

Teignbridge District Council
Audit Scrutiny
29 August 2023
Part i

2022/23 DRAFT FINAL ACCOUNTS & TREASURY MANAGEMENT

Purpose of Report

To introduce Members to the draft final accounts for 2022/23. Update on the latest treasury management lending list and draft results for 2022/23.

Recommendation(s)

The Audit Scrutiny Committee note:

- (1) That the draft statement of accounts for 2022/23 have been published**
- (2) The current authorised lending list at appendix 1**
- (3) The draft treasury management results for 2022/23 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 2023 - £2.317 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 2022/23

1. PURPOSE

- To introduce Members to the draft statement of accounts for 2022/23
- 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 2023 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. The regulations have since been amended and reverted to 31 May as the target date for production of the 2022/23 statement of accounts. These changes failed to recognize the additional demands of the external auditors who increased the challenge and robustness around use of and reliance on estimates within the numbers when producing the accounts by such a date. The LGA requested that the date for production be re-set to a more realistic date of 30 June but this was ignored by Government and CIPFA. We have managed to adhere to the 30 June date. This is one month earlier than our publication of the 2021/22

accounts. The accounts have to be brought for full council approval after external audit by 30 September according to the regulations (previously 30 November).

- 2.2** The statement of accounts and financial records for 2021/22 have yet to be audited by our external auditors Grant Thornton. We understand there have been resourcing issues which are being addressed and is an issue across the country for a significant number of audits. We are also awaiting the finalization of the 2020/21 accounts audit sign off. If any alterations are required when the relevant audits take place - the details will be reported to Audit Scrutiny Committee with the external audit accounts report in the relevant month. Any revenue or capital resource effects will be brought to Executive in the budget monitoring report coinciding with the closure of the respective audits. Grant Thornton is required to provide the opinion on the 2022/23 statement of accounts by the end of September with sign off ultimately being by referral to a Full Council meeting. This will not be achieved with the 2021/22 audit not yet started.
- 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 2022/23. This also advises that the external auditor will be accessible to receive in writing any objections to the accounts from 3 July 2023 to 11 August 2023.
- 2.4** An updated treasury management statement and authorised lending list was approved at the 2023 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). There were no further changes reported to Executive on 10 July 2023. The statement is detailed in section 4 below and is shown for information at Appendix 1.

3 DRAFT STATEMENT OF ACCOUNTS 2022/23

- 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 2023 in the downloads section. The final version will be brought to the next appropriate meeting of Audit Scrutiny Members with further explanation for consideration and recommendation to Council once we know that the audit has been completed.
- 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 2023 of £2.317 million are an improvement on the original budget of £211,000 but also reflect the February 2023 budget proposals to increase general reserves to

£2.3 million. Savings have also been identified as part of the continuing reaction to the budgetary issues 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 from leisure due to a change in the VAT rules relating to leisure charges, increased income from recycling sales, planning application income and rents. Savings were made in expenditure in many areas including staffing, rates, water, repairs and maintenance, and other miscellaneous costs. Some costs have risen including energy, fuel, audit fees, purchase / maintenance of equipment, contractors / consultants fees and bed & breakfast accommodation.

4. TREASURY MANAGEMENT AUTHORISED LENDING LIST (Appendix 1)

- 4.1** The authorised treasury management lending list was approved at the 2023 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. Standard Chartered Bank has moved from Tier 1 to Tier 2.

5. TREASURY MANAGEMENT RESULTS 2022/23 (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 2022/23. Current forecasts do not anticipate long-term external borrowing during 2023/24 or 2024/25, 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 2022/23, the capital financing requirement (CFR) (underlying need to borrow) was £21.0 million. By using existing balances to fund this internally during 2022/23 rather than borrowing externally, the Council saved around £431,481 over the year. This is based on the cost of borrowing 50% of CFR at the PWLB's 2022/23 average 10-year certainty rate and 50% at the 2022/23 average 25-year certainty rate (less potential interest earned at the average rate of 1.94%). 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 2023 Council budget meeting.

- The average funds available for investment increased in 2022/23 by £4.4 million to £40.9 million, from £36.5 million in 2021/22. This is mainly due to an increase in capital grants unapplied.
- Net interest earned has increased from £26,065 in 2021/22 to £792,870 in 2022/23. The average rate achieved was 0.07% in 2021/22 and 1.94% in 2022/23. The Bank of England's base rate increased eight times during the year, from 0.75% as at 01 April 2022 to 4.25% in March 2023. Economic forecasts anticipate rates peaking between 5.5% and 6% by the end of 2023. The August 2023 Monetary Policy Committee (MPC) meeting indicated that rates may remain higher for longer than previously indicated due to persistent inflation. Rates are forecast to start to fall during 2024.
- 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%. In 2022/23 this was 2.2435%. The slightly lower Teignbridge average is reflective of the need to keep a proportion of investments liquid in order to manage day to day cash-flow.
- 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. 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. 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 2022/23 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 increased to a level higher than originally budgeted at 31 March 2023 and interest earned in 2022/23 from treasury management has increased significantly from that obtained in 2021/22.

8. GROUPS CONSULTED

The draft accounts have been advertised as available for inspection and are available on the website. We await the arrival of the external auditors to commence the backlog of audit work required.

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 5 September 2023