

OPEN

## **Audit and Governance Committee**

**8<sup>th</sup> June 2023**

### **Draft Pre-audited Financial Statements – Wholly Owned Companies 2022/23 and Out-turn Update 2022/23**

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**Report of:** Alex Thompson: Director of Finance and Customer Services

**Report Reference No:** AG/07/23-24

Ward(s) Affected: Not applicable

#### **Purpose of Report**

- 1 This report confirms that the Council's wholly owned companies (WOC's) will publish, on their websites, their pre-audit Summary Financial Statements for year ended 31st March 2023, alongside the Council's 2022/23 Group Financial Statements.
- 2 Information on the 2022/23 pre-audit Financial Statements for the WOC's will be presented to the committee. This step is taken to provide committee members with an early summary of the Company single entity accounts and whilst the Committee do not approve the Financial Statements it enables them to review in advance of any formal responsibility to approve the Council Group Accounts which these Financial Statements feed into.
- 3 This report provides members with the pre-audited overview of the Company Outturn for the financial year 2022/23. Members are being asked to note the financial performance of the Companies.

#### **Executive Summary**

- 4 This report outlines the timelines and processes for the pre-audited WOC's Financial Statements for 2022/23.

- 5 This report also provides Members with an overview of the Outturn position for the Companies for the financial year 2022/23.
- 6 The Companies will separately produce an Outturn Report for the year that reflects both financial and non-financial performance, this will be reported to the Finance Sub Committee in July 2023.

## RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Note the summarised position of the WOC Financial Statements for year ended 31st March 2023 based on the presentation provided at this meeting and included in this report at Appendix 1.
2. Note the dates in relation to the approval process for the Financial Statements.
3. Recommend the setting up of informal session with the Council's Officers to allow Members of the committee the opportunity to discuss in more detail the Financial Statements.
4. Note the overall financial performance of the WOC's in the 2022/23 financial year, as contained within the Appendix 1, as follows:
  - (a) ASDV Reserves increased by £0.462m less £0.291m dividend from TSS to CEC, leaving retained reserves at £1.949m.
  - (b) A further final dividend of £0.106m is due to CEC from TSS in 2023/24.
  - (c) Wholly Owned Companies Net Core Contract Spending was £37.94m

## **Background**

- 7 The Company financial statements are prepared in accordance Financial Reporting Standard 101 (Reduced Disclosure Framework) in accordance with recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).
- 8 The financial statements for Ansa Environmental Services Ltd (Ansa) and Orbitas Bereavement Services Ltd (Orbitas) are prepared on a going concern basis and comply with the Companies Act 2006.

- 9 The financial statements for Transport Service Solutions Ltd (TSS) are prepared on a non-going concern basis. The TSS Director intends to liquidate the company within the next 12 months and transfer all assets and liabilities to Cheshire East Council (CEC).
- 10 The CEC Group statements consolidate the accounts of: CEC and three wholly owned subsidiaries (Ansa, Orbitas and TSS). Although TSS ceased trading as at the 31 March 2022, there are residual consolidation transactions that have taken place in 2022/23 and have been included in the CEC Group Statements.
- 11 This mirrors treatment of these organisations in 2021/22. The single entity statements for Ansa, Orbitas and TSS will be presented to the Company Boards for approval in October 2023 and will also be brought back to the Committee for noting in the Autumn 2023.
- 12 The objective of the Financial Statements is to provide information about the WOC's financial performance that is useful to a wide range of interested parties including CEC as Shareholder. Its purpose is to give readers and stakeholders clear information about the Company 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 Company net worth?
- 13 Members are not required to approve the pre-audit company Financial Statements. However, the Director of Finance & Customer Services (Section 151 Officer) is providing the committee with an early indication of the key messages from these Financial Statements as part of the overall financial reporting for the Cheshire East Group and as Shareholder.
- 14 A Summary Financial Statement document comprising of the Statement of Consolidated Income (Profit & Loss) and the Statements of Financial Position (Balance Sheet) will be published on the 1 June 2023 for each respective company on their website with a link to the CEC Group Accounts. Company Boards are responsible for approving the Financial Statements and ensuring that they are published at Companies House 9 months after the Accounting Date (31 March 2023), therefore on or before 31 December 2023.
- 15 The final audited Financial Statements will also be presented to this Committee for noting in the Autumn 2023 along with a copy of the respective External Audit Reports.

#### 2022/23 Out-turn

- 16 The core contract expenditure of Ansa and Orbitas, charged at cost to CEC in 2022/23 is £37.94m

- 17 Net (after tax) commercial profits of Ansa and Orbitas total £0.356m; adding to retained reserves, such that they now total £1.843m.
- 18 Although TSS ceased trading on 31 March 2022, there are residual transactions that have taken place in 2022/23 as part of winding down the company generating a £0.106m surplus. An interim dividend of £0.291m was paid in year to Cheshire East Council, a final dividend of £0.106m is due to be made in early 2023/24.

## **Consultation and Engagement**

- 19 The WOC Summary Financial Statements will be available on the company websites from 1<sup>st</sup> June 2023.

The WOC's are required to publish their audited Financial Statements at Companies House on or before 31st December (for Accounting periods ending 31 March). Accounts for each of the private companies within the Cheshire East Group will also be provided to Companies House as required.

(website: <https://www.gov.uk/government/organisations/companies-house>)

## **Implications and Comments**

### *Monitoring Officer/Legal*

- 20 The financial statements have been prepared in accordance Financial Reporting Standard 101 (Reduced Disclosure Framework) in accordance with recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).
- 21 The Financial Statements for Ansa and Orbitas have been prepared on a going concern basis using the historical cost convention, except for the revaluation of certain financial instruments and comply with the Companies Act 2006. The Financial Statements for Transport Service Solutions Ltd (TSS) are prepared on a non-going concern basis as the intention is to liquidate the company within the next 12 months and transfer all assets and liabilities to CEBC.
- 22 The Accounts and Audit (Amendment) Regulations 2022 statutory audit deadlines for 2022/23 state the publication date for audited accounts 31st May 2023 for all local authority bodies. As part of the Cheshire East Council Group, the Wholly Owned Companies (WOC's) are required to comply with this same deadline but are only required to publish Draft Summary Financial Statements on their respective websites.

- 23 The audited Financial Statements are to be approved by the Company Boards and published by the 31st December 2023 on Companies House.

#### *Section 151 Officer/Finance*

- 24 The Financial Statements summarise the financial activities of the Companies for the preceding financial year and their position at the year end. They summarise the Company turnover and expenditure, assets and liabilities, and the 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 company. The Financial Statements are an important part of Company and also Council Group financial governance and stewardship arrangements.

#### *Policy*

- 25 There are no Policy implications.

#### *Equality, Diversity and Inclusion*

- 26 There are no Equality, Diversity or Inclusion Implications.

#### *Human Resources*

- 27 There are no Human Resources Implications.

#### *Risk Management*

- 28 The financial statements have been prepared in accordance with Financial Reporting Standard 101 (Reduced Disclosure Framework) in accordance with recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006.
- 29 Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 101 "Reduced Disclosure Framework"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period.

Failure to prepare the financial statements as described above 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 Company and Council reputation

### *Rural Communities*

30 There are no Rural Communities implications.

### *Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)*

31 There are no Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND) Implications.

### *Public Health*

32 There are no Public Health implications

<b>Access to Information</b>	
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Appendices:	Appendix 1 – Presentation - Summary Wholly Owned Company Financial Statements 2022/23
Background Papers:	None