

Agenda item 10

For decision – Year End financial reports to March 2023, the Annual Governance and Accountability Return (AGAR) 2022/23 and proposed Earmarked Reserves at 1/4/23
Author: Sarah Williams, Business Manager & Responsible Finance Officer (RFO)

Summary

A report on the March 2023 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:

- [1. Appendix 10.1- the Annual Internal Audit report completed and signed by the Council's Internal Auditors, Fair Account.](#)
- [2. Appendix 10.2 - the Annual Governance Statement \(for approval by Council & signatures of Chairman and Clerk of the meeting\)](#)
- [3. Appendix 10.3 - the Accounting Statements for 2022/23 certified by the RFO \(for approval by Council & signature of Chairman of the meeting\)](#)

Earmarked Reserves are amounts accumulated for specific projects. [A revised list of proposed EMRs \(4. Appendix 10.5\)](#) needs approval by the Council for commencement of 2023/24. Cllrs are also requested to note the amount in the General Reserve.

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

Appendices to this report:

[Appendix 10.4 - Income & Expenditure statement at 31 March 2023](#)

[Appendix 10.6 - Balance Sheet at 31 March 2023](#)

[Appendix 10.5 - Revised Earmarked Reserves commencing 2023/24](#)

[Appendix 10.1 - Annual Internal Auditors Report 2022/23](#)

[Appendix 10.2 - Annual Governance Statement 2022/23 AGAR Section 1 – Chair & Clerk to sign](#)

[Appendix 10.3 - Annual Accounting Statements 2022/23 AGAR Section 2 – Chair to sign](#)

[Appendix 10.7 - Explanation of variances 2022/23](#)

Year end to 31 March 2023

During 2022/23 the work programme transitioned from the previous administration's strategy to a new Town Plan published in Autumn 2022. Whilst staff resources focused heavily on community work in neighbourhoods, local open spaces, refugee hosting, new housing

development and sustainable transport projects, our planned financial resources ended the year 13% underspent to budget. We propose to carry forward the underspend into Earmarked Reserves, particularly for New Projects Research & Development, whilst retaining half for a slightly enhanced General Reserve into 2023/24.

Notable underspends in the year ending March 2023 are:

Environment 500 & 501

- 4033 Open Spaces – maintenance costs of our open spaces were reduced in the year for a variety of reasons; a delay in recruiting replacement rangers, again fewer traveller visits to manage than in previous years and the cancellation of the roof to the multi-use games area (MUGA) in Mary Bailey. The underspend of £14k helped facilitate the purchase of Broadway Community Gardens (£29k) along with underspends elsewhere in the Environment cost centre. We have budgeted £5k less in 2023/24.
- 4034 Play equipment - no major play equipment replacement was needed in the year, and we have transferred the full budget of £15k to the Play Equipment EMR 334 to continue to build savings for renewals across the estate in future.
(In the recommendations - for approval £15k to EMR 334)

The insured value of play equipment across the estate is over £400k and if assuming renewals over say a 10 year cycle, it would be prudent to continue saving an amount per annum when preparing the following year's budget. With the £15k above, we currently have £40k in EMR 334 Play Equipment plus £30k in the 23/24 budget. This is a good base to start from given that Environment Manager Rob Holden reports that "existing equipment is wearing" and that ideally "we should aim for an initial renewal cycle of 10 years".

- 4036 Contracted bins/litter collect – the underspend of £3.5k has been put to EMR 327 for saving towards a new mower and other ranger equipment replacements.
(In the recommendations - for approval £3.5k to EMR 327)
- 4037 Victoria Park Toilets – the £10k underspend has been put to EMR 326 Victoria Park to increase the contingency available for the toilet & café buildings refurbishments due in 2023/24. A PWLB has been applied for to cover the main cost of the toilet block refurbishment (application submitted 9/1/23, at 8/5/23 we still await a final answer) but additional works have been discovered to be required (roof and drainage repairs). It is estimated that both the contingency in the PWLB application and this EMR will be needed to safely ensure all costs for both buildings are covered. Any balance remaining in the EMR 326 is anticipated to be used in the café building refurbishment anticipated in 2024. The budget for VP toilets cleaning & maintenance has reduced to £4k for 2023-24 as it is anticipated the upkeep of the new toilets building to be much less than currently.
(In the recommendations - for approval £10k to EMR 326)
- 4118 Boyle Cross maintenance – The fountain was switched off for some months in 2022 while a replacement maintenance company was sought. In preparation for restarting in spring 2023 a major repair to the engine room resulted an overspend of £4k. This was

balanced by an underspend on marketplace maintenance of £3k.

- 4001 Ranger Salaries – the delay in replacing two rangers and a break of six weeks between Environment managers in post resulted in a salary saving of £48k. These funds return to General Reserves but as we have chosen to opt for hire purchase of the new ranger vehicle (Hilux – agreed at March 2023 Council), the 2023/24 HP payments from General Reserves will be supported by this underspend.

Town Events 502

- 4001 Steward salaries - £4k underspend due to less events and therefore less use of stewards in the year.
- 4320 Town Events – £11.5k underspend from the cancellation of Green Breather Days and Cycle Festival. These underspends will return to General Reserves.

Community Funding 600

- 4750 CCTV funding - £8k savings on CCTV – no agreement in place with MDC for contribution to CCTV in the town again in 2022/23 but a small amount (£1k) was used to help the police install a 2nd CCTV camera in Victoria Park sited at the Bowls Club. It is thought prudent to keep the funds available until it is clear what the past and future collaborative arrangements for CCTV will be with the new Unitary authority.
(In the recommendations - for approval £8k to EMR 317)
- 4790 School Crossing Patrols - £4k savings on school crossing patrols – continue to have fewer crossing wardens than budgeted for in Frome. We have transferred the £4k to an EMR to support future recruitment of wardens as no budget has been set for this in 2023/24.
(In the recommendations - for approval £4k to EMR 370)

Community Development 601

- 4706 Community Development Work - £6k underspend returns to General Reserves
- 4711 Community & Children & Young People's projects - £17k underspend returns to General Reserves
- 4729 Community Group development £10k – no major programme of community training took place in the year.
These three areas were “cash rich and time poor” with staff heavily involved in the Local Community Networks project and carrying out other project work without spending on project expenses.
- 4725 Fundraising support £15k – no recruitment was needed for community group fundraising in 2022/23. Work on the Community Opportunity Fund (COF) bid to the Dept of Levelling Up for the Frome Town Community Benefit Society (football ground future organisation) was paid for from the New Projects EMR. These funds return to the General Reserves.
- 4731 Engaging Young People £8k – this project underspend is due to the schools preferring the Fear Less project to take place in the summer term after exams (and after financial year end of March 2023). The funds have therefore been put to EMR 375 Young People's Fear Less project.

(In the recommendations - for approval £8k to EMR 375)

Community Grant Funding

- 4800 Community Grants £31k – less distributed during 2022/23 as the Grants panel underwent a reorganisation. The underspend has been transferred to EMR 312 Community Grants for future use which will be helpful given the reduction in grant funding budgeted for in 2023/24.

(In the recommendations - for approval £31k to EMR 312)

Sustainability

- 4446 Waste reduction £3.3k – the underspend has been transferred to EMR 341 Sustainability for works required to the Loop de loop building in the Cheese & Grain carpark.

(In the recommendations - for approval £3.3k to EMR 341)

Frome Town Hall

- 4531 Town Hall Maintenance £8.5k – £8k of the underspend has been transferred to EMR 400 Town Hall Investment for savings towards roof works.

(In the recommendations - for approval £8k to EMR 400)

Prosperity/Economic Development

- 4122 Economic and Community Research £4K - the budget of £4k was unspent in 2022/23 and returns to General Reserves. Although legal fees of approximately £3k have been incurred for the Station Rooms, no invoices have been received to date and an accrual was made to 802-4058 Legal & Professional fees.
- 4137 Micro enterprises support £6k – the budget was agreed to be used for the Fingerpost signs and was transferred to EMR 348 Fingerposts.
(In the recommendations - for approval £6k to EMR 348)
- 4420 Cheese & Grain maintenance £3k – the budget for landlords insurance was not paid over to Mendip District Council in the year as no invoice or demand was received. The sum was transferred to EMR 360 C&G Insurance.
(In the recommendations - for approval £3k to EMR 360)

Central Services

- 4001 Salaries £31k – underspend is due to late recruitment of the planning officer role, not replacing the business project officer after December 2022, less use of stewards in the year and not using the contingency budgets for sickness or maternity. The funds return to General Reserves.
- 4058 Legal & Professional fees £7k – the Equality Impact Assessment was not undertaken in 2022/23 and the underspend is returning to General Reserves.
- 4129 Database/CRM project £10k – an audit of FTC's IT and software will be commissioned to a consultant with no investment in selling/designing their own product. This is needed before (and if) the project goes out to formal tender on the government's tendering website (an initial quote came in at between £44k and £66k).

No budget has been set for 2023/24 as there is £44k in EMR 396 Database CRM development.

Communications

- 4950 Discover Frome £10k - £5k has been transferred to the EMR 390 Discover Frome for a website accessibility exercise and the balance of £5k returns to General Reserves. (In the recommendations - for approval £5k to EMR 390)

Unbudgeted income received in 2022/23 (not including grants) of £62k comprised:

- 500-1091 Insurance claims (bus stops and park benches) £4k
- 500-1097 S106 Southfield Farm (Adderwell bridge) £9k
- 500-1098 Donations (memorial benches, Lions Club, Frome resident donated funds for a table tennis table at Welshmill) £4k
- 502 Town events stalls £2k
- 610-1044 EV charging Town Hall carpark £3.5k (kWh cost contras)
- 610 over budget Town Hall room hire £22.5k
- 802-1090 over budget Bank interest £15.5k

Grants received in 2022/23 for specific projects with the balances at year end transferred to the appropriate EMR for future specific project expenditure in 2023/24 comprised:

- 601-1082 Rotary Grant £2,000 – for Young People’s Fear Less project 2023/24
- 601-1120 Wessex Water Grant £1,500 – Wild Bunch activities
- 601-1121 Connect Somerset £35,000 – funding for the Connect Somerset Area Champion (Melody’s secondment) during 2023/24
- 601-1190 CHARIS Grant £28,583 – for two refugee workers and running of the refugee hub at the Town Hall, 1 year contract to October 2023, extension TBC.
- 608-1088 School Streets £100k – for installation phase of the School Streets project, moved directly into EMR 330 School Streets.
- 608-1112 Lotto Green & Healthy Futures project – final payment for 1st project ending 2022/23 £9k (2nd project for 2023/2027 confirmed April 2023)
- 608-1113 SCAEF £30k – Somerset Climate Action & Emergency Fund grant for the Local Cycling & Walking Infrastructure Plan (LCWIP)
- 608-1117 FRECO £3.6k – for equipment and materials used by volunteers working on draft proofing in the Healthy Homes programme
- 803-1013 Mendip Tourism £10.3k - 8k to EMR 390 Discover Frome and £2k to General Reserves to contribute to DF running costs in the year
- 803-1029 MDC Welcome Back grant £9k – European Union funds received to replace those spent from EMR 390 for Discover Frome Makers.

Earmarked Reserves

We propose that Cllrs approve the EMR transfers of £105k from the underspends listed above.

A further recommendation is that the £164k General Reserves allocated for income subsidy in 2022/23 but unused, be transferred to EMR 358 New Projects. Along with the £50k already agreed in 2023/24’s revenue expenditure for New Projects, this amount of £214k would be ring fenced for new opportunities such as those being considered in relation to the new

Unitary authority and a potential additional site for a Ranger depot.

[A full list of the proposed EMRs commencing 1 April 2023 is available here.](#)

The General Reserve

The figure on the Balance Sheet at 31 March 2023 is £479k reducing to £315k at 1 April 2023 if the above proposal of £164k to EMR 358 New Projects is agreed. As £39k has previously been approved to subsidise income in 2023/24, the General Reserve would be considered to start the 2023/24 year at £276k. This is £96k over the £180k reserves stipulated in the Financial Regulations. As the figure of £180k was set some years ago, it is the recommendation of the Business Manager & Responsible Finance Officer Sarah Williams that FTC continues to look to increasing this level of General Reserve over the year where possible.

The Annual Governance and Accountability Return 2022/23 (AGAR)

[Annual Internal Auditors report 2022/23 – AGAR Internal Auditor – Appendix 10.1](#)

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 2022/23 – AGAR Section 1 – Appendix 10.2](#)

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 2022/23, 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 2022/23 and for it to be recorded as a minute reference.

[Accounting Statements for 2022/23 – AGAR Section 2 – Appendix 10.3](#)

Section 2 of the Annual Governance Statement compares 2022/23 to the previous financial year 2021/22 and where the difference between the two years is greater than either 15 per cent or £100k, we have to explain why. This occurred in Boxes 2, 3, 4, & 10. [An explanation of the variances is provided in our submission to the external auditors, copy enclosed in 7. Appendix 10.7 Explanation of Variances 2022/23](#)

Exercise of Public Rights

We will announce following this meeting the exercise for the public rights dates as being Monday 5 June 2023 to Friday 14 July 2023 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 2023
5. Approve the revised Earmarked Reserves for the start of the financial year.
6. Note the amount in the General Reserve at the start of the financial year.