

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting:	25 June 2015
Report of:	Chief Operating Officer
Subject/Title:	Draft Pre-Audit Statement of Accounts 2014/15
Portfolio Holder:	Councillor Peter Groves

1.0 Report Summary

- 1.0 The Statements of Accounts for the period 2014/15 present a positive review of the Council's financial standing. The Council focuses on putting the needs of residents and businesses first and is clearly doing this from an improving financial position despite targeted reductions in expenditure.
- 1.1 This is the first year that 'Group' financial statements have been prepared reflecting a major step forward in the way local authority services are managed. Cheshire East Borough Council represents the largest entity within the Cheshire East Group but the financial statements now present a mixture of wholly and jointly owned subsidiary private interests.
- 1.2 In 2014/15 the Group generated a surplus of £0.7m (0.27%) against its approved revenue budget of £253.8m. Its overall financial health, performance and resilience is strong despite taking over £50m out of its cost base since 2011. In addition to its strong financial performance there have been operational highlights, throughout 2014/15, that include:
- Council Tax has been frozen for five consecutive years
 - Cheshire East came out top as the best place to live in the North West in the Halifax survey of local authorities across the country.
 - Bio-science and pharmaceuticals continue to help the Borough's economic upturn and our investment in the Manchester Science Partnership alongside Bruntwood has developed Alderley Park.
 - New companies continue to set up in the Borough and the continued roll out of high speed broadband to over 60,000 premises is a major factor in encouraging new business and creating jobs. We look forward to hearing whether we have been successful in securing the North West Gateway hub station for Crewe.
 - Another ground-breaking achievement for the Council is Fairerpower. The energy tariff is already proving popular with residents. We intend to make fuel poverty a thing of the past.
 - We had a successful launch of our Dementia Friends Campaign and embrace the opportunities that the Care Act has brought to us.
 - 2014 will be remembered for commemorating the 100th anniversary of WW1. Many successful events took place around the Borough and the Council fully supported them.

- The Crewe Lifestyle Centre is progressing well and we are investing in our other leisure services around the Borough.
 - Our parks and open spaces continue to collect green flag awards and national recognition for their recreation and education provision and are enjoyed by millions of visitors and children each year.
 - Ofsted have placed over 93.6% of our schools “good or outstanding” and our schools are in the top three in the country.
- 1.3 Information on the 2014/15 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 in September 2015.
- 1.4 This report confirms that the Council will publish, on its website, its pre-audit statement of accounts for year ended 31st March 2015, alongside its draft Annual Governance Statement, by the 30 June 2015 deadline.

2.0 Recommendations

- 2.1 Members’ note the summarised position of the accounts for year ended 31st March 2015.
- 2.2 Members note the important dates in relation to the approval process for the statement of accounts, specifically the 1st July publication of the draft accounts and Annual Governance Statement.

3.0 Reasons for Recommendations

- 3.1 The Accounts and Audit Regulations 2011 require the Audit and Governance Committee to approve the statement of accounts after the external audit is completed and before the deadline of 30 September 2015.
- 3.2 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 begins. This allows committee members adequate time to scrutinise the statements ahead of the deadline for approval.

1.0 Background

- 1.1 2014/15 was the second year of the Council’s 3 Year Plan. The five outcomes contained within the plan are being achieved through a selection of significant measures developed by the Council to highlight progress. The explanatory foreword, within the statement of accounts, will provide evidence of how performance measures demonstrate achievement of the outcomes by the Cheshire East Group of Companies.

- 1.2 The backdrop to such achievements has been continuing national austerity in the public sector, with central government grants reducing by 40% over the medium term. Rather than pass on the cost of such cuts Cheshire East Council has continued to freeze Council Tax levels and rely on greater levels of efficiency and continuing development to find the best fit providers to match customer needs
- 1.3 The medium term financial strategy, last published in February 2015, illustrates the scale of the continuing challenge over the next few years. However, the Cheshire East Group is well placed to maintain strong services that meet the needs of local residents. Investment in growing the local tax base may ultimately replace the need for government funding (in all areas but education), and the opportunities to trade in the open market are now established.
- 1.4 **Headline messages from the statement of accounts**
- 1.5 General and Earmarked reserves have increased in 2014/15 to £71.4m. This includes General Reserves which closed at £14.7m, 6% of the net budget. The overall level of reserves is adequate to continue to protect the Group against financial risks and to provide opportunities for investment in the medium term.
- 1.6 The Group demonstrates a healthy Balance Sheet, with net assets of £222.8m, despite a decrease of £103.8m (31.8%). The decrease is mainly as a result of an increase in the pension liability (Cheshire East Council +£67.1m; Subsidiaries & Joint Venture +£14.1m).
- 1.7 The Council continues to improve its performance in producing the Statement of Accounts. The external auditors commented last year on the improvements in quality of the accounts and supporting working papers. The recommendations made by the external auditors last year have been also been implemented. The Chief Operating Officer, (Section 151), has produced a pre-audit set of accounts that provides a true and fair view of the Council's financial position. He expects to receive a clean (unqualified) audit opinion from the external auditors.
- 1.8 The Statement of Accounts for 2014/15 is 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). In 2014/15 there have been no significant changes in the Code's requirements which affect the Cheshire East Group of companies and therefore no change to the accounting policies that have been adopted by the group.
- 1.9 There has been a change in the way statements are prepared due the changing structure of service providers. The Group statements consolidate the accounts of: Cheshire East Council; four wholly owned subsidiaries (Ansa, Orbitas, TSS, EotN); one joint venture (Cosocius). The accounts of a fifth wholly owned subsidiary (TPE), and one associate organisation (CWLEP), although part of the Group, are not consolidated on the grounds of materiality. This mirrors treatment of these organisations in 2013/14. The single entity statements for

Cheshire East Borough Council will also be presented to the Committee for approval in September 2015.

- 1.10 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?
- 1.11 Members are not required to approve the pre-audit statement of accounts for the Group or for the Council as a single entity. But the Chief Operating Officer is providing the committee with an early indication of the key messages from these accounts before he signs them for publication. The Pre-Audit Statement of accounts will be published on the 30 June 2015 and the certified Statement of Accounts will be published by the end of September, meeting all the statutory deadlines and reporting requirements.
- 1.12 **Next steps**
- 1.13 The Council's external auditors are Grant Thornton. Their formal audit will commence on 1 July and is expected to be completed by mid September.
- 1.14 The Committee will receive independent reports from the auditors on 24 September 2015 – including their opinion on the accounts and their value for money conclusion. The final audited Statement of Accounts will also be presented to this Committee for approval on 24 September in advance of the publication deadline of 30 September 2015.
- 1.15 **Wards Affected**
- 1.16 Not applicable.
- 1.17 **Local Ward Members**
- 1.18 Not applicable.
- 1.19 **Policy Implications**
- 1.20 None.
- 1.21 **Financial Implications (Authorised by the Chief Operating Officer)**
- 1.22 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.

1.23 Legal Implications (Authorised by the Head of Legal Services)

1.24 The regulations arising out of the Audit Commission Act 1998 (Accounts and Audit Regulations 2011) 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).

1.25 Further supporting guidance contained in the Service Reporting Code of Practice for Local Authorities (Sercop) and Local Authority Accounting Panel (LAAP) bulletins is applied as relevant. The pre-audit statement of accounts must be signed by the Council's Section 151 officer and published by the end of June following the financial year end. The pre-audit statements do not require committee approval, however it is deemed to be good practice to present the accounts to members before publication.

1.26 The Audited statements are to be approved by committee and published by end of September following the financial year.

1.27 Risk Management

1.28 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 and an adverse impact on the Council's reputation.

1.29 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Alex Thompson
Designation: Corporate Manager – Strategy & Reporting
Tel No: (01270) 685876
Email: alex.thompson@cheshireeast.gov.uk