

Redcar and Cleveland Borough Council

Draft Summary of Accounts 2014/15

Director of Corporate Resources Statement

The Council's audited Statement of Accounts has been prepared in accordance with the Accounting Code of Practice (The Rules). The figures supporting this financial summary were compiled having regard to proper accounting practice but to provide simplified and more meaningful information. As a result some figures have been combined and modified. A full copy of the 2014/15 audited accounts is available on the Council's website (www.redcar-cleveland.gov.uk)

Financial Review

Revenue expenditure is generally spent on items consumed within the year and is financed from Council Tax, Government Grants and other income. The revenue budget for 2014/15 was based on delivering £10.480m worth of service and business savings to address a combination of reduced income from government funded grants and to fund key service pressures to support the requirements of the Borough. A 2 per cent council tax increase was set with a net revenue budget requirement of £121.476m being agreed by the Council.

A rigorous approach to financial control of the revenue budget, supported by monthly monitoring to Directorate Management Teams, the Executive Management Team and quarterly monitoring to Cabinet, has played a major part in the Council delivering a balanced outturn position for 2014/15 across the whole of the financial year. Following a review of the savings targets during the year, with consideration of the Council's Shaping our Future service delivery and internal reorganisation, the savings target for 2014-15 was revised to £11.075m and this is supported by a flexible earmarked reserves strategy governed by the medium term financial plan.

In addition to the significant level of savings required in 2014/15, the Council introduced a new finance and HR system, Agresso from 1 April 2014. All the financial transactions of the Council are now processed through this system. The revenue budget at service level has been loaded onto Agresso and budget managers have been using this new tool to monitor their resource allocations and savings requirements during the financial year. Budget management is now fully embedded within all senior managers' duties and this has been a very important focus given the changes this year. The changeover to Agresso has also encouraged managers to use this new tool to manage their resources more effectively.

A balanced position has been achieved following the closure of the Council's revenue account for 2014/15. All directorates have managed within their budget allocations through a combination of strict gate keeping arrangements and additional income generation or cost reduction solutions. Additionally as part of the Shaping our Future savings targets there has been regular scrutiny and governance around individual savings as part of the monitoring process.

Each directorate has in fact achieved an underspend position as set out in the summary table below and these balances have been carried forward corporately to assist the total reserves position for the future. Corporate Resources has achieved a £0.5m saving predominantly due to additional savings on Human Resources & Governance functions. People Services has achieved a £2.2m underspend due to efficient procurement and commissioning of services, and attracting additional funding in the form of health service contributions. The council has a number of budgets outside of Directorate control and these include capital financing costs for the capital programme, precepts and levies, prior years pension budgets, all corporate sources of finance and other corporate miscellaneous income and expenditure budgets. This area had a small overspend of £2.761m before transfers to reserves

This represents a satisfying outcome for a financial year, where from the outset the Council was faced with making substantial savings in the face of competing demands for its services. It was also very important that given the level of financial savings needed by the Council over the rest of the decade, particularly in 2014/15, that a balanced budget was achieved. This has been achieved with a budgeted reduction in the general reserves balance of £0.362m to £6.074m.

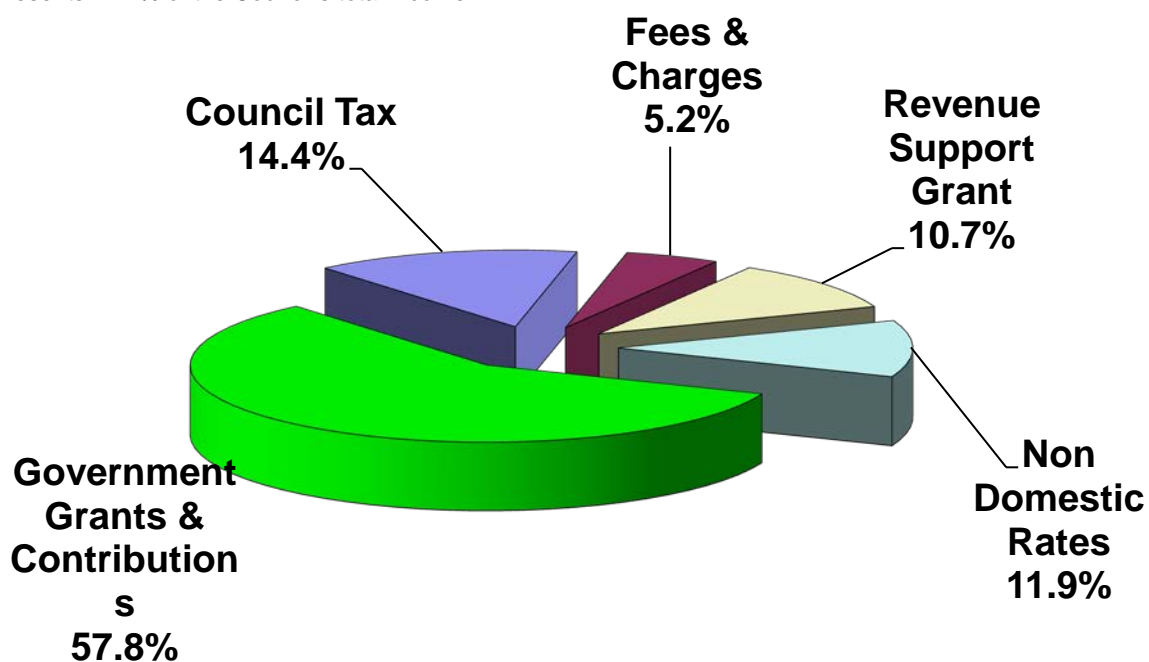
The Council's original revenue budget, together with a comparison of the revised budget with actual expenditure, is summarised below.

Directorate	Base Budget £000	Revised Budget £000	Actual Outturn £000	Variance to Revised Budget £000
Chief Exec & Corp Resources	27,740	19,457	18,933	-524
Regeneration Services	13,201	25,302	25,261	-41
People Services	57,328	74,968	72,772	-2,196
Corporate Allocations	23,207	1,749	4,510	2,761
Total	121,476	121,476	121,476	0

The total net spending on Cost of Services was £121.476m with gross income and expenditure of around £360m. The Comprehensive Income and Expenditure Statement within the Statement of Accounts shows the true cost of delivering services within the 2014/15 financial year. This includes unrealised gains and losses on non-current assets, financial instruments and pension. The following table provides this information together with how this has been financed.

	Gross Spend £'000	Income £'000	Net Spend £'000
Central Services to the Public	2,192	-816	1,376
Court Services	326	0	326
Cultural and Related Services	10,240	-1,025	9,215
Environmental and Regulatory Services	15,452	-3,133	12,319
Planning Services	10,754	-3,378	7,376
Education and Children's Services	142,403	-108,546	33,857
Highways and Transport Services	20,004	-2,846	17,158
Housing Services	63,520	-60,986	2,534
Adult Social Care	55,114	-15,557	39,557
Public Health	10,369	-11,930	-1,561
Corporate and Democratic Core	4,963	-213	4,750
Non-Distributed Costs	1,361	-1,488	-127
Net Cost of Services	336,698	-209,918	126,780
Other Operating Expenditure	11,752	0	11,752
Transfer of School Assets	11,093	0	11,093
Financing and Investment Income and Expenditure	-871	-305	-1,176
Regulatory Accounting Adjustments	1,865		1,865
Net Contributions to Reserves/Provisions		-362	-362
Amount to be met from Government Grants and Council Tax	360,537	-210,585	149,952
Financed by: -			
Council Tax			-51,826
Business Rates			-42,850
General Government Grants			<u>-55,276</u>
Sub Total			-149,952

The diagrams below show an analysis of the gross revenue spending of £355.505m as shown in the Comprehensive Income and Expenditure Statement. It is important to note that the contribution from the local community through Council Tax represents 14.4% of the Council's total income.



The Council's Balance Sheet at 31st March 2015

The Balance Sheet presents the financial position of the Council at the end of March 2015. It shows what assets and balances the Council holds, what it is owed and what it owes.

The Council has a negative equity balance sheet at 31 March 2015. This means that its liabilities outweigh its assets by £99.2m. This is mainly driven by the deficit on the Pension Fund Liability. As the deficit is an accrued position over the next 20-40 years the liabilities will not crystallise at any one point in time and can be managed as part of the pension fund investment strategy by the Council. A better indicator of the financial health of the Council is the level of usable reserves which remain appropriately at £31.013m.

Assets	£'000
Buildings, Land and Equipment	290,596
Other Long-term Assets	3,297
Money owed to the Council	21,062
Cash, Investments and Stocks	46,568
Total Assets	361,523
Liabilities	
Borrowing	-237,528
Pension Scheme	-170,466
Amounts owed by the Council	-48,260
Capital and Government Grants not yet applied	-4,474
Assets less Liabilities	-99,205
Financed By: -	
Unusable Reserves	130,217
Usable reserves	-31,012
Total Net Worth	99,205

Capital Expenditure

Capital expenditure represents money spent by the Council on purchasing, upgrading and improving assets such as land, buildings, equipment and infrastructure. The Council receives the benefit from capital expenditure over a long period of time. In 2014/15, Redcar and Cleveland Borough Council spent £15.484m on capital items, financed by capital grants and other contributions (£6.852m), borrowing (£6.092m), income from the sale of assets (£2.445m) and direct revenue funding (£0.095m).

The main areas of capital investment in 2014/15 were: -

Scheme	2014/15 £000	Scheme	2014/15 £000
<u>Driving Our Growth</u>		<u>Reablement and Independence</u>	
Highways Improvements	400	Disabled Facilities Grant	853
Drainage Asset Capture and Flood Prevention	211	Other	32
Skinningrove Coastal Protection	189	Total	885
Structural Highways Maintenance	1640	<u>Best Start in Life</u>	
Local Sustainable transport Fund	132	Eston Learning Campus	114
Bus Network Review	1373	Devolved Formula Capital at LEA level	428
Redcar Leisure & Community Heart	2605	Early Years - 2 Year Old Offer	234
Coastal Communities Fund	201	School Food Plan	155
Public Realm	189	Maintenance	657
Block Allocation - Local Transport Plan	988		

Other	98	Other	544
Total	8,026	Total	2,132
<u>Healthy Lifestyles</u>		<u>Making Our Money Go Further</u>	
Haven Traveller Site	977	Carbon Management Programme	147
Total	977	Information Technology improvement projects	299
		Asset Management - Capitalised Repairs	502
<u>Things To Enjoy</u>		Enterprise Resource Planning	809
Investment in Leisure Centres	174	Other	77
Other	165	Total	1,834
Total	339		
<u>Neighbourhood and Customer Services</u>			
Warrenby Transfer Station	54		
Vehicle Purchases	1,237		
Total	1,291		
TOTAL CAPITAL SPEND 2014-15			15,484

Collection Fund

The Collection Fund shows the income received from Council Tax and Non-Domestic Rates. Council Tax is charged on a series of property valuation bands. Council Tax was collected then distributed to the Council (£50.5m), Cleveland Police Authority (£7.3m), Cleveland Fire Authority (£2.5m) and local parishes (£0.5m) in accordance with their budget precept demands.

The level of Council Tax in any year is determined by estimating the income required by the Council and the Police and Fire Authorities and by dividing this by the Council Tax base, which comprises residential properties banded by value and charged accordingly. The tax base for the Borough was set at 35,980.

In 2014/15, the local government finance regime was revised with the introduction of the retained business rates relief scheme. The main aim of the scheme is to give Councils a greater incentive to grow business in the Borough. The scheme allows the Council to retain a proportion of the Business Rates money received. Redcar & Cleveland Borough Council share is 49% with the remainder paid to precepting bodies. For Redcar and Cleveland the NDR precepting bodies are Central Government (50% share) and Cleveland Fire and Rescue Authority (1% share). Total business rates income for the borough is generally around £50m per annum.

NDR was collected and distributed to the Council (£17.9m), Central Government (£18.3) and Cleveland Fire Authority (£0.3m) based on forecasted figures.

	2012/2013	2013/2014	2014/2015
Band A Council Tax Charge – Redcar & Cleveland	£891.12	£908.64	£926.69
Band D Council Tax Charge – Redcar and Cleveland	£1,336.68	£1,362.96	£1,390.04
Band D Council Tax Charge – Including major precepts	£1,597.55	£1,629.00	£1,661.43
Percentage of Council Tax Collected – Redcar and Cleveland	96.7%	95.4%	95.4%
Percentage of Business Rates Collected	98.9%	98.8%	99.0%

Further Information

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

Glossary of Terms

Accounting Code of Practice – The framework used by local authorities to account on a consistent and fair basis for all financial transactions and for preparing their accounts;

Regulatory Accounting Adjustments

This adjustment reconciles proper accounting practice to the resources that are available to the council to meet future capital and revenue expenditure.

Central Services to the Public – Specific services provided to the public, which do not fall under any of the main recognisable services provided by the local authority. These include local tax collection, registration of birth, deaths & marriages, elections, emergency planning and land charges.

Corporate & Democratic Core – comprises all the activities that local authorities engage in specifically because they are elected, multi purpose bodies such as Councillor's expenses, cost of the Chief Executive's time, Committee Services and specific governance issues;

Non-Distributed Costs – these are costs that cannot be attributable to any specific services but are nevertheless incurred by the Council. Examples are past service retirement benefits, the cost of surplus or unutilised assets and costs incurred from previous reorganised authorities;

Band D Council Tax – Dwellings are included in eight bands (A-H) for Council tax purposes. All can be converted into Band D equivalent numbers for Council Tax calculations via a government formula. The total number of properties in a local authority area is therefore expressed as the number of band D equivalent properties for government returns and comparative purposes.

Council Tax Support Scheme – A local scheme operated by the Council where residents can claim discounts on council tax bills. This replaces a national grant funded scheme where some tax payers received a 100% reduction on their bills. In most cases residents can only claim a maximum of 80% reductions with the 20% remainder having to be paid over to the Council.