements, interest costs, interest on assets, actual return on asset, share of assets and service costs due to the prior year balances being disclaimed, meaning Audit have no assurance over opening balances.

Significant risk	Audit conclusion	Comment
<b>IFRS 16 for lease accounting</b>	We have started but not been able to conclude our work as management did not provide appropriate and sufficient audit evidence in time to allow us to test the disclosures within the accounts.	Due to the amount of work needed to provide information requested, and the fact the opinion was going to be disclaimed, it was requested that this be dealt with as part of the 2025/26 audit programme as it could not be supplied in time for Audit to complete our work ahead of the backstop date.

## Audit Backlog

- 3.7 As reported previously, there is a national backlog in the delivery and sign off of Audited financial statements. This has been caused by many challenges facing the audit of local government nationally, which have been highlighted by the Local Government Association, the Redmond Review, the NAO, PSAA Ltd, External Audit firms and Parliament Committee hearing. The critical factors leading to these delays can be attributed to
- shortages in specialist audit resources,
  - increasing regulatory requirements, adding demands at a time of this shortage
  - emerging national accounting issues for Infrastructure Assets and more recently Pension Liability valuation matters placing more demands on audit firms, while staff shortages are in place.
  - In addition, there have been, in some cases, but not for HBBC, a shortage of resources in finance teams across local authorities, and
  - specific governance or technical matters at some audited bodies,
- 3.8 On 9 September 2024, the Government laid in Parliament a Statutory Instrument, 'The Accounts and Audit (Amendment) Regulations 2024', to introduce backstop dates by which point local bodies must publish audited accounts. To achieve this the backlog must be dealt with and processes put in place to avoid it reoccurring. The Government's approach to clear the backlog of local audits and embed timely audit consists of two parts:
- Reset measures involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 13 December 2024, which led to our outgoing auditors (EY) issuing disclaimed opinions for 2020/21, 2021/22 and 2022/23.
  - Recovery period after the Reset Measures that reduces the likelihood of the backlog re-emerging by using backstop dates to allow assurance to be rebuilt over one or more audit cycles. This will affect audit completions for 2023/24 and onwards as detailed below.

## Financial statements – the 2024/25 audit

- 3.9 Unfortunately due to the lack of assurance given by Ernst and Young (EY) over opening balances resulting from the disclaimers of their opinions issued in the prior years, together with the imminent statutory backstop date for 2024/25 of 27 February 2026, which cannot be delayed in order to comply with Government requirements. Therefore, Azets will be issuing a disclaimer of opinion on the Council's 2024/25 accounts.
- 3.10 The following table gives the most best case scenario impact over the next two years created by the backlog position, although we will be working with Azets to develop a realistic and achievable recovery plan as part of the 2024/25 audit.

Audit Year	Opinion
2025/26	Disclaimer The auditor does not have enough assurance over brought forward balances. This means they do not have assurance over all in-year movements. They also do not have assurance over the comparative prior year movements.
2026/27	Disclaimer The auditor does not have enough assurance over brought forward balances. This means they do not have assurance over all in-year movements. They also do not have assurance over the comparative prior year movements.
2027/28	Unmodified or Qualified (Except for) - The auditor does not have assurance over the comparative figures. The auditor judges that this means there could be material but not pervasive misstatement and will need to qualify their opinion for 2026/27 by limiting its scope to not provide assurance over the comparative figures.
2026/27	Unmodified

## Review of the System of Internal Control

- 3.11 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Its role is to provide independent assurance to the council that systems are in place and operating effectively. Their opinion is included within the AGS and does not indicate any major concerns in the Council's internal Controls. The final Statement is signed by the Leader and Chief Executive and ultimately forms part of the Statement of Accounts. Also, the Annual Governance Statement can be updated up to the date of the signing of the Statement of Accounts.

## Annual Governance Statement

- 3.12 Members will notice that for 2024/25 there are no significant weaknesses declared in our Annual Governance Statement as there was in 2023/24 due to improvement in relation to the risk overview function of the Audit Committee. This is due to the action plan improvements instigated by the

Audit Committee in their action plan. The Audit Committee are committed to an on-going self-assessment process that will continue to make improvements as required.

3.13 Azets have reported this in their VFM conclusion that:

*“We have not identified any significant weaknesses in the Council’s arrangements and so are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.”*

#### **4. Exemptions in accordance with the Access to Information procedure rules**

4.1 This report can be taken in open session.

#### **5. Financial implications [IB]**

5.1 Contained within the body of the report.

#### **6. Legal implications [JS]**

6.1 Contained within the body of the report.

#### **7. Corporate Plan implications**

7.1 Adoption of the proposal in this paper will contribute to the achievement of the following Corporate Aim of Empowering communities.

#### **8. Consultation**

8.1 None

#### **9. Risk implications**

9.1 It is the council’s policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer’s opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 There is no immediate risk to the Council, however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

## **10. Knowing your community – equality and rural implications**

- 10.1 The Financial Statements and the audit process will allow local communities and groups to review the financial performance and stewardship of the Council.

## **11. Climate implications**

- 11.1 The Financial statements can be used as a mechanism for the reporting of the council impact on climate change via sustainability reporting. The public sector as a whole currently lags well behind the private sector in such reporting. Action would be needed to introduce this non-financial element to the financial statements to report to members and local residents how the council was performing against its declared climate emergency targets.

## **12. Corporate implications**

- 12.1 By submitting this report, the report author has taken the following into account:
- Community safety implications
  - Environmental implications
  - ICT implications
  - Asset management implications
  - Procurement implications
  - Human resources implications
  - Planning implications
  - Data protection implications
  - Voluntary sector

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Background papers: Statement of Accounts

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Executive member: Councillor K Lynch



## Appendix 1

### Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- In preparing the 2024/25 financial statements the Council have completed a review of property plant and equipment held to review the basis of the valuation. This has been completed with the involvement of our external valuer
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities or reduce levels of service provision.
- The Council has reviewed the arrangements in place for operation of the Leicestershire Partnership – Revenues and Benefits. The Joint Committee has been classified as a 'Jointly Controlled Operation' on the basis that it is not a separate legal entity and has been accounted for in line with the Council's Accounting Policies for these arrangements.

### Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Accounting Policies describe the significant areas in which estimates and assumptions have been made relating to the reporting of results of operations and the financial position of the Council.

The items in the Council's Balance Sheet at 31st March 2024 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

**Table 1: Uncertainties**

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Property Plant and Equipment are reviewed for both economic and price impairment on an annual basis. Any movement in market value of property will have any impact on the Council's valuation.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>If an asset is impaired the carrying amount of the asset is reduced.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are</p>	<p>The effect on the net pension liability of changes in individual assumptions can be measured. For instance:</p>

	<p>projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are made by actuaries appointed by Leicestershire County Council who administer the pension fund.</p>	<ul style="list-style-type: none"> <li>• A decrease in the discount rate assumption would result in an increase in pension liability.</li> <li>• A one year increase in member life expectancy would result in an increase in pension liability.</li> <li>• An increase in the pension rate would result in an increase in pension liability.</li> <li>• A 1% increase in the pension liability would decrease the Council's net assets by £0.0082327 million.</li> </ul>
Provisions	<p>The council has made provision in relation to National Non-Domestic Rate Appeals. This provision is based on an estimation of any future liability and the likelihood that these costs will be incurred.</p>	<p>If the estimates used in the calculation of the provision prove to be inaccurate then there will be further income or expenditure incurred by the General Fund via the Collection Fund.</p>