



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

## FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

Audit Committee

7<sup>th</sup> June 2018

WARDS AFFECTED: ALL WARDS

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### FINANCIAL STATEMENTS 2017/18

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#### Report of Head of Finance (Section 151 Officer)

##### 1. PURPOSE OF REPORT

- 1.1.1 To present to the Audit Committee the draft Annual Governance Statement and Financial Statements for 2016/17 that will be subject to external audit.

##### RECOMMENDATION

- 2.1 To review the 2016/17 unaudited Financial Statements and consider whether the accounts reflect their understanding of the position of the council has reported during the year.
- 2.2 To review the draft Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.

##### 3. BACKGROUND TO THE REPORT

- 3.1 In accordance with Accounts and Audit regulations, draft Financial Statements have to be signed off by the 31<sup>st</sup> May 2018 and ready for public inspection on the 1<sup>st</sup> June 2018. The attached unaudited statements were completed on the 30<sup>th</sup> May 2018 and signed off by the Head of Finance (s151 Officer) on that day for publication. The accounts become available for public inspection from that date for a period of 30 days in which they can inspect or raise objections to items in the accounts. The statements have also been supplied to our External Auditor (Ernst & Young) for them to complete their audit and report back to the Audit Committee.
- 3.2 Following the conclusion of the period for the exercise of public rights the Head of Finance as the responsible finance officer (RFO) is required, on behalf of the authority, to re-confirm that they are satisfied that the Statement of Accounts presents a 'true and fair' view. The authority must then consider the Statement of Accounts, which at HBBC is the responsibility of the Audit Committee on behalf of the Council. At that meeting the Audit Committee will need approve the accounts by a resolution of that committee and ensure that they are signed and dated by the person

presiding at the committee as chair at which that approval is given. The Unaudited accounts are presented to help in the process with the final audited accounts being approved by the Audit Committee in August.

- 3.3 The main elements of the Financial Statements are noted below with a brief narrative explanation of their purpose.

Section of Accounts	What it covers
<b>Comprehensive Income and Expenditure Statement (CIES)</b>	The CIES covers the sources of all income received and the cost of providing services in the year based on applicable accounting standards and CIPFA requirements.
<b>Movement in Reserves Statement (MiRS)</b>	The MiRS shows the movement in the year on the various reserves held by the Council.
<b>Expenditure &amp; Funding Analysis</b>	This is a reconciliation between management's internal reporting and the CIES, which is based on the requirements of accounting standards as interpreted for the public sector.
<b>Balance Sheet</b>	The Balance sheet gives the value of the Council's assets and liabilities at the financial year-end.
<b>Cash Flow Statement</b>	The cash flow statement discloses movements in cash flows of the authority during the financial year.
<b>Notes to the financial statements</b>	These include a summary of significant accounting policies that guide our basis for the way items are accounted for in the financial statements.
<b>Supplementary Statements: Housing Revenue Accounts, and Collection Fund</b>	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. The Collection Fund gives level of business rates and council tax that the Council has to collect, not only for itself, but also for precepting authorities in Leicestershire.
<b>Annual Governance Statement</b>	The Council has approved and adopted a code of corporate governance. The Annual Governance Statement provides a summary of how the Council has reviewed compliance with this code.

- 3.4 There are a few presentational changes to make to the accounts and do not impact on General Fund and HRA balances.

- 3.5 Some accounting policies were removed on the basis that they are not significant to a users understanding of the accounts, and are listed in appendix 1

#### 4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

- 4.1 Report taken in open session.

#### 5. FINANCIAL IMPLICATIONS [AW]

5.1 Contained within the body of the report.

6. LEGAL IMPLICATIONS AR

6.1 None.

7. CORPORATE PLAN IMPLICATIONS

7.1 None.

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 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
None	N/A	Ashley Wilson

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

10.1 There are no direct implications arising from this report

11. CORPORATE IMPLICATIONS

11.1 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: Civica Reports

Contact Officer: Ilyas Bham, Accountancy Manager  
Executive Member: Cllr M Hall

## Appendix 1

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### Interest Income and Expenses

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Interest income and expenses are accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable. Interest expenses on a qualifying asset are capitalised.

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### Allocation of Overheads and Support Services

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The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Authority's status as a multi functional, democratic organisation;

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The main support costs and the basis of allocation are shown below:

<b>Cost</b>	<b>Basis of Allocation</b>
Corporate Planning, Communication and Performance	Estimated staff time
Law and Administration	Estimated staff time and usage
Financial Support Services	Estimated staff time
Human Resources	Number of staff
IT Support	Weighted number of PCs
Council Offices	Area occupied
Internal Audit	Audit plan days

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## Investment Properties

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An investment property is one that is used to earn rental income and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

The Council holds no investment properties.

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## Borrowing Cost

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Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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## Cash and Cash Equivalents

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Cash comprises cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than 3 months from the date of acquisition and that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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## Inventories

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The value of inventories held by the Council shown in the Statement of Accounts is calculated on the basis of the lower of cost or net realisable worth in accordance with IAS 2.

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## Contingent Assets and Liabilities

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A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities and assets are not recognised in the Balance Sheet but are disclosed in the notes to the financial statements.

