

AUDIT SCRUTINY COMMITTEE

CHAIRMAN: Cllr Chris Clarence

EXECUTIVE PORTFOLIO HOLDER: Cllr Stuart Barker

DATE: 21 June 2018

REPORT OF: Chief Finance Officer

SUBJECT: 2017/18 Draft Final Accounts & Treasury Management

PART I

RECOMMENDATIONS

That the Audit Scrutiny Committee note

- (a) That the draft statement of accounts for 2017/18 has been published.
- (b) The current authorised lending list at Appendix 1.
- (c) The draft treasury management results for 2017/18 at Appendix 2.

1. PURPOSE

- 1.1 To introduce Members to the draft statement of accounts for 2017/18.
- 1.2 To report the latest treasury management authorised lending list.
- 1.3 To report on the draft financial results of the treasury management function for the year ended 31 March 2018.

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 has to be produced and certified by the chief finance officer by 31 May. This is one month earlier than last financial year. It has to be brought for full council approval after external audit and by 31 July. This is two months earlier than last financial year. We altered our year end timetable for the 2017/18 accounts to ensure these new deadlines were met.
- 2.2 The statement of accounts and financial records are being audited by our external auditors Grant Thornton during the three weeks from 4 June 2018. If any alterations are required the details will be reported to Audit Scrutiny Committee with the external audit accounts report in July. Any revenue or capital resource effects will be brought to Executive in the next budget monitoring report planned for 2 October. Grant Thornton is required to provide the opinion on the statement of accounts by the end of July.

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- 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 2017-2018. This also advises that the external auditor will be accessible to receive in writing any objections to the accounts from 1 June to 12 July 2018.
- 2.4** An updated treasury management statement and authorised lending list was approved at the 2018 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). The statement has been updated as detailed in section 4 below and is shown for information at Appendix 1.

3. 2017/18 DRAFT STATEMENT OF ACCOUNTS

- 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 2018 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 July 2018 Council.
- 3.2** A brief explanation and overview of the figures is given in the narrative statement on pages 8 to 20. Capital expenditure and details of property, plant and equipment are given in the balance sheet on page 31 and relevant notes 14 to 16 and 21 from page 66. Reserves are shown on the balance sheet and analysed on page 30. The draft closing general reserves at 31 March 2018 of £1.946 million are improved on the original budget by £0.306 million.
- 3.3** An analysis of this variation is contained within the narrative statement. It has arisen mainly because of additional income from fees and charges, leisure memberships, recycling credits, business rate grants and gains from the business rates pooling arrangement. Additional income was also received from non-specific general grants. Savings were made in expenditure including utility costs and increased savings from Strata.

4. TREASURY MANAGEMENT AUTHORISED LENDING LIST (Appendix 1)

The authorised treasury management lending list was approved at the 2018 February budget meeting. Principality Building Society has re-entered the list due to improved ratings.

From 1 January 2019, the largest UK banks must 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 have begun to address ring-fencing, each taking their own approach about which side of the bank is best suited for local authorities. In the case of Barclays, the council were assigned to the "investment" bank on the basis of turnover. The ratings of this bank subsequently reduced below the council

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strategy's minimum acceptable level, so they have been removed until such time the ratings meet the council's lending criteria.

5. TREASURY MANAGEMENT RESULTS 2017/18 (Appendix 2)

- 5.1 The council has to report on the financial results of the treasury management function in accordance with the CIPFA 'Treasury Management Code 2017'.
- 5.2 Teignbridge's lending has been carried out in accordance with its defined strategy and with adherence to its restricted list of approved investment institutions.
- 5.3 The average funds available for investment have increased in 2017/18 by £2.4 million to £12.1 million, from £9.7 million in 2016/17. This is mainly due to grants and contributions which were received in advance of expenditure. Net interest earned has increased from £36,000 in 2016/17 to £40,000 in 2017/18. The average rate achieved has reduced from 0.37% in 2016/17 to 0.33% in 2017/18, due to the Bank of England's base rate remaining at 0.25% until 2 November 2017. Call account rates continue to be low because of the current banking regulations requiring banks to keep greater capital buffers.
- 5.4 Interest rates earned have been consistently better than the standard benchmark 7 day London Interbank Bid rate which for the same lending would have averaged 0.28% for the year (0.29% in 2016/17). Base rate increased from 0.25% to 0.5% in November 2017. For future base rates it will be difficult nationally to strike a balance between keeping growth going while not letting inflation get out of hand post Brexit. There continues to be uncertainty about future demand, inflation and the outcome of the European Union negotiations.
- 5.5 There was no long-term borrowing in 2017/18. Full details of draft treasury management results and prudential indicators are shown at Appendix 2.

6. MAIN IMPLICATIONS

The main implications Members need to be aware of are that preparation and approval of the draft accounts is required by the accounts and audit regulations 2015 and that if these regulations are not complied with the external auditor could qualify the accounts.

7. GROUPS CONSULTED

The draft accounts are advertised as available for inspection and are published on the website. A further copy is available in the Committee section office.

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8. TIME-SCALE

The draft accounts have been published by 31 May 2018 as required. Completion of the external audit and Council approval of the audited accounts is required by 31 July 2018.

9. CONCLUSION

The draft accounts have been prepared in accordance with the relevant legislation and current best practice. They are complete and published on the website together with a notice about public inspection.

Martin Flitcroft
Chief Finance Officer

Wards affected	All
Contact for more information	Martin Flitcroft on 01626 215246 or Claire Moors on 01626 215242
Background Papers (For Part I reports only)	2017/18 year end files including Accounts & Audit Regulations 2015. Treasury management working files including CIPFA Treasury Management Code 2017.
Key Decision	Yes
In Forward Plan	Yes
In O&S Work Programme	No