

OPEN

## **Audit and Governance Committee**

**29<sup>th</sup> July 2024**

### **Draft Pre-audited Statement of Accounts 2023/24 and Outturn Update 2023/24**

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

**Report Reference No: AG/10/24-25**

**Ward(s) Affected: Not applicable**

#### **Purpose of Report**

- 1 This report confirms that the Council has published, on its website, its pre-audited Statement of Accounts for the year ended 31st March 2024.
- 2 Information on the 2023/24 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.
- 3 This report provides members with the pre-audited overview of the Cheshire East Council Outturn for the financial year 2023/24. Members are being asked to note the financial performance of the Council.

#### **Executive Summary**

- 4 This report outlines the timelines and processes for the pre-audited Statement of Accounts for 2023/24.
- 5 This report also provides Members with an overview of the Outturn position for the financial year 2023/24. A full narrative of the Outturn Summary was presented to the Finance Sub Committee on the on the 25<sup>th</sup> June 2024 as well as the subsequent Service Committees.

## RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Note the summarised position of the accounts for year ended 31st March 2024 based on the information provided at this meeting and included in this report at Appendix 1.
2. Note the dates in relation to the approval process for the Statement of Accounts.
3. Note the overall financial performance of the Council in the 2023/24 financial year, as contained within the report, as follows:

A Net Revenue Overspend of £8.5m against a revised budget of £356.2m (2.4% variance) funded by drawdown from General Reserves.

b) General Reserves closing balance of £5.6m.

c) Capital Spending of £136.9m against an approved programme of £171.1m (18% variance).

## Background

- 6 The Statement of Accounts for 2023/24 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).
- 7 The Group statements consolidate the accounts of: Cheshire East Council and two wholly owned subsidiaries (Ansa and Orbitas).
- 8 The accounts of a third wholly owned subsidiary (TPE), and three other companies Cheshire & Warrington Local Enterprise Partnership, Alderley Park Ltd and Cheshire & Warrington Development Fund Ltd although part of the Group, are not consolidated on the grounds of materiality.
- 9 This mirrors treatment of these organisations in 2022/23. The single entity statements for Cheshire East Borough Council will also be presented to the Committee for approval later this year.
- 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?

- 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 Interim Director of Finance & Customer Services (Section 151 Officer) is providing the committee with an update of the key messages from these accounts that she has signed off for publication. The Pre-Audit Statement of Accounts were published on the Council's website on the 17<sup>th</sup> July 2024 and the certified Statement of Accounts should be published by the 30<sup>th</sup> September 2024, in accordance with national deadlines.
- 12 It is expected that the final audited Statement of Accounts will be presented to this Committee for approval later, on the 5<sup>th</sup> December 2024; it is unlikely that the audited accounts will be published by the deadline of 30<sup>th</sup> September 2024, as the Council is yet to agree a start date for the audit of the 2023/24 accounts with Ernst Young.
- 13 The recommendations within the 2023/24 Third Financial Review and the Medium-Term Financial Strategy (MTFS) were clear in the treatment of the outturn and future reserve balances:

#### **Revenue Outturn**

- 14 The MTFS recognised emerging risks, such as inflation and particularly the Dedicated Schools Grant (DSG) deficit, which highlighted there is no alternative funding.
- 15 The financial outturn for Cheshire East Council is an overspend of £8.5m. This is net of appropriate allocations to useable reserves. Further detail is provided in **Table 1**. The closing balance on the General Fund reserve is £5.6m.

16 Table 1: Total Net Revenue Budget is overspent by £8.5m

2023/24	Revised Budget	Outturn	Variance	Forecast Variance FR3	Movement from FR3 to Outturn
	(NET)				
	£m	£m	£m	£m	£m
<b>Service Committee</b>					
Adults and Health	138.0	149.8	11.8	5.0	6.8
Children and Families	81.9	90.1	8.2	10.0	(1.8)
Corporate Policy	41.9	37.3	(4.5)	(1.0)	(3.6)
Economy and Growth	24.9	20.4	(4.5)	(2.8)	(1.6)
Environment and Communities	48.2	50.5	2.3	3.1	(0.8)
Highways and Transport	21.1	19.6	(1.5)	(0.2)	(1.3)
<b>Sub-Committee</b>					
Finance Sub	(355.9)	(359.3)	(3.3)	(1.1)	(2.2)
<b>TOTAL</b>	<b>(0.0)</b>	<b>8.5</b>	<b>8.5</b>	<b>13.0</b>	<b>(4.5)</b>

### Capital Outturn

- 17 Expenditure on the capital programme is £136.9m against a revised budget of £171.1m; that was reported to the Finance Sub Committee on the 11 January 2024. The underspend of £34.2m will be slipped into 2024/25 and future years. Budgets will be re-profiled as part of the outturn reporting. This level of slippage, at 18%, is a higher variance than 2022/23 (7%).
- 18 The original budget set in February 2023 was £214.7m; during 2023/24 project managers were asked to re-profile their forecasts resulting in the revised forecast of £171.1m. Capital receipts in year amounted to £3.5m against a forecast of £1.0m; in the first instance this improvement reduces potential borrowing costs. Treatment of capital receipts will be considered as part of the review of the Capital Strategy.

Table 2 : Total Capital Expenditure and Funding for the financial years 2023/24, and 2024/25 to 2026/27

	Outturn 2023/24 £m	Three Year Forecast			Total £m
		2024/25 £m	2025/26 £m	2026/27 £m	
<b>Expenditure</b>					
Children and Families	<b>29.0</b>	56.3	32.1	12.3	<b>129.7</b>
Adults and Health	<b>0.1</b>	0.8	0.0	0.0	<b>0.9</b>
Highways and Transport	<b>57.4</b>	66.4	51.4	154.6	<b>329.8</b>
Economy and Growth	<b>39.0</b>	92.6	67.6	22.3	<b>221.5</b>
Environment and Communities	<b>5.6</b>	14.6	17.5	1.4	<b>39.1</b>
Corporate Policy	<b>5.9</b>	14.8	6.5	2.5	<b>29.7</b>
	<b>136.9</b>	<b>245.5</b>	<b>175.1</b>	<b>193.1</b>	<b>750.7</b>
<b>Funding</b>					
Grants and Other Contributions	<b>70.0</b>	189.7	94.5	167.9	<b>522.1</b>
Capital Receipts and Reserves	<b>2.3</b>	3.6	32.0	2.1	<b>40.0</b>
Borrowing	<b>64.6</b>	52.2	48.6	23.1	<b>188.5</b>
<b>Total Funding</b>	<b>136.9</b>	<b>245.5</b>	<b>175.1</b>	<b>193.1</b>	<b>750.7</b>

## Consultation and Engagement

- 19 The accounts will be available for public inspection for 30 working days between the dates of 18<sup>th</sup> July to 29<sup>th</sup> August 2024, between 10 am and 4 pm Monday to Friday.
- 20 Any person may inspect, and make copies of the accounts and all books, deeds, contracts, bills, vouchers, receipts and other related documents of the Council for the year ended 31st March 2024, as stipulated in Section 25 of the Local Audit and Accountability Act 2014.
- 21 As part of the budget setting process the Pre-Budget Consultation provided an opportunity for interested parties to review and comment on the Council's Budget proposals. The budget proposals described in the consultation document were Council-wide proposals and that consultation was invited on the broad budget proposals. Where the implications of individual proposals were much wider for individuals affected by each proposal, further full and proper consultation was undertaken with people who would potentially be affected by individual budget proposals.

## **Reasons for Recommendations**

- 22 The Accounts and Audit Regulations 2015 require the Audit and Governance Committee to approve the Statement of Accounts after the external audit is completed.
- 23 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.
- 24 The Department of Levelling Up, Housing and Communities (DLUHC) put in place revised regulations that came into force on 22nd July 2022. The regulations stated that for the years 2022/23 to 2027/28 the deadline for the accounts to be signed off by has been extended from the 31st July to the 30th September.

## **Other Options Considered**

- 25 Not Applicable

## **Implications and Comments**

### *Monitoring Officer/Legal*

- 26 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).
- 27 The pre-audit Statement of Accounts must be signed by the Council's Section 151 officer and published by the required deadline following the financial year end. Even though the pre-audit statements do not require committee approval at this stage in the process, it is however deemed to be good practice to present the accounts to Members before publication.
- 28 The audited statements are to be approved by this Committee and published by the 31<sup>st</sup> December 2024.
- 29 The legal implications surrounding the process of setting the 2023 to 2027 Medium-Term Financial Strategy were dealt with in the reports relating to that process.

### *Section 151 Officer/Finance*

- 30 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.

### *Policy*

- 31 There are no Policy implications.

### *Equality, Diversity and Inclusion*

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

### *Human Resources*

- 33 There are no Human Resources Implications.

### *Risk Management*

- 34 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.

### *Rural Communities*

- 35 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)*

- 36 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*

- 37 *There are no Public Health implications*

**Access to Information**

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Appendices:	Appendix A – Summary of the Group Accounts 2023/24
Background Papers:	<a href="#">Statement of Accounts</a>