

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting:	30 th June 2016
Report of:	Chief Operating Officer
Subject/Title:	Draft Pre-Audit Statement of Accounts 2015/16
Portfolio Holder:	Councillor Peter Groves

1.0 Report Summary

- 1.0 The Statements of Accounts for the period 2015/16 present a positive review of the Council's financial standing. The Council focuses on achieving outcomes that put 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 second year that 'Group' financial statements have been prepared. Cheshire East Borough Council represents the largest entity within the Cheshire East Group but the financial statements present a mixture of wholly and jointly owned subsidiary private interests.
- 1.2 In 2015/16 the Group generated a surplus of £0.5m (0.2%) against its approved revenue budget of £246.6m. This is the fourth consecutive year that a favourable outturn position has been reported for the Council. In addition to its strong financial performance there have been operational highlights, throughout 2015/16, that include:
- Cheshire East has again been recognised as one of the best places to live in the Northwest and named the happiest place to live in England, based on a survey of more than 300,000 people across Britain by the Office for National Statistics.
 - Recycling rates continue to be in the top 10% of all local authorities and well above the national target of 50%.
 - Clean for The Queen saw 100 litter picking packs purchased to support the National clean-up campaign. Almost 2000 people were involved which has generated ongoing interest in community activity and litter picking in local areas.
 - The governance structure for the new University Technical College (UTC) continues to be strengthened ahead of the planned opening in September 2016. Work on the Crewe site continues to progress with the intention to open the UTC within the previous Oakley Centre whilst the other buildings are demolished and rebuilt.
 - The Strategic Highways Infrastructure Team continues to make strong progress on the Council's major transport schemes by planning, developing and delivering major highway and transport infrastructure improvements, in conjunction with partner organisations.

- Connecting Cheshire has one of the highest and fastest take-ups in the UK with fibre broadband being provided to more than 85,000 homes and businesses across Cheshire, Halton & Warrington.
- 92.7% of schools were rated as good or outstanding in Cheshire East, an improvement from 91.2% the previous year.
- The Fairerpower scheme has secured over 5,000 customers in its first full year, realising savings of £1.5m for residents within the Borough.

1.3 Information on the 2015/16 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 2016.

1.4 This report confirms that the Council will publish, on its website, its pre-audit statement of accounts for year ended 31st March 2016, alongside its draft Annual Governance Statement, by the 30th June 2016 deadline.

2.0 Recommendations

2.1 Members' note the summarised position of the accounts for year ended 31st March 2016 based on the presentation provided at this meeting.

2.2 Members note the important dates in relation to the approval process for the statement of accounts, specifically the 30th June publication of the draft accounts and Annual Governance Statement.

3.0 Reasons for Recommendations

3.1 The Accounts and Audit Regulations 2015 require the Audit and Governance Committee to approve the statement of accounts after the external audit is completed and before the deadline of 30th September 2016.

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 is completed. This allows committee members adequate time to scrutinise the statements ahead of the deadline for approval.

3.3 The deadline for reporting the Statement of Accounts is changing from 2017/18 when the deadline for producing the draft will be brought forward to 31st May and for the final audited version 31st July. Preparations are already underway to manage this earlier deadline.

1.0 Wards Affected

1.0 Not applicable.

- 1.1 **Local Ward Members**
- 1.2 Not applicable.
- 1.3 **Policy Implications**
- 1.4 None.
- 1.5 **Financial Implications**
- 1.6 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.
- 1.7 **Legal Implications**
- 1.8 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).
- 1.9 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.
- 1.10 The Audited statements are to be approved by committee and published by the 30th September 2016.
- 1.11 **Risk Management**
- 1.12 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.
- 1.13 **Background**
- 1.14 2015/16 was the final 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 narrative report, within the statement of accounts, provides evidence of how performance measures demonstrate achievement of the outcomes by the Cheshire East Group of Companies.

- 1.15 The medium term financial strategy, published in February 2016, illustrates the scale of the continuing challenge in balancing public expenditure requirements. The Cheshire East Group is well placed to maintain strong services that meet the needs of local residents. Investment in growing the local domestic and non-domestic 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 well established.

Headline messages from the statement of accounts

- 1.16 General and Earmarked reserves have increased in 2015/16 to £74.3m. This includes General Reserves which closed at £13.0m, 5.3% of the net budget. The overall level of reserves is in line with the Council's strategy and is adequate to continue to protect the Group against financial risks and to provide opportunities for investment in the medium term.
- 1.17 The Group demonstrates a healthy Balance Sheet, with net assets of £363.1m, an increase of £148.7m (69.4%). The increase is mainly as a result of a decrease in the pension liability of £126.2m.
- 1.18 The Council continues to improve its performance in producing the Statement of Accounts; with the single-entity statements being available for audit at the earlier start time of 6th June 2016. 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.
- 1.19 The Statement of Accounts for 2015/16 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).
- 1.20 In 2015/16 the main change in the Code's requirements which affect the Cheshire East Group of companies related to the introduction of IFRS 13 Fair Value Measurement. This introduced a requirement for the concept of fair value measurement to be applied to all assets and liabilities which use fair value as a measurement basis. In respect of property, plant and equipment the only change is in the valuation of surplus property and therefore this standard has not had a material impact on the Statement of Accounts.
- 1.21 The Group statements consolidate the accounts of: Cheshire East Council; five wholly owned subsidiaries (Ansa, Orbitas, TSS, EotN, Civicance); 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 2014/15. The single entity statements for Cheshire East Borough Council will also be presented to the Committee for approval in September 2016.

- 1.22 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?
- 1.23 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 30th June 2016 and the certified Statement of Accounts will be published by the end of September, meeting all the statutory deadlines and reporting requirements.
- 1.24 **Next steps**
- 1.25 The Council's external auditors are Grant Thornton. Their formal audit is already underway is expected to be completed by the end of July.
- 1.26 The Committee will receive independent reports from the auditors on 30th September 2016 – 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 30th September in time for publication by the deadline of 30th September 2016.

1.27 **Access to Information**

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

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