

CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of Meeting: 25 June 2009
Report of: Borough Treasurer
Subject/Title: Final Accounts 2008/09

1.0 Purpose of Report

- 1.1 To approve the Draft Statement of Accounts 2008/09 by 30 June 2009 in accordance with the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) Regulations 2006.
- 1.2 The Statement of Accounts will be available to members on 25 June 2009, a briefing session will be provided prior to the meeting with any further updates to this report.

2.0 Recommendations

- 2.1 That the Draft Statement of Accounts for 2008/09 for the following former authorities of Cheshire East Borough Council be approved:
- Crewe and Nantwich Borough Council
 - Macclesfield Borough Council
 - Congleton Borough Council

3.0 Reasons for Recommendations

- 3.1 To comply with the requirements of Section 21(2) of the Local Government Act 2003 and Sections 41 and 42 of the Local Government and Housing Act 1989.

4.0 Crewe & Nantwich Borough Council

Revenue Budget

- 4.1 The outturn position for Crewe & Nantwich in respect of the Revenue Budget is summarised in the tables below. The Council's original budget for 2009/10 planned for a transfer from the General Fund Balance of £524,000, to finance one-off items in the year.
- 4.2 The outturn transfer from the General Fund Balance is £1.8m. It was acknowledged that specific LGR-related expenditure would require a further call on reserves. After allowing for those and also the effects of a review of earmarked reserves held, the transfer from the General

Fund Balance in respect of *ordinary* activities is £532,000, some £8,000 different to that allowed for in the original budget.

	£000
Outturn Postion	16,061
Net Budget	15,529
Transfer from General Working Balance	-532
Balance brought forward	2,277
Earmark reserves review - transfer to General Fund Balance	284
<u>Less</u>	
LGR-related severance costs (redundancy, pay-in-lieu of notice)	1,498
LGR-related transitional costs	82
	1,580
Balance carried forward to Cheshire East	449

At 31 March 2009, after accounting for LGR-related severance and transitional costs, along with ordinary activities in the year, the General Fund Balance transferring to Cheshire East stands at £449,000.

The analysis of main variances shown below largely reflects matters reported to Members during the year; principally the effects of the economic downturn on car parking, planning and search fees income.

Analysis of variances - Outturn to Budget

	Budget	Outturn	Adverse/ (Favourable) Variance
	£000	£000	£000
<i>Main variances:</i>			
Off-street parking income	(2,269)	(1,918)	351
Planning applications fees	(880)	(654)	226
Interest & investment income	(1,525)	(1,716)	(191)
Concessionary bus travel expenditure	1,400	1,237	(163)
Search fees	(239)	(147)	92
On-street parking - net operating costs	25	93	68
Net effect of other expenditure/ income variances			(375)
Difference in Budget to Outturn on ordinary activities			8

Capital Programme

- 4.3 Spending on capital projects and their financing during 2008/09 is summarised in the table below. In respect of the development and completion of a number of schemes, there will be “slippage” into the

new financial year – these projects and their budgets will be inherited by Cheshire East and included in future Capital Programme reporting.

Capital expenditure and financing

	£000
Queens Park restoration	1,333
Disabled facilities and private sector housing improvement grants	910
Public buildings repairs and DDA improvements	572
Alley gating	468
Other projects	1,498
YMCA Hostel improvements (DCLG-funded)	1,500
	6,281
<i>Financed by:</i>	
Grants and contributions	3,516
Usable capital receipts	2,629
Revenue and capital reserves	136
	6,281

Other Financial Management and Reporting Issues

- 4.4 Crewe & Nantwich received £232,000 from the Local Authority Business Growth Initiative (LABGI) contingency fund, following the Government's conclusion of matters in respect of Year 3 of that initiative. In March 2009, the Council also received £305,000 in performance reward grant from Local Public Service Agreement (LPSA2); we have accrued for the second instalment for the same amount, due to be received later in 2009/10. These grants have been transferred to earmarked reserves, pending formulation and implementation of policies regarding their use.
- 4.5 The Council received £1.67m in capital receipts during 2008/09, as anticipated and taken into account in its latest capital expenditure financing plans. Income included £905,000 from the sale of the trade waste business, £480,000 from a land disposal and £227,000 for the Council's share of Right-to-Buy sales via its agreement with Wulvern Housing.
- 4.6 The deficit balance on the Collection Fund was £274,000 at 31 March 2009, some £94,000 larger than earlier predicted, mainly due to increases in exemptions applicable.

5.0 Macclesfield Borough Council

Revenue Budget

- 5.1 The outturn position for Macclesfield Borough Council in respect of the Revenue Budget is summarised in the table below.

	£000
Outturn Postion	19,998
Net Budget	18,532
Transfer from Earmarked Reserves	1,466
Transfer to/from General Working Balance	0
Balance brought forward	2,433
<u>Less</u>	
LGR-related severance costs (redundancy, pay-in-lieu of notice)	1,039
LGR-related transitional costs	436
	1,475
Balance carried forward to Cheshire East	958

- 5.2 After taking account of contributions from reserves the Council's General Fund working balance has remained at £2.433m. As an exceptional item the Authority needs to fund LGR transitional costs that have been incurred by Macclesfield Borough Council on behalf of the new Cheshire East Borough Council through the existing working balances. This expenditure amounts to £1.475m.
- 5.3 At 31 March 2009, after accounting for LGR-related severance and transitional costs, the General Fund Balance transferring to Cheshire East stands at £958,000.
- 5.4 Transfers from earmarked reserves include specific items as previously reported to members including the compensation payment for the Larches development and the re-imbursement of double taxation payments to Parish Councils.
- 5.5 The recession has had a significant impact on the Council's outturn position. The downturn in the property market affected planning and land charges fee income significantly. Corrective action was taken during 2008/09 to freeze all non-essential spend on supplies and services and by managing the vacancy situation the overall deficit position was reduced to £0.293m. The deficit has been funded from earmarked reserves set aside in 2007/08 to balance the budget that were not required.
- 5.6 The sale of Oakdean Court, a residual property from the housing stock transfer has been deferred due to the downturn in the property market. As a result the charges that have been incurred in maintaining the property in 2008/2009 have been charged to the Land and Property account and funded from the balance on the housing transfer reserve.

- 5.7 The analysis of main variances shown below largely reflects matters reported to Members during the year; principally the effects of the economic downturn on income.

Analysis of variances - Outturn to Budget	Budget	Outturn	Adverse/ (Favourable) Variance
	£000	£000	£000
<i>Main variances:</i>			
Planning applications fees	(1,160)	(722)	438
Search fees	(400)	(199)	201
Car Parking Income (excluding fines)	(2,860)	(2,675)	185
Sale of recyclable materials	(426)	(368)	58
Customer Centre and ICT Staffing Reductions	2,359	2,269	(90)
Finance Staffing Reductions and increased income for Summons Costs and Liability Orders	651	426	(225)
Net effect of other expenditure/ income variances			(274)
			293

Capital Programme

- 5.8 Spending on capital projects and their financing during 2008/09 is summarised in the table below. In respect of the development and completion of a number of schemes, there will be “slippage” into the new financial year – these projects and their budgets will be inherited by Cheshire East and included in future Capital Programme reporting.

Capital expenditure and financing	£000
Structural repairs to bridges and structures	250
Structural repairs to Middlewood Way Viaduct	354
Disabled facilities and private sector housing improvement grants	1,012
Improvements to Park facilities	158
Environmental Projects	68
Public Building Repairs and DDA Works	545
Other Projects	998
	3,385
<i>Financed by:</i>	
Grants and contributions	1,012
Usable capital receipts	2,257
Revenue and capital reserves	116
	3,385

Other Financial Management and Reporting Issues

- 5.9 Macclesfield received £625,382 from the LABGI fund in 2008/09, the Council also received £145,237 in performance reward grant from

LPSA2; we have accrued for the second instalment for the same amount, due to be received later in 2009/10. These grants have been transferred to earmarked reserves, pending formulation and implementation of policies regarding their use.

- 5.10 The Council received £3.284 m in capital receipts during 2008/09. Income included £0.513m from the sale of the trade waste business, £0.302 from the sale of Black Road Community Centre, £0.576m for the Council's share of Right-to-Buy sales and £1.662m from the VAT shelter arrangement with Cheshire Peaks and Plains.
- 5.11 The deficit balance on the Collection Fund was £502,000 at 31 March 2009.

6.0 Congleton Borough Council

Revenue Budget

- 6.1 The outturn position for Congleton Borough Council in respect of the Revenue Budget is summarised in the table below.

	£000
Outturn Postion	11,257
Net Budget	11,445
Transfer from Earmarked Reserves	394
Transfer to General Working Balance	582
Balance brought forward	3,049
<u>Less</u>	
LGR-related severance costs (redundancy, pay-in-lieu of notice and other direct costs of transition)	1,527
Balance carried forward to Cheshire East	2,104

- 6.2 The opening general fund balance of £3.049m has reduced mainly due to exceptional items of expenditure related to costs of Local Government Reorganisation. These costs have been partially offset by additional unbudgeted grants (LABGI, LPSA) and by service underspends. Cheshire East Borough Council will therefore inherit a general fund balance of £2.104m from the former District of Congleton Borough.
- 6.3 Earmarked reserves of £397,000 were budgeted to be used during 2008/2009 and £394,000 were actually used. The balance of earmarked reserves to be transferred to Cheshire East Council will be £449,824. The number of reserves has been reduced to reflect ongoing

requirements. Where a balance existed this has been transferred to general reserves.

- 6.4 Performance throughout 2008/2009 was predicted to produce an outturn close to budget, when excluding the impact of LGR. Prudent budgeting in key income areas negated some of the impact of the recession but Leisure income was below budget. Throughout the LGR process vacancies were not filled, or temporary staffing arrangements were introduced, which when combined with the receipt of additional grants produced an outturn below budget.

Capital Budget

- 6.5 The capital programme for 2008/2009 was considerably underspent, reflecting the reduced capacity for additional projects, particularly towards the latter part of the financial year. The approved programme totalled £6.047m for 2008/2009, and at 31st March 2009 £1.749 remained unspent.

Other Financial Management and Reporting Issues

- 6.6 Following the normal treatment of year-end balances for Congleton Borough Council, all unspent balances have been transferred to General Reserves. This includes service underspends and unbudgeted income such as LPSA and LABGI awards.
- 6.7 The deficit balance on the Collection Fund was £113,000 at 31 March 2009.

7.0 Financial Implications

- 7.1 The following issues are common to all sets of accounts.
- 7.2 LGR-related expenditure

The accounting treatment of LGR-related costs is as follows:

1. *Transitional, preparatory expenditure* – Costs incurred by each authority are included as part of the Cost of Services, with any material expenses described in the accompanying notes. Adjustments will be made as part of the disaggregation of County Council balances to reflect the cost sharing arrangements agreed between the outgoing councils.
2. *Severance costs* – LGR-related redundancies and associated costs are all included as part of Non Distributed Costs, on the face of the Income and Expenditure Account; also included in Non Distributed Costs are the effects of actuarial costs of early retirements, in accordance with FRS17

3. *Actuarial costs of early retirements* – Whilst charged to the Income and Expenditure Account as indicated above, the costs of the LGR-related early retirements will actually be spread over the next five years, with the first payment to the Pension Fund made in 2009/10

Government reward grants

- 7.3 Not anticipated in original budgets, the Councils have received two performance reward grants:
 1. *Local Authority Business Growth Incentive (LABGI) grant* – being allocations from the Government's contingency fund, following conclusion of matters in respect of Year 3 of that initiative
 2. *Local Public Service Agreement (LPSA2) grant* – for which a first instalment was received in March 2009 and a second instalment (accrued for) is due to be received later in 2009/10;

These grants have been transferred to earmarked reserves, pending formulation and implementation of policies regarding their use.

Technical accounting issues

- 7.4 A couple of financial accounting matters are worthy of note:
 1. *Pensions accounting (in accordance with FRS17)*
 - a. Costs charged to Services, on the face of the Income and Expenditure Account, are lower than last year due to a change in actuarial assumptions
 - b. Net Pensions Liabilities on Balance Sheets will be larger than last year; mainly due to poor investment returns
 2. *Impairment of fixed assets*
 - a. In certain cases, the value of property assets held has been adversely affected by the economic downturn and as such impairment charges (reductions in valuations) have been made to Services, or Non Distributed Costs for any non-operational properties)
 - b. These charges have been reversed out "below the line", to ensure there is no direct impact on the General Fund Balance
- 7.5 Line-by-line comparison of net expenditure on the face of the Income and Expenditure Account may prove difficult, not least for these reasons.

8.0 Legal Implications

- 8.1 None

9.0 Risk Assessment

- 9.1 The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006, require the Draft Financial Statement of Accounts to be approved by 30 June 2008.
- 9.2 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.

For further information:

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Background documents:

Macclesfield Borough Council – Finance & Audit Committee 19th March 2009 - Annual Governance Statement

Congleton Borough Council – Annual Accounts Committee 25th March 2009 – Annual Governance Statement

Crewe and Nantwich Borough Council -
2008/09 Budget - Council, 27 February 2008
Financial Monitoring Statement - Board, 22 January 2009
Annual Governance Statement - Audit Committee, 23 March 2009