



# Summary Statement of Accounts 2023/24

### **Phil Winstanley – Director of Finance and Section 151 Officer**

The 2023/24 financial year has brought with it a number of significant financial challenges. These challenges have arisen as a result of the after-effects of the Covid-19 pandemic, which has resulted in increased demand for our services, and as a result of the cost of living crisis, and inflation pressures. These financial challenges will continue in 2024/25 and future years.

The Council's financial accounts show in comprehensive 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 2024/25 the Council will face numerous financial challenges and opportunities which it will seek to embrace and address. These include:

- Delivering the Council's corporate priorities.
- The delivery of an exciting capital investment plan including opportunities to deliver levelling up funding projects and regeneration projects in Eston, Redcar, Loftus and the wider Borough.
- Promoting 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.
- Ensuring we maintain financial resilience in a very challenging financial environment, including the delivery of an extensive Driving Change Savings programme.
- 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 invest in updated waste collection and treatment solutions, so we work in a more sustainable and efficient way.

## Chief Finance Officer's Statement

The Council will continue to lobby the Government to stress the imperative of fairer funding distribution for local government and look for opportunities to change the way we deliver services for the better. At the heart of this will be to ensure we stay financially sustainable and resilient in the future.

The revenue budget for 2023/24 was built based upon the priorities outlined in the Strategic Planning section in the Statement of Accounts 2023/24. It was also based upon the following key parameters:

- A council tax increase of 1.99%.
- An adult social care precept increase of 2.00%.
- Additional investment in our services of £22.837 million.
- Driving Efficiencies Programme of £6.408 million.

The officers with budget management responsibility continued to work with the Financial Services team to ensure a robust budget monitoring process existed throughout 2023/24. 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.

At the end of the financial year, the Council reported an overspend of £3.299 million, which was an improvement on the forecast outturn reported at Quarter 3 (£4.898 million). Since the budget was set, inflation has continued to remain significantly higher than forecasted and this resulted in the prices the Council paid for energy, fuel, contracts and pay being higher than anticipated. There was also increasing demand for some services which was influenced by the aftereffects of the COVID-19 pandemic and cost of living pressures. These additional demands related to children social care costs and

home to school transport costs for children who attended specially commissioned educational placements outside of mainstream school. These demands have effectively costed more than the original budget throughout the financial year.

The table below details the Directorate year end positions against approved budget. The recently approved medium-term financial strategy for 2024/25 to 2028/29 sought to address these additional demand and inflationary pressures, however in some instances these pressures have accelerated during the final quarter of 2023/24 and assumptions will need to be revised in 2024/25.



## Statement of Financial Accounts

Directorate	Revised Budget £m	Actual Outturn £m	Variance to Revised Budget £m
Adults and Communities	52.625	52.664	0.039
Children and Families	48.549	58.759	10.210
Growth, Enterprise and Environment	37.505	37.003	(0.502)
Resources	3.900	3.942	0.042
Corporate Allocations	(16.259)	(22.749)	(6.490)
<b>Total</b>	<b>126.320</b>	<b>129.619</b>	<b>3.299</b>

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

- **Adults and Communities** - the Directorate incurred an underspend of £0.039 million. The Directorate's adult social care team have continued to have challenges during the year supporting the delivery of a backlog of case assessments which needed to be undertaken to identify suitable care packages for adult social care customers. The Directorate has also faced difficulties in recruiting to front-line posts. This has resulted in an underspend on staffing costs of around £0.995 million.

The Directorate overspent on the provision of Homecare services during the year by £1.055 million. This was mainly due to delivering packages of care to the backlog of case

assessments. The Council was able to maximise the level of external funding received from the NHS to fund some of the additional care packages, which contributed to the year-end position.

Within Public Health, the Service has successfully identified opportunities to draw in one-off specific grants to fund specific services and optimise the use of funding to help mitigate wider financial pressures. Recurring savings have been achieved in the current public health joint arrangements.

- **Children and Families** - The Directorate continues to experience financial challenges following significant rises in demand for services despite the additional allocation provided in the MTFP for 2023/24. The pressures persist in relation to children in our care placement sufficiency and home to school transport, both of which worsened during the financial year, particularly in the second half of the year. As part of the 2024/25 Budget Setting process, further additional budget allocations of £7.2 million for children's social care, £0.600 million for Home to School Transport, £0.8 million for social care worker staffing, £0.500 million for supporting children and their families with disabilities, and £0.300 million for additional legal costs has needed to be set aside to address these growing financial pressures.

A staffing overspend of £1.184 million was incurred in relation to the pay award shortfall and the reliance on more expensive agency social workers due to continued challenges recruiting experienced staff. In response to the recruitment challenges,

the Directorate has created a Childrens Social Work Academy to develop newly qualified workers and reduce the reliance on agency social workers in future. The Directorate have identified increased grant income opportunities and use of reserves of £0.732 million to alleviate these staffing pressures.

The Council's budget for children in our care placements overspent by £9.195 million. The most significant element of the overspend related to residential and supported accommodation placements which overspent by £8.219 million in 2023/24. The average annual cost of these types of placements is £0.338 million per placement, and there was an average of 49 children across the year with 67 children at the end of March 2024 living in residential and supported accommodation. The budget set in 2023/24 was adequate for 32 children ordinarily living in this type of accommodation. This overspend has been magnified by the complexity of need of some children in our care where additional supervisory staffing is required to ensure the child's appropriate care and safety. The overspend is also driven by insufficiencies in the supplier market where national demand outstrips supply coupled with the revocation of Ofsted accreditation resulting in the closure of some facilities. The Council is working closely with local suppliers to identify opportunities to significantly enhance the provision of locally based solo and dual placements to negate the need to incur a high premium cost for this type of supported living placement, whilst seeking to minimise the length of time these placements are required for individual children. These additional placements will be funded in large part by Levelling-

up Partnership Funding in 2024/25 although achieving registration from Ofsted will take some time.

The Children in our Care budget also overspent by £0.466 million in relation to rising demand for placements and associated allowances paid to friends & families who look after children in our care, and special guardianship arrangements for those children who would otherwise have been in our care. In addition, the Council's budget for foster care provision both internally and externally sourced is overspent by £0.498 million.

The high demand and increasingly complex nature of children's needs resulted in higher demands placed upon the Council's legal services budget, which overspent by £0.449 million in 2023/24.

The budget for Home to School Transport overspent by £1.075 million due to the demand for individual transport routes for children who attend education placements outside of their mainstream school placement.

- **Growth, Enterprise, and Environment** – The Directorate position has improved in the last quarter of the year resulting in an underspend position of £0.502 million. Cost pressures have continued in relation to fleet costs (costs of fleet hire in advance of new purchased fleet being brought into use) of £0.203 million, additional costs on the waste management budget of £0.899 million, highways cost pressures of £0.171 million. The waste disposal cost pressures are caused by ongoing issues



ensuring targeted recycling contamination levels are achieved, increased waste transportation costs and additional waste disposal costs due to short-term closures at Suez's Haverton Hill site.

The Directorate has managed the above cost pressures with additional income from commercial rentals, property leases and related rental income £0.571 million, planning and highway development services of £0.575 million. The Council has secured a one-off rebate on its annual contribution for Concessionary Fares of £0.489 million. The service has £0.142 million underspend on staffing costs due to additional in-year controls being applied to vacant posts and seeking to identify alternative funding sources for posts.

- **Resources** - The Directorate experiences a small overspend by £0.042 million. It identified a number of staff saving measures, increased levels of procurement rebate and grant income to contribute to achieving a broadly breakeven position, although there are also some additional contract inflationary pressures for IT and Financial services being managed by the Directorate as well.
- **Corporate Allocations** – An underspend of £6.490 million was achieved mainly due to corporately held budgeted contingencies for demand (for example social care) and inflation increases (for example utilities and fuel costs) of £4.890 million.

Additional savings against this area were identified as part of the suggested in-year mitigation measures referenced at Quarters 1 and 2 on Minimum Revenue Provision. The Council revised its Minimum Revenue Provision Policy for 2023/24 in February 2024 and has secured savings of £0.975 million, particularly in relation to how the Council sets aside provisions for repayment of debt – particularly in relation to historic debt and the repayment of debt associated with the Streetlighting Private Finance Initiative deal.

Additional income was also received on interest payable balances due to rephasing of the capital programme in 2023/24 of £0.271 million due to the delayed timing of borrowing. In addition to this, the Council exceeded its investment income earned budget by £0.772 million due to interest rates staying comparatively higher than in recent financial years.

## Statement of Financial Accounts

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 £65.698 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 a surplus of £3.154 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 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 losses relating to pension fund performance of £78.646 million and gains relating to capital assets of £9.794 million are added back in, the net increase in the value of the Council balance sheet for the financial year is £65.698 million.



## Statement of Financial Accounts

The Comprehensive Income and Expenditure Statement within the Statement of Accounts shows the cost of delivering services within the 2023/24 financial year. This includes unrealised gains and losses on non-current assets and pensions. The following table provides this information.



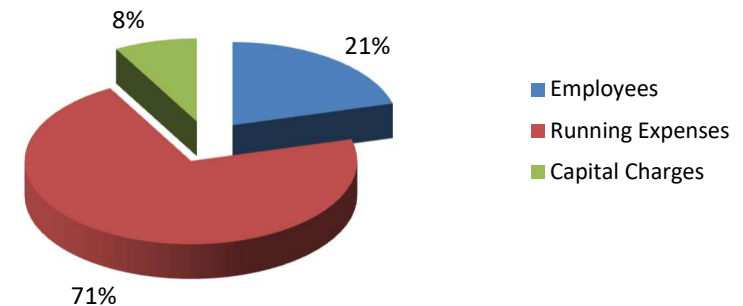
Comprehensive Income and Expenditure Statement	Gross Spend £'000	Income £'000	Net Spend £'000
Adults and Communities	133,982	(80,459)	53,523
Children and Families	123,736	(62,387)	61,349
Growth, Enterprise and Environment	54,816	(15,383)	39,433
Housing Benefits	34,461	(34,318)	143
Resources	17,038	(11,953)	5,085
<b>Net Cost of Services</b>	<b>364,033</b>	<b>(204,500)</b>	<b>159,533</b>
Other Operating Expenditure	814	-	814
Financing and Investment	51,973	(35,337)	16,636
Income and Expenditure	-	(180,137)	(180,137)
Taxation and Non-specific Grant Income	-	(180,137)	(180,137)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>416,820</b>	<b>(419,974)</b>	<b>(3,154)</b>
(Surplus)/Deficit on Revaluation of Non-current Assets			(9,794)
Actuarial (Gains)/Losses on Pension Assets/Liabilities			78,646
<b>Other Comprehensive Income and Expenditure</b>			<b>68,852</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>65,698</b>

## Statement of Financial Accounts

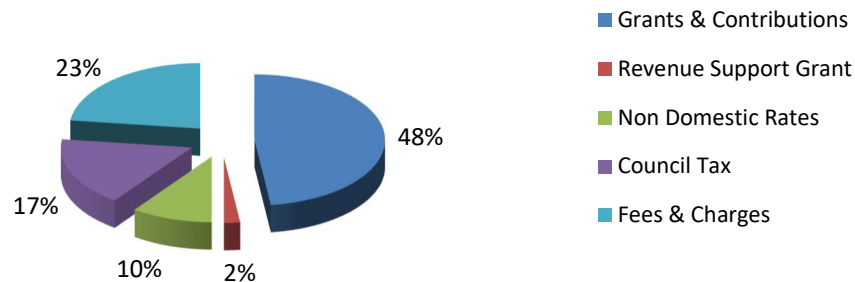
These diagrams show what we spend our money on, and where we get our money from as shown in the Comprehensive Income and Expenditure Statement.

This chart shows that most expenditure incurred by the Council relates to running expenses (71%), this includes premises, transport and external supplies and services.

**% of Revenue Expenditure by Type**



**Where the Council's Money Comes From**



Only 17% of the Council's funding comes from local council taxpayers and 10% 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 48%.

## Balance Sheet

### The Council's Balance Sheet at 31<sup>st</sup> March 2024

The Balance Sheet presents the financial position of the Council at the end of March 2024. It shows what assets and balances the Council holds, what it is owed and what it owes.

Balance Sheet 2023/24	£'000
<b>Assets</b>	
Buildings, Land and Equipment	301,783
Other Long-term Assets	2,423
Other Long-term Assets – Pension Fund	7,925
Money owed to the Council	51,886
Cash, Investments and Stocks	18,517
<b>Total Assets</b>	<b>382,534</b>
<b>Liabilities</b>	
Borrowing	(247,583)
Amounts owed by the Council	(44,226)
Provisions	(5,659)
Other Long Term Liabilities – Pension Fund	(5,629)
Capital and Revenue Government Grants not yet applied	(17,414)
<b>Total Liabilities</b>	<b>(320,511)</b>
<b>Assets less Liabilities</b>	<b>62,023</b>
<b>Financed By: -</b>	
Usable reserves	(43,205)
Unusable Reserves	(18,818)
<b>Total Net Worth</b>	<b>(62,023)</b>

The Council has more assets than liabilities, which results in what is technically called a positive equity balance sheet (at 31 March 2024). Assets outweigh its liabilities by £62.023 million. This is lower than the previous year due to the application of an asset ceiling calculation on the Pension Fund. A better indicator of the financial health of the Council is the level of usable and earmarked reserves which are at £43.205 million.

## Capital Expenditure

### Capital Expenditure

Capital expenditure represents money spent on land, buildings, equipment, infrastructure and grants. In 2023/24, the Council spent £27.734 million on capital. The areas of capital investment in 2023/24 were:

Capital Spend by Cluster	2023/24 £'000
Town Scape Investment	7,365
Visitor Attractions & Amenities	3,438
Business Infrastructure	810
Transport Infrastructure	4,483
Supported Housing	2,634
Community Capacity	425
Recycling & Waste initiatives	241
Education	2,614
Council Investments	5,724
Total Capital Spend	27,734

### 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 £6.043 million with £1.596 million deficit attributable to council tax and £4.447 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 deficit is due to a higher deficit carried forward from 2022/23, an increase in the contribution required to the appeals provision than forecast, offset by a reduction in in reliefs.

The budget for 2023/24 was based on an increase in council tax with the Band D equivalent amount for 2023/24 being £1,809.45 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 £2,187.04 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 £89.613 million. Total income on council tax for 2023/24 was £90.673 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 £39.821 million.

## Further Information

### Further Information

If you have any comments or queries regarding this summary, please contact the Director of Finance by e-mail to [financialmanagementsupport@redcar-cleveland.gov.uk](mailto:financialmanagementsupport@redcar-cleveland.gov.uk).