

# CHESHIRE EAST COUNCIL

## REPORT TO: AUDIT & GOVERNANCE COMMITTEE

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**Date of Meeting:** 24 September 2015  
**Report of:** Chief Operating Officer  
**Subject/Title:** 2014-15 Statement of Accounts  
**Portfolio Holder:** Councillor Peter Groves

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### **1.0 Report Summary**

- 1.1 The 2014/15 Statement of Accounts provides information on the financial assets and transactions and of the Cheshire East Group for the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015. The Group is a complex organisation that provides c.500 different services to over 370,000 residents, with an annual value of transactions is in excess of £750m.
- 1.2 At the Audit & Governance Committee meeting of 25<sup>th</sup> June 2015 Members received a report setting out the key elements of the Council's pre-audit Statement of Accounts for 2014/15. The external audit of these Accounts is now largely complete and the external auditors, Grant Thornton anticipate providing an unqualified opinion.
- 1.3 The 2014/15 statements are the first group accounts produced for Cheshire East and the co-ordination and liaison of accountants and auditors has been a significant undertaking. Processes have been set up, followed and checked and the anticipated unqualified opinion on the statements reflects well on the work put in to date.

### **2.0 Recommendation**

- 2.1 That members receive the report and note the changes to the draft Accounts in accordance with the Audit Findings Report.
- 2.2 That the Chairman of Audit and Governance Committee be given delegated authority to sign off the final Accounts on completion of the audit process on behalf of the Committee, in consultation with the Chief Operating Officer.

### **3.0 Reasons for Recommendations**

- 3.1 To ensure compliance with the Accounts and Audit Regulations 2011.

### **4.0 Wards Affected**

- 4.1 Not applicable.

## **5.0 Local Ward Members**

5.1 Not applicable.

## **6.0 Policy Implications**

6.1 None.

## **7.0 Implications for Rural Communities**

7.1 None

## **8.0 Financial Implications (Authorised by the Chief Operating Officer)**

8.1 As covered in the report.

## **9.0 Legal Implications (Authorised by the Head of Legal Services)**

9.1 There are no specific legal implications with regard to this report.

## **10.0 Risk Management**

10.1 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.

## **11.0 Background and Options**

11.1 At the time of writing the following amendments have been agreed and reflected in the final Statement of Accounts.

- The transfer of three schools with a carrying value of £10.062m were accounted for in the wrong period. The impact forms part of the revised prior period adjustment.
- A primary school with a value of £0.891m had transferred to academy status in 2014/15 but the associated non current assets were not 'derecognised' as a loss on disposal.
- A lease arrangement between the Council and ANSA, was not removed on consolidation. This affected the group balance sheet only.
- The capital expenditure and associated capital grant for the SEMMMS relief road which was overstated by £7.5m.
- A number of changes have been made to the notes as detailed in the Audit Findings report pages 25-26.

Further details on the accounting transactions and values for these amendments are provided in the Audit Finding report page 23.

## 12.0 Summary of Final Accounts

12.1 The above changes have an impact on all of the primary statements have no impact on the usable reserves position reported in June. The revised summary statements for the group are provided in this report. Figures that have changed due to the impacts of the amendments from the draft accounts are highlighted.

### Group Comprehensive Income and Expenditure Account

Summarised Group Comprehensive Income and Expenditure Statement	2014-15			2013-14
	Spend £000	Income £000	Total £000	Total £000
Expenditure on Services	674,955	(360,768)	314,187	314,796
Corporate and Democratic Core	9,501	(6,058)	3,443	1,050
Non-distributed Costs	(10,462)	(510)	(10,972)	(5,011)
<b>Cost of Services</b>	<b>673,994</b>	<b>(367,336)</b>	<b>306,658</b>	<b>310,835</b>
Other Operating Income & Expenditure	40,667	(1,895)	38,772	47,334
Financing and Invt Income and Expenditure	32,448	(1,165)	31,283	39,680
Taxation and Non-Specific Grant Income		(339,906)	(339,906)	(332,244)
<b>(Surplus)/Deficit on Services</b>	<b>747,109</b>	<b>(710,302)</b>	<b>36,807</b>	<b>65,605</b>
Share of the surplus or deficit on the provision of services by Associates/Joint Ventures	300		300	0
<b>Group (Surplus) or Deficit</b>	<b>747,409</b>	<b>(710,302)</b>	<b>37,107</b>	<b>65,605</b>
Surplus on Revaluation of Assets/Invts	0	0	(20,561)	(25,876)
(Surplus)/Deficit on Pensions	0	0	81,285	(49,695)
Share of other Comprehensive Income & Expd of other associates and joint ventures	0	0	4,253	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>102,084</b>	<b>(9,966)</b>

12.2 This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

### 12.3 Group Movement in Reserves Statement

This statement shows the movement in year on the different reserves held by the Authority, analysed into 'useable reserves (i.e., those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves.

<b>Summarised Group Movement in Reserves Statement</b>	<b>General Fund £000</b>	<b>Earmarked Reserves £000</b>	<b>Other Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Reserves £000</b>
Opening Balance 1/4/14	19,833	35,155	26,146	235,422	316,556
Surplus / (Deficit) on Services	(37,235)	0	128	0	(37,107)
Other Expenditure and Income				(64,977)	(64,977)
Accounting Adjustments	52,136	0	(8,747)	(43,389)	0
Transfer to Earmarked Reserves	(20,012)	21,419	(1,407)		0
<b>Closing Balance 31/3/15</b>	<b>14,722</b>	<b>56,574</b>	<b>16,120</b>	<b>127,056</b>	<b>214,472</b>

## Group Balance Sheet

12.4 This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

<b>Summarised Group Balance Sheet</b>	<b>31 March 2015 £000</b>	<b>Restated 31 March 2014 £000</b>	<b>Change £000</b>
Property, Plant & Equipment	803,784	814,710	(10,926)
Investment Property	10,508	11,539	(1,031)
Other Non-Current Assets	2,816	2,229	587
Long Term Investments and Debtors	20,510	29,976	(9,466)
<b>Long Term Assets</b>	<b>837,618</b>	<b>858,454</b>	<b>(20,836)</b>
Short Term Investments	24,337	18,072	6,265
Debtors	55,832	57,998	(2,166)
Assets held for Sale	12,307	5,744	6,563
Cash & Cash Equivalents	21,552	26,036	(4,484)
Other Current Assets	437	710	(273)
<b>Current Assets</b>	<b>114,465</b>	<b>108,560</b>	<b>5,905</b>
Creditors	(83,977)	(77,390)	(6,587)
Short Term Borrowing	(9,851)	(12,570)	2,719
<b>Current Liabilities</b>	<b>(93,828)</b>	<b>(89,960)</b>	<b>(3,868)</b>
Provisions	(13,965)	(12,576)	(1,389)
Long Term Borrowing	(106,612)	(115,223)	8,611
Net Pension Liability	(470,425)	(388,432)	(81,993)
Other Long Term Liabilities	(52,781)	(44,267)	(8,514)
<b>Long Term Liabilities</b>	<b>(643,783)</b>	<b>(560,498)</b>	<b>(83,285)</b>
<b>Net Assets</b>	<b>214,472</b>	<b>316,556</b>	<b>(102,084)</b>
<i>Usable Reserves</i>			
Capital Receipts Reserve	0	1,704	(1,704)
Capital Grants Unapplied	15,992	24,442	(8,450)
Schools Reserves & Balances	7,499	8,810	(1,311)
Earmarked Reserves	49,075	26,345	22,730
General Fund Reserve	14,722	19,833	(5,111)
Profit & Loss Account	128	0	128
<b>Total Usable Reserves</b>	<b>87,416</b>	<b>81,134</b>	<b>6,282</b>
<i>Unusable Reserves</i>			
Revaluation Reserve	194,426	195,034	(608)
Capital Adjustment Account	408,354	440,435	(32,081)
Pensions Reserve	(455,574)	(388,432)	(67,142)
Group Income & Exp Reserve	(14,064)	0	(14,064)
Other Unusable Reserves	(6,086)	(11,615)	5,529
<b>Total Unusable Reserves</b>	<b>127,056</b>	<b>235,422</b>	<b>(108,366)</b>
<b>Total Reserves</b>	<b>214,472</b>	<b>316,556</b>	<b>(102,084)</b>

### **13.0 Next Steps**

- 13.1 The final version of the Statement of Accounts will be published on the Cheshire East website before the statutory deadline of 30<sup>th</sup> September following completion of the final elements of the audit and receipt of the necessary approvals.
- 13.2 Headline information from these Accounts will be made available in the form of a Summary Statement of Accounts.

### **14.0 Access to Information**

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

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