



Member Report

Financial Update – Outturn – 2023/24

Report to: Cabinet

Report from: Managing Director

Portfolio: Resources

Report Date: 23 July 2024

Decision Type: Executive

Forward Plan Reference: RD0124

Council Priority: All

HEADLINE POSITION

1.0 Summary of report

1.1 The report provides an outline of the final position of the Council at the end of the 2023/24 financial year. The main body of the report outlines the financial position in terms of the Council's revenue budget, the capital programme, the collection fund (in relation to Business Rates and Council Tax), progress in delivering our Driving Change savings and our arrangements for Treasury Management.

1.2 This summary section provides a brief analysis of the key aspects of the revenue outturn position. As this year-end position flows into the following year, an early indication of any key issues impacting the 2024/25 revenue budget is also provided.

1.3 At the end of the financial year, the Council is reporting an overspend of £3.299 million against the revenue budget. More detailed explanations of the revenue outturn position by directorate are provided in the main body of the report, but 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.
- An increase in adults receiving homecare provision.
- 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.
- a pay award which is higher than budgeted.
- relatively high borrowing costs after many years of ultra-low interest rates.

1.4 Steps were taken in year to implement a package of control measures, including a focus on staffing costs, optimising the use of funding and reviewing the current policy on minimum revenue provision. These measures have helped to mitigate the above pressures in part and reduced the extent of the overspend against the budget. However, not all mitigating measures are recurrent, including the significant amounts of reserves required to fund the residual overspend position. It is therefore

important to consider how the final outturn position impacts the 2024/25 financial year.

- 1.5** The 2024/25 Budget approved by Full Council on 29 February 2024 catered for known pressures at the time it was set, along with estimates of some further growth and inflation. However, the budget report also highlighted that further savings and solutions would need to be identified in order to close the remaining budget deficits in the approved MTFs and to mitigate the level of uncertainty and risk particularly inherent within demand led services where the drivers causing cost pressures can be unpredictable and volatile.
- 1.6** In the period since the 2024/25 budget was set, incorporating the final part of 2023/24 and the 2024/25 year to date, some of those risks have materialised. There has been a further increase in the number of children needing to be placed in care, compounded by the complexity of need of these children meaning the care placements required are higher cost. Whilst these pressures are common amongst many councils, if this position endures, it will cause a significant overspend against the 2024/25 budget. Further work is being undertaken to investigate potential mitigations and firm up forecasts, which will be incorporated into the overall Quarter 1 update through Resources Scrutiny & Improvement Committee and Cabinet in September. However, actions to identify solutions have commenced.
- 1.7** In line with the requirement set out in the 2024/25 budget report to identify more savings, an all-member budget conference was held in April 2024 to set out the various aspects of the financial position, propose an approach to meeting the financial challenge and commence a series of all member budget task and finish meetings to progress this. These task and finish meetings are proceeding with the intent of producing savings proposals for consideration.
- 1.8** To compliment this, a budget transformation programme has been instigated by the council's executive management team, with workstreams being led by assistant directors, again with the intent of identifying further savings proposals for consideration.
- 1.9** With regard to the most significant pressures currently being experienced with children's care placements, the Council is already working closely with local suppliers to identify opportunities to enhance the provision of locally based solo and dual placements to negate the need to incur a high premium cost for these types of placements, whilst seeking to minimise the length of time these placements are required for individual children. Further initiatives have also commenced, aimed at trying to address the causes of children needing to be taken into care in the first instance, with a particular focus on more complex needs that often result in high-cost placements being required.
- 1.10** The work being undertaken to identifying further budget savings and solutions will be crucial in ensuring the council remains financially sustainable and resilient. Regular progress updates will be provided through further all member budget conferences, scrutiny committees and Cabinet meetings.

2.0 Recommendation

2.1 It is recommended that Cabinet:

- Note the final revenue and capital outturn position for 2023/24 and the factors driving the position.
- Approve the outturn position for Treasury Management prudential indicators as set out in Appendix 4.
- Approve the itemised revenue virements in Appendix 5.
- Approve the reprofiling of capital budgets included in Appendix 3 into 2024/25.
- Note the further work being undertaken to try to address and mitigate the financial pressures facing the council.

DETAILED PROPOSALS

3.0 What are the objectives of the report and how do they link to the Council's priorities.

3.1 Strong financial governance is the foundation of the Council's ability to deliver the Corporate Plan. Effective financial management of the budget aids the delivery of the Council's key priorities and objectives as stated in the Corporate Plan.

3.2 The Council maintains a medium-term financial strategy, which informs the Council's revenue and capital budgets and drives the treasury management strategy. The latest version of this budget was approved by Full Council on 29th February and covers a five-year period. The Council's 2023/24 budget was approved on 23 February 2023, and was based on a 1.99% council tax increase and a 2% increase in the adult social care levy. The recurring financial pressures highlighted in this report have significantly influenced the assumptions made in the latest medium term financial strategy approved on 29 February for 2024/25 onwards.

4.0 What options have been considered.

4.1 At the end of the 2023/24 financial year, the Council's year end net overspend is £3.299 million, which is summarised below by Directorate. Equivalent forecast variances for Quarter 3, which were reported to Cabinet on 19 March 2024 have been added to aid comparison.

Directorate	Revised Budget	Outturn	Outturn Variance	Q3 Forecast Variance	Quarterly Movement in Forecast Variance
	£'m	£'m	£'m	£'m	£'m
Adult and Communities	52.625	52.664	0.039	0.279	(0.240)
Children & Families	48.549	58.759	10.210	10.578	(0.368)
Growth, Enterprise and Environment	37.505	37.003	(0.502)	0.724	(1.226)
Resources	3.900	3.942	0.042	0.053	(0.011)
Corporate Allocations	(16.259)	(22.749)	(6.490)	(6.736)	0.246
Total	126.320	129.619	3.299	4.898	(1.599)

The above table shows the projected 2023/24 outturn position when compared to the projected table at Quarter 3, which was presented to Cabinet on 19 March 2024

4.2 Adult and Community Services – Overspend of £0.039 million.

The Directorate have incurred an overspend of £0.039 million in line with budget. The Directorate's adult social care team have continued to have 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. The Directorate has also faced difficulties in recruiting to front-line posts. This has resulted in an underspend on staffing costs of around £0.995 million.

4.3 The Directorate overspent on the provision of Homecare services during the year by £1.055 million. This was mainly due to delivering packages of care to the backlog of case assessments. The Council was able to maximise the level of external funding received from the NHS to fund some of the additional care packages, which contributed to the year-end position.

4.4 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.

4.5 Children and Families – Overspend of £10.210 million.

The Directorate continues to experience financial challenges following significant rises in demand for services despite the additional allocation provided in the MTFP for 2023/24. The pressures persist in relation to children in our care placement sufficiency and home to school transport, both of which worsened during the financial year, particularly in the second half of the year. As part of the 2024/25 Budget Setting process, further additional budget allocations of £7.2 million for children's social care, £0.600 million for Home to School Transport, £0.8 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 has needed to be set aside to address these growing financial pressures.

- 4.6 A staffing overspend of £1.184 million was incurred in relation to the pay award shortfall and the reliance on more expensive agency social workers due to continued challenges recruiting experienced staff. In response to the recruitment challenges, the Directorate has created a Childrens Social Work Academy to develop newly qualified workers and reduce the reliance on agency social workers in future. The Directorate have identified increased grant income opportunities and use of reserves of £0.732 million to alleviate these staffing pressures.
- 4.7 The Council's budget for children in our care placements overspent by £9.195 million. The most significant element of the overspend related to residential and supported accommodation placements which overspent by £8.219 million in 2023/24. The average annual cost of these types of placements is £0.338 million per placement, and there was an average of 49 children across the year with 67 children at the end of March 2024 living in residential and supported accommodation. The budget set in 2023/24 was adequate for 32 children ordinarily living in this type of accommodation. This overspend has been magnified by the complexity of need of some children in our care where additional supervisory staffing is required to ensure the child's appropriate care and safety. The overspend is also driven by insufficiencies in the supplier market where national demand outstrips supply coupled with the revocation of Ofsted accreditation resulting in the closure of some facilities. The Council is working closely with local suppliers to identify opportunities to significantly enhance the provision of locally based solo and dual placements to negate the need to incur a high premium cost for this type of supported living placement, whilst seeking to minimise the length of time these placements are required for individual children. These additional placements will be funded in large part by Levelling-up Partnership Funding in 2024/25 although achieving registration from Ofsted will take some time.
- 4.8 The Children in our Care budget also overspent by £0.466 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 both internally and externally sourced is overspent by £0.498 million
- 4.9 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 £0.449 million in 2023/24.
- 4.10 The budget for Home to School Transport overspent by £1.075 million due to the demand for individual transport routes for children who attend education placements outside of their mainstream school placement.
- 4.11 **Growth, Enterprise and Environment - Underspend of £0.502 million.**

The Directorate position has improved in the last quarter of the year resulting in an underspend position of £0.502 million. Cost pressures have continued in relation to fleet costs (costs of fleet hire in advance of new purchased fleet being brought into

use) of £0.203 million, additional costs on the waste management budget of £0.899 million, highways cost pressures of £0.171 million. The waste disposal cost pressures are caused by ongoing issues ensuring targeted recycling contamination levels are achieved, increased waste transportation costs and additional waste disposal costs due to short-term closures at Suez's Haverton Hill site.

4.12 The Directorate has managed the above cost pressures with additional income from commercial rentals, property leases and related rental income £0.571 million, planning and highway development services of £0.575 million. The Council has secured a one-off rebate on its annual contribution for Concessionary Fares of £0.489 million. The service has £0.142 million underspend on staffing costs due to additional in-year controls being applied to vacant posts and seeking to identify alternative funding sources for posts.

4.13 Resources Directorate Overspend of £0.042 million.

The Directorate has identified a number of staff saving measures, increased levels of procurement rebate and grant income to contribute to achieving a broadly breakeven position, although there are also some additional contract inflationary pressures for IT and Financial services being managed by the Directorate as well.

4.14 Corporate Allocations Forecast Underspend of £6.490.

The underspend is mainly due to corporately held budgeted contingencies for demand (for example social care) and inflation increases (for example utilities and fuel costs) of £4.890 million.

4.15 Additional savings against this area were identified as part of the suggested in-year mitigation measures referenced at Quarters 1 and 2 on Minimum Revenue Provision. The Council revised its Minimum Revenue Provision Policy for 2023/24 in February 2024 and has secured savings of £0.975 million, particularly in relation to how the Council sets aside provisions for repayment of debt – particularly in relation to historic debt and the repayment of debt associated with the Streetlighting Private Finance Initiative deal.

4.16 Additional income was also received on interest payable balances due to rephasing of the capital programme in 2023/24 of £0.271 million due to the delayed timing of borrowing. In addition to this, the Council exceeded its investment income earned budget by £0.772 million due to interest rates staying comparatively higher than in recent financial years.

4.17 Collection Fund

The Council maintains a Collection Fund, as a statutory requirement, to separately account for the Borough's council tax and business rates income.

4.18 Councils who maintain Collection Funds (for both business rates and council tax) have been allowed to recover the deficits built up in 2020/21 due to Covid, across a three-year period (2021/22 to 2023/24) rather than absorb the entire impact of the deficit in 2021/22. The forecast position in 2023/24 therefore includes a residual element of the deficit relating to the 2020/21 Collection Fund deficits.

4.19 For council tax, the total year-end deficit as referenced in Appendix 1 is £1.596 million (compared to a deficit of £1.071 million in Quarter 3). The Council retains an 82.83% share of this deficit, which equates to £1.322 million. The Council's has locked in the deficit based on the Quarter 2 position of £1.041 million (Council share £0.862 million) into the budget setting process for 2024/25 and this is referenced in both the Budget Proposals report as a component element of the Council Tax funding position and the Council Tax Base report, which is also reported on 5 December 2023. This worsened year-end deficit has arisen due an increase in discounts and exemptions which has lowered the overall income into the Collection Fund. The increased deficit against the estimate used for budget setting purposes will need to be factored into the budget setting process for 2025/26.

4.20 For business rates, the total deficit as referenced in Appendix 1 is £4.447 million (£0.124 million surplus at Quarter 3 as a comparison). The Council's 49% share of this deficit is £2.179 million. The main cause of the deficit is an increase in the appeals provision due to a large number of appeals from businesses being received in the final quarter of the financial year and a reduction to income into the fund due to a reduction in gross liability. The reduction in income has triggered Safety Net Grant of £0.541 million. This grant has been transferred into an earmarked reserve to fund the deficit in 2025/26. This deficit and grant will be factored into the budget setting process for 2025/26.

4.21 The Collection Fund position for 2023/24 is attached in Appendix 1. This sets out the main items of income and expenditure for council tax and business rates. The account is produced on a regulatory basis and sets out the full Collection Fund position (not just the Council's retained share).

4.22 Usable Reserves

The level of revenue reserves held at financial year-end 2023/24 is £23.491 million, summarised in the table below. This represents a total use of reserves in the year of £12.827 million. Over half of this was anticipated as part of the delivery of the 2023/24 Budget which was approved in February 2023, including drawdowns for:

- Medium Term Financial Plan - £2.530 million
- Collection Fund Reserve - £1.301 million
- Business Rates Taxation Compensation Reserve - £0.272 million
- Business Rates Funding Reserve - £2.409 million.

4.23 The transfers shown during the final quarter of the financial year include the use of reserves to fund the in-year overspend of £3.299 million and the release of public health funding held corporately of £1.247 million to fund eligible spend. It should be noted that the total value of remaining reserves is not available for addressing budget pressures. Several reserves are held for future contractual commitments, risk assessed levels for items such as the Insurance Fund, and due to funding being received in advance of associated spend.

4.24 The Table below summarises the latest reserves position of the Council as at the 2023/24 financial year-end. School reserves relate to cash balances held by the Council's maintained schools and, for the purposes of the analysis below, need to be separated from the Council's reserve balances.

Reserve	Opening Balance 2023/24	Quarter 3 Reserves Balance	Transfers to/from Reserves Quarter 4	Closing Reserves Balance 2023/24
	(£m)	(£'m)	(£'m)	(£'m)
School Reserves (excluded from Total Reserves Below)	2.406	(2.406)	1.881	1.881

Adults and Communities	4.048	2.149	0.009	2.158
Children and Families	0.300	0.093	0.015	0.108
Growth, Enterprise, and Economy	2.785	1.510	(0.089)	1.421
Resources and Growth	1.745	1.604	(0.336)	1.268
Total Directorate Reserves	8.878	5.356	(0.401)	4.955
General Reserves	5.747	6.626	-	6.626
Medium Term Financial Strategy	8.150	8.595	(1.791)	6.804
Leisure Contract Fund	0.417	-	-	-
Council Tax Reserve Reliefs	0.522	-	-	-
Collection Fund Risk Reserve	1.301	-	-	-
Mutual Municipal Insurance	0.500	0.500	-	0.500
Insurance Funding	1.871	1.571	0.217	1.788
PFI – Schools	1.138	1.138	(0.018)	1.120
PFI – Street Lighting	0.493	0.493	(0.372)	0.121
Brexit Funding	0.086	0.036	-	0.036
Strategic Change and Resilience	4.535	4.535	(3.535)	1.000
Business Rates Taxation Compensation Reserve	0.272	-	-	-
Business Rates – Funding Reserve	2.409	-	0.541	0.541
Total Corporate Reserves	27.441	23.494	(4.958)	18.536
Council Total	36.318	28.850	(5.359)	23.491

The table above shows a breakdown of the reserves available at the start of the 2023/24 financial year, as at Quarter 3 and the value of reserves held by the Council as at financial year end 2023/24.

4.25 The year end reserves position (a 35% reduction across the year) demonstrates the urgency of identifying further savings and solutions to close the budget deficits in 2024/25 and across the MTFs period, and to provide some protection / contingency against any adverse variations in MTFs assumptions and plans. This is needed to preserve existing reserve levels in the short term. The Council should make the replenishment of reserve levels a priority as and when the financial position allows.

4.26 Driving Change

A key element of the Council's medium-term financial strategy is to promote financial resilience and sustainability, with planned savings where required helping to support a balanced revenue budget across the medium-term financial strategy.

4.27 A summary of the achievement or otherwise of the savings targets is set out in the table below, with more detail in Appendix 2. The Driving Change efficiency improvement programme sought to deliver planned savings of £6.408 million in 2023/24. In summary £5.836 million of these savings have been classified as being achieved and £0.572 million were not achieved. These outcomes are incorporated into the overall projected revenue position set out above

Driving Change Theme 2023/24	Achieved £m	Not Achieved £'m	Total £m
Buildings & Accommodation	0.400	0.035	0.435
Changing how services are provided	1.689	0.035	1.724
Invest to Save	0.075	0	0.075
Fees, Charges and Contractual Arrangements	1.217	0.258	1.475
Improving Business Efficiency	2.455	0.244	2.699
Total	5.836	0.572	6.408
%	91%	9%	100%

The table above shows a breakdown of the split of Driving Change savings categorised between Achieved and Not Achieved for 2023/24.

4.28 The unachieved savings area relates to delayed service relocations, slight shortfalls in savings from the library and family hubs reviews, shortfall in target for the introduction of means tested charging of fees for Adult social care, identifying external funding contributions for the costs of Christmas decorations, shortfall in target for reduction in health posts, and the low take-up for voluntary unpaid leave.

4.29 Dedicated Schools Grant

The Council receives Dedicated Schools Grant (DSG) funding. The funding comprises a number of blocks – for our Schools, Central School Services of the Council, High Needs and Early Years. A large proportion of the Schools Block must be passed through to academies. After the passing through of funding to academies, the Council receives £41.494 million which is broken down as follows:

Block	£'m
Early Years	8.262
Schools	10.611
High Needs	21.809
Central Schools Services Block	0.812
Total	41.494

4.30 The early years and school block funding are passported to the Council's schools and local early year providers based on pre-defined formulae. The High Needs Block is used to fund children who are determined to have additional educational requirements or attend Alternative Education provision outside of their mainstream education placement. In recent years the demands on this funding block have been more than the High Needs Funding Block available. The Council has carried a deficit of £4.970 million from 2022/23 and this has increased by £1.042 million leaving a total deficit at 31 March 2024 of £6.012 million.

4.31 The DSG deficit is subject to a statutory override from the Government which has required councils who act as local education authorities to account for any cumulative DSG negative balances in a separate unusable reserve, away from the main Council usable reserves. Therefore, the Council is not required to fund this deficit from its general or earmarked reserve balances. The Government have recently extended this override period for a time-limited period from 31 March 2023 to 31 March 2026. Whilst this extension is welcome, the time-limited nature of the extension is a financial risk to the Council which requires a long-term solution from the Government and if the statutory override was not continued beyond 2026, would (based on its current level) be needed to be funded from already depleted reserves. This medium-term financial risk is not reflected in the medium-term financial plans of the Council and the Council will closely monitor the Government position on this matter. Other local education authorities have experienced similar cumulative deficits of variable scale and the Council is benchmarking itself against the positions reported by these local authorities.

4.32 The Council have completed a DSG management recovery plan which outlines financial forecasts for this grant in the medium term. The Council is working with the DFE and has received grant funding of £1m under the "Delivering Better Value" (DBV) programme that is supporting work to bring the deficit down in the medium term using best practice and benchmarking across the country. DBV is a long-term programme, and 55 other local authorities are also taking part.

4.33 **Capital Investment**

The Capital Investment Plan supports the Council's corporate planning process by identifying and maximising available resources, supporting the delivery of our priorities and ensuring that all our resources are effectively invested.

4.34 The Capital Investment Plan is financed by a combination of capital grants, capital sales receipts and prudential borrowing. Where aspects of the Capital Investment Plan are financed by prudential borrowing, the cost to the Council taxpayers is spread over the life of the asset being invested in. A summary of the final 2023/24 Capital Investment Plan is set out in the summary table below, with a more

detailed breakdown included in Appendix 3.

4.35 The final 2023/24 outturn position is measured against a capital budget which was approved by Full Council as part of the Medium-Term Financial Strategy on 29th February 2024. The Capital Investment Plan is a rolling programme, and the majority of the £17.412 million underspend is required to fund future year spend.

Investment Theme	Approved Capital Investment Plan - (£'m)	Outturn (£'m)	Variance (£'m)	Reprofiling into 2024/25 (£m's)	Adjusted Variance (£m's)
Town Centre Investment	21.677	7.365	(14.312)	14.561	0.249
Visitor Attractions & Amenities	3.528	3.437	(0.091)	(0.050)	(0.141)
Business Infrastructure	1.440	0.810	(0.630)	0.624	(0.006)
Transport Infrastructure	4.504	4.483	(0.021)	(0.034)	(0.055)
Housing	0.702	-	(0.702)	0.702	-
Supported Housing	2.705	2.634	(0.071)	-	(0.071)
Community Capacity	0.476	0.425	(0.051)	0.050	(0.001)
Recycling and Waste Initiatives	0.273	0.241	(0.032)	0.099	0.67
Education	3.087	2.614	(0.473)	0.472	(0.001)
Council Investment	6.755	5.725	(1.030)	0.982	(0.048)
Total	45.147	27.734	(17.413)	17.406	0.007

The above table shows a breakdown of the final outturn for the Capital Investment Plan 2023/24.

4.36 The key variances to the programme for each thematic block are due to the following reasons:

- a) Town Centre Investment: The underspend in year is predominantly on grant funded projects due to delays in approving business cases and delays on procurement. The underspend on the majority of schemes will be carried forward into 2024/25 to continue with planned works.
- b) Visitor Attractions and Amenities: The majority of the budget has been spent as anticipated.
- c) Business Infrastructure – Coatham leisure development and infrastructure work on Skippers Lane Industrial Estate to continue in 2024/25
- d) Transport Infrastructure: The budget was slightly overspent as the end of the financial year. This overspend will be offset against existing budget in 2024/25.
- e) Housing: The Local Authority Housing Fund is an allocation of grant from a

national pot to fund the acquisition of properties by Beyond Housing. This was delayed but has now been transferred to Beyond Housing for property acquisitions.

- f) Supported Housing: Small underspend incurred.
- g) Community Capacity – delay to the development of a grant funded scheme to distribute grant funding to sports clubs. This will be progressed in 2024/25.
- h) Recycling & Waste Initiative – Slight overspend incurred on Redcar and Cleveland’s share of the procurement cost of the new waste facility and reprofiling of budget for recycling initiatives into future years.
- i) Education: Budget to be transferred into 2024/25 to continue improvements on the school estate and the renovation of the Riding due to complete in 2024/25.
- j) Council Investments: The majority of this budget in this block are the purchase and maintenance of Council assets. Re-phasing of some I.T. and fleet procurements means the budgets has been transferred into 2024/25.

4.37 Treasury Management

The Council holds debt on its balance sheet which has been used to fund the current and historical capital investment programmes. Current debt levels on 31 March 2024 are £205.538 million (which is a small increase on the position as at the 31 December 2023 of £203.203 million). The increase is mainly due a new PWLB of £5.000 million secured in February less the repayment of instalments on other PWLB loans. The Council has continued to maintain an under-borrowed position and where possible has opted not to borrow up to the level of the Council’s Capital Financing Requirement to reduce capital financing costs.

4.38

Borrowing	Principal £'m	Rate %	Average Life (Years)
Public Works Loan Board	111.436	3.19	11
Market Loans – LOBO	18.500	6.16	50
Market Loans – Fixed	48.750	6.47	51
Long term local authority and pension funds	15.763	3.85	10
Short term local authority and pension funds	10.000	4.85	0
Salix Loan (which fund street light bulb replacement)	1.090	-	1
Total	205.538	4.35	23

The table above shows the breakdown of borrowing held by the Council as at 31 March 2024.

- 4.39 The Council is holding investments of £18.992 million as at 31 March 2024 (which is a reduction on the position as at the 31st December 2023 of £28.585 million). This reduction is expected in the final quarter of the financial year due to the profile of council tax and business rates income and the majority of grant funding being received in the first three quarters of the year.

Investments	Credit Rating	Principal	Rate	Average Duration
		£m's	%	(Days)
NatWest Current	A-	0.642	0.00	1
Call Accounts	AA-	0.500	3.75	1
Money Market Funds	AA+	7.850	5.28	1
Total Instant Access		8.992	4.82	1
Property Funds		10.000	3.76	365
Total Investments		18.992	4.26	193

The table above shows the breakdown of Treasury Management Investments held by the Council as at Quarter 4 2023/24.

- 4.40 Credit rating scores are used to denote the credit worthiness of individual investment counterparties and informs the security of the investments which the Council invest.
- 4.41 There have been no breaches in investment counterparty limits during the financial year to date. Individual counterparties' credit quality is assessed and monitored with reference to credit ratings on an ongoing basis. The Council's minimum long-term counterparty rating is A- representing excellent credit quality and an ability for these organisations to make timely repayments of principal and interest. In addition, this information on credit ratings is supplemented via other sources of intelligence such as credit default swap prices, financial statements, information on potential government support, and reports in the quality financial press.
- 4.42 The interest on invested surplus cash balances and CCLA investments during 2023/24 was £1.397 million. The Council monitors the value of the Pooled Property Fund holdings, which is still declining and is likely to remain under pressure until investors are confident that the peak of the interest rate cycle has been reached. However, the value of dividends has remained comparable to previous financial years and continue to be paid on schedule.
- 4.43 As part of the integrated Treasury Management Strategy for 2023/24 a full suite of prudential indicators were approved. The Prudential Code for Capital Finance allows local authorities to make their own capital investment decisions in line with their priorities, providing they are affordable, sustainable, and prudent, and can be demonstrated, as such, using prudential indicators. The position on prudential indicators is set out in Appendix 4. To date there have been no breaches of any of the prudential indicators.

5.0 Impact Assessment

5.1 Climate Emergency – Various aspects of the Council’s Capital Investment Plan, revenue budget and reserve balances support the aims of alleviating a climate change emergency.

5.2 Health and Safety – The budget has a secured level of funding for our Health and Safety needs.

5.3 Social Value – A key component of the procurement and investment strategies of the Council are to promote social value across the Borough.

5.4 Legal - The Chief Finance Office has responsibility to ensure that proper arrangements are made for the administration of the Council’s financial affairs. The Council must set a legal and balanced budget. These responsibilities have been further enhanced by the release of the CIPFA Financial Management Code. The Chief Finance Officer is required to produce and sign a statement of the financial accounts which complies with prescribed accounting standards, and which is subject to a robust external audit by Mazar’s, with a deadline for completion of this audit by 30 September 2024.

5.5 Financial – The financial implications are set out in detail in the main body of the report. The implications have also been reflected in the updated Medium Term Financial Strategy approved by Borough Council on 29 February 2024. Some of the assumptions made for 2024/25 will need further revision and consideration and are likely to change.

5.6 Human Resources - The report highlights the financial impact of the approved 2023/24 pay award. The Council have faced recruitment challenges in some front-line services such as children’s social care, which has resulted on occasions in the Council having to rely on more expensive agency staff.

6.0 Implementation Plan

6.1 Timetable for Implementing Decision: The report has been produced alongside the Council’s draft statement of financial accounts. These accounts will be subject to external audit by Mazars. The recurring financial implications of this report will be considered for progress updates against the 2024/25 Budget and for the refreshing of the medium-term financial strategy from 2025/26.

6.2 Lead Officer: Phil Winstanley – Director of Finance (Section 151 Officer)

6.3 Reporting Progress – Cabinet will receive further updates on the financial position of the Council on a quarterly basis during 2024/25. This report and further updates will also be considered by Resources and Governance Scrutiny Committee.

6.4 Communications Plan -

7.0 Consultation and Engagement

The Council consults with a wide range of stakeholders as part of ongoing decisions which will need to be made to secure a balanced budget in future years.

8.0 Appendices and Background Papers

Appendix 1 – Collection Fund Financial Forecasts

Appendix 2 – Driving Change Efficiency Programme

Appendix 3 – Capital Investment Plan and reprofiling of funding into 2024/25

Appendix 4 – Prudential Indicators

Appendix 5 – Revenue Budget Virements

9.0 Contact Officer

9.1 Name: Phil Winstanley

9.2 Position: Director of Finance (Section 151 Officer)

9.3 Email address: Philip.Winstanley@redcar-cleveland.gov.uk

APPENDIX 1

This appendix sets out the Council's Collection Fund position for 2023/24, which are separate accounts held for managing the Council Tax and Business Rates collection arrangements of the Council.

Collection Fund – Outturn 2023/24:

INCOME

Council Tax Receivable
Business Rates Receivable

EXPENDITURE

Apportionment of Previous Year Deficits

Central Government
Billing Authority
Cleveland Fire Authority
Cleveland Police & Crime Commissioner

Precepts, Demands and Shares

Central Government
Billing Authority
Cleveland Fire Authority
Cleveland Police & Crime Commissioner

Charges to Collection Fund

Less: refunds written off against the appeals provision
Less: Increase/(Decrease) in Bad Debt Provision
Less: Increase/(Decrease) in Provision for Appeals
Less: Interest
Less: Cost of Collection
Less: Disregarded Amounts
Less: Transitional Protection

(Surplus) / Deficit arising during the year

(Surplus) / Deficit b/fwd. 1st April 2023

(Surplus) / Deficit c/fwd. 31st March 2024

2023/24		
£000's	£000's	£000's
BR	CT	TOTAL
0	(90,902)	(90,902)
(39,821)	0	(39,821)
(39,821)	(90,902)	(130,723)
(1,515)	0	(1,515)
(1,485)	(1,301)	(2,786)
(30)	(61)	(91)
(0)	(204)	(204)
(3,030)	(1,566)	(4,596)
19,476	0	19,476
19,087	74,243	93,330
389	3,536	3,926
0	11,835	11,835
38,952	89,614	128,567
(282)	0	(282)
(2)	2,423	2,421
4,938	0	4,938
4	0	4
164	0	164
2,568	0	2,568
(3,646)	0	(3,646)
3,744	2,423	6,167
(155)	(432)	(587)
4,602	2,028	6,630
4,447	1,596	6,043

APPENDIX 2

Driving Change Efficiency Improvements		2023/24		
Directorate	Driving Change Efficiency Improvements	2023/24 £'000	Achieved £'000	Outstanding £'000
Building and Accommodation				
Resources & GEE	Accommodation savings from continued delivery of approved asset strategy - reducing office and service accommodation requirements through hybrid working and developing multi-use assets	-435	-400	-35
	Sub-total	-435	-400	-35
Changing How Services Are Provided				
C&F	Children in Care placement efficiencies through developing more in-house provision	-597	-597	0
C&F	Review of Youth and Community Centres and provision at various locations around the Borough	0	0	0
ACS	Review Library service provision	-200	-178	-22
C&F	Cease Local Authority licence and provision for Duke of Edinburgh Awards	-48	-48	0
C&F	Reduce the number of buildings used for delivering family hubs services from 12 to 8; and apply alternative funding sources to support service delivery.	-94	-81	-13
C&F	Reduce contribution to support joint arrangements for South Tees Youth Justice Service	-65	-65	0
C&F	Review Local Authority led after school short breaks provision for children with disabilities	-50	-50	0
C&F	Review and consult on potential changes to the current policy on non-statutory SEN transport for early years children and post 16 young people.	0	0	0
C&F	Review service provision that supports young people remaining in education until at least their 18th birthday and the support for young people who are not participating	-75	-75	0
C&F	To review School Crossing Patrol service and consult with schools to consider an SLA with the Local Authority	0	0	0
ACS	Reduction in some Public Health initiatives	-75	-75	0
GEE	Economic Growth Service review - salary savings	-120	-120	0
GEE	Environment Service Review - salary savings	-400	-400	0
	Sub-total	-1,724	-1,689	-35
Invest to Save				
GEE	Climate change invest to save activities to mitigate energy costs through targeted intervention measures	-75	-75	0
	Sub-total	-75	-75	0

APPENDIX 2

Driving Change Efficiency Improvements		2023/24		
Directorate	Driving Change Efficiency Improvements	2023/24 £'000	Achieved £'000	Outstanding £'000
Fees, Charges and Contractual Arrangements				
GEE	Economic Growth - additional income generation from planning	-125	-125	0
GEE	Environmental services - additional income generation via sponsorship, grant, and increased UK Shared Prosperity Fund	-590	-540	-50
ACS	Introduce a means test for discretionary adult social services currently provided free of charge.	-375	-167	-208
All	Savings on strategic contracts	-50	-50	0
ACS	Review contributions to voluntary community sector	-40	-40	0
All	Additional income derived from Fees and Charges proposals	-295	-295	0
Sub-total		-1,475	-1,217	-258
Improving business Efficiency				
All	Removal of some vacancies across children's, public health, economic growth, environment and education services:	-765	-635	-130
C&F	Seek to reduce costs for home to school transport by reducing out of borough placement numbers and single pupil taxi routes as appropriate.	0	0	0
Resources	Various small funding efficiencies	-34	-34	0
C&F and ACS	Review workforce development budgets for social care	-100	-100	0
Resources	Reduce occupational health budget costs	-10	-10	0
Resources	Reduce communications non-staffing expenditure and increase external marketing income	-35	-35	0
Resources	Reduce work mobile phone handset contract and identify savings in Wide Area Network provision following building reductions	0	0	0
All	Three days Voluntary unpaid leave - dependent on take-up by staff	-100	-10	-90
Resources	Remove funding for the trade union post	-46	-46	0
Corporate Allocations	Review discretionary business rates relief top up paid to some organisations	-17	0	-17
Corporate Allocations	Remove council tax support subsidy paid to Parish Councils	-100	-100	0
ACS	Reduce elected member ward allowance allocations from 23/24	-59	-59	0
GEE	Environment Service Review - non-pay savings	-50	-50	0
ACS	Adult Social Care funding efficiencies	-500	-500	0
ACS	Reduction in events budget	-70	-70	0
ACS and GEE	Increased charge to capital funding sources where applicable	-359	-359	0
All	Recover administration costs on specific grants where grant conditions allow	-454	-447	-7
Sub-total		-2,699	-2,455	-244
Total		-6,408	-5,836	-572
			91.07%	8.93%

APPENDIX 3 – The Council’s Capital Investment Plan 2023/24

Scheme	Revised 2023/24	Previous Financial Years (Projects)	Spend	%	Variance	Reprofiling into Future Years
Town Scape Investment						
Public Realm	131,900	2,895,705	141,712	107%	9,812	0
Redcar Central Station	1,407,000	556,413	225,524	16%	-1,181,476	1,181,500
East Cleveland Town Centre Revival	25,650	819,262	11,794	46%	-13,856	13,850
Saltburn Town Centre Revival	610,300	1,157,664	403,450	66%	-206,850	203,650
Loftus Future High Street	4,497,250	5,028,914	3,493,592	78%	-1,003,658	1,259,850
Redcar Town Deal	4,754,250	5,900,918	2,353,372	50%	-2,400,878	2,387,950
LUF Connecting People and Place	573,850	9,525	330,547	58%	-243,303	242,750
LUF Eston	731,800	0	123,113	17%	-608,687	608,700
Levelling Up Partnership	8,763,250	0	186,771	2%	-8,576,479	8,576,450
Boroughwide High Street Support	18,950	1,037,968	18,956	100%	6	0
Parks & Play Equipment	73,500	26,500	17,845	24%	-55,655	55,650
Levelling Up Parks Improvement	61,700	8,800	55,379	90%	-6,321	6,300
Kingsley Field	28,000	64,657	3,215	11%	-24,785	24,800
SUB-TOTAL EXPENDITURE	21,677,400	17,506,326	7,365,271	34%	-14,312,129	14,561,450
Visitor Attractions & Amenities						
Welcome to Redcar & Cleveland Grants	3,000	323,889	3,000	100%	0	0
Cleveland Ironstone Mining Museum	194,750	2,232,579	19,504	10%	-175,246	37,100
Regent Cinema Development	7,000	9,501,704	0	0%	-7,000	7,000
Guisborough Town Hall Gateway Project	459,400	2,180,042	158,736	35%	-300,664	299,650
Eston Sports Village	2,863,300	722,310	3,256,111	114%	392,811	-393,800
SUB-TOTAL EXPENDITURE	3,527,450	14,960,524	3,437,351	97%	-90,099	-50,050
Business Infrastructure						
Coatham Leisure - Phase 1	1,136,600	3,132,901	802,609	71%	-333,991	327,350
Industrial Estates Programme	303,450	817,635	6,884	2%	-296,566	296,550
SUB-TOTAL EXPENDITURE	1,440,050	3,950,536	809,493	56%	-630,557	623,900
Transport Infrastructure						
Highways Block Allocation - City Regional Sustainable Transport Settlement Allocation	3,460,300	N/A	3,475,720	100%	15,420	-31,950
Environmental Assets	633,500	106,345	676,334	107%	42,834	-42,850
Eston to South Bank Cycleway	371,550	378,457	330,289	89%	-41,261	41,250
Swans Corner & Flatts Lane Traffic Improvements	38,750	3,261,276	936	2%	-37,814	0
SUB-TOTAL EXPENDITURE	4,504,100	3,746,078	4,483,279	100%	-20,821	-33,550

APPENDIX 3 – The Council’s Capital Investment Plan 2023/24

Scheme	Revised 2023/24	Previous Financial Years (Projects)	Spend	%	Variance	Reprofilng into Future Years
Housing						
Local Authority Housing Fund	702,000	0	0	0%	-702,000	702,000
SUB-TOTAL EXPENDITURE	702,000	0	0	0%	-702,000	702,000
Supported Housing						
CSDP Adaptations	121,000	N/A	123,025	102%	2,025	0
Aids & Adaptations	600,000	N/A	600,000	100%	0	0
Intermediate Care Centre	7,450	5,402,141	7,454	100%	4	0
Community Capacity	0	N/A	32,997	N/A	32,997	0
Disabled Facilities Grant	1,977,000	N/A	1,870,717	95%	-106,283	0
SUB-TOTAL EXPENDITURE	2,705,450	5,402,141	2,634,192	97%	-71,258	0
Community Capacity						
Grassroots Sport	50,000	0	0	0%	-50,000	50,000
Investment in Leisure Centres	425,800	5,260,943	425,242	100%	-558	550
SUB-TOTAL EXPENDITURE	475,800	5,260,943	425,242	89%	-50,558	50,550
Recycling & Waste Initiatives						
Recycling Initiatives	150,450	154,571	45,800	30%	-104,650	104,650
Purchase of Refuse Bins	100,000	N/A	112,157	112%	12,157	0
Procurement of Waste Facility	22,700	690,315	76,988	339%	54,288	0
Waste Management Infrastructure	0	0	6,105	N/A	6,105	-6,100
SUB-TOTAL EXPENDITURE	273,150	844,886	241,050	88%	-32,100	98,550
Education						
School Estate Investment	2,166,600	N/A	1,809,395	84%	-357,205	355,850
Devolved Formula Capital at LEA Level	69,650	N/A	86,759	125%	17,109	-17,100
Kirkleatham School Expansion	418,200	2,519,965	354,485	85%	-63,715	63,700
Moving On Accommodation	0	201,159	-0	0%	-0	0
A Special Free School for the Tees Valley in Grangetown	0	3,465	14,259	N/A	14,259	-14,250
The Ridings - Renovation	432,450	31,544	348,899	81%	-83,551	83,550
SUB-TOTAL EXPENDITURE	3,086,900	2,756,133	2,613,797	85%	-473,103	471,750
Council Investments						
Business Premises Improvements	24,000	N/A	13,010	54%	-10,990	11,000
Purchase of Vehicles (Fleet Replacement)	2,633,500	N/A	2,420,643	92%	-212,857	212,850
Climate Strategy	758,100	N/A	584,724	77%	-173,377	173,400
Information Technology Improvement Projects	1,368,750	N/A	1,001,328	73%	-367,422	0
PFI Lifecycle Costs	495,450	N/A	367,460	74%	-127,990	367,400
Changing Places	444,600	15,394	416,410	94%	-28,190	28,200
Asset Management - Capitalised Repairs	1,030,400	N/A	920,997	89%	-109,403	188,950
SUB-TOTAL EXPENDITURE	6,754,800	15,394	5,724,572	85%	-1,030,228	981,800
TOTAL EXPENDITURE	45,147,100	54,442,962	27,734,247	61%	-17,412,853	17,406,400

This table sets out the Council's performance indicators for Treasury Management Arrangements
Prudential and Treasury Indicators 2023/24

Prudential Indicator	2023/24 Budget Set £'000	2023/24 Quarter 1 £'000	2023/24 Quarter 2 £000's	2023/24 Quarter 3 £000's	2023/24 Year End Actual £000's
Capital Expenditure					
Estimates of Capital Expenditure	57,735	51,920	47,128	45,417	27,734
Estimates of Capital Financing Requirement	276,935	272,505	268,462	268,385	261,602
External Debt					
Authorised Limit	301,935	297,505	293,462	293,385	286,602
Operational Boundary	276,935	272,505	268,462	268,385	261,602
Estimated External Debt (including Long Term Liabilities)	264,519	260,893	256,513	251,806	247,913
Gross Debt and the Capital Financing Requirement	-12,416	-11,612	-11,949	-16,579	-13,689
Gross Debt and the Capital Financing Requirement (as %)	95%	96%	96%	94%	95%
Affordability and Prudential indicators					
Estimates of Financing Costs to Net Revenue Stream (incl. PFI's)	17%	17%	16%	15%	15%
Estimates of Financing Costs to Net Revenue Stream (excluding PFI's)	10%	10%	10%	9%	9%

APPENDIX 5

This table sets out an itemised list of revenue budget transfers between Directorates during Quarter 4.

REVENUE VARIATIONS	CHILDREN AND FAMILIES	ADULTS AND COMMUNITIES	GEE	RESOURCES	CORPORATE ALLOCATIONS	TOTAL MTFP
	£	£	£	£	£	£
Approved Budget Quarter 3	48,034,733	51,951,700	36,687,200	3,328,100	- 13,682,183	126,319,550
Drawdown of Reserves to fund expenditure	1,423,006	673,450	817,500	572,050	- 3,486,006	-
Year end drawdown of Bank account school balances cfwd from 2023/24 to 24/25	- 597,177				597,177	-
Year end drawdown of Bank account school balances cfwd from 2023/24 to 24/25	- 989,408				989,408	-
Year end drawdown of Primary school balances cfwd from 23/24 to 24/25	- 294,784				294,784	-
Transfer of closing balances DSG unusable reserves	972,888				- 972,888	-
Revised Budget @ Financial Year-End	48,549,258	52,625,150	37,504,700	3,900,150	- 16,259,708	126,319,550