TEIGNBRIDGE DISTRICT COUNCIL

EXECUTIVE

LEADER: Cllr Jeremy Christophers **PORTFOLIO HOLDER: Cllr Stuart Barker**

DATE: **17 July 2018**

REPORT OF: **Chief Finance Officer**

SUBJECT: **2017/18 DRAFT FINAL ACCOUNTS & TREASURY MANAGEMENT**

PART I

RECOMMENDATIONS

That the Executive resolve

(a) To note the draft revenue results.

(b) To approve the draft year end capital and updated programme at appendix 1.

(c) To note the updated lending list at appendix 2.

The Executive recommends to Council

(d) That the draft treasury management results for 2017/18 at appendix 3 are noted.

1 PURPOSE

1.1 To report the 2017/18 draft final revenue results including draft closing general reserves.

1.2 To bring the 2017/18 draft final capital and updated ongoing programme for members' approval including draft closing capital funding and resources carried forward.

1.3 To report the draft financial results of the treasury management function for the year ended 31 March 2018.

1.4 To note the updated treasury management lending list.

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. It has to be brought for Full Council approval after external audit and by 31 July. These dates have moved forward from 30 June and 30 September respectively from the 2016/17 accounts.

2.2 The financial records for 2017/18 have been balanced and closed and the draft accounts prepared. The £33 million housing benefit claim is complete and ready for the statutory external audit. The £28 million provisional business rates return which provides the information for rates retention has been completed and certified. A final certified return has to be submitted by 31 July when the accounts have been audited. This report is based on the draft accounts.

2.3 The statement of accounts and financial records have been audited by our external auditors Grant Thornton during the three weeks from 4 June 2018. If any accounts alterations are required the details will be reported to Audit Scrutiny Committee on 19 July with the external audit accounts report. Any revenue or capital resource effects will be brought to Executive in the next budget monitoring report on 2 October. We are not aware of any such alterations at this point.

2.4 The 2017/18 revenue and capital budgets were approved on 21 February 2017 and updated by Council on 22 February 2018. This report compares the draft results to the updated budget.

2.5 An updated treasury management statement and authorised lending list was approved at the February 2018 budget meeting. This was based on the latest edition of the treasury management code published by the Chartered Institute of Public Finance & Accountancy.

3 2017/18 DRAFT REVENUE RESULTS

3.1 The draft closing general reserves at 31 March 2018 are £1.9 million. This is improved on the updated budget by £73,000. There is £2.6 million in the earmarked business rates reserve to cover future funding and income fluctuations. The revenue contributions to capital carried forward has £3.0 million at 31 March 2018.

3.2 There are specific grants or contributions totalling £3.3 million in earmarked reserves. The main items here are £0.5 million from the government for community led housing, £1.1 million relating to housing rent charges and £0.3 million for open spaces being largely section 106 contributions. There is a further £1.5 million of earmarked reserves for specific carry forwards which have been reviewed by Corporate Leadership Team. This total includes

£18,000 for rural aid, £46,000 unpaid councillors community fund grants and £130,000 for the elector fund.

3.3 In 2014/15 a new earmarked reserve was set up for our share of usable funds held from the Strata joint operations. This now stands at £218,000. The joint operation started trading on 1 November 2014 and is owned by Teignbridge, Exeter and East Devon district councils with Teignbridge owning 27.4%. The business of Strata is the operation and provision of a shared information communications technology service to each of the councils.

4 REVENUE BUDGET VARIATIONS 2017/18

The most significant variations and points to note for the year were as follows:

- Car parking income was down £7,000 on the probable budget of £3.4 million. Leisure income was £16,000 better that the probable budget of £2.2 million. The total fees and charges income for all services was £8,000 above the probable budget of £9.4 million.

- Our share of business rates income including the Devon pooling gain for the year was £333,000 more than anticipated in the probable budget. We do however have a year end deficit on the rates collection fund of just over £3.9 million of which our 40% share is £1.6 million. The deficit is mainly due to lower income and also a higher previous year deficit than when estimates have to be set more than twelve months in advance by the end of January of the previous year. The business rates retention reserve has a balance of £2.6 million. This is also to cover future funding and income fluctuations and potential appeals.

- Overall salary costs including vacancy savings were underspent by £27,000 on the probable budget on a total salary cost of £16.4 million including employer's national insurance and superannuation. The saving is after any redundancy costs. There were some minor overspends on other expenditures e.g. repairs, maintenance, rates and other fees.

- Unfunded discretionary rate relief awarded in the year was £127,000 as compared with £189,000 in 2016/17.

- For 2017/18 sundry debt write offs were £157,000 (2016/17 £186,000) or 1.0% of debt raised in the year. Council tax write offs were £276,000 (2016/17 £139,000) or 0.27% of the charge raised. National non-domestic rate write offs were £114,000 (2016/17 £90,000) or 0.30% of the charge.

5 2017/18 DRAFT FINAL CAPITAL PROGRAMME & FUTURE YEARS

5.1 The draft final capital programme is shown at appendix 1. The original estimate of £41.1 million for 2017/18 was approved at Council on 21 February 2017. This had been decreased by probable stage in the February 2018 budget update to £14.8 million mainly due to the rescheduling of provisions for

town centre improvement works for Newton Abbot town centre and employment site expenditure. The actual spend in 2017/18 was £6.0 million. The difference of £8.8 million from the updated budget is mainly due to:

- A further £2.2 million provision relating to employment sites and £350k relating to town centre enabling improvement works has now been carried forward to 2018-19.

- The works to Market Walk fascias and roofing commenced towards the end of 2017-18. £1.95 million of the probable budget has been carried forward, with the works continuing into 2018-19.

- £168,000 of the South West coastal regional monitoring probable budget of £1.207 million for the year was unspent. This is all funded by grant from the Environment Agency and other external contributions and the remaining budget has been carried forward. Work is progressing in the current year and the programme continues over the following two years.

- £361,000 of the probable budget for the Coastal Asset Review and Coastal Asset Review (project management support) was unspent. This is also funded by grant from the Environment Agency and has been carried forward.

- The probable budget for affordable housing including empty homes projects was £515,000. £5,000 was spent on two sites relating to the probable budget and the remaining £510,000 has been carried forward.

- £542,000 of the private sector housing probable budget which is mainly grant funded was unspent. The remaining better care funding relating to disabled facilities grants will be repaid to the Devon better care fund to be redistributed according to demand.

- The £640,000 probable budget towards infrastructure projects funded from the Community Infrastructure Levy has been carried forward, including schemes for cycle paths and land purchase for Suitable Alternative Natural Green Spaces (SANGS). A further £177,000 of Section 106-funded probable budget was carried forward in relation to the ongoing instatement works at the Dawlish countryside park.

- £275,000 was carried forward in relation to works at the bulking station, including the installation of the new baler, which continues in 2018-19.

- £473,000 has been carried forward relating to IT improvements being carried out by Strata.

5.2 At the end of 2017/18 there was £4.6 million of capital receipts carried forward made up of £3.3 million general receipts plus £1.3 million from housing. Actual right to buy receipts for 2017/18 were £630,000 which is £70,000 lower than the £700,000 forecast in the probable budget. There is also

£2.4 million community infrastructure levy available towards funding investment as per the local plan. As already mentioned in 3.1 there is £3.0 million for revenue contributions to capital carried forward to 2018/19.

5.3 No other significant changes have been made to the capital programme for the current and future years apart from the carried forwards already mentioned in 5.1 above.

6 TREASURY MANAGEMENT RESULTS 2017/18 & LENDING LIST 2018/19

6.1 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 2017/18 and that is currently expected to continue to be the case during 2018/19.

6.2 The average funds available for investment have increased in 2017/18 by £2.4 million to £12.1, 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.

6.3 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.

6.4 Full details of draft treasury management results and prudential indicators are shown at appendix 3.

6.5 The authorised treasury management lending list was approved at the February 2018 Council budget meeting. Principality 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 strategy's minimum acceptable level,

so they have been removed until such time the ratings meet the council's lending criteria.

7 MAIN IMPLICATIONS

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

7.1 Legal

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

7.2 Resources

The report notes an overall favourable revenue variation for 2017/18. Cash flow is forecast to be positive over the next twelve months apart from some possible minor temporary borrowing. Capital is funded over the three year plan period 2018/19 to 2020/21 with the use of prudential borrowing where necessary.

8 GROUPS CONSULTED

As described in paragraph 2.3 the external auditors have audited the financial records and accounts during June.

9 TIME-SCALE

This report covers the year 2017/18 but also refers to the Financial Plan for 2018/19 to 2020/21.

10 JUSTIFICATION

Regular budget monitoring and reporting of the annual financial results is required by the Council's Constitution and Financial Rules.

11 DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)

10.00 a.m. on Tuesday 24 July 2018.

Martin Flitcroft
Chief Finance Officer
Interim Head of Corporate Services

TEIGNBRIDGE DISTRICT COUNCIL

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)	Budget and budget monitoring files. Treasury management working files including CIPFA Treasury Management Code 2017. Year end files including Accounts & Audit Regulations 2015.
Key Decision	Yes
In Forward Plan	Yes
In O&S Work Programme	No
Appendices	App 1 - Capital programme App 2 - Treasury management lending list App 3 - Treasury management performance