

## Agenda item 10

For decision – Year End financial reports to March 2021, the Annual Governance and Accountability Return (AGAR) 2020/21 and revised Earmarked Reserves

Authors: Sarah Williams, Business Manager & Responsible Finance Officer (RFO) and Hannah Paniccia, Asst Finance Officer

### Summary

A report on the March 2021 year end is provided prior to review and approval of the Annual Governance and Accountability Return (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 2020/21 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 2021/22. Cllrs are also requested to note the amount in the General Reserve.

Special commendation is again due to FTC's Assistant Finance Officer Hannah Paniccia for her exemplary bookkeeping and maintenance of Financial Regulations during the year and this year for the first time, drafting the AGAR for review.

Please will Cllrs contact us by email ([swilliams@frometowncouncil.gov.uk](mailto:swilliams@frometowncouncil.gov.uk) or [hpanniccia@frometowncouncil.gov.uk](mailto:hpanniccia@frometowncouncil.gov.uk)) in advance of the meeting about any questions they may have on the papers.

### Appendices to this report:

[Appendix 5 - Income & Expenditure and Balance Sheet reports statements at 31 March 2021](#)

[Appendix 6 – Revised Earmarked Reserves commencing 2021/22](#)

[Appendix 7 – Annual Internal Auditors Report 2021/22](#)

[Appendix 8 – Annual Governance Statement 2020/21 AGAR Section 1 – Chair & Clerk to sign](#)

[Appendix 9 – Annual Accounting Statements 2020/21 AGAR Section 2 – Chair & RFO to sign](#)

[Appendix 10 – Explanation of variances](#)

### Year end to March 2021

In this extraordinary year of the Covid-19 pandemic, planned resources of the Council were

either redirected or projects postponed resulting in both unbudgeted costs and underspends to 31 March 2021. The detail is shown in the Income & Expenditure report. After moving the proposed Earmarked Reserves of £125k (see [Appendix 5](#)) the net surplus of £46k has automatically transferred to the General Reserve shown on the [Balance Sheet here](#).

#### Earmarked Reserves (revised from January 2021)

As reported at meetings throughout the year there were project delays and underspends resulting in our proposal to transfer some of the unspent funds to existing and new EMRs to enable projects to be carried out in 2021/22. In addition to the EMRs proposed in January 2021 we are proposing additional EMRs of £125k to carry out delayed projects from 2020/21 and to save towards future works. Of particular note is the EMR for New Projects which will enable research and development activities on a number of initiatives including a future Unitary structure and other project opportunities as they arise.

#### The General Reserve

The General Reserves figure on the Balance Sheet at the end of March 2021 is £289k of which £68k has been approved to subsidise income in 2021/22 (January 2021 Budget setting Council meeting). If the above proposed £131k transfer to EMR's is ratified, we will start the year with £221k in General Reserves. This is £17k lower than at the start of 2020/21 but still £41k over the minimum £180k reserves stipulated in the Financial Regulations. We propose it is prudent to continue to maintain a slightly higher reserve than our regulations stipulate and intend to conduct a review of whether £180k General Reserve is sufficient.

#### Approval of 2021-22 Budget – ratification of decision at January 2021 Council

The Work Programme & Precept for 2021-22 were agreed at the January 2021 Council meeting but the word 'budget' was omitted from the recommendations. Our internal auditors advise that Cllrs specifically approve the 2021-22 Budget at this meeting – see recommendation 5.

#### The Annual Governance and Accountability Return 2020/21 (AGAR)

##### Annual Internal Auditors report 2020/21 – [Appendix 7](#)

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

##### Annual Governance Statement 2020/21 – 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 2020/21, 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 on Cllrs' behalf that they agree 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 2020/21 – AGAR Section 2 – [Appendix 9](#)

Section 2 of the Annual Governance Statement compares 2020/21 to the previous financial year 2019/20 and where the difference between the two years is greater than either 15 per cent or this year, £100k, we have to explain why. This occurred in Boxes 2, 3, 4, 6 & 10. An explanation of the variances is provided in our submission to the external auditors, copy enclosed in [Appendix 10 Explanation of Variances](#).

#### Exercise of Public Rights

We will announce following this meeting the exercise for the public rights dates as being Monday 7 June 2021 to Friday 16 July 2021 and will upload the notice to the website and the Town Hall noticeboard.

#### Recommendations

2. Note that 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 Cllrs' behalf that they have approved the accounting statements.  
(2. and 3. to be recorded as separate minute references)
4. Approve the exercise of public rights dates for 2021
5. Approve the 2021-22 Budget presented to the January 2021 Council meeting where the Work Programme & Precept were approved.
6. Approve the revised Earmarked Reserves for the start of the financial year.
7. Note the amount in the General Reserve at the start of the financial year.