



Summary Statement of Accounts 2017/18



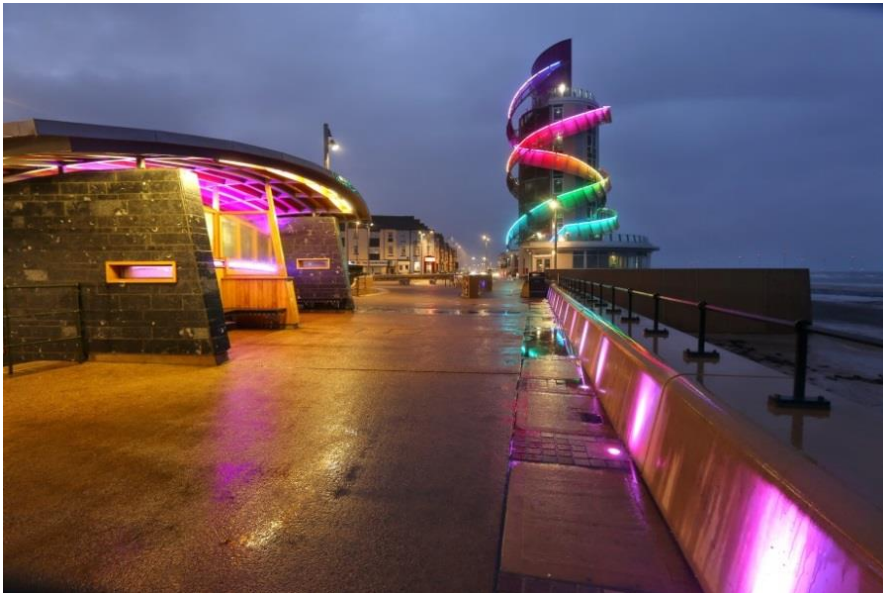


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The Council's unaudited Statement of Accounts has been prepared in accordance with the Accounting Code of Practice (The Rules). The figures supporting this financial summary were compiled having regard to proper accounting practice but to provide simplified and more meaningful information. As a result some figures have been combined and modified. A full copy of the 2017/18 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 2017/18 was based on delivering £6.678 million worth of service and business reductions 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 £104.838 million was agreed by the Council in February 2017.



The revenue budget for 2017/18 and future financial years' budgets are built based upon the nine ambitious new priorities included in our Flourishing Future Plan as outlined in the Priorities and Performance sections above. It was also developed taking into account the following key assumptions:

- A Government grant cut for 2017/18 of £6.089 million (28.25% - compared to 2016/17) in cash terms, but £1.249 million (1.1%) in Core Spending Power terms;
- A Public Health grant allocation for 2017/18 of £11.827 million, down £0.299 million from 2016/17;
- A Council Tax increase of 1.99% in 2017/18;
- The continuation of an equivalent 2.00% Adult Social Care precept increase;
- Targeted reductions in 2017/18 of £6.678 million;
- Targeted reductions in 2018/19 of £5.570 million;
- Targeted reductions in 2019/20 of £3.652 million;
- Additional Council Tax yield of £0.502 million associated with targeted property growth in 2017/18;
- An increased Business Rate yield across the medium term;
- Modest increases in Fees & Charges income (e.g. - inflationary);
- External borrowing of £20.802 million to partly fund the proposed five year Capital Programme of £118.673 million;
- Repayment of maturing external debt of £13.999 million across the same Capital Programme period.

A negligible overspend of £0.337 million has been delivered following the closure of the Council's revenue account for 2017/18 as a result of 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 and/or by corporate budgets have been transferred to reserves:

Directorate	Revised Budget £000	Actual Outturn £000	Variance to Revised Budget £000
Children & Families	35,088	38,097	3,009
Economic Growth	17,132	17,188	56
Resources	7,133	6,598	(535)
Corporate Allocations	(11,210)	(13,277)	(2,067)
Council	104,838	105,175	337

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

- Resources – the underspend position relates to tight compliance and enhanced performance management of contracts and savings on employee costs.
- Children and Families - the directorate has experienced significant budget pressures this year as a result of the requirement to meet the needs of the on-going increase in numbers of looked after children (LAC) and other demanded services. Education services funded out of Dedicated Schools Grant (DSG) reported a year-end under-spend,

and as a ring-fenced grant this has been carried forward to meet known commitments in 2018/19. Other education services previously funded by the Education Services Grant (ESG) also face funding pressures and have been re-structured in the light of the removal of this grant in 2017/18 and the continued trend to academy status of schools.

- Adults & Communities - the underspend position relates to the service improvement and commissioning services within Adult Services, with increased costs within Neighbourhoods and Customer Services relating to the extended shutdown for cyclical maintenance of the Energy from Waste disposal site and revised Library reduction following a public consultation.
- Economic Growth - the overspend position relates to increased costs within the Visitor Destination service and reduced income achievement across services.
- Corporate Allocations - an under-spend was generated through a significant one-off saving arising from a change to the Minimum Revenue Provision (MRP) policy in relation to fixed assets funded by Private Finance Initiatives (PFI). This was offset by non-achievement of Shaping Our Future (SOF) targets on external funding and business rates.

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 useable reserves, some £3.471 million relate to School budgets and £8.371 million relate to capital grants and receipts not yet utilised. £25.058 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 £13.322 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. This 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 £11.774 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 £3.890 million and capital assets of £2.342 million are added back in, the net gain in the 'worth' or value of the Council for the financial year is £13.322 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 7 to the Financial Statements, the External and Funding Analysis (EFA) in Note 1 of the Statement of Accounts and the table on page 8 shows an analysis of the gross revenue spending of £355.624 million as shown in the Comprehensive Income and Expenditure Statement.



Financial Review

All directorates have managed their budgets through a robust budget monitoring process and regular scrutiny of savings targets.

This represents a satisfactory outcome for a financial year, where from the outset the Council was faced with making substantial reductions in the face of increasing demands for its services.



Financial Review

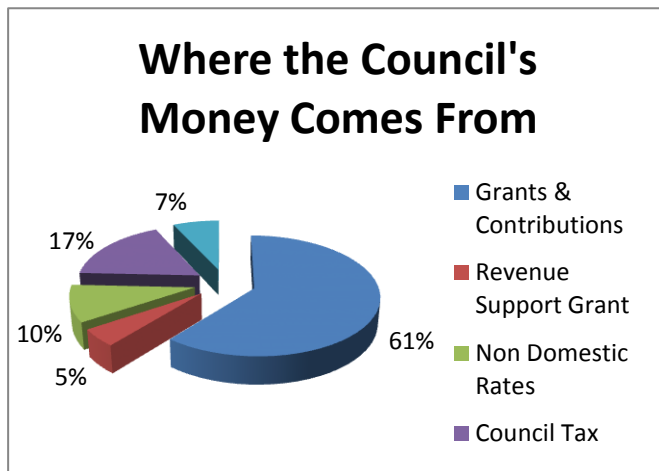
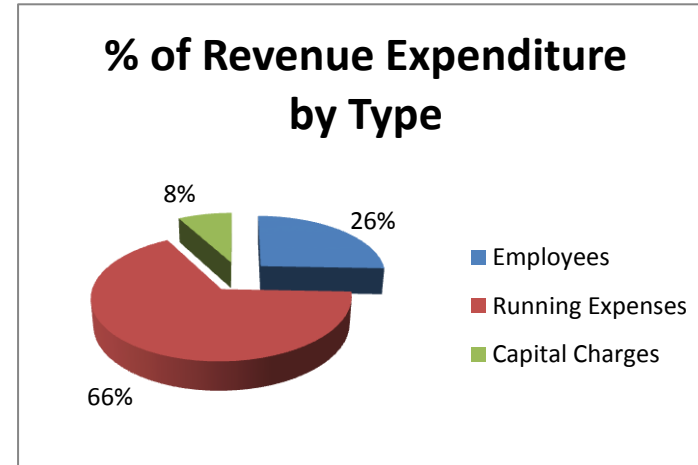
The total net spending on Cost of Services was £118.797 million with total gross income and expenditure of around £355 million. The Comprehensive Income and Expenditure Statement within the Statement of Accounts shows the true cost of delivering services within the 2017/18 financial year. This includes 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
Adults & Communities	96,576	(44,362)	52,214
Children and Families	122,594	(80,777)	41,817
Economic Growth	24,223	(7,229)	16,994
Housing Benefits	56,713	(56,883)	(170)
Resources	19,129	(11,187)	7,942
Net Cost of Services	319,235	(200,438)	118,797
Other Operating Expenditure	736	(242)	494
Financing and Investment			
Income and Expenditure	34,446	(17,004)	17,442
Taxation and Non-specific Grant			
Income	1,207	(126,166)	(124,959)
(Surplus) or Deficit on Provision of Services	355,624	(343,850)	11,774
(Surplus)/Deficit on Revaluation of Non-current Assets			(2,342)
Actuarial (Gains)/Losses on Pension Assets/Liabilities			3,890
Other Comprehensive Income and Expenditure			1,548
Total Comprehensive Income and Expenditure			13,322

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 (66%), this includes premises, transport and external supplies and services.



Only 17% 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 (61%).

Balance Sheet

The Council's Balance Sheet at 31st March 2018

The Balance Sheet presents the financial position of the Council at the end of March 2018. 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 2018). Liabilities outweigh its assets by £90.150 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 £41.805 million.

Balance Sheet 2017/18	£'000
Assets	
Buildings, Land and Equipment	289,108
Other Long-term Assets	2,601
Money owed to the Council	30,580
Cash, Investments and Stocks	13,796
Total Assets	336,085
Liabilities	
Borrowing	(219,286)
Pension Scheme	(163,322)
Amounts owed by the Council	(40,479)
Capital and Government Grants not yet applied	(3,148)
Assets less Liabilities	(90,150)
Financed By:-	
Unusable Reserves	131,955
Usable reserves	(41,805)
Total Net Worth	(90,150)



Capital Expenditure

Capital Expenditure

Capital expenditure represents money spent on land, buildings, equipment and infrastructure. In 2017/18, the Council spent £13.568 million on capital items, financed by capital grants and contributions of £7.199 million, borrowing of £1.792 million and income from the sale of assets of £4.577 million. The main areas of capital investment in 2017/18 were:-

Capital Spend By Cluster		2017/18 £'000	Capital Spend By Cluster		2017/18 £'000
Town Scene Investment			Supported Housing		
Town Centre Improvements		4	CSDP Act Adaptations		92
Public Realm		357	Learning Disability Extra Care Housing		135
Skinningrove Coastal Protection		25	Disable Fac Grant		1,043
Skelton Townscape Heritage Initiative		327	Community Capacity Grant		0
Saltburn Town Centre Revival		0	Intermediate Care Centre		935
Skelton Townscape Heritage Project		(53)			2,204
		660	Community Capacity		
Visitor Attractions & Amenities			Investment In Leisure Centres		(208)
Kirkleatham Academy & Walled Garden		214	Improved Community Services (Grangetown United)		195
River Tees Rediscovered		3			(13)
Cliff Lift		360	Recycling & Waste Initiatives		
Skinningrove toilets		70	Purchase Refuse Bins		99
Kirkleatham infrastructure		139			99
		785	Education		
Business Infrastructure			Bankfields Prim - Structural Works		164
South Bank Wharf		88	Highcliffe Prim Consolidation Of Early Years		8
		88	Galley Hill Primary School Improvements		9
Transport Infrastructure			Newcomen Primary - Flooring Works		112
Highways Improvement Schemes		510	Zetland Nursery		88
Drainage Asset Capture And Flood Prevention		226	Archway Relocation		25
SHM - Strengthening/Reconstruction		589	Pathways New Build		18
SHM - Resurfacing		1,367	Supervised Contact Centre		49
SHM - Surface Treatments		7	Schools - Devolved Capital		246
Bridge Asses/Strength		60	Schools - Capital Works		771
LTP - Buses		124			1,490
LTP - Walking		44	Council Investments		
LTP - Road Travel		258	Vehicles		544
LTP - Road Safety		459	IT Improvement Projects		829
Bus Network Review		92	Asset Management - Capitalised Repairs		522
Highways Innovation Fund		183	Carbon Management Program		162
LTP Car Parking		68	R&C Investment Fund		2,000
		3,985	Fleet Management Software		17
			Libraries and Customer Service		196
					4,270
			Total Capital Spend		13,568

Collection Fund

Collection Fund

The Collection Fund shows the income received from Council Tax and Non-Domestic Rates.

The level of Council Tax in any year is determined by estimating the income required by the Council, Police and Crime Panel and the Fire Authority for 2017/18 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 38,249. This is adjusted by the forecast surplus or deficit on the fund for the previous financial year.

Council Tax is charged on a series of property valuation bands. The Council Tax collected by the Council is distributed to the Council (£56.008 million), Cleveland Police Authority (£8.238 million), Cleveland Fire Authority (£2.806 million) and local parishes (£0.582 million) in accordance with their budget precept demands.

The level of Council Tax in any year is determined by estimating the income In 2017/18, 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 Authority (1% share).

The amounts distributed in year relate to both an estimate of the surplus forecast in 2016/17 and an estimate of the amount to be collected in 2017/18. The income to the Council was £17.409 million, Central Government £17.765 million and Cleveland Fire Authority £0.355 million.

	2013/14 £	2014/15 £	2015/15 £	2016/17 £	2017/18 £
Band A Council Tax Charge – Redcar & Cleveland	£908.64	£926.69	£917.46	£935.76	£972.41
Band D Council Tax Charge – Redcar and Cleveland	£1,362.96	£1,390.04	£1,376.19	£1,403.64	£1,458.61
Band D Council Tax Charge – Including major precepts	£1,629.00	£1,661.43	£1,652.81	£1,685.70	£1,746.21
Percentage of Council Tax Collected – Redcar and Cleveland	95.4%	95.4%	95.9%	94.1%	94.5%
Percentage of Business Rates Collected	98.8%	99.0%	77.1%*	99.9%	99.2%

**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 robert.davisworth@redcar-cleveland.gov.uk.