

**Teignbridge District Council**  
**Audit Scrutiny**  
**24 August 2021**  
**Part i**

**2020/21 DRAFT FINAL ACCOUNTS & TREASURY MANAGEMENT**

**Purpose of Report**

To introduce Members to the draft final accounts for 2020/21. Update on the latest treasury management lending list and draft results for 2020/21.

**Recommendation(s)**

**The Audit Scrutiny Committee note:**

- (1) That the draft statement of accounts for 2020/21 have been published**
- (2) The current authorised lending list at appendix 1**
- (3) The draft treasury management results for 2020/21 at appendix 2**

**Financial Implications**

The financial implications are contained throughout the report. The main implication is that the accounts have been closed and general reserves are slightly above the budgeted level anticipated at 31 March 2021 - £2.060 million. See section 3

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**Legal Implications**

See section 7 – the Accounts and Audit Regulations 2015 set out the requirements for the production and publication and audit of the annual statement of accounts.

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**Risk Assessment**

Major risks are summarised in section 6. The most significant of these is the level of future funding from Central Government and the level of reserves held to meet future unexpected variations in income

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## **Environmental/Climate Change Implications**

The revenue budget supports the funding of a Climate Change Officer and associated budget – see section 9.

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## **Report Author**

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## **Executive Member**

Councillor Richard Keeling – Executive Member for Resources

## **Appendices/Background Papers**

Appendix 1 – Treasury management lending list  
Appendix 2 – Draft Treasury management results 2020/21

### **1. PURPOSE**

- To introduce Members to the draft statement of accounts for 2020/21
- To report the latest treasury management lending list as shown in Appendix 1
- To report on the draft financial results of the treasury management function for the year ended 31 March 2021 as shown in Appendix 2

### **2 BACKGROUND**

- 2.1** The accounts and audit regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The statement usually has to be produced and certified by the chief finance officer by 31 May however the Covid 19 pandemic has triggered amendments to this deadline by extending this to the end of July. Ordinarily the accounts have to be brought for full council approval after external audit and by 31 July however again this has been amended to the end of September.
- 2.2** The statement of accounts and financial records are being audited by our external auditors Grant Thornton during August and September. If any alterations are required the details will be reported to Audit Scrutiny Committee with the external audit accounts report in October. Any revenue or capital resource effects will be brought to Executive in the budget monitoring

report planned for 2 November 2021. Grant Thornton is required to provide the opinion on the statement of accounts by the end of September but this will not be finalized until the Full Council meeting in November.

- 2.3** The availability of the accounts and records for inspection by interested persons has been advertised on the website [www.teignbridge.gov.uk/statementofaccounts](http://www.teignbridge.gov.uk/statementofaccounts) see Draft Statement of Accounts 2020-2021. This also advises that the external auditor will be accessible to receive in writing any objections to the accounts from 2 August to 13 September 2021.
- 2.4** An updated treasury management statement and authorised lending list was approved at the 2021 February budget meeting. This was based on the latest edition of the treasury management code published by the Chartered Institute of Public Finance & Accountancy (CIPFA). Further changes were reported to Executive on 5 July 2021. The updated statement is detailed in section 4 below and is shown for information at Appendix 1

### **3 DRAFT STATEMENT OF ACCOUNTS 2020/21**

- 3.1** The draft statement of accounts has been certified by Martin Flitcroft as the responsible finance officer and is available on the website. [www.teignbridge.gov.uk/statementofaccounts](http://www.teignbridge.gov.uk/statementofaccounts) see public inspection notice Audit of Accounts 31 March 2021 in the downloads section. The final version will be brought to the next meeting of Audit Scrutiny Members with further explanation for consideration and recommendation to 30 November 2021 Council.
- 3.2** A brief explanation and overview of the figures is given in the narrative statement on pages 8 to 21. Capital expenditure and details of property, plant and equipment are given in the balance sheet on page 32 and relevant notes 14 to 16 and 23 from page 65. Reserves are shown on the balance sheet and analysed on page 31. The draft closing general reserves at 31 March 2021 of £2.060 million are an improvement on the original budget of £80,000. Savings were also identified as part of the reaction to the Covid 19 pandemic to deal with likely shortfalls over the medium term financial plan which have been added to earmarked reserves.
- 3.3** An analysis of the variations to budget is contained within the narrative statement. These have arisen mainly because of the budget alignment exercise taken to Full Council in September 2020 and further ongoing work to identify savings to offset losses in income – in particular from fees and charges – car parks and leisure being badly hit and loss of rental income. Subsequent Government funding for income losses through the fees and charges compensation scheme and general grants have helped to further support the lost income and deliver additional funds to earmarked reserves. The Government also finalised a support scheme for losses from council tax and business rates. Savings were made in expenditure in many areas including staffing, fuel/mileage, gas, electricity, repairs & maintenance,

contractors costs, cleansing and grounds maintenance, printing, postage, stationery, advertising, a significant reduction in revenue contributions to capital outlay and other miscellaneous costs.

#### **4. TREASURY MANAGEMENT AUTHORISED LENDING LIST (Appendix 1)**

**4.1** The authorised treasury management lending list was approved at the 2021 February budget meeting. Following the appointment of treasury management advisors in 2019, additional highly-rated institutions were added to the Council's official lending list. From 1 January 2019, the largest UK banks had to separate core retail banking from investment banking in order to support financial stability and make any potential failures easier to manage without the need for a government bailout. The banks addressed ring-fencing, each taking their own approach about which side of the bank is best suited for local authorities. In some cases, ring-fencing affected ratings. Officers continue to monitor all ratings to ensure they meet the Council's lending criteria.

**4.2** The lending list has been updated for the latest ratings and is included at appendix 1. Nottingham Building Society has been removed as its downgraded ratings do not currently meet minimum criteria. Clydesdale Bank has been reinstated and its subsidiary Virgin Money's ratings have improved so they have been added in tier 3. Skipton Building Society have been moved from tier 3 to tier 2 due to improved ratings. Royal Bank of Scotland and NatWest Bank have both moved up from tier 2 to tier 1 due to improved ratings.

#### **5. TREASURY MANAGEMENT RESULTS 2020/21 (Appendix 2)**

- The financial results of the treasury management function have to be reported to Council in accordance with the Chartered Institute of Public Finance and Accountancy 'Treasury Management Code 2017'. Teignbridge's lending has been carried out in accordance with its defined strategy and with adherence to its restricted list of approved investment institutions. There was no long term borrowing in 2020/21. Current forecasts do not anticipate long-term external borrowing during 2021/22 however this is dependent on the rate of progress for a number of capital schemes.
- The Council's treasury team continue to use internal borrowing in order to minimise interest costs. As at the end of 2020-21, the capital financing requirement (CFR) (underlying need to borrow) was £19.6 million. By using existing balances to fund this internally rather than borrowing externally, the Council saves around £371,000 per annum. This is based on the cost of borrowing 50% of CFR at the PWLB's 10-year certainty rate and 50% at the 25-year certainty rate, less potential interest earned at the 2020-21 average rate of 0.07%. Any borrowing which is undertaken will be in line with the Council's prudential indicators and treasury management strategy which were approved at the February 2021 Council budget meeting.

The average funds available for investment increased in 2020/21 by £7.4 million to £23.3 million, from £15.9 million in 2019/20. This is mainly due to one-off payments from central government for Covid-19 grants.

Net interest earned has decreased from £120,625 in 2019/20 to £15,945 in 2020/21. The average rate achieved has decreased from 0.75% in 2019/20 to 0.07% in 2020/21. The Bank of England's base rate was reduced to 0.1% in March 2020, where it has remained since. Economic forecasts do not anticipate a rise in base rate during 2021/22. Call account rates continue to be low because of the current banking regulations requiring banks to keep greater capital buffers.

Interest rates earned have been consistently better than the average standard benchmark 7 day London Interbank Bid Rate (LIBID) which for the same lending would have averaged -0.05% for the year (0.57% in 2019/20).

Full details of draft treasury management results and prudential indicators are shown in Appendix 2.

## **6. RISKS**

The major risks to be aware of are around future funding and the adequacy of reserves going forward as further action may be required to address the impacts of the Covid 19 pandemic. General reserves are maintained at a value higher than originally budgeted and earmarked reserves have been increased to help deal with future forecast funding changes and on going reductions in income. Further clarity is required on the level of Government support for both this year and next. These risks may impact on the performance of treasury management and borrowing levels moving forward. Preparation and approval of the accounts are required by the Accounts and Audit Regulations 2015 and if these regulations are not adhered to the auditors could qualify the accounts.

## **7. MAIN IMPLICATIONS**

The implications members need to be aware of are as follows:

### **7.1 Legal**

The Financial Accounts for 2020/21 need to be produced and audited in accordance with the Accounts & Audit Regulations 2015.

Monitoring and reporting of the treasury management results is required by the CIPFA Treasury Management Code.

### **7.2 Resources**

The report notes that general reserves have been maintained at a level slightly higher than originally budgeted at 31 March 2021 and interest earned

in 2020/21 from treasury management has decreased from that obtained in 2019/20.

**8. GROUPS CONSULTED**

The draft accounts are advertised as available for inspection and are available on the website. The external auditors have been auditing the financial records and accounts during August.

**9. ENVIRONMENTAL/CLIMATE CHANGE IMPACT**

The revenue budget supports the appointment of a climate change officer and associated budget.

**10. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)**

10.00 a.m. on 31 August 2021