

Teignbridge District Council
Audit Scrutiny
30 August 2022
Part i

2021/22 DRAFT FINAL ACCOUNTS & TREASURY MANAGEMENT

Purpose of Report

To introduce Members to the draft final accounts for 2021/22. Update on the latest treasury management lending list and draft results for 2021/22.

Recommendation(s)

The Audit Scrutiny Committee note:

- (1) That the draft statement of accounts for 2021/22 have been published**
- (2) The current authorised lending list at appendix 1**
- (3) The draft treasury management results for 2021/22 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 2022 - £2.106 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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Executive Member

Councillor Richard Keeling – Executive Member for Resources

Appendices/Background Papers

Appendix 1 – Treasury management lending list
Appendix 2 – Draft Treasury management results 2021/22

1. PURPOSE

- To introduce Members to the draft statement of accounts for 2021/22
- 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 2022 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 for 2021/22. 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 November for 2021/22. For 2022/23 to 2027/28 the regulations revert back to end of May for publication of the draft accounts and end of September for publication of the audited accounts.
- 2.2** The statement of accounts and financial records are being audited by our external auditors Grant Thornton during 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 1 November 2022. Grant Thornton is required to provide the opinion on the statement of accounts by the end of November as part of 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 see Draft Statement of Accounts 2021/22. This also advises that the external auditor will be accessible to receive in writing any objections to the accounts from 1 August to 12 September 2022.
- 2.4** An updated treasury management statement and authorised lending list was approved at the 2022 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 4 July 2022. The updated statement is detailed in section 4 below and is shown for information at Appendix 1.

3 DRAFT STATEMENT OF ACCOUNTS 2021/22

- 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 see public inspection notice Audit of Accounts 31 March 2022 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 29 November 2022 Council.
- 3.2** A brief explanation and overview of the figures is given in the narrative statement on pages 8 to 22. Capital expenditure and details of property, plant and equipment are given in the balance sheet on page 33 and relevant notes 14 to 16 and 23 from page 66. Reserves are shown on the balance sheet and analysed on page 32. The draft closing general reserves at 31 March 2022 of £2.106 million are an improvement on the original budget of £46,000. Savings have also been identified as part of the continuing 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 increase in income after the initial falls due to the Covid pandemic and in particular increasing income from recycling sales and credits and further ongoing work to identify savings to offset losses in income. Continuing 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. Savings were made in expenditure

in many areas including staffing, training, water, repairs and maintenance, advertising and other miscellaneous costs. Some costs have risen including energy and fuel.

4. TREASURY MANAGEMENT AUTHORISED LENDING LIST (Appendix 1)

4.1 The authorised treasury management lending list was approved at the 2022 February budget meeting. 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. Sumitomo Mitsui banking moves from Tier 2 to Tier 1; Standard Chartered Bank and Nationwide Building Society from Tier 1 to Tier 2, while Clydesdale Bank has been added to the list in Tier 3 due to improved ratings.

5. TREASURY MANAGEMENT RESULTS 2021/22 (Appendix 2)

- The financial results of the treasury management function are reported to Council in accordance with the Chartered Institute of Public Finance and Accountancy 'Treasury Management Code 2021'. 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 2021/22. Current forecasts do not anticipate long-term external borrowing during 2022/23 however this is dependent on the rate of progress of capital schemes.
- The Council's treasury team continue to use internal borrowing in order to minimise interest costs. As at the end of 2021/22, the capital financing requirement (CFR) (underlying need to borrow) was £20.0 million. By using existing balances to fund this internally rather than borrowing externally, the Council currently saves around £294,000 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 (1 August 2022), less potential interest earned at the average rate of 1.3% (to end of July 2022). 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 2022 Council budget meeting.
- The average funds available for investment increased in 2021/22 by £13.2 million to £36.5 million, from £23.3 million in 2020/21. This is mainly due to one-off payments from central government for Covid-19 grants and business rates relief.
- Net interest earned has increased from £15,945 in 2020/21 to £26,065 in 2021/22. The average rate achieved was 0.07% in both 2020/21 and 2021/22. The Bank of England's base rate was reduced to 0.1% in March 2020. It remained at this level until December 2021. There were then three

rate rises in the latter months of 2021/22, bringing base rate to 0.75% as at the end of March. After consecutive rises of 0.25% in May and June and 0.5% in August, economic forecasts anticipate further rate rises during 2022/23 to around 2.5% - 2.75% by the end of the financial year. Call account rates continue to be low because of banking regulations requiring banks to keep capital buffers.

- Following the withdrawal of LIBOR rates, the benchmark being used is now the compounded 12-month SONIA (Sterling Overnight Index Average), which represents the actual rates at which banks lend to one another. For 2021/22, this rate was 0.1372%. The lower Teignbridge average is reflective of the need to keep investments liquid in order to manage volatile cash-flows arising from grant payments, some uncertainty about the repayment of Covid grants and continuing low call account rates.
- 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 fallout from 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. It has been intimated that a two year funding settlement will be provided for local authorities for 2023/24 and 2024/25. 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 2021/22 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 2022 and interest earned in 2021/22 from treasury management has increased from that obtained in 2020/21.

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 September.

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 6 September 2022