

# AUDIT SCRUTINY COMMITTEE

CHAIRMAN: Cllr Sally Morgan

EXECUTIVE PORTFOLIO HOLDER: Cllr Alan Connett

**DATE:** 20 June 2019  
**REPORT OF:** Chief Finance Officer  
**SUBJECT:** 2018/19 Draft Final Accounts & Treasury Management

## **PART I**

### **RECOMMENDATIONS**

**That the Audit Scrutiny Committee note**

- (a) That the draft statement of accounts for 2018/19 has been published.**
- (b) The current authorised lending list at Appendix 1.**
- (c) The draft treasury management results for 2018/19 at Appendix 2.**

## **1. PURPOSE**

- 1.1** To introduce Members to the draft statement of accounts for 2018/19.
- 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 2019.

## **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.
- 2.2** The statement of accounts and financial records are being audited by our external auditors Grant Thornton during June and July. 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 8 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](http://www.teignbridge.gov.uk/statementofaccounts) see Draft Statement of Accounts 2018-2019. This also advises that the external auditor will be accessible to receive in writing any objections to the accounts from 3 June to 12 July 2019.
- 2.4** An updated treasury management statement and authorised lending list was approved at the 2019 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 reviewed and there is no change since the budget update. A copy is shown for information at Appendix 1.

### **3. 2018/19 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](http://www.teignbridge.gov.uk/statementofaccounts) see public inspection notice Audit of Accounts 31 March 2019 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 July 2019 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 23 from page 63. Reserves are shown on the balance sheet and analysed on page 30. The draft closing general reserves at 31 March 2019 of £1.982 million are improved on the original budget by £0.110 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 pilot arrangement. Additional income was also received from non-specific general grants. Savings were made in expenditure including water, printing & stationery, advertising and other miscellaneous costs together with increased savings from Strata. There were additional costs that arose in the year including fuel, legal fees, bed and breakfast accommodation and business rates.

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

The authorised treasury management lending list was approved at the 2019 February budget meeting. Principality Building Society has re-entered the list due to improved ratings.

From 1 January 2019, the largest UK banks separated 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 addressed ring-fencing, each taking their own approach about which side of

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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.

### 5. TREASURY MANAGEMENT RESULTS 2018/19 (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 2018/19 by £2.5 million to £14.6 million, from £12.1 million in 2017/18. This is mainly due to grants and contributions which were received in advance of expenditure. Net interest earned has increased from £40,000 in 2017/18 to £103,000 in 2018/19. The average rate achieved has increased from 0.33% in 2017/18 to 0.71% in 2018/19, due to the Bank of England's base rate increasing to 0.75% on 2 August 2018. 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 Offer Rate which for the same lending would have averaged 0.63% for the year (0.28% in 2017/18). Base rate increased from 0.5% to 0.75% in August 2018. 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 2018/19. 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 Democratic Services office.

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### 8. TIME-SCALE

The draft accounts have been published by 31 May 2019 as required. Completion of the external audit and Council approval of the audited accounts is required by 31 July 2019.

### 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**

<b>Wards affected</b>	All
<b>Contact for more information</b>	Martin Flitcroft on 01626 215246 or Claire Moors on 01626 215242
<b>Background Papers (For Part I reports only)</b>	2018/19 year end files including Accounts & Audit Regulations 2015. Treasury management working files including CIPFA Treasury Management Code 2017.
<b>Key Decision</b>	Yes
<b>In Forward Plan</b>	Yes
<b>In O&amp;S Work Programme</b>	No