

TEIGNBRIDGE DISTRICT COUNCIL

AUDIT SCRUTINY COMMITTEE

26 AUGUST 2020

Report Title	2019/20 DRAFT FINAL ACCOUNTS & TREASURY MANAGEMENT
Purpose of Report	To introduce Members to the draft final accounts for 2019/20. Update on the latest treasury management lending list and draft results for 2019/20.
Recommendation(s)	The Audit Scrutiny Committee note: (1) That the draft statement of accounts for 2019/20 have been published (2) The current authorised lending list at appendix 1 (3) The draft treasury management results for 2019/20 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 2020 - £1.987 million. See section 3 Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk
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. Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk
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. Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk
Environmental/ Climate Change Implications	The revenue budget supports the funding of a Climate Change Officer and associated budget – see section 9. David Eaton – Environmental Protection Manager Tel: 01626 215064 Email: david.eaton@teignbridge.gov.uk
Report Author	Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk
Portfolio Holder	Councillor Alan Connett – Portfolio holder for Corporate Resources
Appendices	Appendix 1 – Treasury management lending list Appendix 2 – Draft Treasury management results 2019/20
Part I or II	Part I
Background Papers	2019/20 year end files including Accounts and Audit Regulations 2015. Treasury management working files including CIPFA Treasury Management Code 2017

1. PURPOSE

To introduce Members to the draft statement of accounts for 2019/20.

- 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 2020 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 outbreak of Covid 19 has triggered amendments to this deadline by extending this to the end of August. 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.
- 2.2** The statement of accounts and financial records are being audited by our external auditors Grant Thornton during August. 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 3 November 2020. Grant Thornton is required to provide the opinion on the statement of accounts by the end of 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 2019-2020. This also advises that the external auditor will be accessible to receive in writing any objections to the accounts from 3 August to 14 September 2020.
- 2.4** An updated treasury management statement and authorised lending list was approved at the 2020 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 21 July 2020. The updated statement is detailed in section 4 below and is shown for information at Appendix 1

3 DRAFT STATEMENT OF ACCOUNTS 2019/20

- 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 2020 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 23 November 2020 Council.
- 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 31 and relevant notes 14 to 16 and 23 from page 64. Reserves are shown on the balance sheet and analysed on page 30. The draft closing general reserves at 31 March 2020 of £1.987 million are an improvement on the original budget of £41,000.

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, business rate grants and general non specific grants. Savings were made in expenditure including staffing, fuel/mileage, gas, electricity and other miscellaneous costs. There were increased costs for pension contributions, rent allowances net of recovery, purchase /maintenance of equipment, business rates, legal and other fees. There were also additional revenue contributions to capital but these were covered by earmarked reserves.

4. TREASURY MANAGEMENT AUTHORISED LENDING LIST (Appendix 1)

4.1 The authorised treasury management lending list was approved at the 2020 February budget meeting. Following the appointment of treasury management advisors, additional highly-rated institutions were added to the Council's official lending list. These include Handelsbanken, Sumitomo Mitsui, Goldman Sachs and Standard Chartered Bank as well as two further money market funds. From 1 January 2019, the largest UK banks had to 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 addressed ring-fencing, each taking their own approach about which side of 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.

4.2 The lending list has been updated for the latest ratings and is included at appendix 1. There have been no new additions or removals, however Goldman Sachs has now moved up to tier 1. Close Brothers has moved down to tier 2 and Royal Bank of Scotland down to tier 3.

5. TREASURY MANAGEMENT RESULTS 2019/2020 (Appendix 2)

- 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 2019/20 but that is not expected to be the case during 2020/21. Long term borrowing is anticipated for a number of schemes anticipated to progress in 2020/21 and the significant loss of income which has occurred to date means we are likely to need to begin borrowing externally during the third quarter of the financial year. This is dependent on the degree to which capital schemes are able to re-start as the economy re-opens and also the level of central government support for local authorities in the wake of Covid-19. 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 2020 Council budget meeting.

The average funds available for investment have increased in 2019/20 by £1.3 million to £15.9 million, from £14.6 million in 2018/19. This is mainly due to grants and contributions which were received in advance of expenditure. Net interest earned has increased from £102,999 in 2018/19 to £120,632 in 2019/20. The average rate achieved has increased from 0.71% in 2018/19 to 0.75% in 2019/20, due to the Bank of England's base rate remaining at 0.75% for much of the financial year, only reducing to 0.25% and then 0.1% during March 2020 in response to the unfolding economic disruption caused by Covid-19. Call account rates continue to be low because of the current banking regulations requiring banks to keep greater capital buffers.

Interest rates earned have been consistently better than the standard benchmark 7 day London Interbank Offer Rate (LIBOR) which for the same lending would have averaged 0.69% for the year (0.63% in 2018/19). Base rate increased from 0.5% to 0.75% in August 2018, where it remained until being reduced to 0.25% and then a historic low of 0.1% in March 2020.

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 impacts of the Covid 19 pandemic. General reserves are maintained at a value higher than originally budgeted and earmarked reserves are held to help deal with future forecast funding changes and earmarked projects/schemes. Further clarity is required on the level of Government support for both this year and next. 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 2019/20 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 2020 and interest earned in 2019/20 from treasury management has increased from that obtained in 2018/19.

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 August.

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 2 September 2020