



Summary Statement of Accounts 2019/20

Marske by the Sea



Phil Winstanley – Assistant Director for Resources and the Chief Finance Officer

The Council's unaudited Statement of Accounts has been prepared in accordance with the Accounting Code of Practice (The Code). The figures supporting this financial summary provide simplified and more meaningful information. A full copy of the 2019/20 unaudited accounts is available on the Council's website [Statement of Accounts](#).

The 2019/20 financial year has provided significant challenges for Local Government and Redcar & Cleveland Borough Council in particular. Like the rest of the UK and the world, we have faced many issues in relation to the COVID-19 pandemic but we also had to deal with a targeted cyber-attack just weeks before the onset of the global pandemic, which rendered all of our IT systems inoperable.



The revenue budget for 2019/20 and future financial years' budgets are built based upon the new ambitious priorities included in our Flourishing Future Plan as outlined in the Council Performance section of the Statement of Accounts. It was also developed considering the following key assumptions:

- A Revenue Support Grant reduction of £4.091 million;
- A council tax increase of 1.99%;
- An Adult Social Care Precept increase of 2.00%;
- Utilisation of Council earmarked reserves of £8.927 million
- council tax income growth and improved collection of £1.734 million;
- Reduction in business rate income £1.786 million;
- Repayment of business rates re GDF Suez of £2.638 million;
- Service investment due to demand led pressures of £7.990 million;
- Planned savings of £5.457 million

A rigorous approach to assist the financial control of the revenue budget has been in place for 2019/20. This has been supported by monthly monitoring to Directorate Management Teams and the Executive Management Team, and quarterly reporting of the financial position to Cabinet. The information available via the Agresso ledger system has encouraged budget managers to use this management tool to manage their resources more effectively. Additional improvements and use of new functionality were available during most of the

financial year 2019/20 and more development of these tools are planned in the coming years to encourage more autonomy for budget managers and improve the quality of the information further.

With forward planning and the continuous review of our Medium-Term Financial Strategy, together with robust financial monitoring, the Council has reported an overspend of £0.621 million in 2019/20. The table below shows the contributions each Directorate has made to the overall position. Given the funding pressures facing the Council, it is critical that we continue to monitor our financial performance and maintain quality services for our residents and achieve the level of savings that are needed in the next financial year.

The Council's financial strategy is to generate additional growth income through various projects, securing external funding in addition to continually improving efficiency and effectiveness to produce savings and reduce costs.



Statement of Financial Accounts

Directorate	Revised Budget £000	Actual Outturn £000	Variance to Revised Budget £000
Adults & Communities	48,558	48,057	(501)
Children & Families	37,461	38,205	744
Growth, Enterprise & Environment	31,598	32,019	421
Resources	5,377	5,517	140
Corporate Allocations	(21,040)	(21,223)	(183)
Total	101,954	102,575	621

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

- Adult and Communities: – the overall underspend of £0.501 million was mainly achieved through the effective management of vacancies totalling £0.750 million offset by a small overspend of around £0.200 million in the provision of residential care, home care and direct payments. Pressures on these budgets were greater following the outbreak of the COVID-19 pandemic and the need to provide additional financial support to the care sector. In addition, the cyber-attack affected the Council's ability to promptly collect income which resulted in an increased bad debt provision of £0.230 million. An underspend of £0.128 million was also achieved through cost savings across the Council's Library Services.

- Children & Families: - the overspend was made up of pressures relating to short breaks (£0.200 million), Domestic Violence services (£0.100 million) and legal cost pressures (£0.100 million). The Directorate saw some rising levels of case-load and case complexity in relation to children in care. A further overspend of £0.181 million arose predominantly from overspend pressures in Home to School Transport of £0.300 million offset by staffing savings created by delays to the recruitment of new management positions within Education Services following the restructure in 2019/20.
- Growth, Enterprise & Economy: - the Directorate overspend of £0.421 million relates primarily to ongoing staffing and income pressures within the Waste and Street-scene service, along with income shortfalls relating to the cliff lift and parking & enforcement fees (due in part to the suspension of these charges from late-March). In addition, higher than expected costs within the Highways Service has also contributed to the final over-spend position.
- Resources: - the overspend of £0.140 million is made up of £0.160 million of additional unanticipated IT and support service costs associated with the Cyber-attack, overspend pressures in relation to property services and Private Finance Initiative contracts of £0.280 million due to reduced rental income and increased maintenance-related costs associated with these buildings offset by an underspend of around £0.300 million relating to the effective management of vacancies and training budgets.

- Corporate Allocations: - the underspend of £0.183 million was driven by savings in capital financing costs however, these savings were offset by the impact of the Cyber-attack and the unforeseen reduction in income linked to collection of council tax arrears because of the impact on the Council's ability to collect debt in February and March. The position was improved by the receipt of an initial £0.073 million of COVID-19 funding credited to Corporate Allocations.

The £0.621 million overspend will be funded using strategic reserves. The general reserve balance is £5.099 million, which equates to 5% of the 2019/20 net revenue budget. More details on the managed budget position for each directorate and reasons for specific variances can be seen in the Council's financial outturn report 2019/20.

The Statement of Accounts is underpinned by the key financial statements:

Movement in Reserves Statement (MIRS). This statement shows the change in the different types of reserves held by the Council over the financial year. These reserves are analysed between usable reserves (those that fund future expenditure) and other unusable reserves, held for accounting purposes.

Comprehensive Income and Expenditure Statement (CIES). This statement records all 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 £72.819 million. To make the annual accounts more understandable, the CIES is split into reporting segments that mirror service delivery.

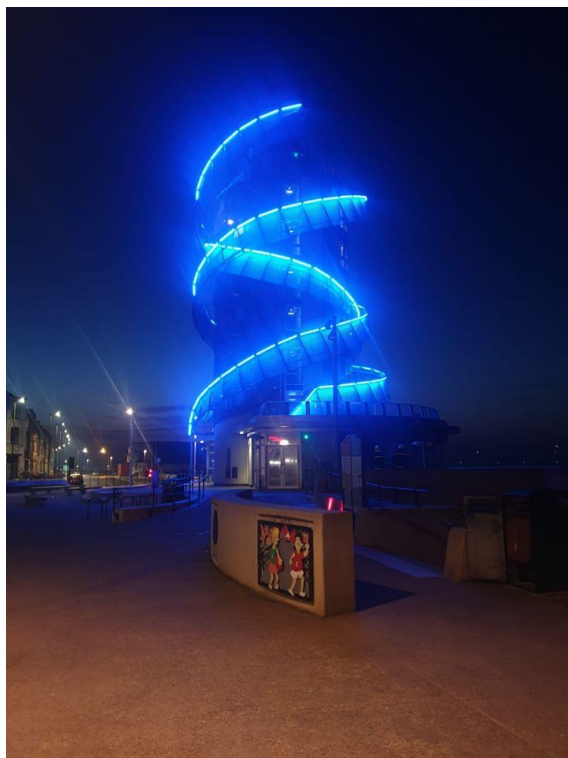
The primary purpose of the CIES is to record revenue income and expenditure, which is generally spent on items such as employee costs, and supplies & services. This is financed from a combination of council tax, business rates, Government Grants and other income.

There is an initial deficit of £41.073 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 in the Code, which relate to capital accounting, pensions accounting and collection fund regulatory changes. These technical adjustments are not chargeable against the funding from taxpayers and are excluded from the analysis of how the Council has performed against its revenue budget. When other losses relating to pension fund performance of £38.691 million and capital assets of £6.945 million are adjusted for, the net loss in the value of the Council for the financial year is £72.819 million.

All directorates have managed their budgets through a robust budget monitoring process and regular scrutiny of savings targets within the context of the Council having to make substantial reductions in the face of increasing demands for its services.

Statement of Financial Accounts

The total net spending on Cost of Services was £134.533 million. The Comprehensive Income and Expenditure Statement within the Statement of Accounts shows the true cost of delivering services within the 2019/20 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.



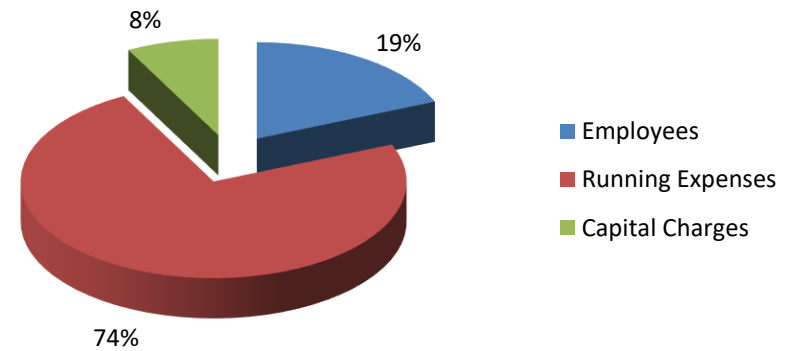
Comprehensive Income and Expenditure Statement	Gross Spend £'000	Income £'000	Net Spend £'000
Adults and Communities	109,372	(61,266)	48,106
Children and Families	102,481	(59,290)	43,191
Growth, Enterprise & Environment	44,895	(11,076)	33,819
Housing Benefits	46,099	(46,048)	51
Resources	19,654	(10,288)	9,366
Net Cost of Services	322,501	(187,968)	134,533
Other Operating Expenditure	748	(393)	355
Financing and Investment	57,545	(15,220)	42,325
Income and Expenditure	-	(136,140)	(136,140)
Taxation and Non-specific Grant Income	-	(136,140)	(136,140)
(Surplus) or Deficit on Provision of Services	380,794	(339,721)	41,073
(Surplus)/Deficit on Revaluation of Non-current Assets			(6,945)
Actuarial (Gains)/Losses on Pension Assets/Liabilities			38,691
Other Comprehensive Income and Expenditure			31,746
Total Comprehensive Income and Expenditure			72,819

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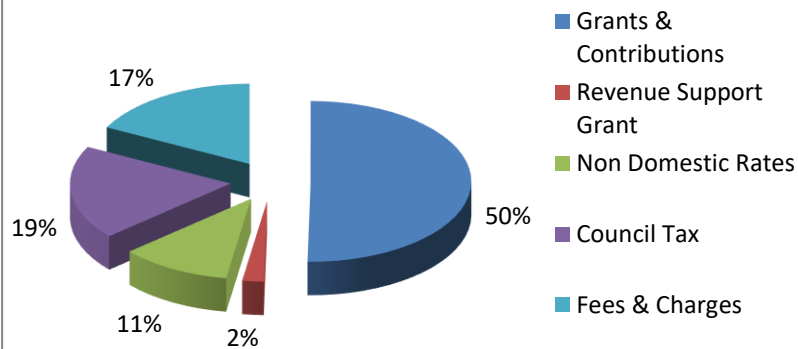
These diagrams show what we spend our money on, and where we get our money from as shown in the Comprehensive Income and Expenditure Statement:

This chart shows that most expenditure incurred by the Council relates to running expenses (74%), this includes premises, transport and external supplies and services.

% of Revenue Expenditure by Type



Where the Council's Money Comes From



Only 19% of the Council's funding comes from local council taxpayers and 11% from localised business rates. Much of the remainder of the Council's funding comes in the form of specific grants from Central Government and other public sector bodies of 52%.

Balance Sheet

The Council's Balance Sheet at 31st March 2020

The Balance Sheet presents the financial position of the Council at the end of March 2020. 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 2020). Liabilities outweigh its assets by £182.720 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 many decades and all those liabilities will not crystallise at any one point in time.

Balance Sheet 2019/20	£'000
Assets	
Buildings, Land and Equipment	278,542
Other Long-term Assets	1,174
Money owed to the Council	37,771
Cash, Investments and Stocks	26,389
Total Assets	343,876
Liabilities	
Borrowing	(267,658)
Pension Scheme	(206,721)
Amounts owed by the Council	(45,457)
Provisions	(3,344)
Capital and Government Grants not yet applied	(3,416)
Total Liabilities	(526,596)
Assets less Liabilities	(182,720)
Financed By: -	
Usable reserves	(24,939)
Unusable Reserves	207,659
Total Net Worth	182,270



Capital Expenditure

Capital expenditure represents money spent on land, buildings, equipment and infrastructure. In 2019/20, the Council spent £30.820 million on capital items, financed by capital grants and contributions of £16.231 million, borrowing of £9.651 million and income from the sale of assets of £4.607 million and direct revenue funding of £0.331 million. The main areas of capital investment in 2019/20 were:

Capital Spend by Cluster	2019/20 £'000
Investment in our Towns	1,850
Visitor Attractions & Amenities	6,123
Business Infrastructure	778
Transport Infrastructure	7,470
Supported Housing	4,776
Community Capacity	562
Recycling & Waste initiatives	76
Education	2,843
Council Investments	6,342
Total Capital Spend	30,820

Collection Fund

The Collection Fund shows the income received from council tax and business 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 2019/20 and by dividing this by the number and value of Band D equivalent residential properties. This calculation known as the tax base for the Borough was set at 39,277.0 Band D equivalent properties. 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, ranging from Band A to Band H. The council tax collected by the Council is distributed to the Council (£61.956 million), Cleveland Police Authority (£9.840 million), Cleveland Fire Authority (£3.038 million) and local parishes (£0.587 million) in accordance with their budget precept demands.

The Council administers the collection of the business rates. For Redcar and Cleveland, the precepted Non-Domestic Rates (NDR) are distributed on the following shared basis: Central Government (50%), the Council (49%) and Cleveland Fire Authority (1%).

The amounts to be distributed for business rates in year, relate to both an estimate of the surplus forecast in 2018/19 and an initial estimate of the amount to be collected in 2019/20. The income to the Council was £13.510 million, Central Government £13.785 million and Cleveland Fire Authority £0.276 million.

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.