

Middlesbrough Council Summary of Accounts 2019/20



Financial Review

The Statement of Accounts for Middlesbrough Council provides a detailed analysis of the Council's financial position at 31 March 2020, and a summary of its income, expenditure, assets & liabilities during 2019/20. 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 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 24 September 2020 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.

At 31st March 2020, the United Kingdom was in the early stages of an unprecedented public health pandemic due to Covid-19. Most of the long-term effects of the virus and a return to normal are at present unknown and will affect the Council predominantly in future financial years.

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

Revenue Budget 2019/20

In setting the revenue budget for the financial year, service budget reductions totalling £9.9 million were approved by the Council on 4th March 2019, together with a 2.99% increase in the general level of council tax plus an additional 2% on the adult social care precept.

The revenue budget for 2019/20 was approved at £111.926 million, funded as set out below:

	£m
Revenue Support Grant	11.959
Top Up Payment	26.861
Local Share of Non Domestic Rates	17.453
Council Tax	55.285
Collection Fund Balance	0.370
Total net revenue budget in 2019/20	111.926

Investment Strategy 2019/20

The refreshed investment strategy for the Council covers the period 2019/20 to 2022/23. 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 £153.8 to £166.1m.

The capital expenditure budget for the financial year was originally set at £71.8m, funded by borrowing of £52.9m, capital receipts of £1.1m and grants & contributions of £17.8m.

Financial Outturn position

The budget outturn for the Council was reported to Executive on 16 June 2020 and summarises the Council's final position in respect of the revenue budget and capital programme.

Revenue

£6.591 million. This over spend has been financed from earmarked revenue reserves. The table below summarises the position by Council Directorate.

Growth and Place	25,294	25,537	243
Public Health & Protection	(1,110)	(1,373)	(263)
Children's Services	35,384	42,610	7,226
Adult Social Care and Health Integration	38,137	37,832	(305)
Finance, Governance and Support	12,273	11,512	(761)
Legal and Governance Services	1,948	2,399	451
Revenue outturn	111,926	118,517	6,591

The significant revenue budget pressure experienced during 2019/20 was in relation to Children's Care (mainly residential placements, in-house foster carers, independent fostering agency payments and family and friends' allowances) and Children with Disabilities, ended up being £7.9m over budget. The Children's Services directorate as a whole coming in at £7.2m over budget.

This position was mitigated by regular savings exercises co-ordinated across all directorates and through stringent financial controls on expenditure budgets and an additional focus on income generation. However, given the scale of demand led pressures in Children's Services a considerable overspend of £6.6m was the eventual result.

Capital

The table below summarises the capital outturn position for 2019/20. Total capital expenditure of £68.177m was incurred against a revised budget of £71.831m.

Department / Directorate	Revised Budget £'000	Full Year Outturn £'000	Over/ (under) spend £'000
Growth and Place	60,524	59,124	(1,400)
Public Health and Public Protection	275	275	0
Children's Services	4,931	3,376	(1,555)
Adult Social Care and Health Integration	3,688	3,370	(318)
Finance, Governance and Support	2,413	2,032	(381)
Total	71,831	68,177	(3,654)

The spend at 95% of the revised budget reflects delays in progress on a number of major capital schemes resulting from Procurement or acquisition issues and the Covid-19 pandemic. These under budget positions were offset by bringing forward some funding for the purchase of vehicles and essential property maintenance. The main schemes undertaken during 2019/20 were Teesside Advanced Manufacturing Park and Office Accommodation at Centre Square.

The capital expenditure above was funded by a combination of borrowing of £49.2m, capital receipts of £1.1m and grants & contributions of £17.8m.

Core Financial Statements 2019/20

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	2019/20		
	Gross Expenditure	Gross Income	Net Expenditure /(Income)
Cost of Services by Service Area			
	£000	£000	£000
Regeneration	38,936	(15,840)	23,096
Public Health & Public Protection	15,450	(19,606)	(4,156)
Education	64,181	(61,448)	2,733
Children's Care	18,149	(841)	17,308
Business Performance and Chang	26,853	(1,075)	25,778
Adult Social Care and Health Integration	85,217	(43,193)	42,024
Environment and Commercial Services	48,306	(4,682)	43,624
Finance Governance & Support	80,561	(60,876)	19,685
Legal and Governance Services	9,272	(5,666)	3,606
Prevention and Partnerships	9,878	(5,736)	4,142
Central Costs	1,095	(8,776)	(7,682)
Total Cost of Service	397,897	(227,739)	170,158
Other Operating Income and Expenditure	2,192	(1,232)	960
Financing & Investment Activities	46,303	(30,097)	16,206
Taxation and Non Specific Grants	0	(134,685)	(134,685)
(Surplus) or Deficit on Provision of Services	446,392	(393,753)	52,639
<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			(2,740)
Actuarial (Gains) or Losses on Pension Fund charged to the Pensions Reserve			61,975
Depreciation written out to the Revaluation reserve			(4,572)
Other Comprehensive Income and Expenditure			54,663
Total Comprehensive Income and Expenditure			107,302

There is a difference of £46.1m between the revenue outturn position reported to Executive 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. These cover 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 31st March 2020 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..

31 March 2019	Balance Sheet	31 March 2020
£000		£000
388,464	Property, Plant & Equipment	400,052
27,382	Heritage Assets	27,563
6,906	Other Long Term Assets	18,886
49,751	Money Owed to the Council	55,414
21,844	Cash, Investments, Stocks and Assets for Sale	53,078
494,347	Total Assets	554,993
(162,547)	Borrowing	(242,041)
(37,666)	Money owed by the Council	(46,694)
(199,375)	Pension Scheme	(278,881)
(2,587)	Provisions	(2,507)
92,172	Assets Less Liabilities	(15,130)
(46,666)	Usable Reserves	(41,934)
(45,506)	Unusable Reserves	57,064
(92,172)	Total Reserves	15,130

The net total of assets less liabilities has reduced over the financial year by just over £107m. The Council is now in a negative net worth position. Most of the movement in-year relates to a significant increase in pensions liabilities. It is expected that the assets that underpin the scheme will grow over time to offset these liabilities and to restore the positive nature of the balance sheet position.

The main reasons for the changes this financial year are as follows:

Assets (what the Council owns) - £60.6m increase in total: Around £24m of this relates to capital investment in assets during the year. The remainder relates to changes in working capital such as higher cash holdings and creditors. Some of this was due to increased liquidity in response to the Covid-19 pandemic.

Liabilities (what the Council owes) – £167.9m increase in total: Long term liabilities have increased markedly due to the triennial valuation of the pension fund and the incorporation of a number of recent landmark legal cases into pensions entitlement and higher pension liabilities as a result. The other major change relates to the capitalisation of the long term lease liabilities on the two Centre Square buildings.

Usable Reserves (available funds) – £4.7m reduction in total: Usable reserves have decreased as a result of the revenue budget overspend offset by grant funding that has been carried forward in advance of need.

Unusable Reserves (unavailable funds) – £102.6m decrease 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.

Collection Fund Accounts

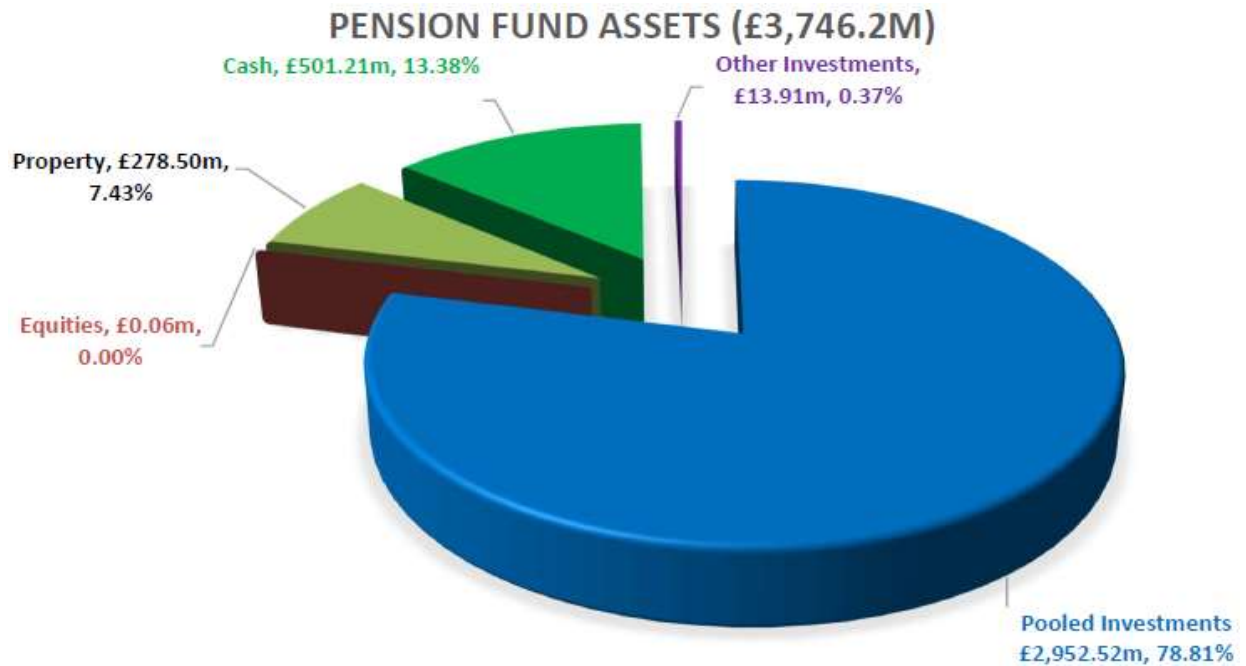
The Collection Fund summarises the transactions of Middlesbrough Council (as the billing authority) in relation to the collection from taxpayers and the redistribution to local Authorities and the Government of Council Tax and Business Rates. These are an important element of funding the Council's revenue budget with the relevant sums and balances at the financial year end set out below. There is an improved financial position in 2019/20 which the Council will benefit from when setting the budget for 2021/22.

2018/19		2019/20		
£000		£000	£000	£000
Total		Council Tax	Business Rates	Total
	Income			
(64,561)	Council Tax receivable	(69,475)	0	(69,475)
(37,737)	Business Rates receivable	0	(36,469)	(36,469)
(102,298)	Total Income	(69,475)	(36,469)	(105,944)
	Expenditure			
	Precepts and Demands:			
51,894	Middlesbrough Council	55,285	0	55,285
7,503	Cleveland Police and Crime Commissioner	8,420	0	8,420
2,490	Cleveland Fire Authority	2,600	0	2,600
	Business Rates			
17,672	Payments to Central Government	0	17,807	17,807
353	Payments to Cleveland Fire Authority	0	356	356
17,319	Payments to Middlesbrough Council	0	17,451	17,451
173	Costs of Collection	0	172	172
	Bad & Doubtful Debts			
275	Write Offs	(13)	187	174
2,011	Provision for Bad Debts	2,945	1,235	4,180
1,117	Provision for Appeals	0	(320)	(320)
100,807	Total Expenditure	69,237	36,888	106,125
	Contributions towards previous year's estimate			
(1,718)	Collection Fund Deficit / (Surplus)	728	(490)	238
(3,209)	Deficit / (Surplus) for the Year	490	(71)	419
	COLLECTION FUND BALANCE			
2,035	Balance brought forward at 1 April	(815)	(359)	(1,174)
(3,209)	Deficit / (Surplus) for the year (as above)	490	(71)	419
1,174	Balance carried forward at 31 March	(325)	(430)	(755)
	Allocated to:			
(858)	Middlesbrough Council	(271)	(211)	(482)
(99)	Cleveland Police and Crime Commissioner	(41)	0	(41)
(37)	Cleveland Fire Authority	(13)	(4)	(17)
(180)	Central Government	0	(215)	(215)
(1,174)		(325)	(430)	(755)

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 2019/20, assets, and liabilities as at 31 March 2020. 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 decreased from £4,083.2m to £3,746.2m, a decrease of 8.3% during the financial year. This is due in the main to the COVID-19 pandemic and the uncertainty in global financial markets at that time. Most of this loss to the fund has recovered at the time of publishing the accounts as the financial markets have stabilised after the initial shock of the impact of the virus.

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).