



Summary Statement of Accounts 2020/21



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

Following on from the previous year, the two significant influences on the 2020/21 financial year have been the ransomware attack suffered by the Council and the COVID-19 pandemic.

Staff have worked extremely hard behind the scenes to restore our IT systems and deliver further improvements to our cyber resilience. Discussions with Government regarding compensating support for the cyber-attack concluded in March with the Council receiving grant of £3.680 million. This was awarded towards eligible costs incurred in 2020/21 and has therefore been included as part of this year's final outturn position.

The COVID-19 pandemic has had a significant impact on our local economy, affecting many businesses and residents in the Borough. The Council's response has seen us deploy a considerable amount of resource in supporting our community, particularly the most vulnerable. This has also included the administration of tens of millions of pounds to businesses and residents to help mitigate the financial impact of the pandemic.

The demand and cost pressures on many of our services has increased due to COVID-19. We have carefully managed the additional funding provided by Government to mitigate these pressures and support the financial resilience of the Council into the future.

Aligned to a key focus of our medium-term financial strategy on improving financial resilience and sustainability, as part of the year-end position we have undertaken some replenishment of the Council's depleted reserves position. With an uncertain but potentially challenging outlook regarding future funding levels from government, and likely demand and price pressures on many of our services, it is important that we look to improve our financial resilience and mitigate these risks where possible.

Finally, I would like to take this opportunity to thank all our staff who have shown great commitment to meet the many challenges we have faced throughout the year whilst supporting the delivery of the Council's priorities and administering its finances to the usual high standard.



The revenue budget for 2020/21 was built based upon the new ambitious priorities included in our Flourishing Future Plan as outlined in the Priorities and Performance sections in the Statement of Accounts 2020/21. It was also developed considering the following key assumptions:

- A Revenue Support Grant of £7.431 million.
- A Council Tax increase of 1.99%.
- An Adult Social Care Precept increase of 2.00%.
- The setting of a General Reserve position of £5.202 million.
- Driving Efficiencies Programme of £4.089 million.

The officers with budget management responsibility continued to work with the Financial Services team to ensure a robust budget monitoring process existed throughout 2020/21. As in previous years, 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 further developed to encourage budget managers to use this management tool to manage their resources more effectively. Developments to further improve budget manager engagement are planned in the coming years to encourage more autonomy for budget managers and improve the quality of the information they have access to.

The Council reported a breakeven position in 2020/21, after the transfer of £2.445 million to reserves and the use of £11.713 million to off-set Directorate overspends, both of which was possible due to Covid funding support. The table below details the Directorate year end positions against approved budget. Given the pressures facing the Council, it is critical that we continue to monitor our financial performance and maintain quality services for our residents and work within our budget allocations 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.

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 £m	Actual Outturn £m	Variance to Revised Budget £m
COVID-19 Support	-	(11.713)	(11.713)
Adults & Communities	46.100	45.821	(0.279)
Children & Families	34.653	35.943	1.290
Growth, Enterprise & Environment	30.834	32.745	1.911
Resources	4.345	4.678	0.333
Corporate Allocations	(5.974)	(9.229)	(3.255)
Total	109.958	109.958	-

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

- Adult and Communities:** – an overall underspend of £0.279 million. The Adult social care sector was significantly affected by the COVID-19 Pandemic and needed financial support to meet these challenges and to seek to maintain a more sustainable and active care market for the long-term. The Council provided a range of support to care providers including supplier relief payments, PPE supplies and fee uplifts of around £2.100 million. Specific Covid grants have been used to fund some of these additional costs – totalling around £1.600 million. Because of a temporary fall in the number of people receiving care there has been an estimated reduction in client contributions of around £0.500 million, this has been offset by some temporary in-year savings in the costs of providing care to less clients and

increased temporary contributions from the local Clinical Commissioning Group totalling £1.900 million. The budgeted savings target of £0.750 million was not delivered due to the cyber-attack and was funded by the cyber grant, along with other costs of rebuilding and recovering systems. Our leisure provision is managed by SLM, who were forced to close for long periods due to the lockdown restrictions and when permitted to re-open were heavily restricted, so the Council provided financial support totalling £1.060 million. We have been successful in a bid to the National Leisure Recovery Fund, securing £0.310 million. Of this, £0.100 million has been utilised in 2020/21, with the remainder carried forward into 2021/22 to finance the ongoing financial support that may be required as the Borough's leisure provision re-opens and customers gradually return.

- Children & Families:** - the overspend of £1.290 million is a result of the Directorate dealing with the prolonged impact of COVID-19 on young people and their families in the Borough. This impact has been exacerbated due to restrictions on social workers due to the long periods of lockdown and two spells of prolonged school closures. These pressures coupled with the February 2020 Cyber Attack have resulted in the Directorate being unable to achieve the £0.550 million savings targets to reduce children's social care placement costs and are forecasting additional care and legal costs totalling £1.950 million. Additional staffing costs were incurred to address the workarounds and backlogs of work created by the disruption from the cyber-attack totalling £1.075 million. Cyber grant funding of £2.100 million has been allocated to offset the relevant eligible cost pressures. Additional grant funding was

secured from TVCA to offset additional home-to-school transport costs (£0.200 million).

- **Growth, Enterprise & Economy:** - the Directorate overspend of £1.911 million is an improvement against previous forecasts through the utilisation of specific Covid grant funding to offset additional pandemic-related costs such as increased social distancing measures at public facilities and to reduce the risk of infection amongst colleagues and residents. The pandemic restrictions have resulted in many fee generating services seeing a fall in income, whilst the costs this income helps to fund have still been incurred. This resulted in an income shortfall of £1.3 million including services linked to licensing, car-parking, planning, transport, cliff tramway, trade waste and highways. Additional cost pressures and reduced income were experienced in Waste Services, which resulted in a budgetary outturn pressure of £1.200 million. These pressures related to increased collection and disposal costs due to increased household waste, extended opening hours of facilities, staffing and PPE costs and social distancing requirements. These overspend pressures were offset by the saving generated from the renegotiation of the Concessionary Bus Fares contract, which reduced the Council's share of these costs by £0.600 million.
- **Resources:** - the overspend of £0.333 million is an improvement against previous forecasts through the utilisation of specific Covid grant funding to offset pandemic-related costs such as community hub supplies, PPE purchases and additional staffing costs. Eligible IT recovery costs of £0.430 million arising from the Cyber-attack have been funded from the cyber grant received. Residual pressures for the Directorate relate to lost rental income and

other sales, fees & charges – together with residual operational property costs incurred.

- **Corporate Allocations:** - the underspend of £3.255 million includes £11.713 million of Covid funding support held to offset the additional costs relating to additional costs on the pandemic. Without this, corporate allocations would have shown an overspend of £8,458 million. Pressures of £1.200 million relate to shortfalls in enforcement income, increased costs in the coroners' service and an increase contribution required to the Insurance Fund for forecast liabilities. The remainder of the corporate allocations position utilises the improvement in the overall outturn to undertake some replenishment of the Council's depleted reserves position, improving the Council's financial resilience and sustainability in line with the aims of the approved medium term financial strategy.



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 £29.429 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 £27.635 million on the CIES for the net cost of providing the Council's day to day revenue services.

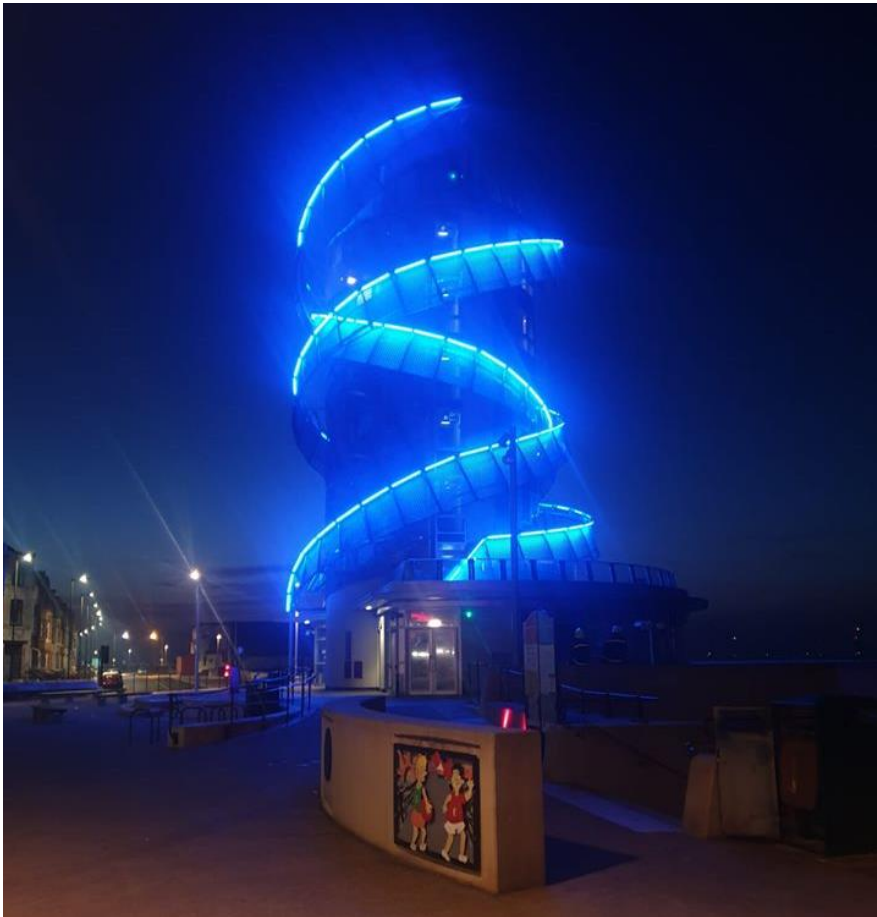


This includes various technical adjustments required by accounting standards in the Code, which relate to capital accounting, pensions accounting and collection fund regulatory changes. These technical adjustments are not chargeable against the funding from taxpayers and are excluded from the analysis of how the Council has performed against its revenue budget. When other losses relating to pension fund performance of £2.642 million and capital assets of £0.847 million are adjusted for, the net gain in the value of the Council for the financial year is £29.429 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

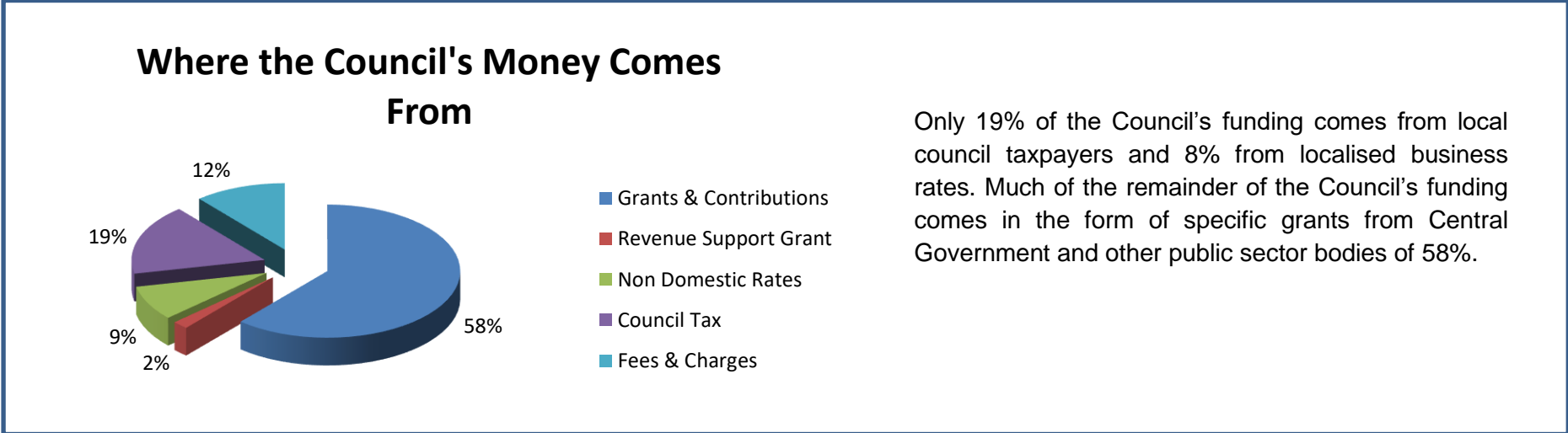
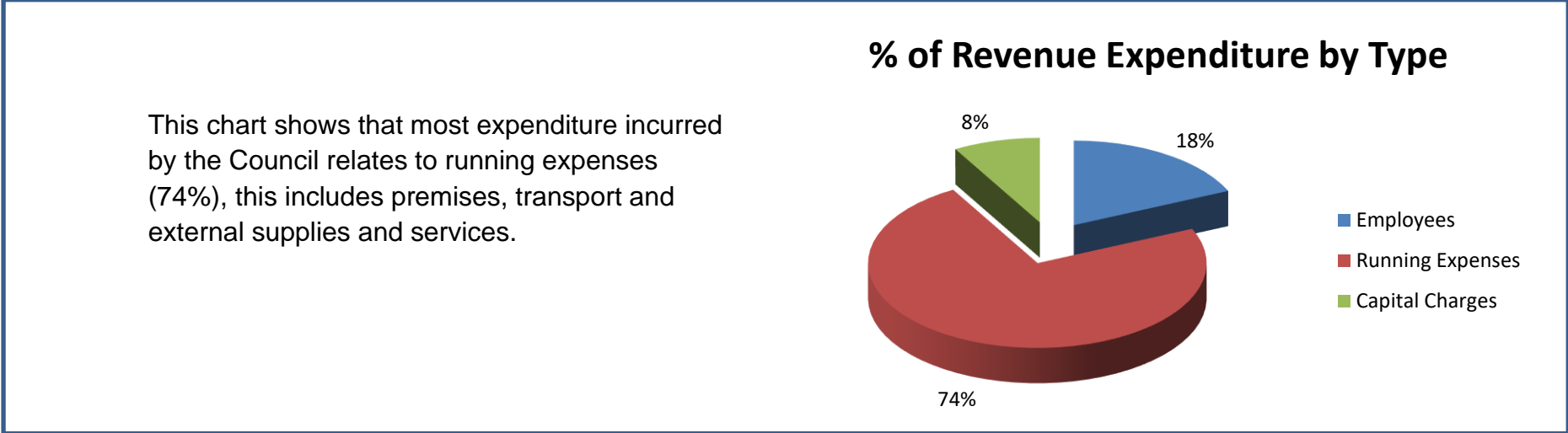
The total net spending on Cost of Services was £122.951 million. The Comprehensive Income and Expenditure Statement within the Statement of Accounts shows the true cost of delivering services within the 2020/21 financial year. This includes unrealised gains and losses on non-current assets, financial 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	120,622	(75,834)	44,788
Children and Families	93,558	(55,196)	38,362
Growth, Enterprise & Environment	47,534	(13,869)	33,665
Housing Benefits	40,859	(40,959)	(100)
Resources	19,934	(13,698)	6,236
Net Cost of Services	322,507	(199,556)	122,951
Other Operating Expenditure	756	(502)	254
Financing and Investment	53,661	(12,942)	40,719
Income and Expenditure			
Taxation and Non-specific			
Grant Income	456	(136,745)	(136,289)
(Surplus) or Deficit on Provision of Services	377,380	(349,745)	27,635
(Surplus)/Deficit on Revaluation of Non-current Assets			(847)
Actuarial (Gains)/Losses on Pension Assets/Liabilities			(2,641)
Other Comprehensive Income and Expenditure			(1,794)
Total Comprehensive Income and Expenditure			29,429

Statement of Financial Accounts

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:



Balance Sheet

The Council's Balance Sheet at 31st March 2021

The Balance Sheet presents the financial position of the Council at the end of March 2021. 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 2021). Liabilities outweigh its assets by £204.516 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 2020/21	£'000
Assets	
Buildings, Land and Equipment	262,079
Other Long-term Assets	1,928
Money owed to the Council	54,804
Cash, Investments and Stocks	16,844
Total Assets	335,655
Liabilities	
Borrowing	(248,647)
Pension Scheme	(224,135)
Amounts owed by the Council	(58,926)
Provisions	(4,969)
Capital and Government Grants not yet applied	(11,128)
Total Liabilities	(547,805)
Assets less Liabilities	(212,150)
Financed By: -	
Usable reserves	(45,974)
Unusable Reserves	258,124
Total Net Worth	212,150



Capital Expenditure

Capital Expenditure

Capital expenditure represents money spent on land, buildings, equipment and infrastructure. In 2020/21, the Council spent £23.231 million on capital items. The main areas of capital investment in 2020/21 were:

Capital Spend by Cluster	2020/21 £'000
Investment in our Towns	1,689
Visitor Attractions & Amenities	3,999
Business Infrastructure	611
Transport Infrastructure	6,427
Supported Housing	825
Community Capacity	363
Recycling & Waste initiatives	446
Education	3,025
Council Investments	5,846
Total Capital Spend	23,231

Collection Fund

The Collection Fund is an account that the Council maintains, in its statutory role as the Billing Authority, to record the income and expenditure from council tax and business rates. It is a separate legal fund from the Council's general fund and the transactions involved are defined by regulation. The Collection Fund is an income and expenditure statement only showing income receivable, precepts payable to relevant bodies, and any other associated costs involved in administering the Fund. All assets and liabilities are included within each precepting body's balance sheet. The Collection Fund shows a deficit of £18.466 million with £2.652 million deficit attributable to council tax and £15.814 million deficit in relation to business rates.

The deficit on council tax is mainly due to the impact of COVID-19 and the increased bad debt provision required as a result. For business rates the Government granted additional reliefs for the retail, hospitality and leisure sectors of £12.688 million which has been funded by a direct grant to local authorities. The remainder of the deficit is an increase to the appeals and bad debt provision which is partly funded through a Taxation Income Guarantee grant. The Government has provided exceptional dispensation to local authorities to spread the impact of part of this cumulative deficit across a three-year period between 2021/22 to 2023/24.

The budget for 2020/21 was based on an increase in council tax with the Band D equivalent amount for 2020/21 being £1,640.34 per annum (including the social care levy). The addition of the Cleveland Police and Crime Commissioner and Cleveland Fire Authority spending requirements resulted in a total Band D Council Tax of £1,979.71 for residents of the Borough in non-parish areas. Residents of areas with parish council responsibilities paid marginally more than this depending on their own parish council tax amount. This resulted in a total precept income requirement of £79.463 million. Total income on council tax for 2020/21 was £80.181 million. For more details refer to Page 161.

In 2013/14, the local government finance regime was revised with the introduction of the business rate retention scheme. The main aim of the scheme is to give the Council a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of business rates income. The scheme allows the Council to retain a proportion of the total business rates income received. Redcar & Cleveland's share is 49% with the remainder paid over to precepting bodies (Central Government 50% and Cleveland Fire Authority 1%). The total income collectable from business rates payers was £26.120 million.

Further Information

If you have any comments or queries regarding this summary, please contact the Chief Accountant on 01642 444306 or by e-mail to robert.davisworth@redcar-cleveland.gov.uk.