



Summary Statement of Accounts 2022/23

Phil Winstanley – Director of Finance and Section 151 Officer

The 2022/23 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 escalating inflation pressures. These financial challenges will continue in 2023/24 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 2023/24 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 and serving a new Cabinet Administration.
- 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.
- Supporting the Borough as we experience a challenging cost-of-living crisis.
- Ensuring we maintain financial resilience in a very challenging financial environment, including the delivery of a very challenging 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 ensure we get our fair share of funding 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 resilient in 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.

Statement of Financial Accounts

The revenue budget for 2022/23 was built based upon the priorities included in our Flourishing Future Plan as outlined in the Priorities and Performance sections in the Statement of Accounts 2022/23. It was also developed considering the following key assumptions:

- A freeze on Council Tax.
- An Adult Social Care Precept increase of 2.00%.
- Additional investment in our services of £7.551 million.
- Driving Efficiencies Programme of £2850 million.

The officers with budget management responsibility continued to work with the Financial Services team to ensure a robust budget monitoring process existed throughout 2022/23. 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 £4.640 million, which was an improvement on the forecast outturn reported at Quarter 3 (£5.921 million). Since the budget was set, inflation was 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 2023/24 to 2027/28 sought to address these additional demand and inflationary pressures, however in some instances these pressures have accelerated during the final quarter of 2022/23 and assumptions will need to be revised in 2023/24.



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Directorate	Revised Budget £m	Actual Outturn £m	Variance to Revised Budget £m
Adults and Communities	48.980	44.914	(4.066)
Children and Families	42.197	52.201	10.004
Growth, Enterprise and Environment	32.247	34.752	0.505
Resources	6.662	6.730	0.068
Corporate Allocations	(17.139)	(19.010)	(1.871)
Total	114.947	119.587	4.640

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

- **Adults and Communities** - the Directorate achieved an underspend of £4.068 million due to the implementation of a number of one-off measures to support the overall financial position of the Council. The Directorate's adult social care team had numerous 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 and also faced difficulties in recruiting to front-line posts (resulting in a staffing saving of £1.000 million). The Directorate underspent on the provision of Homecare services by £1.350 million. This was in part due to supplier staffing shortages in delivering the provision of Homecare services,

difficulties in identifying the preferred care package for adults in a timely manner and delays in providing adults with a care assessment due to staffing shortages. The Council was able to maximise the level of external funding received from the NHS, to fund some care packages, which also contributed to the year-end position. Within Public Health, the Service successfully identified opportunities to draw in one-off specific grant funding to fund specific services and identified options to redirect funding to mitigate wider financial pressures in the Council's revenue budget (£0.986 million). Recurring savings were also achieved in the current public health joint arrangements and one-off staff savings made due to the recruitment freeze – both totalling £0.723 million.

- **Children and Families** - The Directorate had to manage some severe financial pressures during the year resulting in an overspend of £10.004 million. Staffing pressures were due to the pay award and expensive agency children social workers to backfill vacancies in hard-to-recruit social care positions and other service team overspend pressures. In particular, a dedicated agency social worker team was employed to tackle a significant rise in the number of caseloads requiring resolution. The Council's budget for children in our care overspent by £6.780 million. This was split out across the different placement types available within this service. The most significant element of the overspend related to residential placements which overspent by £4.593 million. The average annual cost of these types of placements is £0.251 million per placement, and there were 43 children in this type of care

provision at the end of March 2023. This needs to be considered against a budget which would have catered for 32 children. This overspend includes the costs of providing supported accommodation to young people aged between 16 and 18. This overspend was magnified by the need to place some children in care placements where additional supervisory staffing is required to ensure the child's safety. These placements have resulted in a significant rise in forecast outturn as an additional premium has had to be agreed with the provider to facilitate these exceptional requirements. The Children in our Care budget also overspent by £1.017 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 is overspent by £0.529 million, due to rising demand and associated allowances paid to carers for children based on a child's age and domiciliary requirements. The high demand and increasingly complex nature of children's social care caseload resulted in higher demands placed upon the Council's legal services budget, which overspent by £0.726 million in 2022/23. These extra costs were because of the rising number of children in our care cases requiring court judgment, and the associated need to pay for additional disbursement costs associated with children in care legal proceedings. The budget for Home to School Transport overspent by £1.216 million due to costs of fuel resulting in the need to pay a supplementary fee uplift to some transport providers during the financial year and

the requirement to lay on more transport routes due to an increasing number of children attending education placements outside of their mainstream school placement.

- **Growth, Enterprise, and Environment** – The overspend of £0.505 million was driven by a number of cost pressures. Excessive inflation on utilities resulted in cost pressures of around £0.300 million. The Engineering Service also incurred some additional one-off costs due to highway winter maintenance pressures, one-off professional fees in relation to an incident and other general safety costs. The Council's Fleet Service incurred additional inflationary fuel pressures of £0.400 million, additional fleet hire costs of £0.200 million and additional spare part costs of £0.100 million (arising from delays in the capital acquisition of new fleet vehicles). The Directorate also incurred an overspend in relation to Streetscene services of £0.185 million and other income shortfalls. Offsetting these overspend pressures, the Planning Service achieved a higher than budgeted income target of £0.413 million; and a rebate was received on the contribution made to TVCA for Concessionary Fares of £0.475 million.
- **Resources** - the overspend of £0.068 million was caused primarily by the impact of the pay award (£0.400 million) and utility cost pressures in some of the Council's commercial properties (£0.320 million). However, these overspends were offset by the rebate income from NEPO being more than budget (£0.124 million), staff & supplier savings in IT (£0.230 million), grant income to deliver democratic support functions of the

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Police Crime Commissioner (£0.100 million), property management savings (£0.100 million) and SLA school income (£0.050 million).

- **Corporate Allocations** – An underspend of £1.871 million was achieved due to the general inflation provision held corporately of £0.950 million which offset the inflationary pressures with Directorates, additional investment income of £0.635 million more than the budget (which was based on ultra-low rates of interest) which was offset by the impact of rising costs of borrowing resulting in higher capital financing costs of £0.282 million on new borrowing incurred during 2022/23 and income received from the distribution from the Business Rates Levy Account from Central Government of £0.302 million.

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 £204.736 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 £45.971 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 gains relating to pension fund performance of £234.990 million and gains relating to capital assets of £15.717 million are added back in, the net increase in the value of the Council balance sheet for the financial year is £204.736 million.

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The total net spending on Cost of Services was £204.736 million. The Comprehensive Income and Expenditure Statement within the Statement of Accounts shows the true cost of delivering services within the 2022/23 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.



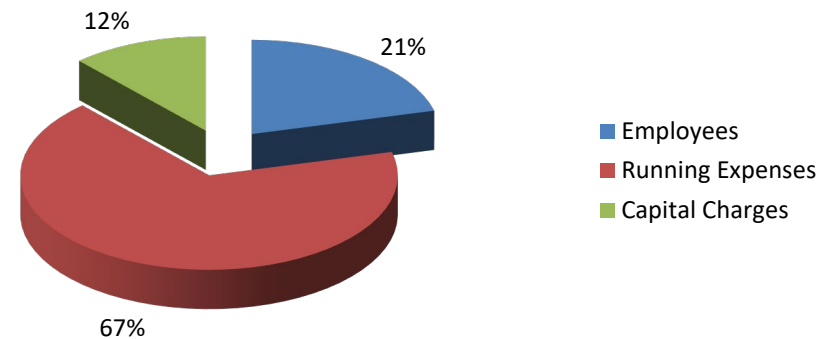
Comprehensive Income and Expenditure Statement	Gross Spend £'000	Income £'000	Net Spend £'000
Adults and Communities	126,965	(75,380)	51,585
Children and Families	112,468	(53,580)	58,888
Growth, Enterprise and Environment	62,533	(14,561)	47,972
Housing Benefits	35,076	(35,157)	(81)
Resources	32,004	(13,348)	18,656
Net Cost of Services	369,046	(192,026)	177,020
Other Operating Expenditure	1,288	-	1,288
Financing and Investment	43,424	(21,021)	22,403
Income and Expenditure			
Taxation and Non-specific			
Grant Income	-	(154,740)	(154,740)
(Surplus) or Deficit on Provision of Services	413,758	(367,787)	45,971
(Surplus)/Deficit on Revaluation of Non-current Assets			(15,717)
Actuarial (Gains)/Losses on Pension Assets/Liabilities			(234,990)
Other Comprehensive Income and Expenditure			(250,707)
Total Comprehensive Income and Expenditure			(204,736)

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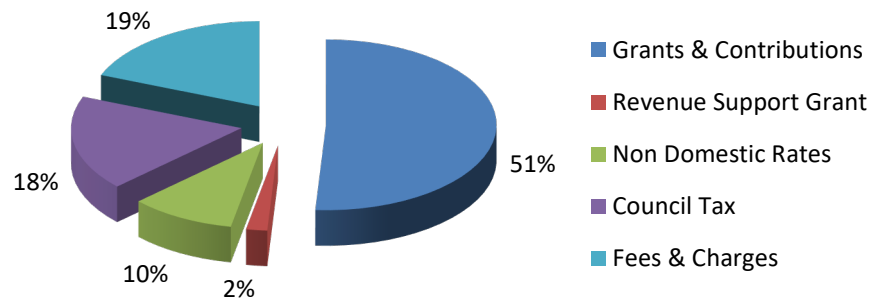
These diagrams show what we spend our money on, and where we get our money from as shown in the Comprehensive Income and Expenditure Statement.

This chart shows that most expenditure incurred by the Council relates to running expenses (67%), this includes premises, transport and external supplies and services.

% of Revenue Expenditure by Type



Where the Council's Money Comes From



Only 18% 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 51%.

Balance Sheet

The Council's Balance Sheet at 31st March 2023

The Balance Sheet presents the financial position of the Council at the end of March 2023. It shows what assets and balances the Council holds, what it is owed and what it owes.

Balance Sheet 2022/23	£'000
Assets	
Buildings, Land and Equipment	291,338
Other Long-term Assets	2,405
Other Long-term Assets – Pension Fund	82,338
Money owed to the Council	49,511
Cash, Investments and Stocks	26,615
Total Assets	452,207
Liabilities	
Borrowing	(259,500)
Pension Scheme	-
Amounts owed by the Council	(42,124)
Provisions	(4,243)
Capital and Revenue Government Grants not yet applied	(18,619)
Total Liabilities	(324,486)
Assets less Liabilities	127,721
Financed By: -	
Usable reserves	(42,748)
Unusable Reserves	(84,973)
Total Net Worth	(127,721)

The Council has more assets than liabilities, which results in what is technically called a positive equity balance sheet (at 31 March 2023). Assets outweigh its liabilities by £127.721 million. This is significantly different from the prior year due to there now being a surplus on the Pension Fund rather than a deficit. As the pension fund surplus reflects all the possible pension commitments payable to employees over many decades, the commitment to pay pensions will not crystallise at any one point in time and can be managed as part of the pension fund investment strategy. The pension fund is underpinned by financial investment assets which fluctuate in financial value. A better indicator of the financial health of the Council is the level of usable and earmarked reserves which are at £42.748 million.

Capital Expenditure

Capital Expenditure

Capital expenditure represents money spent on land, buildings, equipment and infrastructure. In 2022/23, the Council spent £36.289 million on capital items. The main areas of capital investment in 2022/23 were:

Capital Spend by Cluster	2022/23 £'000
Town Scape Investment	8,570
Visitor Attractions & Amenities	2,096
Business Infrastructure	2,221
Transport Infrastructure	5,626
Housing	1,761
Supported Housing	2,396
Community Capacity	250
Recycling & Waste initiatives	409
Education	2,864
Council Investments	10,096
Total Capital Spend	36,289

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 £6.630 million with £2.028 million deficit attributable to council tax and £4.602 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 2021/22 than forecast, a drop in rateable value, additional reliefs which will be funded by central government offset by a reduction in the appeal provision. Within both the deficits for council tax and business rates there is the balance brought forward from 2021/22 of £1.459 million which will be funded in 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 2022/23 was based on an increase in council tax with the Band D equivalent amount for 2022/23 being £1,739.97 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 £2,097.56 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 £85.200 million. Total income on council tax for 2022/23 was £86.659 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 £32.134 million

Further Information

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