



Summary Statement of Accounts 2021/22

Rob Davisworth – Chief Accountant and Deputy Section 151 Officer

During the 2021/22 financial year, the Council continued to contend with the impact of the COVID-19 pandemic.

The Council's financial accounts show in significant detail how the Council is funded and how the Council uses its resources to meet resident and business needs in the Borough. The Council's financial statements also provide an indication of the Council's financial health.

As we enter into 2022/23 the Council will face numerous financial challenges and opportunities which it will seek to embrace and address. These include:

- Delivering an ambitious and exciting capital programme which will improve the local economy and physical appearance of the Borough.
- Supporting economic development and regeneration in Teesworks as we support the creation of new businesses and economic activity – together with the jobs and skills this will create.
- Implementing new adult social care reforms expected in the next few years.
- Supporting the Borough as we experience a challenging cost-of-living crisis.
- Ensuring we maintain financial resilience and we set a sustainable and deliverable medium term financial plan which continues to ensure the Council provides a range of high-quality services.
- Ensuring we continue to put in measures which will support the Borough's determination to be carbon neutral and more environmentally sustainable.
- Looking at ways in which we can treat the region's domestic waste in a more sustainable and efficient way.

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

As in previous years, I wish to thank all our staff who have shown great commitment to meet the many challenges we have faced throughout recent years whilst supporting the delivery of the Council's priorities and administering its finances to the usual high standard.

The revenue budget for 2021/22 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 2021/22. It was also developed considering the following key assumptions:

- A Revenue Support Grant of £7.472 million.
- A Council Tax increase of 1.99%.
- An Adult Social Care Precept increase of 2.00%.
- Additional investment in our services of £7.887 million.
- Driving Efficiencies Programme of £2.086 million.

The officers with budget management responsibility continued to work with the Financial Services team to ensure a robust budget monitoring process existed throughout 2021/22. 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. Any significant financial pressures which are identified as recurring are reflected in the ongoing Medium Term Financial Strategy of the Council.

The Council reported a broadly breakeven position in 2021/22, after the transfer of £2.500 million to the Strategic Change reserve and £0.153 million to the General Fund Reserve. 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.



Statement of Financial Accounts

Directorate	Revised Budget £m	Actual Outturn £m	Variance to Revised Budget £m
COVID-19 Support	-	(4.455)	(4.455)
Adults, Communities and Environment	74.900	74.914	0.014
Children and Families	39.571	42.192	2.621
Resources and Growth	8.332	8.158	(0.174)
Corporate Allocations	(10.934)	(8.985)	1.949
Total	111.869	111.824	(0.045)

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

- Adult and Communities:** – an overall overspend of £0.014 million. Within Adult Social Care some of the financial challenges were funded by additional one-off Covid-19 funding, awarded by the Government to meet specific challenges faced by care providers in delivering services to vulnerable adults and the need to ensure effective measures were in place to free up hospital beds during peak periods of the pandemic, whilst ensuring suitable care packages were in place in residential care homes for people leaving hospital and requiring short-term care. The service and care sector faces significant recruitment challenges and inflationary cost pressures which will significantly drive up the cost of delivering services in future years, over and above the estimates currently factored into the Medium-Term Financial Strategy. The sector is also facing significant demand

backlogs which will need additional resources to address. In addition, the Council is working closely with neighbouring local authorities to understand the financial impact of the Government reforms to the adult social care sector. The Directorate has set aside a £1.000 million risk reserve to mitigate these challenges, however, funding may be required to manage these challenges in future years. The Council has provided significant financial support to its leisure provider Sports Leisure Management during 2021/22 of £0.740 million. Waste management costs have increased due to increased tonnages of waste produced by households and increased recycling costs incurred due to a short-term recycling contract being in place. The Council also provided extended opening hours for waste facilities and incurred additional staffing and vehicle hire to facilitate social distancing requirements during the most of 2021/22. This has resulted in pressures of around £1.300 million. The service has also seen income reductions as a direct result of the Pandemic, resulting in income pressures of around £0.350 million.

- Children & Families:** - an overall overspend of £2.621 million. The Directorate experienced significant challenges recruiting experienced social care workers into staffing positions and there has been an increased use of agency social workers resulting in an eventual overspend of £0.306 million. In the short-term the Council have appointed a project team to support workforce capacity so that social worker caseloads remain safe and manageable. In the longer term the Directorate are working towards the creation of a social work academy in 2022/23 to address these challenges by investing in the training of trainee social care workers. The Directorate has also experienced additional

cost pressures against the budget for Children in our Care of around £0.600 million. These primarily relate to the costs of special guardianship allowances and other forms of care. In addition, there was an overspend on short-break packages for £0.200 million. The Home-to-School transport service overspent by £0.985 million due to the need for additional transport routes for the 2021/22 academic year to serve children in placements outside of mainstream school. These additional pressures have been addressed as part of the wider budget setting process. The Council is closely monitoring the further impact of escalating fuel prices on these contracts for 2022/23.

- **Resources and Growth:** - the underspend in this Directorate primarily relates to salary savings within the Directorate due to recruitment challenges. Additional income was also received relating to planning income, an element of which will need to be set aside to reserves to fund one-off costs meeting the statutory requirements of considering planning applications received. The Directorate is however facing supply pressures for gas and electricity. As a result of this the Council has set aside an energy risk reserve of £0.300 million.
- **Corporate Allocations:** - The Council has achieved in year, one-off savings on capital financing budgets due primarily to some capital schemes being reprofiled as part of the updated Capital Programme. The Council is also using the cash balances it holds to reduce the requirement to borrow in this financial year, thereby saving on interest costs. The overspend against this budget is primarily linked to the contribution to the Strategic Change Reserve (£2.500 million) and the General Fund reserve (£0.153 million). The

contribution to the Strategic Change reserve will increase resources available for funding any change initiatives aimed at improving financial sustainability in future years. The planned contribution to General Reserves ensures the balance is aligned to 5% of the net revenue budget of the Council in 2022/23, as per the Reserves' policy requirement set by the Council's Section 151 Officer.



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 £135.136 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 surplus of £0.326 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 gains relating to pension fund performance of £115.903 million and capital assets of £18.907 million are adjusted for, the net gain in the value of the Council for the financial year is £135.136 million.

Statement of Financial Accounts

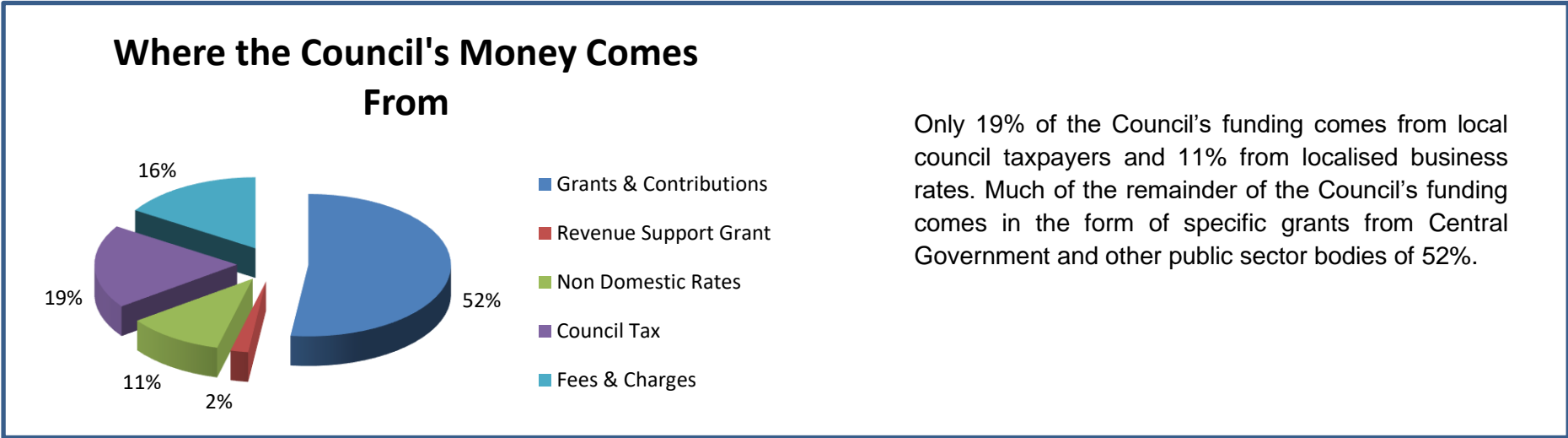
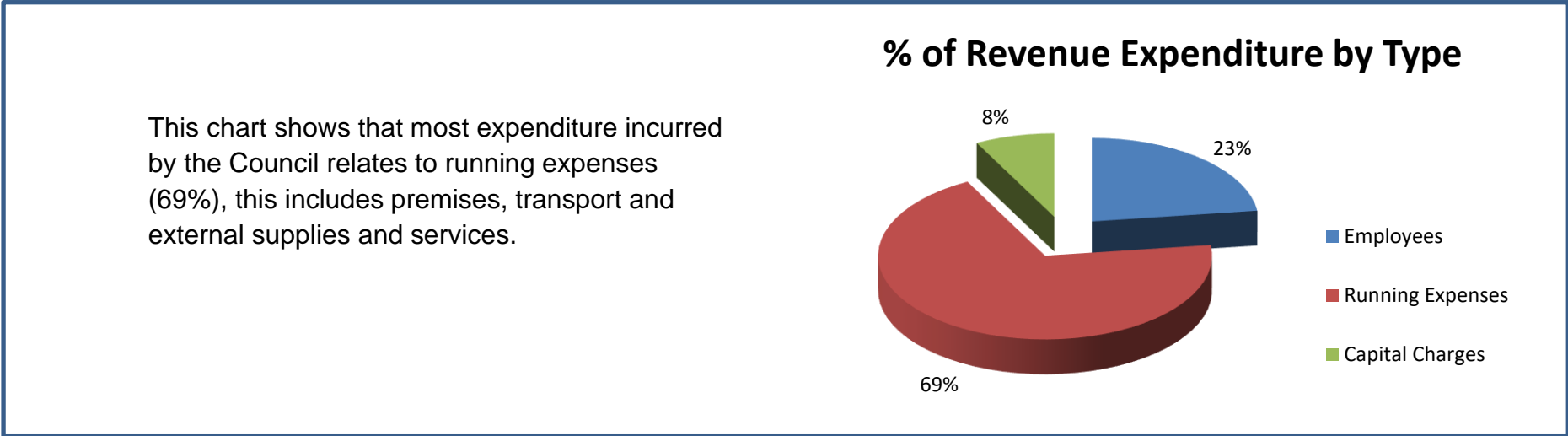
The total net spending on Cost of Services was £132.501 million. The Comprehensive Income and Expenditure Statement within the Statement of Accounts shows the true cost of delivering services within the 2021/22 financial year. This includes unrealised gains and losses on non-current assets, financial 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 and Environment	160,316	(84,638)	75,678
Children and Families	97,777	(49,867)	47,910
Housing Benefits	37,243	(37,145)	98
Resources and Growth	33,599	(24,784)	8,815
Net Cost of Services	328,935	(196,434)	132,501
Other Operating Expenditure	828	-	828
Financing and Investment	33,527	(15,922)	17,605
Income and Expenditure			
Taxation and Non-specific			
Grant Income	-	(151,260)	(151,260)
(Surplus) or Deficit on Provision of Services	363,290	(363,616)	(326)
(Surplus)/Deficit on Revaluation of Non-current Assets			(18,907)
Actuarial (Gains)/Losses on Pension Assets/Liabilities			(115,903)
Other Comprehensive Income and Expenditure			(134,810)
Total Comprehensive Income and Expenditure			(135,136)

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:



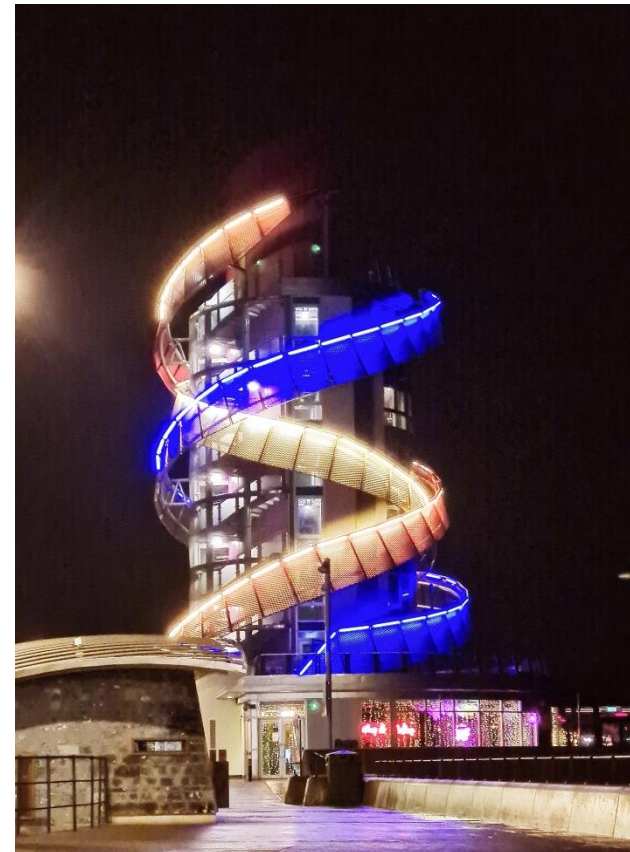
Balance Sheet

The Council's Balance Sheet at 31st March 2022

The Balance Sheet presents the financial position of the Council at the end of March 2022. 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 2022). Liabilities outweigh its assets by £77.014 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 2021/22	£'000
Assets	
Buildings, Land and Equipment	289,370
Other Long-term Assets	1,901
Money owed to the Council	46,239
Cash, Investments and Stocks	27,857
Total Assets	365,367
Liabilities	
Borrowing	(234,928)
Pension Scheme	(130,557)
Amounts owed by the Council	(39,542)
Provisions	(6,672)
Capital and Revenue Government Grants not yet applied	(30,683)
Total Liabilities	(442,382)
Assets less Liabilities	(77,014)
Financed By: -	
Usable reserves	(52,943)
Unusable Reserves	129,957
Total Net Worth	77,014



Capital Expenditure

Capital Expenditure

Capital expenditure represents money spent on land, buildings, equipment and infrastructure. In 2021/22, the Council spent £31.459 million on capital items. The main areas of capital investment in 2021/22 were:

Capital Spend by Cluster	2021/22 £'000
Town Scape Investment	4,789
Visitor Attractions & Amenities	8,704
Business Infrastructure	588
Transport Infrastructure	4,817
Housing	963
Supported Housing	1,619
Community Capacity	89
Recycling & Waste initiatives	500
Education	1,826
Council Investments	7,564
Total Capital Spend	31,459

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 £14.427 million with £1.258 million deficit attributable to council tax and £13.169 million deficit in relation to business rates.

The deficit on council tax is mainly due to the increase in the bad debt provision required due to a reduction in the collection rate. For business rates the Government granted additional reliefs of £5.299 million which has been funded by a direct grant to local authorities. The remainder of the deficit is an increase to the appeals provision (£5.613 million) due to the risk of high settlements for the appeals outstanding and a reduction in overall liability. Within both the deficits for council tax and business rates there is the balance brought forward from 2020/21 of £1.909 million which will be funded in 2022/23 and 2023/24. This is following the Government providing exceptional dispensation to local authorities to spread the impact of the 2020/21 deficit across a three-year period between 2021/22 to 2023/24.

The budget for 2021/22 was based on an increase in council tax with the Band D equivalent amount for 2021/22 being £1,705.86 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 £2,051.92 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 £82.670 million. Total income on council tax for 2021/22 was £83.756 million.

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 £31.503 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.