

OPEN

## **Finance Sub Committee**

**25 June 2024**

### **Draft Pre-audited Financial Statements – Wholly Owned Companies 2023/24 and Out-turn Update 2023/24**

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**Report of: Adele Taylor: Interim Director of Finance and Customer Services (s151 Officer)**

**Report Reference No: FSC/25/24-25**

**Ward(s) Affected: All**

### **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 2024, alongside the Council's 2023/24 Group Financial Statements.
- 2 Information on the 2023/24 pre-audit Financial Statements for the WOC's will be presented to the Sub Committee. This step is taken to provide Sub Committee members with an early summary of the Company single entity accounts and whilst the Sub 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 2023/24. 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 2023/24.

- 5 This report also provides Members with an overview of the Outturn position for the Companies for the financial year 2023/24.
- 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 September 2024.

## RECOMMENDATIONS

The Finance Sub Committee is recommended to:

1. Note the summarised position of the WOC Financial Statements for year ended 31st March 2024 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. Note the overall financial performance of the WOC's in the 2023/24 financial year, as contained within the Appendix 1, as follows:
  - (a) ASDV Reserves increased by £0.173m, retained reserves are £2.016m.
  - (b) Wholly Owned Companies Net Core Contract Spending was £45.051m

## 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 CEC Group statements consolidate the accounts of: CEC and two wholly owned subsidiaries (Ansa and Orbitas).
- 10 This mirrors treatment of these organisations in 2022/23. The single entity statements for Ansa and Orbitas will be presented to the Company Boards for approval in October 2024 and will also be brought back to the Sub Committee for noting in the Autumn 2024.

- 11 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?
- 12 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 Sub 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.
- 13 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 alongside the Council's draft 2023-24 Accounts publication (as soon as available) 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 2024), therefore on or before 31 December 2024.
- 14 The final audited Financial Statements will also be presented to this Sub Committee for noting in the Autumn 2024 along with a copy of the respective External Audit Reports.
- 2023/24 Out-turn – See Appendix A
- 15 The core contract expenditure of Ansa and Orbitas, charged at cost to CEC in 2023/24 is £45.051m.
- 16 Net (after tax) commercial profits of Ansa and Orbitas total £0.173m; adding to retained reserves, such that they now total £2.016m.

## **Consultation and Engagement**

- 17 The WOC Summary Financial Statements will be made available on the company websites in line with the Council's draft 2023-24 Accounts publication date (as soon as available).

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>)

## **Reasons for Recommendations**

- 18 The draft Financial Statements present the financial performance for the companies for the financial year 2023/24. The Director of Finance & Customer Services (Section 151 Officer) is providing the Sub 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.

## **Other options Considered**

- 19 Not applicable.

## **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.
- 22 The Accounts and Audit (Amendment) Regulations 2022 statutory audit deadlines for 2023/24 state the publication date for audited accounts 31st May 2024 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 31<sup>st</sup> December 2024 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 A – Draft Summary Accounts and Out-turn – Companies 2023-24   |
| Background Papers:           | None   |