

## Eden District Council

## Council

12 July 2018

**Heart of Cumbria Limited – Audit Exemption**

<b>Portfolio:</b>	Leader Portfolio
<b>Report from:</b>	Director of Finance
<b>Wards:</b>	All Wards
<b>OPEN PUBLIC ITEM</b>	

**1 Purpose**

- 1.1 To request an audit exemption for 2017-2018 for the Heart of Cumbria Limited's accounts.

**2 Recommendations**

It is recommended that

- 1) approval be given to an audit exemption for Heart of Cumbria Limited for the financial year 2017-2018;
- 2) subject to recommendation 3 below, it be agreed that a guarantee be given by the Council in respect of the liabilities of Heart of Cumbria Limited for 2017-2018; and
- 3) it be noted that there are no material liabilities still outstanding relating to the financial year 2017-2018.

**3 Report Details**

- 3.1 Heart of Cumbria Limited is the Council's wholly owned private limited Company. Trading up to 31 March 2018 has been minimal. The Company's income for 2017-2018 was a grant of £43,316. There was no call on the finance approved by Council on 15 February 2018 during the year.
- 3.2 For small companies or subsidiary companies, there are exemptions available from audit requirements to help these bodies avoid unnecessary costs, where certain conditions are met. As a regulated activity, external audit can incur significant costs. Having obtained quotes from 4 suppliers, the cost of auditing the Company accounts for 2017-2018 could take between 8% and 17% of the Company's total grant for 2017-2018. Given that the total number of transactions is small and the nature of the transactions was not complex, the level of assurance provided by an external audit may not be judged as proportionate to the cost.
- 3.3 The Company is well below the limits for a small company exemption. However, as a subsidiary Company, the Council as "owners" of the Company may approve an exemption and guarantee the liabilities of the Company at the end of the financial year in question. Although the Council is required to give a guarantee, as there was limited trading, there are no material liabilities still outstanding relating to 2017-2018.
- 3.4 An independent firm of accountants has been engaged by the Company to prepare the statutory accounts and tax return for 2017-2018. These accounts will be submitted to Companies House and will be openly accessible.
- 3.5 Council is recommended to approve the exemption and the guarantee as set out above. If the Council does not support the audit exemption for 2017-2018, Heart of Cumbria Limited will need to complete an audit and incur the additional cost.

- 3.6 Accounts and Governance Committee has delegated responsibility relating to audit function. If the audit exemption is approved, a note to set this out will need to be included in the Council's own 2017-2018 accounts. These are due to be approved at the next Accounts and Governance Committee on 26 July 2018. Having certainty over the exemption before that date will help finalise the Council's own financial statements and prevent complications at Accounts and Governance Committee on 26 July 2018. In the circumstances, Council is therefore being asked to approve the exemption as set out in this report rather than the Accounts and Governance Committee.

## **4 Policy Framework**

- 4.1 The Council has four corporate priorities which are:

- Decent Homes for All;
- Strong Economy, Rich Environment;
- Thriving Communities; and
- Quality Council.

- 4.2 The proposals set out in this report are relevant to the Quality Council corporate priority.

## **5 Consultation**

- 5.1 The board members of Heart of Cumbria Limited have been consulted in the preparation of this report.

## **6 Implications**

### **6.1 Financial and Resources**

- 6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-2019, as agreed at Council on 17 September 2015.
- 6.1.2 The report presents no options that would directly impact on the Council's budget. If the Company is required to have audited accounts, this will incur additional cost for the Company.

### **6.2 Legal**

- 6.2.1 Depending on the decision of Council, the relevant elements of the Companies Act (2006 as amended) either will or will not be used as the basis of an audit exemption. As part of the approval, the Council is being asked to provide a guarantee over the Company's liabilities as at 31 March 2018. As the level of trading was minimal to this date, there are no material liabilities outstanding.

### **6.3 Human Resources**

- 6.3.1 There are no Human Resources implications.

### **6.4 Statutory Considerations**

<b>Consideration:</b>	<b>Details of any implications and proposed measures to address:</b>
Equality and Diversity	There are no implications
Health, Social Environmental and Economic Impact	There are no implications
Crime and Disorder	There are no implications
Children and Safeguarding	There are no implications

## 6.5 Risk Management

Risk	Consequence	Controls Required
The Company does not submit the correct financial statements to Companies House.	Potential negative impact on reputation and additional time to resolve filing of accounts.	Involvement of third party private sector accounting specialists to ensure the correct processes are followed.

## 7 Other Options Considered

7.1 The options are set out above. No other options are suggested.

## 8 Reasons for the Decision/Recommendation

8.1 The report presents options to exercise the right to approve an audit exemption for the Council's wholly owned Company.

### Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	3 July 2018
Monitoring Officer (or Deputy)	3 July 2018
Assistant Director	3 July 2018

**Background Papers:**      **Financing the Heart of Cumbria Limited: (Report CE7/18, Council, 15 February 2018)**

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