

Audit and Governance Committee

Supplementary Agenda

Date: Monday, 28th July, 2025

Time: 10.30 am

Venue: The Capesthorne Room - Town Hall, Macclesfield, SK10 1EA

8. **Draft Pre-audited Statement of Accounts 2024/25 and Outturn Update 2024/25**
(Pages 3 - 14)

To receive a pre-audited overview of the Council's Outturn and the draft Statement of Accounts for 2024/25.

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Audit and Governance Committee

Date: 28 July 2025

**Draft Pre-audited Statement of
Accounts 2024/25 and Outturn Update
2024/25**

**Report of: Ashley Hughes Executive Director of Resources, Section
151 Officer**

Report Reference No: AG/07/25-26

Ward(s) Affected: Not applicable

Scrutiny

Purpose of Report

- 1 This report confirms that the Council aims to publish on its website, its pre-audited Statement of Accounts (SOA) for the year ended 31st March 2025 on the 31 July 2025.
- 2 Information on the 2024/25 pre-audit Statement of Accounts, for the Cheshire East Group of Companies and for the single entity of Cheshire East Borough Council, will be presented to the committee. This step is taken to provide committee members with an early summary of the accounts, which will help them in advance of any formal responsibility to approve the accounts.
- 3 This report provides members with the pre-audited overview of the Cheshire East Council Outturn for the financial year 2024/25. Members are being asked to note the financial performance of the Council.
- 4 It is best practice and good governance for the Audit and Governance Committee to review the draft SOA prior to approving the audited accounts under the requirements of the Accounts and Audit Regulations 2015. This is part of the Committee's remit and will help members with understanding the Council's financial position at the appropriate accounting date.

Executive Summary

- 5 This report outlines the timelines and processes for the pre-audited Statement of Accounts for 2024/25.
- 6 This report also provides Members with an overview of the Outturn position for the financial year 2024/25. A full narrative of the Outturn Summary was presented to the Finance Sub Committee on the on the 2nd June 2025 as well as the subsequent Service Committees. Link: [Agenda for Finance Sub-Committee on Monday, 2nd June, 2025, 2.00 pm | Cheshire East Council](#).
- 7 The accounts are complex and provide a significant amount of information relating to the Council's financial position, performance and cashflows over the year in question.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Note the summarised position of the accounts for year ended 31st March 2025 based on the information provided at this meeting.
2. Note the dates in relation to the approval process for the Statement of Accounts.
3. Note the overall financial performance of the Council in the 2024/25 financial year, as contained within the report, as follows:

A Net Revenue Overspend of £17.6m against a revised budget of £365.8m (4.8% variance) funded by (£17.6m) conditional Exceptional Financial Support (Capitalisation Direction) via borrowing.

b) General Reserves closing balance of £6.3m.

c) Capital Spending of £88.4m against an approved programme of £215.8m (59% variance).

4. Note the public inspection period where local taxpayers can inspect the accounts and request further information on any invoices, contracts, income received etc in the period will commence on 1 August 2025 to 12 September 2025 subject to publication on 31 July 2025.

Background

- 8 The Statement of Accounts for 2024/25 is governed by regulations under the Accounts and Audit regulations 2015 and amendments, and its format and content are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (“the Code”), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 9 The Group statements consolidate the accounts of: Cheshire East Council and two wholly owned subsidiaries (Ansa and Orbitas).
- 10 The accounts of a third wholly owned subsidiary (TPE), and three other companies Enterprise Cheshire & Warrington (ECW) – formerly Cheshire & Warrington Local Enterprise Partnership, Alderley Park Ltd and Cheshire & Warrington Development Fund Ltd although part of the Group, are not consolidated on the grounds of materiality.
- 11 This mirrors treatment of these organisations in 2023/24. The single entity statements for Cheshire East Borough Council will also be presented to the Committee for approval later this year.
- 12 The objective of the Statement of Accounts is to provide information about the organisation’s financial performance that is useful to a wide range of interested parties. Its purpose is to give readers and stakeholders clear information about the Group’s consolidated finances and to answer questions such as: what did services cost; where the money came from; what are the significant events this year; and what is the Group’s net worth?
- 13 Members are not required to approve the pre-audit statement of accounts for the Group or for the Council as a single entity. The Pre-Audit Statement of Accounts aim to be published on the Council’s website on the 31 July 2025 and the certified Statement of Accounts should be published by no later than 27 February 2026 – the Backstop date.
- 12 The statutory deadline for the publication of the draft accounts was 30 June 2025. The Council has been unable to meet this requirement due to:
 - Significant additional statutory requirements associated with implementing new accounting standard IFR16 – Leases and associated lease valuations,
 - Delays in obtaining accurate fixed asset valuations and
 - resourcing challenges experienced in 2024-25.

These factors are resulting in a delay in completion of the 2024-25 draft accounts, and consequently in the commencement of the public inspection period.

- 13 Nationally, 75% of all Council's published by the 30 June deadline, of those that didn't, most stated similar reasons as above. The Council published a Delay Notice on the website on the 30 June 2025 and has shared a copy of the Notice with Ernst & Young LLP.
- 14 Following publication of the draft SOA, the accounts will be submitted to our external auditor, Ernst & Young LLP, for the commencement of the external audit. The audit of accounts will also include a review of the processes and arrangements in place for achieving value for money on the resources used in the financial year.
- 15 As previously reported, there has been a national backlog with the timeliness and quality of local audit. In 2024, the Government intervened in the system and set backstop dates for older audits to be concluded. As many audits were not finished in time to meet these dates, auditors have issued disclaimed (no assurance) opinions on the financial statements. This revised approach will enable the external auditors to focus on more up to date accounts, where assurance is most valuable.
- 16 This does not mean that the accounts are incorrect or cannot be relied upon, it means that there has not been enough time to complete the audit and issue a true and fair opinion on the financial position. The Council currently anticipates a disclaimed audit opinion for the financial year 2023/24, as reported to the Committee on 24 February 2025.
- 17 The Government intends to restore the timeliness and quality in local government external financial reporting for all authorities by 2027/28 financial year. The back stop date for the 2024/25 external audit is 27 February 2026, with the audit commencing in August 2025.
- 18 The external audit by Ernst & Young LLP is now due to commence in November 2025 and is expected to run for a period of 10 weeks until early February 2026.
- 19 The final audited Statement of Accounts will be presented to this Committee for approval in February 2026 ahead of the audit back stop date.
- 20 The recommendations within the 2024/25 Third Financial Review and the Medium-Term Financial Strategy (MTFS) were clear in the treatment of the outturn over-spend, use of Exceptional Financial Support and need to increase future reserve balances to provide greater resilience alongside the transformation of Council services.

Draft 2024/25 Statement of Accounts, Certification and Public Inspection

- 21 The draft SOA for Cheshire East Council covering 2024/25 financial year and the financial position on 31 March 2025 is published/to be published here: [Statement of Accounts and Annual Governance Statement](#).
- 22 The draft accounts for 2024/25 will be certified as a true and fair view of the Council's financial position by the Executive Director of Resources (S151 Officer) before publication and opened for public inspection on the period will commence on 1 August 2025 through to 12 September 2025 subject to publication on 31 July 2025.
- 23 A notice setting out the inspection period and how enquiries may be made will accompany the draft accounts on the website. Any enquiries from members of the public will be responded to and resolved in a timely manner and reported to Members as appropriate.

Revenue Outturn

- 24 The MTFS recognised emerging risks including:
- Continued demand and complexity of care beyond levels previously identified in Adult's services;
 - Increasing demands of Children's Social care, in terms of complexity and the number of cases;
 - Increased borrowing costs associated with the unfunded Dedicated Schools Grant (DSG) deficit;
 - Non delivery of some previously agreed savings and/or income targets;
 - The financial impact of investment in transformation and improvement activity over the medium term.
- 25 The financial outturn for Cheshire East Council is an overspend of £17.6m This is net of appropriate allocations to useable reserves. Further detail is provided in **Table 1**. The closing balance on the General Fund Balance is £6.3m.
- 26 Table 1: Total Net Revenue Budget is overspent by £17.6m

Table 1 Outturn 2024/25	Revised Budget (NET)	Outturn	Variance	Forecast Variance FR3	Movement from FR3 to Outturn
	£m	£m	£m	£m	£m
Service Committee					
Adults and Health	137.1	154.7	17.6	20.0	(2.4)
Children and Families	92.6	96.1	3.5	5.4	(1.9)
Corporate Policy	44.2	41.9	(2.2)	2.5	(4.7)
Economy and Growth	27.9	22.7	(5.3)	(3.8)	(1.5)
Environment and Communities	47.8	46.3	(1.5)	(0.6)	(0.9)
Highways and Transport	16.2	14.4	(1.8)	(0.5)	(1.3)
TOTAL SERVICE EXPENDITURE	365.8	376.0	10.2	22.9	(12.7)
Finance Sub:					
Central Budgets	25.0	32.4	7.4	(4.6)	12.0
Funding	(390.8)	(390.8)	(0.0)	-	(0.0)
TOTAL FINANCE SUB	(0.0)	17.6	17.6	18.3	(0.7)
Exceptional Financial Support	-	(17.6)	(17.6)	(17.6)	-
GRAND TOTAL	(0.0)	(0.0)	(0.0)	0.7	(0.7)

Capital Out-turn

- 27 Expenditure on the capital programme is £88.4m against a revised budget of £144.7m that was reported to the Finance Sub Committee in January 2025. The underspend of £56.3 will be slipped into 2025/26 and future years. Budgets will be re-profiled as part of the outturn reporting. This level of slippage, at 39%, is a higher variance than 2023/24 (18%).
- 28 During 2024/25 a capital review was carried out with a view to reducing and re-profiling the amount of capital spend funded by borrowing which has led to significant slippage. Continued scrutiny of the capital programme will be required to minimise and delay spend funded from borrowing to reduce the ongoing revenue in future years. The authority should aim to repay more historical borrowing than any new borrowing incurred in year to ensure that the total capital financing requirement begins to decrease and the long term position becomes more sustainable.
- 29 Capital receipts in year amounted to £2.2m against a forecast of £2.0m, of this £1.2 will be used to fund transformational costs with the remaining £1m supporting the capital financing budget as planned.
- 30 Table 2 : Total Capital Expenditure and Funding for the financial years 2024/25, and 2025/26 to 2027/28

Table 2	2024/25 Outturn £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2024-28 Total £000
Adults and Health	280	468	0	0	748
Children and Families	9,722	56,131	21,604	20,749	108,206
Corporate Policy	5,465	10,125	1,173	0	16,763
Economy and Growth	25,723	56,534	32,905	81,762	196,924
Environment and Communities	5,915	18,606	2,184	15,301	42,006
Highways and Transport	41,217	66,626	42,704	134,882	285,429
TOTAL EXPENDITURE	88,322	208,490	100,570	252,694	650,076
Funding:					
Grants and Other Contributions	53,793	149,212	88,370	187,853	479,228
Capital Receipts and Reserves	901	2,500	1324	33,381	38,106
Borrowing	33,628	56,778	10,876	31,460	132,742
TOTAL FUNDING	88,322	208,490	100,570	252,694	650,076

Consultation and Engagement

- 31 The accounts will be available for public inspection for 30 working days between the dates of 1 August 2025 through to 12 September 2025 subject to publication on 31 July 2025 between 10 am and 4 pm Monday to Friday.
- 32 Any person may inspect, and make copies of the accounts and all books, deeds, contracts, bills, vouchers, receipts and other related documents of the Council for the year ended 31st March 2025, as stipulated in Section 25 of the Local Audit and Accountability Act 2014.
- 33 As part of the budget setting process an online budget engagement survey on the Council's Budget proposals was published in December 2024. The budget engagement for 2024 to 2025 invited respondents to share their views on six budget principles that the Council proposed to use to shape its budget and financial strategy for 2025 to 2029. In addition, a business community survey was also undertaken which mirrored the general online survey.
- 34 Specific budget change proposals where individuals may be affected will undertake full and proper consultation as appropriate.

Reasons for Recommendations

- 35 The Accounts and Audit Regulations 2015 require the Audit and Governance Committee to approve the Statement of Accounts after the external audit is completed.

- 36 To support this responsibility the Committee is provided with an overview of the key issues within the draft Statement of Accounts before the external audit work is completed. This allows committee members adequate time to scrutinise the statements ahead of the deadline for approval.
- 37 During 2024, the Government took decisive action to tackle the audit backlog – setting statutory backstop dates to enable the audit system to recover. This revised approach will enable the external auditors to focus on more up to date accounts, where assurance is most valuable.
- 38 On the 20th September 2024- MHCLG wrote to all LA's providing an update on the action the Government is taking to tackle the significant local audit backlog in England. The new requirements mean that the external auditor will be required to produce timely audit opinions by the statutory 'backstop dates'. The Accounts and Audit(Amendment) Regulations 2024 state that for the years 2024/25 to 2027/28 the deadline or 'Backstop Date' for the accounts to be signed off, are as follows:
- 2024/25 Accounts – 27 February 2026
 - 2025/26 Accounts – 31 January 2027
 - 2026/27 Accounts – 30 November 2027
 - 2027/28 Accounts – 30 November 2028

Other Options Considered

39

Option	Impact	Risk
Outturn reporting and Draft Accounts could be delayed until post audit, to avoid the risk of provisional figures changing.	This is not a recommended option as the audit completion certificate is not expected until December 2025	Delaying the reporting element of the company out-turn and Accounts minimises the ability to react to issues that may impact on the Group and in-year monitoring. Provisional reporting has historically been accurate, so it is appropriate to report the financial information provided in this report.

Implications and Comments

Monitoring Officer/Legal/Governance

- 40 The regulations arising out of the Local Audit & Accountability Act 2014 (Accounts and Audit Regulations 2015) prescribe statutory provisions regarding the overall format and approval procedures for authorities' financial statements. The detailed format of the Statement of Accounts is laid out annually by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the form of the Code of Practice on Local Authority Accounting in the UK (the Code).
- 41 The pre-audit Statement of Accounts must be signed by the Council's Section 151 officer and published by the required deadline following the financial year end. Even though the pre-audit statements do not require committee approval at this stage in the process, it is however deemed to be good practice to present the accounts to Members before publication.
- 42 The audited statements are to be approved by this Committee and published by no later than 27th February 2026.
- 43 The legal implications surrounding the process of setting the 2024 to 2028 Medium-Term Financial Strategy were dealt with in the reports relating to that process.

Section 151 Officer/Finance

- 44 The Statement of Accounts summarises the financial activities of the Council for the preceding financial year and its position at the year end. It summarises the Council's income and expenditure, assets and liabilities, and its level of reserves and indebtedness. As the statements are subject to external audit and opinion, they present a key measurement of the overall financial performance of the authority. The Statement of Accounts is an important part of the Council's financial governance and stewardship arrangements.

Human Resources

- 45 There are no Human Resources Implications.

Risk Management

- 46 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices. Failure to do so could result in a qualification of the accounts which may lead to further audit costs in future as well as an adverse impact on the Council's reputation.

Impact on other Committees

47 There are no direct impacts on other Communities.

Policy

48 There are no Policy implications.

Commitment 3: An effective and enabling council
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Equality, Diversity and Inclusion

49 There are no Equality, Diversity or Inclusion Implications.

Other Implications

50 N/A

Consultation

Name of Consultee	Post held	Date sent	Date returned
<i>Statutory Officer (or deputy) :</i>			
Ashley Hughes	S151 Officer	23/07/25	24/07/25
Julie Gregory	Acting Head of Legal Services	23/07/25	25/07/25
<i>Legal and Finance</i>			
Sal Khan	Interim Director of Finance	22/07/25	23/07/25

Access to Information	
Contact Officer:	Tracy Baldwin Finance Manager – Strategic Finance & Accounting Tracy.baldwin@cheshireeast.gov.uk

Appendices:	None
Background Papers:	None

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