

Summary Statement of Accounts 2015/16





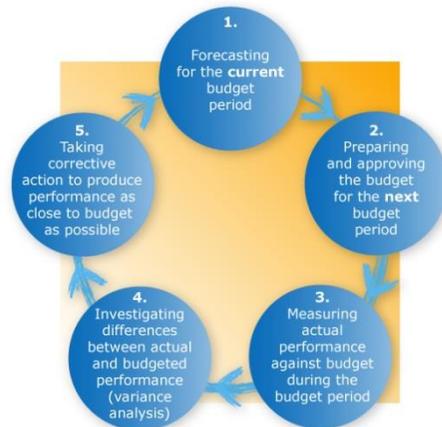
John Sampson BA (Hons), PG Dip, PG D, Adv Dip, FCCA – Director of Corporate Resources and Chief Finance Officer

The Council's audited Statement of Accounts has been prepared in accordance with the Accounting Code of Practice (The Rules). The figures supporting this financial summary were compiled having regard to proper accounting practice but to provide simplified and more meaningful information. As a result some figures have been combined and modified. A full copy of the 2015/16 audited accounts is available on the Council's website (www.redcar-cleveland.gov.uk).



Revenue expenditure is generally spent on items consumed within the year and is financed from Council Tax, Government Grants and other income. The revenue budget for 2015/16 was based on delivering £3.755m worth of service and business savings to address a combination of reduced income from government funded grants and to fund key service pressures to support the requirements of the Borough. These pressures have been compounded by the closure of the SSI steelworks in October 2015 and the resulting 2,200 job losses and loss of substantial business rates to the Council. A budget of £117.530m was agreed by the Council in March 2015.

A rigorous approach to financial control of the revenue budget, supported by monthly monitoring to Directorate Management Teams, the Executive Management Team and quarterly monitoring to Cabinet, has played a major part in the Council delivering a balanced budget position for 2015/16 across the whole of the financial year.



The revenue budget for 2015/16 and future financial years' budgets were built based upon the nine themed reviews undertaken through the Shaping Our Future project. The Budget was also developed taking into account the following key assumptions:

- The Revenue Support Grant, from Government, being reduced by more than £11m to £27.651m.
- A reducing position on specific grants which also affects the overall spending capacity of the Council.
- A 1% reduction in the level of Council Tax within the Borough.
- Reducing Business Rates position, at a level well below what Government assesses we need to fund local services.
- Increasing some fees & charges in order to generate more income for the Council.

Strategically, Shaping Our Future covers all aspects of the Council's involvement with the community and considers the wider implications for service delivery within the Borough. Each of the Shaping our Future reviews were given a budget from which they were to be funded based upon the key assumptions above. This planned approach to managing the overall budget reduction will see the following total planned savings across the three year period:

- 2014/15 - £11.075m
- 2015/16 - £3.755m
- 2016/17 - £6.030m
- 3 year total - £20.860m

Financial Review

A balanced Budget has been delivered following the closure of the Council's revenue account for 2015/16.

The Council's original revenue budget with actual expenditure is summarised below. Any underspends achieved by directorates or by corporate budgets have been transferred to reserves:

Directorate	Base Budget £000	Revised Budget £000	Actual Outturn £000	Variance to Revised Budget £000
Corporate Resources	28,673	23,003	22,317	-686
Regeneration Services	13,644	23,431	23,425	-6
People Services	57,894	72,454	71,658	-796
Corporate Allocations	17,319	-1,358	130	1,488
Total	117,530	117,530	117,530	0

More details on the position for each directorate and reasons for specific variances can be seen in the Council's financial outturn report 2015/16 presented to Cabinet on 5th July 2016. This is available on the Council's website.

www.redcar-cleveland.gov.uk

In addition to any Directorate underspends being transferred to reserves, there are also three other significant items that have meant an increase of almost £16m in reserves compared to last year. This means that the total usable reserves of the Council currently stand at a total of £46.740 million. These are:

- £10.082 million replenishment of reserves after we had to use them in 2014/15 due to the uncertainty around the future of SSI.
- £3.026 million of Business Rates Safety Net Grant received in 2015/16.
- £2.619 million reduction after an agreed change in Council policy for Minimum Revenue Provision (MRP)

The Movement in Reserves statement shows the change in the different types of reserves held by the Council over the financial year (See page 31). These reserves can be analysed into usable reserves, those that can be applied to fund future expenditure or to reduce taxation, and other unusable reserves, held for accounting purposes (See Note 7, page 52). Of the total reserves, some £5.259m relate to School budgets and £2.732m relate to capital grants not yet utilised. £38.749m is available to help with delivering future revenue budgets and priorities.

The Comprehensive Income and Expenditure Statement (CIES) records all of the gains and losses experienced by the Council during the financial year, and equates to a movement in the net worth on the balance sheet of £10.367m. Its primary purpose is to record revenue income and expenditure, which is generally spent on items such as employee costs, and supplies & services, and is financed from a combination of Council Tax, Business Rates, Government Grants and other income. The CIES provides a breakdown over the types of services the Council provides as defined within Chartered Institute of Public Finance and Accountancy (CIPFA)'s Service Reporting Code of Practice.

There is an initial deficit of £30.021m on the CIES for the net cost of providing the Council's day to day revenue services. This though includes various technical adjustments required by accounting standards such as capital accounting, pensions accounting and collection fund regulatory changes. Most of these costs are not chargeable against the funding from central government, the local population or businesses and therefore can be removed from analysing how the Council has performed against its revenue resources. When other gains relating to pension fund performance of £30.272m and capital assets of £10.116m are added back in, the net gain in the 'worth' or value of the Council for the financial year is £10.367m.

Additional information on how the Comprehensive Income and Expenditure Statement reconciles to the Council's budgetary position by Directorate can be seen in Note 5 to the Financial Statements and the diagrams below show an analysis of the gross revenue spending of £357.320 million as shown in the Comprehensive Income and Expenditure Statement. It is important

to note that the contribution from the local community through Council Tax represents 15% of the Council's total income.

All directorates have managed within their budget allocations through a combination of strict gate-keeping arrangements and additional income generation or cost reduction solutions. Additionally as part of the Shaping our Future savings targets there has been regular scrutiny of individual savings as part of the monitoring process.

Each directorate has contributed to an underspend position as set out in the summary table below and these balances have been carried forward corporately to add to the reserves of the Council for the future.

This represents a good outcome for a financial year, where from the outset the Council was faced with making substantial savings in the face of increasing demands for its services. It was also vital to deliver a balanced Budget given the level of savings needed in future years.

Financial Review

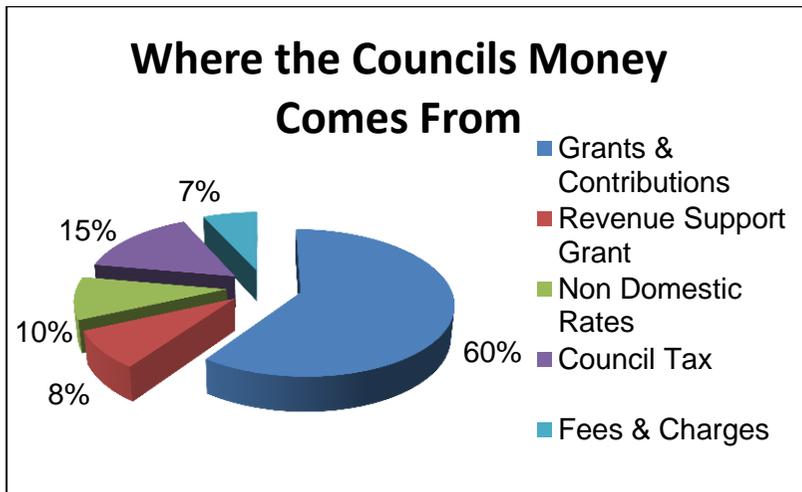
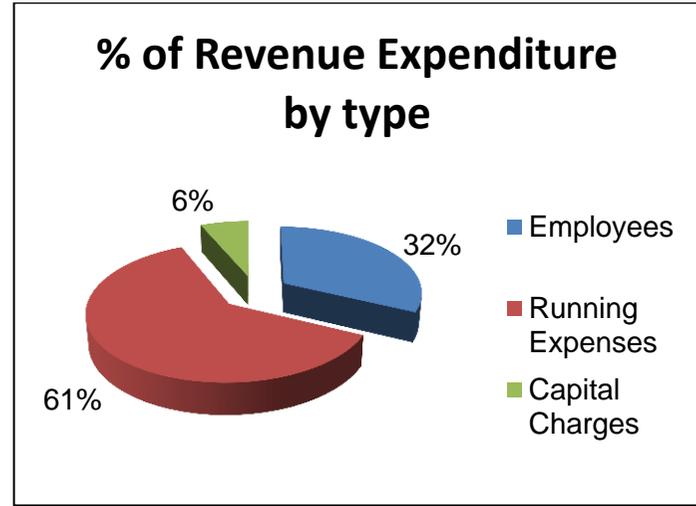
The total net spending on Cost of Services was £114.079m with gross income and expenditure of around £330m. The Comprehensive Income and Expenditure Statement within the Statement of Accounts shows the true cost of delivering services

within the 2015/16 financial year. This includes unrealised gains and losses on non-current assets, financial instruments and pensions. The following table provides this information together with how this has been financed.

	Gross Spend £'000	Income £'000	Net Spend £'000
Central Services to the Public	3,763	(1,702)	2,061
Court Services	235	0	235
Cultural and Related Services	5,861	(1,326)	4,535
Environmental and Regulatory Services	15,867	(3,450)	12,417
Planning Services	8,030	(1,864)	6,166
Education and Children's Services	124,591	(94,827)	29,764
Highways and Transport Services	17,056	(1,914)	15,142
Housing Services	62,836	(61,654)	1,182
Adult Social Care	58,844	(18,793)	40,051
Public Health	10,880	(12,355)	(1,475)
Corporate and Democratic Core	3,897	(21)	3,876
Non-Distributed Costs	429	(304)	125
Net Cost of Services	312,289	(198,210)	114,079
Other Operating Expenditure	1,083	0	1,083
Financing and Investment Income and Expenditure	46,534	(306)	46,228
Regulatory Accounting Adjustments	(29,872)		(29,872)
Net Contributions from Reserves/Provisions		(149)	(149)
Amount to be met from Government Grants and Council Tax	330,034	(198,665)	131,369
Financed by: -			
Council Tax			(52,851)
Business Rates			(31,134)
General Government Grants			<u>(47,384)</u>
Sub Total			(131,369)

These diagrams show what we spend our money on, and where we get our money from as shown in the Comprehensive Income and Expenditure Statement:

This chart shows that the majority of expenditure incurred by the Council relates to running expenses (61%), this includes premises, transport and external supplies and services.



Only 15% of the Council's funding comes from local Council Tax payers and 10% from localised Business Rates. The remainder of the Council's funding comes in the form of specific grants from Central Government and other public sector bodies (68%).

Balance Sheet

The Council's Balance Sheet at 31st March 2016

The Balance Sheet presents the financial position of the Council at the end of March 2016. It shows what assets and balances the Council holds, what it is owed and what it owes.

The Council has more liabilities than assets, which results in what is technically called a negative equity balance sheet (at 31 March 2016). Liabilities outweigh its assets by £88.8m. This is mainly driven by the deficit on the Pension Fund. However, the Pension Fund deficit reflects an assessment of what is owed in pensions over the next 20-40 years and all those liabilities will not crystallise at any one point in time and can be managed as part of the pension fund investment strategy by the Council. So, a better indicator of the financial health of the Council, rather than the negative equity measure, is the level of usable reserves which remain prudent at £46.740m.

Balance Sheet 2016/17	£'000
Assets	
Buildings, Land and Equipment	305,577
Other Long-term Assets	3,447
Money owed to the Council	23,359
Cash, Investments and Stocks	17,562
Total Assets	349,945
Liabilities	
Borrowing	(231,515)
Pension Scheme	(172,521)
Amounts owed by the Council	(27,832)
Capital and Government Grants not yet applied	(6,915)
Assets less Liabilities	(88,838)
Financed By:-	
Unusable Reserves	135,578
Usable reserves	(46,740)
Total Net Worth	(88,838)



Capital Expenditure

Capital Expenditure

Capital expenditure represents money spent by the Council on purchasing, upgrading and improving assets such as land, buildings, equipment and infrastructure. The Council receives the benefit from capital expenditure over a long period of time. In 2015/16, Redcar and Cleveland Borough Council spent £18.676m on capital items, financed by capital grants and other contributions (£11.018m), borrowing (£6.726m), income from the sale of assets (£0.880m) and direct revenue funding (£0.052m). The main areas of capital investment in 2015/16 were:-

Shaping Our Future Theme	2015/16 £'000	Shaping Our Future Theme	2015/16 £'000
Driving Our Growth		Reablement and Independence	
Skinningrove Coastal Protection	3,355	Disabled Facilities Grant	605
Structural Highways Maintenance	2,032	Other	270
Block Allocation - Local Transport Plan	939		<u>875</u>
Bus Network Review	460	Best Start in Life	
Highways Improvements	400	Maintenance	1,095
Public Realm	304	Galley Hill Extension	392
Greater Eston & East Cleveland Masterplan	200	Devolved Formula Capital at LEA level	388
Drainage Asset Capture and Flood Prevention	189	Hillsview Academy	239
Coastal Communities Fund	123	Westgarth Urgent Conditioning Works	236
Redcar Leisure & Community Heart	19	School Food Plan	128
Other	295	Early Years - 2 Year Old Offer	29
	<u>8,316</u>	Other	80
Healthy Lifestyles			<u>2,587</u>
Middlesbrough Foundation Pitch Refurbishment	444	Making Our Money Go Further	
Haven Traveller Site	4	Redcar and Cleveland Investment Fund	2,153
	<u>448</u>	Information Technology improvement projects	548
Neighbourhood and Customer Services		Asset Management - Capitalised Repairs	509
Vehicle Purchases	2,546	Enterprise Resource Planning	474
Other	135	Carbon Management Programme	44
	<u>2,681</u>	Other	41
			<u>3,769</u>
		Total	18,676

Collection Fund

Collection Fund

The Collection Fund shows the income received from Council Tax and Non-Domestic Rates. Council Tax is charged on a series of property valuation bands. Council Tax is collected by the Council on behalf of a range of bodies, and is then distributed to the Council (£51.5m), Cleveland Police Authority (£7.7m), Cleveland Fire Authority (£2.6m) and local parishes (£0.5m) in accordance with their budget precept demands.

The level of Council Tax in any year is determined by estimating the income required by the Council and the Police and Fire Authorities and by dividing this by the number and value of residential properties. This calculation known as the tax base for the Borough was set at 37,346.

In 2015/16, under the local government finance regime, the Council oversees the collection of the business rates. For Redcar and Cleveland the Non-Domestic Rates (NDR) are distributed on the following basis: Central Government (50% share), the Council (49% share) and Cleveland Fire and Rescue Authority (1% share). Total business rates income for the borough is generally around £50m per annum.

The actual sums collected and distributed to the Council was £23.2m, Central Government £23.7 and Cleveland Fire Authority £0.5m based on forecasted figures.

	2012/13 £	2013/14 £	2014/15 £	2015/16 £
Band A Council Tax Charge – Redcar & Cleveland	£891.12	£908.64	£926.69	£917.46
Band D Council Tax Charge – Redcar and Cleveland	£1,336.68	£1,362.96	£1,390.04	£1,376.19
Band D Council Tax Charge – Including major precepts	£1,597.55	£1,629.00	£1,661.43	£1,652.81
Percentage of Council Tax Collected – Redcar and Cleveland	96.7%	95.4%	95.4%	95.9%
Percentage of Business Rates Collected	98.9%	98.8%	99.0%	77.1%*

**The closure of SSI has had a significant effect on the % of business rates collected in 2015/16.*

Further Information

If you have any comments or queries regarding this summary, please contact us on 01642 444306 or by e-mail to justin.weston@redcar-cleveland.gov.uk.

Glossary of Terms

Accounting Code of Practice – The framework used by local authorities to account on a consistent and fair basis for all financial transactions and for preparing their accounts;

Regulatory Accounting Adjustments

This adjustment reconciles proper accounting practice to the resources that are available to the council to meet future capital and revenue expenditure.

Central Services to the Public – Specific services provided to the public, which do not fall under any of the main recognisable services provided by the local authority. These include local tax collection, registration of birth, deaths & marriages, elections, emergency planning and land charges.

Corporate & Democratic Core – comprises all the activities that local authorities engage in specifically because they are elected, multi-purpose bodies such as Councillor's expenses, cost of the Chief Executive's time, Committee Services and specific governance issues;

Non-Distributed Costs – these are costs that cannot be attributable to any specific services but are nevertheless incurred by the Council. Examples are past service retirement benefits, the cost of surplus or unutilised assets and costs incurred from previous reorganised authorities;

Band D Council Tax – Dwellings are included in eight bands (A-H) for Council tax purposes. All can be converted into Band D equivalent numbers for Council Tax calculations via a government formula. The total number of properties in a local authority area is therefore expressed as the number of band D equivalent properties for government returns and comparative purposes.

Council Tax Support Scheme – A local scheme operated by the Council where residents can claim discounts on council tax bills. This replaces a national grant funded scheme where some tax payers received a 100% reduction on their bills. In most cases residents can only claim a maximum of 80% reductions with the 20% remainder having to be paid over to the Council.