Summary Statement of Accounts 2024/25

Saltburn from the Pier

Chief Finance Officer's Statement

Phil Winstanley – Director of Finance and Section 151 Officer

The 2024/25 financial year has brought with it a number of significant financial challenges. These challenges were driven by global and national issues such as the after-effects of the Covid-19 pandemic, which has resulted in a sustained increase in demand for our services, compounded by the cost-of-living crisis and inflation pressures seen in the last few of years. These financial challenges are expected to continue into 2025/26 and beyond.

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 2025/26 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, Guisborough, 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 Transformation Programme.
- Ensuring we continue to put in measures which will support the Borough's determination to be carbon neutral and more environmentally sustainable.
- Participate in the Government's consultation on Fair Funding Reforms for local government to better understand their potential impact on this Council's future funding levels.

The revenue budget for 2024/25 was built based upon the priorities outlined in the Strategic Planning section in the Statement of Accounts 2024/25. It was also based upon the following key parameters:

- A council tax increase of 2.99%.
- An adult social care precept increase of 2.00%.
- Additional investment in our services of £16.367 million.
- Driving Efficiencies Programme of £7.574 million.

The officers with budget management responsibility continued to work with the Financial Services team to ensure a robust budget monitoring process existed throughout 2024/25. 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 £5.075 million, which was an improvement on the forecast outturn reported at Quarter 3 (£6.639 million). The main drivers of the overspend are:

- high demand and complexity for children in care cases and market insufficiency to support this demand – which has continued to rise during the financial year.
- increased home to school transport costs.
- use of agency workers due to children social care worker recruitment challenges.
- increased fleet hire and waste management costs.
- persistent inflationary pressures.
- relatively high borrowing costs after many years of ultra-low interest rates.

The table below details the Directorate year end positions against approved budget. The recently approved medium-term financial strategy for 2025/26 to 2029/30 sought to address these additional demand and inflationary pressures.

Directorate	Revised Budget £m	Actual Outturn £m	Variance to Revised Budget £m
Adults and Communities	50.293	49.105	(1.188)
Children and Families	64.804	77.656	12.852
Growth, Enterprise and Environment	47.389	45.937	(1.452)
Resources	3.302	2.838	(0.464)
Corporate Allocations	(33.269)	(37.055)	(3.786))
Planned Use of Flexible Capital Receipts	-	(0.887)	(0.887)
Total	**132.519**	**137.594**	**5.075**

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

- **Adults and Communities** - the Directorate incurred an underspend of £1.188 million. The Directorate have achieved an underspend of £1.188 million versus budget. The underspend is primarily driven by lower demand for Homecare services (c £1.600 million) and higher recoupment income from Direct Payments (c £0.400 million) partly offset by rising demand for residential care provisioning (£1.300million).

  The Directorate continues to face difficulties in recruiting to front-line posts and was tasked with an additional in year salary savings target of £0.302 million. This has resulted in an underspend on staffing costs of around £1.066 million (inclusive of £0.666 million initial budget savings target).

  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 has consistently reported an overspend against budget in relation to placement costs for children in our care and home to school transport. As part of the 2024/25 Budget Setting process, further additional budget allocations of £7.200 million for children's social care placements, £0.600 million for Home to School Transport, £0.800 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 was provided.

  The Council's budget for children in care placements exceeded expectations by £13.286 million. The largest portion of this overspend—£11.831 million—was attributed to residential and supported accommodation placements during the 2024/25 financial year. On average, these placements cost £0.330 million each annually. Throughout the year, there was an average of 75 children in such placements, with the number rising to 82 by the end of March 2025.This overspend has been further amplified by the increasing complexity of some children's needs, necessitating additional supervisory staff to

ensure their safety and appropriate care. Additionally, the overspend reflects challenges within the supplier market, where national demand surpasses available supply. This issue has been compounded by the revocation of Ofsted accreditation, leading to the closure of several facilities.

The Council is actively collaborating with local providers to identify opportunities to significantly expand the availability of locally based solo and dual placements. This approach aims to reduce reliance on costly supported living placements charged at a premium, while also striving to minimize the duration each child requires such placements. Much of the funding for these additional placements in 2024/25 is supported by the Levelling-Up Partnership Funding. However, obtaining Ofsted registration for these new placements is expected to take some time.

The use of independent foster placements increased during 2024/25, resulting in an overspend of £1.324 million. Both the number of children placed and the average cost per placement were higher than anticipated.

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 £0.369 million in 2024/25.

The budget for Home to School Transport overspent by £1.225 million. This is due to increasing demand for children with education health and care plans, and transport to mainstream schools where local schools are at capacity. However, this represents an improvement compared to the Q3 forecast as transformation projects are currently underway.

- **Growth, Enterprise, and Environment** – The Directorate position has improved in the last quarter of the year resulting in an underspend position of £1.452 million.

  Culture and Tourism outturn position is an overspend of £0.228 million with the main variances relating to income shortfalls due to the requirement to close the Cliff Tramway earlier in the year, the service also has non-pay pressures relating to unachieved Driving Change savings target and pressures on security and repairs and maintenance budgets which is partly offset with the in-year hold of recruitment to vacant posts.

  Economic Growth outturn position is an underspend of £0.099 million relating to the in-year hold of recruitment to vacant posts and the review of non-pay budgets within the service, this has offset the shortfall in planning fee income.

  Environment Sustainability outturn position is an underspend of £0.184 million relating to the in-year hold of recruitment to vacant posts, the increased tenancy income in the business centres offsetting the increased security costs associated with anti-social behaviour.

  Health Protection outturn position is an underspend of £0.581 million relating to the in-year hold of recruitment to vacant posts and the receipt of one-off additional grant income.

  Neighbourhoods outturn position is an underspend of £0.816 million relating to the in-year hold of recruitment to vacant posts, in-year savings from the Concessionary Fares service,

one off additional grant income and service income offsetting the increased costs within Fleet services due to increased cost of parts, tyres and fleet hire along with unachieved Driving Change savings target. Waste disposal cost pressures relating to recycling contamination levels continued in 2024/25, along with reduced recycling commodity prices. The service has also incurred security costs relating to the South Bank foot bridge.

- **Resources** - The Directorate experiences an underspend of £0.464 million. The Directorate outturn underspend position is mainly due to the in-year hold of recruitment to vacant posts. Other identified savings include additional income from grants, SLA income and other miscellaneous income. However, some of these savings have been offset by additional software pressures, audit fees and other contract fees.

- **Corporate Allocations** – An underspend of £3.786 million was achieved partly due to corporately held budgeted contingencies for demand (for example social care) and transformation of £1.140 million. In addition, year-end accounting treatment of provisions and an accounting adjustment relating to IFRS16 has supported the position by £1.147 million.

  Additional savings of £0.366 million were also achieved on interest payable balances due to rephasing of the capital programme delaying the timing of borrowing. In addition to this, the Council exceeded its investment income earned budget by £0.762 million due to interest rates staying comparatively higher than in recent financial years.

  Savings on other areas in Corporate Allocations include the release of provisions £0.500 million, additional business rate grants £0.245 million and other income £0.496 million. These have been offset by a pressure on utility payments of £0.423 million.

- **Flexible Use of Capital Receipts** - In line with the Council's policy on the flexible use of Capital Receipts, transformation expenditure of £0.887 million has been set against capital receipts in 2024/25. The Capital Receipts have been generated via vehicle sales and the sale of Belmont House. The expenditure capitalised is transformational in nature and will benefit the MTFS in future years due to a reduction in staffing costs in library and youth services, recyclable waste which would have been diverted to landfill, a reduction in the reliance of agency social workers, reduced home to school transport and children in care.

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 £19.481 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 deficit of £8.668 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 £12.604 million and gains relating to capital assets of £1.791 million are added back in, the net decrease in the value of the Council balance sheet for the financial year is £19.481 million.

Statement of Financial Accounts

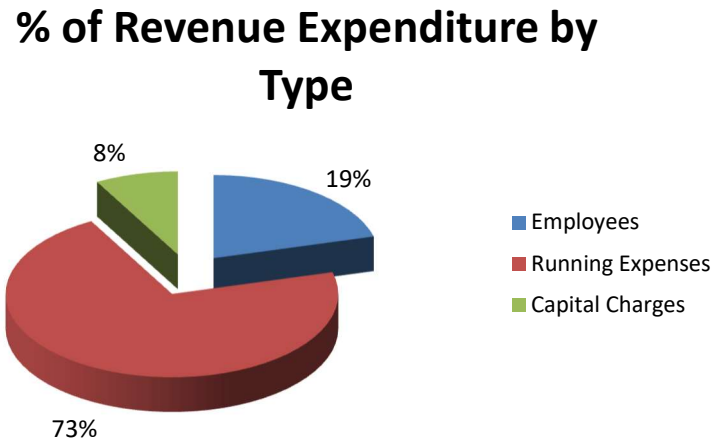
The Comprehensive Income and Expenditure Statement within the Statement of Accounts shows the cost of delivering services within the 2024/25 financial year. This includes unrealised gains and losses on non-current assets and pensions. The following table provides this information.

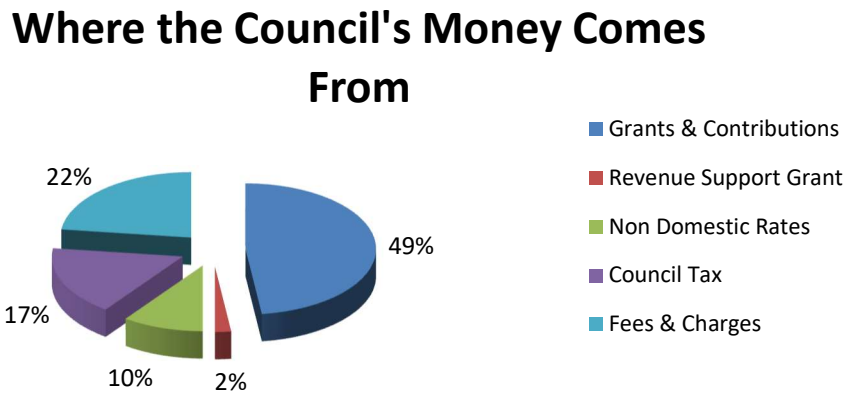
Comprehensive Income and Expenditure Statement	Gross Spend £'000	Income £'000	Net Spend £'000
Adults and Communities	122,789	(71,648)	51,141
Children and Families	161,627	(77,212)	84,415
Growth, Enterprise and Environment	63,614	(21,677)	41,937
Housing Benefits	33,373	(33,226)	147
Resources	17,933	(14,291)	3,642
Net Cost of Services	**399,336**	**(218,054)**	**181,282**
Other Operating Expenditure	1,238	-	1,238
Financing and Investment Income and Expenditure	63,699	(39,888)	23,811
Taxation and Non-specific Grant Income	-	(197,663)	(197,663)
(Surplus) or Deficit on Provision of Services	**464,273**	**(455,605)**	**8,668**
(Surplus)/Deficit on Revaluation of Non-current Assets			(1,791)
Actuarial (Gains)/Losses on Pension Assets/Liabilities			12,604
Other Comprehensive Income and Expenditure			**10,813**
Total Comprehensive Income and Expenditure			**19,481**

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 (73%), this includes premises, transport and external supplies and services.





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 49%.

Balance Sheet

The Council's Balance Sheet at 31st March 2025

The Balance Sheet presents the financial position of the Council at the end of March 2025. It shows what assets and balances the Council holds, what it is owed and what it owes.

Balance Sheet 2024/25	£'000
Assets	
Buildings, Land and Equipment	317,144
Other Long-term Assets	2,333
Money owed to the Council	51,534
Cash, Investments and Stocks	19,827
Total Assets	**390,838**
Liabilities	
Borrowing	(269,489)
Amounts owed by the Council	(46,681)
Provisions	(2,980)
Other Long Term Liabilities – Pension Fund	(14,053)
Capital and Revenue Government Grants not yet applied	(15,093)
Total Liabilities	**(348,296)**
Assets less Liabilities	**42,542**
Financed By: -	
Usable reserves	(43,728)
Unusable Reserves	1,186
Total Net Worth	**(42,542)**

The Council has more assets than liabilities, which results in what is technically called a positive equity balance sheet (at 31 March 2025). Assets outweigh its liabilities by £42.542 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 £43.728 million.

Capital Expenditure

Capital Expenditure

Capital expenditure represents money spent on land, buildings, equipment, infrastructure and grants. In 2024/25, the Council spent £48.503 million on capital. The areas of capital investment in 2024/25 were:

Capital Spend by Cluster	2024/25 £'000
Town Scape Investment	23,316
Visitor Attractions & Amenities	4,902
Business Infrastructure	1,307
Transport Infrastructure	5,567
Community Capacity	301
Housing	1,404
Supported Housing	2,770
Recycling & Waste initiatives	198
Children & Education	1,712
Council Investments	7,026
Total Capital Spend	48,503

Collection Fund

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 £3.062 million with £0.766 million deficit attributable to council tax and £2.296 million deficit in relation to business rates.

The deficit on council tax is due to a higher deficit carried forward from 2023/24 than anticipated and a higher contribution to the write off provision due to a bulk write off of debts which had a debt relief order applied to them. For business rates the deficit is due to a higher deficit carried forward from 2023/24 and lower income received in year. This is offset by a reduction to provisions which is mainly due to the majority of appeals now being settled from the 2017 list.

The budget for 2024/25 was based on an increase in council tax with the Band D equivalent amount for 2024/25 being £1,899.72 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 £2,292.91 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 income received for council tax in 2024/25 was £96.169 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 £42.121 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.