



Summary Statement of Accounts 2016/17



Gisborough Priory



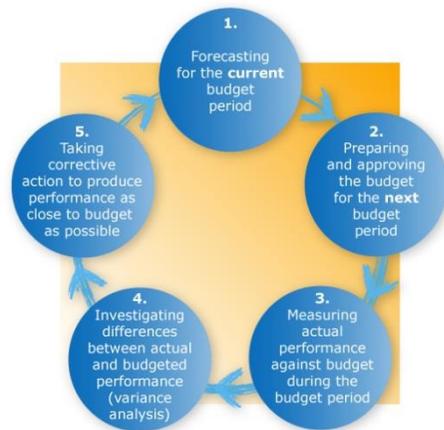
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The Council's audited Statement of Accounts has been prepared in accordance with the Accounting Code of Practice (The Rules). The figures supporting this financial summary were compiled having regard to proper accounting practice but to provide simplified and more meaningful

information. As a result some figures have been combined and modified. A full copy of the 2016/17 unaudited accounts is available on the Council's website [Statement of Accounts](#).



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 2016/17 was based on delivering £6.030million 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. A budget of £104.509 million was agreed by the Council in March 2016.



The revenue budget for 2016/17 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 £3.101 million to £21.551million.
- A Council Tax freeze in 2016/17.
- The introduction of a 2.0% Adult Social Care precept.
- Increased savings target in 2016/17 of £6.030 million.

- Additional Council Tax yield of £0.741 million associated with targeted property growth.
- A reduced business rate yield across the medium term.
- Modest increases in Fees & Charges income.
- No external borrowing taken to resource the proposed Capital Programme.
- A contribution to revenue from earmarked reserves of £7.043 million.

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 savings across the three year period:

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

A small underspend of £0.520 million has been delivered following the closure of the Council's revenue account for 2016/17 following some demanding financial pressures experienced during the year.

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:

Financial Review

| Directorate | Base Budget £000 | Revised Budget £000 | Actual Outturn £000 | Variance to Revised Budget £000 |
|-----------------------|------------------|---------------------|---------------------|---------------------------------|
| Resources | 35,226 | 18,865 | 19,673 | 808 |
| Adults & Communities | 39,193 | 44,650 | 43,625 | (1,025) |
| Children and Families | 26,475 | 35,591 | 35,337 | (254) |
| Economic Growth | 3,615 | 5,403 | 5,402 | (1) |
| Housing Benefits | - | - | (48) | (48) |
| Total | 104,509 | 104,509 | 103,989 | (520) |

In addition, the year-end position of a £0.520 million underspend can be broken down across the major spending blocks, as follows:

- Pay related budgets - £2.473 million underspend
- Non-pay budgets - £7.048 million overspend
- Income targets - £5.095 million underspend

The variances highlighted in the table above are due to the following:

- Resources - the net overspend position within the directorate is made up of a combinations of savings on staffing costs, operational service costs, business rates along with an overall increase in income received. However, this is off-set by significant pressures remaining at the end of the financial year relating to Minimum Revenue Provision and the SOF target in relation to income regeneration. Elements of these pressures have been offset by additional income from court costs.

- Children and Families - the directorate has experienced budget pressures this year from increased numbers of looked after children. An in-year budget transfer has mitigated the majority of this pressure, with savings in other areas, mainly staffing, delivering an overall underspend at the year end. Vacancies were deliberately held in some areas both to mitigate in year looked after children demand pressures and as preparation for the Early Help service review, in order to minimise the number of redundancies required.
- Adults & Communities - the directorate sought to achieve savings this year by managing demand for adult social care through early intervention and prevention. Whilst all key actions set out were taken there was some shortfall against these savings targets. However, this shortfall was more than offset with other savings in staffing and commissioning across a number of adult services. Public Health services further added to the overall underspend position through proactive identification of early savings opportunities in preparation for future year's savings requirements and public health grant reductions.



The Movement in Reserves statement shows the change in the different types of reserves held by the Council over the financial year. 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. Of the total reserves, some £3.291 million relate to School budgets and £2.420 million relate to capital grants not yet utilised. £28.676 million 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 £12.010 million. In an attempt to make the annual accounts more understandable, the CIES has been prepared with reporting segments that mirror the way services have been delivered. As a result the CIES shows the Directorate split so that monitoring information throughout the year can be compared to the final position more easily.

The primary purpose of the CIES 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 surplus of £77.629 million on the CIES for the net cost of providing the Council's day to day revenue services. This includes various technical adjustments required by accounting

standards such as capital accounting, pensions accounting and collection fund regulatory changes. Most of these costs or income are not chargeable against the funding from tax payers and therefore can be removed from analysing how the Council has performed against its revenue budget. When other gains relating to pension fund performance of £66.675 million and capital assets of £1.056 million are added back in, the net gain in the 'worth' or value of the Council for the financial year is £12.010 million.

Additional information on how the Comprehensive Income and Expenditure Statement reconciles to the Council's budgetary position by Directorate can be seen in Note 6 to the Financial Statements, the External and Funding Analysis (EFA) in Note 1 and the diagrams below show an analysis of the gross revenue spending of £371.785 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 only 16% of the Council's total resources.



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 small underspend position given the level of savings needed in future years.



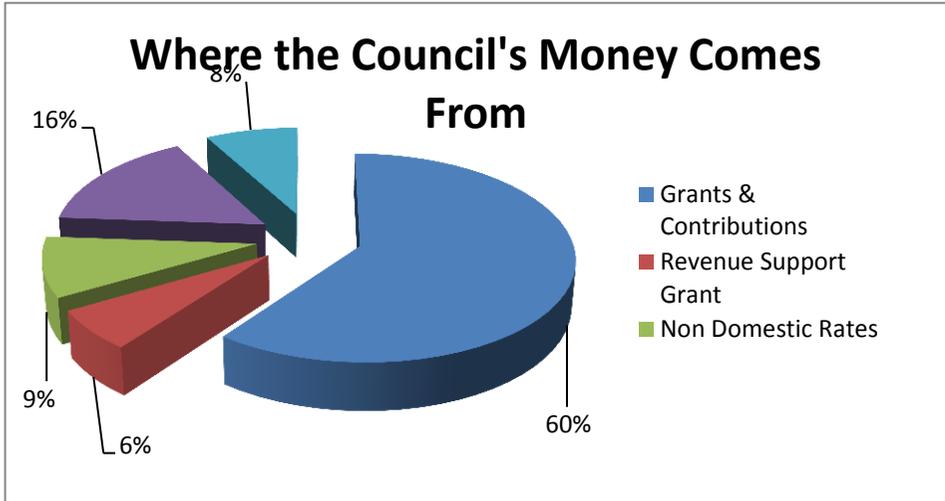
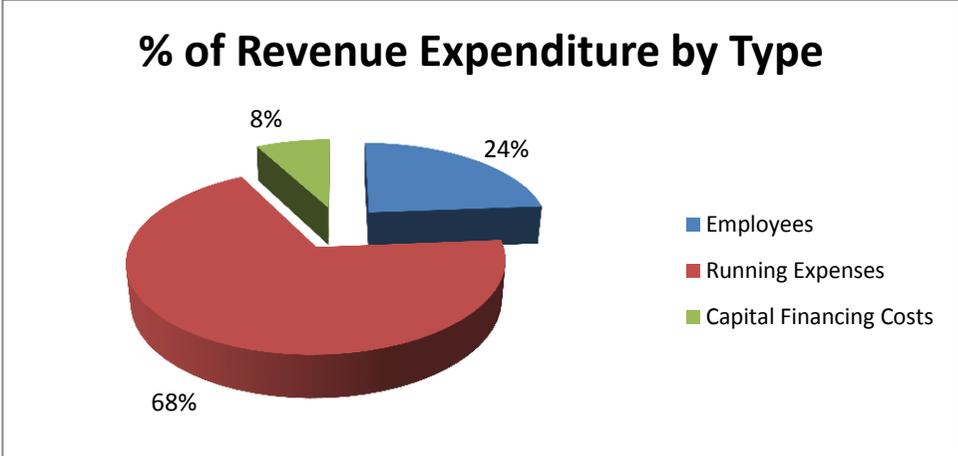
The total net spending on Cost of Services was £123.166 million with gross income and expenditure of around £0.370 million. The Comprehensive Income and Expenditure Statement within the Statement of Accounts shows the true cost of delivering services within the 2016/17 financial year. This includes unrealised gains and losses on non-current assets, financial instruments and pensions. The following table provides this information together with how this has been financed.



| Comprehensive Income and Expenditure Statement | Gross Spend £'000 | Income £'000 | Net Spend £'000 |
|--|----------------------|------------------|--------------------|
| Resources | 48,978 | (15,678) | 33,300 |
| Adults & Communities | 77,757 | (33,975) | 43,782 |
| Children and Families | 125,522 | (85,039) | 40,483 |
| Economic Growth | 9,106 | (3,456) | 5,650 |
| Housing Benefits | 58,563 | (58,611) | (48) |
| Net Cost of Services | 319,926 | (196,759) | 123,167 |
| Other Operating Expenditure | 711 | (965) | (254) |
| Financing and Investment | | | |
| Income and Expenditure | 51,148 | (110,831) | (59,683) |
| Taxation and Non-specific Grant | | | |
| Income | - | (140,859) | (140,859) |
| (Surplus) or Deficit on Provision of Services | 371,785 | (449,414) | (77,629) |
| (Surplus)/Deficit on Revaluation of Non-current Assets | | | (1,056) |
| Actuarial (Gains)/Losses on Pension Assets/Liabilities | | | 66,675 |
| Other Comprehensive Income and Expenditure | | | 65,619 |
| Total Comprehensive Income and Expenditure | | | (12,010) |

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 (68%), this includes premises, transport and external supplies and services.



Only 16% 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 (60%).

Balance Sheet

The Council's Balance Sheet at 31st March 2017

The Balance Sheet presents the financial position of the Council at the end of March 2017. 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 2017). Liabilities outweigh its assets by £76.8 million. 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 £39.194 million.

| Balance Sheet 2016/17 | £'000 |
|---|-----------------|
| Assets | |
| Buildings, Land and Equipment | 289,294 |
| Other Long-term Assets | 2,856 |
| Money owed to the Council | 30,478 |
| Cash, Investments and Stocks | 7,569 |
| Total Assets | 330,198 |
| Liabilities | |
| Borrowing | (219,594) |
| Pension Scheme | (152,440) |
| Amounts owed by the Council | (31,525) |
| Capital and Government Grants not yet applied | (3,467) |
| Assets less Liabilities | (76,828) |
| Financed By:- | |
| Unusable Reserves | 116,022 |
| Usable reserves | (39,194) |
| Total Net Worth | (76,828) |



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 2016/17, Redcar and Cleveland Borough Council spent £12.578 million on capital items, financed by capital grants and other contributions of £7.472 million, borrowing of £2.443 million which represents loans to be repaid as per the contractual obligations and income from the sale of assets of £2.663 million. The main areas of capital investment in 2016/17 were:-

| | 2016/17 £'000 | | 2016/17 £'000 |
|--|------------------|--|------------------|
| Town Scape Investment | | Adaptive Housing | |
| Public Realm | 303 | Disabled Facilities Grant | 708 |
| Skelton Townscape Heritage Initiative | 54 | Other | 143 |
| Town Centre Improvements | 10 | | 851 |
| The Great Street | 25 | Community Capacity | |
| Skinningrove Coastal Protection | 206 | Middlesbrough Foundation Pitch Refurbishment | 21 |
| | 598 | Investment in Leisure Centres | 426 |
| | | | 447 |
| Visitor Attractions & Amenities | | Recycling & Waste Initiatives | |
| Saltburn Cliff Lift | 130 | Purchase of Refuse Bins | 137 |
| CCF Kirkleatham Academy and Walled Gardens | 33 | | 137 |
| Tees Valley Rediscovered | 31 | Education | |
| | 194 | Maintenance | 1,624 |
| Business Infrastructure | | Galley Hill Extension | 1,402 |
| South Bank Wharf | 41 | Devolved Formula Capital at LEA level | 393 |
| | 41 | School Food Plan | 20 |
| Connectivity | | Early Years - 2 Year Old Offer | 86 |
| Superfast Broadband | 180 | | 3,525 |
| | 180 | Council Investments | |
| Transport Infrastructure | | Purchase of Vehicles (Fleet Replacement) | 578 |
| Drainage Asset Capture and Flood Prevention | 178 | Fleet Management Software | 17 |
| Block Allocation - Local Transport Plan | 581 | Carbon Management Programme | 200 |
| Structural Highways Maintenance - Block Allocation | 1,743 | Redcar Leisure and Community Heart | 69 |
| Highways Improvements | 366 | Information Technology Improvement Projects | 404 |
| Highways Innovation Fund | 117 | Hosted System for Libraries | 1 |
| Play Areas | 65 | Redcar and Cleveland Investment Fund (RCIF) | 2,017 |
| Bus Network Review | 104 | Asset Management - Capitalised Repairs | 165 |
| | 3,154 | | 3,451 |
| | | Total | 12,578 |

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 (£53.7 million), Cleveland Police Authority (£7.9 million), Cleveland Fire Authority (£2.7 million) and local parishes (£0.5 million) 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 37,885. In 2016/17, under the local government finance regime, the Council oversaw 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 £50 million per annum.

The actual sums collected and distributed to the Council was £17.6 million, Central Government £17.9 million and Cleveland Fire Authority £0.4 million based on forecasted figures.

| | 2013/14 £ | 2014/15 £ | 2015/15 £ | 2016/17 £ |
|--|--------------|--------------|--------------|--------------|
| Band A Council Tax Charge – Redcar & Cleveland | £908.64 | £926.69 | £917.46 | £935.76 |
| Band D Council Tax Charge – Redcar and Cleveland | £1,362.96 | £1,390.04 | £1,376.19 | £1,403.64 |
| Band D Council Tax Charge – Including major precepts | £1,629.00 | £1,661.43 | £1,652.81 | £1,685.70 |
| Percentage of Council Tax Collected – Redcar and Cleveland | 95.4% | 95.4% | 95.9% | 94.1% |
| Percentage of Business Rates Collected | 98.8% | 99.0% | 77.1%* | 99.9% |

**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 771154 or by e-mail to maggie.burns@redcar-cleveland.gov.uk.