

Agenda item 7

For decision – Year End financial reports to March 2020, the Annual Governance and Accountability Return (AGAR) 2019/20 and revised Earmarked Reserves

Author: Sarah Williams, Business Manager & Responsible Finance Officer (RFO)

Summary

A report on the March 2020 year end is provided prior to review and approval of the AGAR.

The Council must submit an Annual Governance and Accountability Return (AGAR) to external auditors every year, completed and approved in very specific order.

The AGAR for Council review and approval at this meeting is made up of three parts:

- [Appendix 7](#) - the Annual Internal Audit report completed and signed by the Council's Internal Auditors, Fair Account and their audit confirmation letter.
- [Appendix 8](#) - the Annual Governance Statement (for approval by Council & signatures of Chairman and Clerk of the meeting)
- [Appendix 9](#) - the Accounting Statements for 2019/20 certified by the RFO (for approval by Council & signature of Chairman of the meeting)

Earmarked Reserves are amounts accumulated for specific projects. An updated list of EMRs ([Appendix 6](#)) needs approval by the Council for commencement of 2020/21. Cllrs are also requested to note the amount in the General Reserve.

Special commendation is due to FTC's Assistant Finance Officer Hannah Paniccia for her exemplary bookkeeping during the year which both facilitated the ease of this report and also resulted in a successful year end conclusion report from the Internal Auditors.

Please will Cllrs contact me by email (swilliams@frometowncouncil.gov.uk) in advance of the meeting about any questions they may have on the papers.

Appendices to this report:

[Appendix 3 - Income & Expenditure and Balance Sheet reports statements at 31 March 2020](#)

[Appendix 4 - A list of payments over £500 for February and March 2020](#)

[Appendix 5 - Variances - over and underspends 2019/20](#)

[Appendix 6 - Revised Earmarked Reserves commencing 2020/21](#)

[Appendix 7 - Annual Internal Audit Report 2019/20](#)

[Appendix 8 - Annual Governance Statement 2019/20 AGAR Section 1 - Chair & Clerk to sign](#)

[Appendix 9 - Annual Accounting Statements 2019/20 AGAR Section 2 - Chair & RFO to sign](#)

Year end to March 2020

There were overspends (£65k) and underspends (£88k) to 31 March 2020 that result in a £23k surplus which has automatically transferred to the General Reserve. Notes on the individual over and underspends are listed in [Appendix 5 “Variances”](#).

Earmarked Reserves (revised from January 2020)

There were project delays and other underspends in the year resulting in our proposal to transfer funds to existing and new EMRs to enable projects to be carried out in 2020/21 and to save towards specific projects such as major works to the Town Hall roof. We propose to transfer net £89k to the EMR's as shown in [Appendix 6 “Revised EMRs commencing 2020/21”](#).

The General Reserve

In addition to the above there was unbudgeted income in the year of £34k including:

- £11k - MDC's first year contribution towards the running of the Boyles Cross
- £8k - Friends of Keyford & The Mount's contribution towards new play equipment
- £9k - Town Hall rental activities income over and above budget
- £5k - Higher than budgeted bank interest income

This £34k unbudgeted income has also automatically transferred to the General Reserve at year end.

The General Reserves figure on the Balance Sheet at the end of March 2020 was £332k. As £5k was already committed to fund 2020/21 revenue expenditure at the January 2020 Budget setting Council meeting, if the above proposed £89k transfer to EMR's is also agreed, we will start the year with £238k in General Reserves. This is £58k over the minimum £180k emergency reserves stipulated in the Financial Regulations. We suggest it would now be prudent to maintain an increased level of critical reserves due to the unexpected loss of rental income from the Town Hall along with additional costs related to the Covid-19 pandemic.

Considering the current circumstances of the pandemic, a 2020/21 Budget revision is reported separately at this meeting.

The Annual Governance and Accountability Return 2019/20 (AGAR)

Annual Internal Audit report 2019/20 – [Appendix 7](#)

This section has been completed by the Internal Auditors, Fair Account. The appendix contains the completed Annual Internal Audit form signed by the auditor and their audit confirmation letter.

Annual Governance Statement 2019/20 – AGAR Section 1 – [Appendix 8](#)

This section acknowledges that this Council has accepted responsibility for ensuring there is a sound system of internal control, including the preparation of the accounting statements in Section 2.

By ticking Yes to Boxes 1 to 9, Cllrs are confirming that the Council has:

1. Agreed that the accounting statements have been prepared in accordance with the Accounts and Audit Regulations
2. Made proper arrangements and accepted responsibility for safeguarding public money and resources in its charge.
3. In line with proper practices, done only what it has the legal power to do.
4. During 2019/20, given electors the opportunity to inspect the accounts.
5. Considered and managed financial and other risks and dealt with them properly.
6. Appointed an Internal Auditor, independent of Council, to give an objective view on whether the internal controls meet the needs of the Council.
7. Noted Internal Audits reports and responded to matters, if any, brought to their attention and also those of the External Auditor.
8. Disclosed everything relevant to its business activity.
9. Met all its responsibilities in its capacity as a sole managing trustee.

Recommendation

1. Instruct the Chair and the Clerk to sign Cllrs agreement to all the governance statements in Section 1 of the Annual Governance Statement and for it to be recorded as a minute reference.

Accounting Statements for 2019/20 – AGAR Section 2 – [Appendix 9](#)

Section 2 of the Annual Governance Statement compares the financial year 2018/19 with 2019/20 and where the difference between the two years is greater than a 15 per cent change, we have to explain why. This occurred in Boxes 3 and 6.

Box 3: Total other receipts – up by £759k. The sale of the land at Garsdale (Saxonvale) to MDC completed in September 2019 and the final payment of £935k was received from (the £50k deposit payment had been received and reported in 2018/19). This primarily accounted for the significant income increase in 2019/20 compared to 2018/19.

Box 6: All other payments – up by £251k. The 50% of profit uplift payment to Homes England on the sale of the land at Garsdale originally purchased from them, was £351k and this primarily accounted for the significant increase in other payments in 2019/20 compared to 2018/19.

Recommendations

2. The Responsible Finance Officer has certified that the accounting statements fairly represent the financial position of Frome Town Council.
3. Instruct the Chair and the RFO to sign on their behalf that they have approved the accounting statements.
(2. and 3. to be recorded as separate minute references)
4. Approve the revised Earmarked Reserves for the start of the financial year.
5. Note the amount in the General Reserve at the start of the financial year.