

Middlesbrough Council Draft Summary of Accounts 2018/19



One Centre Square

Financial Review

The Draft Statement of Accounts for Middlesbrough Council provides a detailed analysis of the Council's financial position at 31 March 2019, and a summary of its income, expenditure, assets & liabilities during 2018/19. The accounts are, in parts, technical and complex as they have been prepared to comply with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom, and to comply with International Financial Reporting Standards. The draft accounts are available on the Council's website: www.middlesbrough.gov.uk.

The Statement of Accounts is expected to be approved by the Council's Corporate Affairs & Audit Committee on 25th July 2019 following the external audit process. The Independent Auditor's Report to the Members of Middlesbrough Council will confirm whether the accounts provide a true and fair view of the Council's financial position at that time and any issues as part of the Audit.

In this summary accounts document, we are looking to provide a more understandable and accessible way of stakeholders and members of the public accessing the key figures and highlights for Middlesbrough Council on its financial position. Given the complexities of local government finance, the information provided has been simplified and combined to make it more meaningful information to the user.

For further information in relation to the finances of Middlesbrough Council, please contact the Strategic Director of Finance, Governance & Support, Civic Centre, Middlesbrough, TS1 9FT.

Revenue Budget 2018/19

In setting the revenue budget for the financial year, service budget reductions totalling £7.3 million were approved by the Council on 7th March 2018, together with a 2.99% increase in the Council Tax bandings plus an additional 2% on the adult social care precept.

The budget also provided an extra gross £2.9 million investment to meet increased demand in key services including £2.6 million for Children's Social Care and £0.3 million for Adult Social Care.

The revenue budget for 2018/19 was set at £111.285 million, funded as set out below:

	£m
Revenue Support Grant	16.534
Top Up Payment	26.042
Local Share of Non Domestic Rates	17.363
Council Tax	51.894
Collection Fund Balance	(0.548)
Total net revenue budget in 2017/18	111.285

Investment Strategy 2018/19

The refreshed investment strategy for the Council covers the period 2018/19 to 2021/22. It increases the Council's capital investment in long-term assets (principally building the town's economic base, driving financial self-sufficiency and transforming how the Council delivers services) from £72.4m to £81.9m.

The capital expenditure budget for the financial year was originally set at £44.9m, funded by borrowing of £23.6m, capital receipts of £6.3m and grants & contributions of £15.0m.

Financial Outturn position

The budget outturn is being reported to Executive on 11th June 2019 and summarises the Council's final position in respect of the revenue budget and capital programme.

Revenue

The Council's total net revenue expenditure for 2018/19 was £111.724 million, an over spend position of £0.439 million. This over spend has been financed from general fund balances. The table below summarises the position by Council Directorate.

Department / Directorate	Full Year Budget £'000	Full Year Outturn £'000	Over/(under) spend £'000
Regeneration	4,292	4,069	(223)
Culture, Communities and Communications	6,170	6,107	(63)
Environment and Commercial Services	17,763	17,291	(472)
Public Health & Protection	131	(132)	(263)
Education	1,311	1,385	74
Children's Care	31,595	34,905	3,310
Prevention and Partnerships	2,763	2,778	15
Adult Social Care and Health Integration	36,792	36,812	20
Finance, Governance and Support	8,491	7,482	(1,010)
Central costs	1,977	1,027	(949)
Revenue outturn	111,285	111,724	439

The significant revenue budget issue experienced during 2018/19 was in relation to Children's Care where additional costs experienced on Looked after Children (residential placements and in-house foster carers) and Children with Disabilities, ended up being £3.3m over budget. These additional costs on children's services reflect a national trend of rising demand for these services.

This position was mitigated by additional savings co-ordinated across all directorates. This was above and beyond their original savings targets for the year as part of the Change programme. The residual overspend of £0.4m has been funded from Council Reserves.

Capital

The table below summarises the capital outturn position for 2018/19. Total capital expenditure of £31.507m was incurred against a revised budget of £38.814m.

Department / Directorate	Revised Budget £'000	Full Year Outturn £'000	Over/(under) spend £'000
Regeneration	19,216	15,991	(3,225)
Culture, Communities and Communications	628	498	(130)
Environment and Commercial Services	9,973	8,457	(1,516)
Public Health and Public Protection	103	99	(4)
Education	2,635	2,061	(574)
Children's Care	131	85	(46)
Prevention and Partnerships	0	0	0
Adult Social Care and Health Integration	3,455	2,763	(692)
Finance, Governance and Support	2,673	1,553	(1,120)
Total	38,814	31,507	(7,307)

The spend at 81% of the revised budget reflects delays in progress on a number of major capital schemes either due to additional public consultation being required or contractual delays. As funding is available for carry forward on these schemes the associated expenditure not achieved in 2018/19 will be phased into the subsequent financial year.

The capital expenditure above was funded by a combination of borrowing of £13.1m, capital receipts of £4.4m and grants & contributions of £14.0m.

Core Financial Statements 2018/19

The **Comprehensive Income and Expenditure Statement** – shows the income and expenditure of the Council for the last financial year in line with both the statutory and CIPFA Accounting Code of Practice requirements. In order to conform with these and generally accepted accounting practice, a number of technical adjustments are required within the accounts for charges related to fixed assets, pensions costs, financial instruments and collection fund accounting. The final position on this statement is set out below:

Comprehensive Income and Expenditure Statement	2018/19		
	Gross Expenditure	Gross Income	Net Expenditure (Income)
Cost of Services by Service Area	£000	£000	£000
Regeneration	21,200	(4,336)	16,864
Culture, Communities and Communication	18,593	(7,505)	11,088
Improving Public Health	16,831	(19,364)	(2,533)
Education	69,776	(67,503)	2,273
Children's Care	38,994	(1,080)	37,914
Adult Social Care and Health Integration	79,631	(42,405)	37,226
Environment and Commercial Services	38,448	(3,111)	35,337
Finance Governance & Support	101,099	(84,069)	17,030
Prevention and Partnerships	6,732	(2,430)	4,302
Central Costs	198	(3,185)	(2,987)
Total Cost of Service	391,502	(234,988)	156,514
Other Operating Income and Expenditure	62,661	(4,467)	58,194
Financing & Investment Activities	39,599	(30,951)	8,648
Taxation and Non Specific Grants	0	(135,982)	(135,982)
(Surplus) or Deficit on Provision of Services	493,762	(406,388)	87,374
<i>Items that will not be re-classified to the Surplus or Deficit on the Provision of Service</i>			
(Surplus) or Deficit on revaluation of Property Plant and Equipment Assets			(6,563)
Actuarial (Gains) or Losses on Pension Fund charged to the Pensions Reserve			(25,410)
Depreciation written out to the Revaluation reserve			(4,225)
Other Comprehensive Income and Expenditure			(36,198)
Total Comprehensive Income and Expenditure			51,176

There is a difference of £87.0m between the revenue outturn deficit position and the deficit on the provision of services in the statement above. This reflects a number of technical accounting adjustments to comply with proper accounting practice. None of these affect the Council's financial position or reserves.

The vast bulk of this difference (£60m) relates to schools converting to academies and their assets being removed from the Council's accounts. This is something that the Council has no control over. The remaining £27m covers a combination of capital, pensions and collection fund accounting adjustments.

Further details on these adjustments can be found in the notes to the statement of accounts.

The **Balance Sheet** – shows the value at the Balance Sheet date of the assets and liabilities owned or owed by the Council. The net assets (assets less liabilities) are matched by revenue and capital reserves held by the Council.

31 March 2018	Balance Sheet	31 March 2019
£000		£000
449,603	Property, Plant & Equipment	388,464
27,382	Heritage Assets	27,382
8,493	Other Long Term Assets	6,906
45,998	Money Owed to the Council	49,751
22,541	Cash, Investments, Stocks and Assets for Sale	22,466
554,017	Total Assets	494,969
(156,835)	Borrowing	(162,547)
(40,313)	Money owed by the Council	(38,288)
(200,398)	Pension Scheme	(188,296)
(2,045)	Provisions	(2,587)
154,426	Assets Less Liabilities	103,251
(49,417)	Usable Reserves	(46,666)
(105,009)	Unusable Reserves	(56,585)
154,426	Total Reserves	(103,251)

The net total of assets less liabilities has reduced over the financial year by just over £51.1m. The main reasons for this are as follows:

Assets (what the Council owns) - £59.0m reduction in total: A significant change of just over £60m in the value of property, plant & equipment owned by the Council. This mainly relates to schools converting to academy status during the financial year which results in the assets transferring out of council ownership.

Liabilities (what the Council owes) – £7.9m reduction in total: Long term borrowing has increased debt levels by £5.7m due to the amount needed from the Council to pay for its capital programme. However this has been offset by improved returns on pension fund assets of £12.1m.

Usable Reserves (available funds) – £2.8m reduction in total: The Council used a combination of both revenue and capital reserves to fund the necessary transformational change in service delivery, plus also to smooth reductions in funding from central government. This was in line with budgeted plans.

Unusable Reserves (unavailable funds) – £48.3m reduction in total: These are reserves held by the Council that cannot be used to fund revenue activities or capital investment. They contain the net sum of all the accounting entries that do not affect usable reserves on either assets or liabilities. The large in-year reduction being the schools converting to academy status, offset by the improved returns on pension fund assets.

Collection Fund Accounts

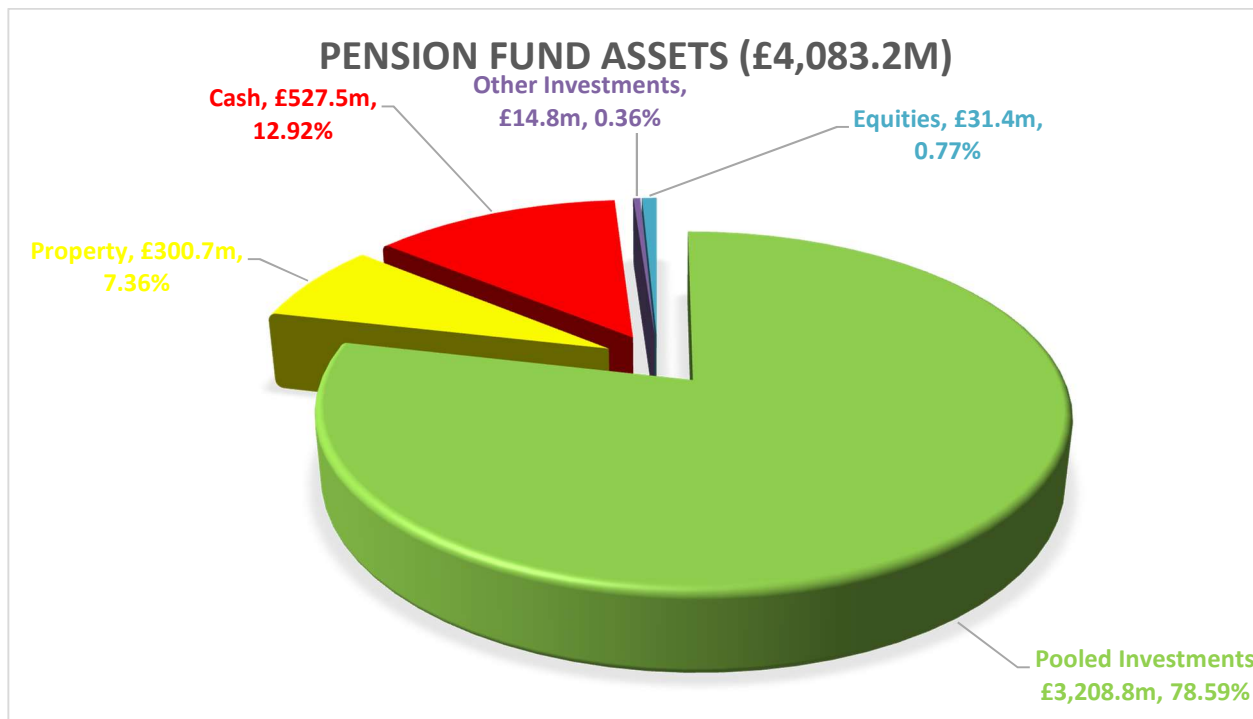
The Collection Fund summarises the transactions of Middlesbrough Council (as the billing authority) in relation to the collection from taxpayers and the redistribution to local Authorities and the Government of Council Tax and Business Rates. These are an important element of funding the Council's revenue budget with the relevant sums and balances at the financial year end set out below. There is a much improved financial position in 2018/19 which the Council will benefit from when setting the budget for 2020/21.

2017/18		2018/19		
£000		£000	£000	£000
Total		Council Tax	Business Rates	Total
	Income			
(60,733)	Council Tax receivable	(64,561)	0	(64,561)
(34,679)	Business Rates receivable	0	(37,737)	(37,737)
(95,412)	Total Income	(64,561)	(37,737)	(102,298)
	Expenditure			
	Precepts and Demands:			
49,134	Middlesbrough Council	51,894	0	51,894
7,064	Cleveland Police and Crime Commissioner	7,503	0	7,503
2,405	Cleveland Fire Authority	2,490	0	2,490
	Business Rates			
17,194	Payments to Central Government	0	17,672	17,672
344	Payments to Cleveland Fire Authority	0	353	353
16,851	Payments to Middlesbrough Council	0	17,319	17,319
172	Costs of Collection	0	173	173
	Bad & Doubtful Debts			
816	Write Offs	263	12	275
521	Provision for Bad Debts	1,652	359	2,011
2,664	Provision for Appeals	0	1,117	1,117
97,165	Total Expenditure	63,802	37,005	100,807
	Contributions towards previous year's estimate			
438	Collection Fund Deficit / (Surplus)	843	(2,561)	(1,718)
2,191	Deficit / (Surplus) for the Year	84	(3,293)	(3,209)
	COLLECTION FUND BALANCE			
(156)	Balance brought forward at 1 April	(899)	2,934	2,035
2,191	Deficit / (Surplus) for the year (as above)	84	(3,293)	(3,209)
2,035	Balance carried forward at 31 March	(815)	(359)	(1,174)
	Allocated to:			
684	Middlesbrough Council	(683)	(175)	(858)
(108)	Cleveland Police and Crime Commissioner	(99)	0	(99)
(8)	Cleveland Fire Authority	(33)	(4)	(37)
1,467	Central Government	0	(180)	(180)
2,035		(815)	(359)	(1,174)

Teesside Pension Fund Statement of Accounts

The Teesside Pension Fund (administered by Middlesbrough Council) is independently managed and legally separate from the Council's own finances. This statement is an extract from the Pension Fund's accounts and summarises the financial position of the Fund, including all income and expenditure for 2018/19, assets, and liabilities as at 31 March 2019. It is useful to include the financial position on the fund within this summary given that the Council is the accountable body.

The following chart summarises the Assets of the Fund at the end of the financial year:



The assets on the pension fund have increased from £3,891.0m to £4,083.2m, an increase of 4.9% during the financial year. This is a result of investments growing on the Stock Exchange during the financial year.

Further details on the financial position of the Pension Fund and its accounting policies can be seen within the detailed Statement of Accounts for the Council. (www.middlesbrough.gov.uk).