

Agenda item 9

For decision - Year End Financial reports to March 2024, the Annual Governance and Accountability Return (AGAR) 2023/24 and proposed Earmarked Reserves at 1/4/24
Author: Sarah Williams, Business Manager & Responsible Finance Officer (RFO)

Summary

A report on the March 2024 year end is provided prior to review and approval of the Annual Governance and Accountability Return (AGAR) for 2023/24.

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 9.4](#) - the Annual Internal Audit report completed and signed by the Council's Internal Auditors, Fair Account.
2. [Appendix 9.5](#) - the Annual Governance Statement (for approval by Council & signatures of the Chair and Clerk of the meeting)
3. [Appendix 9.6](#) - the Accounting Statements for 2023/24 certified by the RFO (for approval by Council & signature of the Chair of the meeting)

Earmarked Reserves are amounts accumulated for specific projects. A revised list of proposed EMRs ([Appendix 9.3](#)) needs approval by the Council for commencement of 2024/25. Cllrs are also requested to note the amount in the General Reserve.

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

Appendices to this report:

[Appendix 9.1 - Income & Expenditure statement at 31 March 2024](#)

[Appendix 9.2 - Balance Sheet at 31 March 2024](#)

[Appendix 9.3 - Revised Earmarked Reserves commencing 2024/25](#)

[Appendix 9.4 - Annual Internal Auditors Report 2023/24](#)

[Appendix 9.5 - Annual Governance Stmt 2023/24 AGAR Section 1 - Chair & Clerk to sign](#)

[Appendix 9.6 - Annual Accounting Stmt 2023/24 AGAR Section 2 - Chair to sign](#)

[Appendix 9.7 - Explanation of variances 2023/24](#)

Summary of the situation at year end

The financial year ending 31 March 2024 ends with a 12%/£255k underspend to budget with half (5%/£125k) resulting from salaries underspend.

Below are some notable over and under spends.

200-7992 - Badgers Hill incurred an extra £12k in costs - £9k for legal fees in relation to the grant funding security work, £2k for water treatment works at the site and £1k in planning application fees. All these costs are due to be repaid to FTC by the Frome Town Community Benefit Society (FTCBS) and an invoice has been raised. We expect payment as soon as the FTCBS is in funds to do so.

201-various - Town Hall room hire income exceeded budget by £9k whilst marketing for the Town Hall saved a further £3k.

600-7935 – the Discover Frome underspend of £9k was due to the new website being delayed and the cycle festival not taking place.

700-various – Open spaces had over and underspends with a net 6%/£27k underspend. £16k of this came from the Market Place which, in its second year of full FTC ownership, we were still unsure of what costs might be needed but subsequently had no specific expenditure incurred in the year. Any florals/planter costs have been included in the overall Nurture Open Spaces cost centre (700) maintenance budget.

900-various – Core Business Services – in the main, income is £82k higher than budgeted because we invested the majority of our reserves for the first time in CCLA's Public Sector Deposit Fund, instead of spreading all reserves across five bank accounts.

The salaries underspend in year of £125k is primarily due to holding back on planned recruitment due to strategic & structural changes. Specifically, underspends arose from: not replacing the Communities Manager, the Resilience Manager and the Marketing & Tourism Communications Officer when they left their posts; not recruiting the budgeted post of Local Community Network (LCN) Project Officer due to Somerset Council taking over the work directly; the (post budget setting) confirmation of grant funding for the Refugee Hub staff and Resilience Comms Officer; later than budgeted start of two new Rangers and the replacement Lead Marketing & Communications Officer; and reduced use of stewards in the year.

Some of the salary underspend is proposed to be used to subsidise salaries in 2024-25 whilst the remainder will go to General Reserves and support the proposed increase in prudent reserves. See General Reserves below.

General Reserves

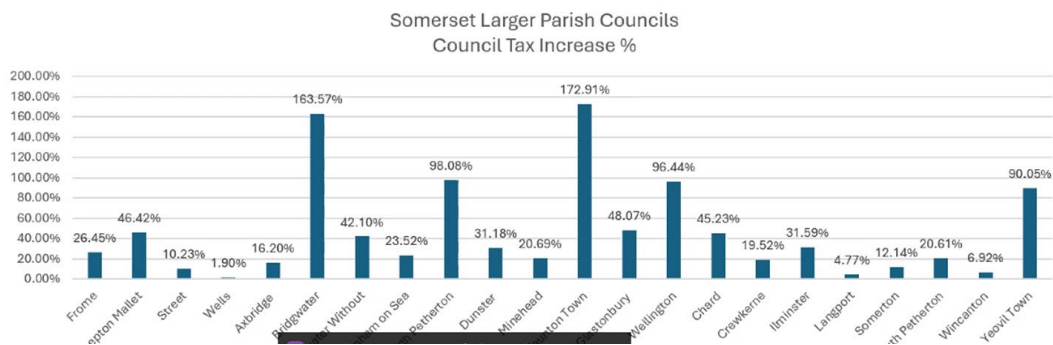
General Reserves are the balance of our cash funds separate from the Earmarked Reserves. Until now, Council has agreed in Financial Regulations that an essential or prudent reserve is

£180k. It is strongly recommended by the RFO that this figure increases. The case for increasing Frome Town Council’s prudent general reserve is provided here.

The figure in 5.2 of our Financial Regulations regarding what is considered to be a prudent general reserve, has not changed since prior to 2013, but our budgeted expenditure has increased from £1m to £2.5m in that time. Professional advice is to retain at least 3 – 6 months net revenue expenditure as a general reserve. Recent developments in principal authorities across the country necessitates we review our position on prudent general reserves.

A recent NALC finance webinar on ‘Emerging trends in local government finance’ gave presentations from a panel of finance professionals from the local government sector. Amongst their recommendations were the following key points:

1. The continuing uncertainty of Somerset Council’s (SC) financial status and future levels of services means that towns and parish councils must strengthen their financial resilience and therefore reserves - towns and parishes across Somerset markedly increased their precept demands in 2024 in response to SC’s emergency.



2. As the towns and parishes potentially take on greater responsibilities from Somerset Council, they consequently increase their liabilities and risks. Stronger reserves are one way to insure to some extent against unexpected crises.
3. It was reported that although it is mainly principal authorities who have been in the news lately regarding financial difficulties across the country, 3 parish councils have also reported problems; one “named in parliament for not being able to pay their salary bill”, one who had entered into a possibly ill-advised legal case and lost, and one who had “burnt through their reserves”.

As an example of unexpected increased expenditure, on 1st April, Frome took on the Market Yard Toilets under temporary licence until a longer term lease is offered by Somerset Council. We have currently just taken on responsibility for cleaning & maintaining the public toilets in the Market Yard carpark. However, three weeks in, it is already clear that the cost of ensuring the long-term availability of the toilets will be greater than just cleaning and general maintenance. There is likely to be a level of re-investment into the toilet block but until the long-term lease is assured, Frome has to find an acceptable balance between ‘keeping the toilets clean, safe and open’ and the long-term surety of financial investment. We will return to Council once a long term lease is issued and/or if a greater level of investment becomes urgent.

All other projects under the devolution scheme are being reviewed and costed on the information currently available. We will report back to Council when new developments are clearer and in the first instance will rely on the new Devolution budget in EMR 354.

The next agenda item for this meeting is a review and adoption of the Financial Regulations document and for the reasons stated above it contains the text alteration required for our prudent reserve figure to be set at a minimum of £350k. Our recommendation therefore is for Council to increase our prudent general reserve figure from £180k to £350k.

Our balance sheet figure for the general reserve at year end 31 March 2024 is £496k. At year end March 2025, this figure would remain the same if the year's income and expenditure went entirely according to the planned budget.

Although this is £146k over the recommended prudent general reserve of £350k, it is recommended to retain this reasonably strong position for a Council facing uncertain changes and demands on its ability to provide new services in the coming years. In short, this gives FTC an element of budgetary flexibility in these uncertain times.

Earmarked Reserves (EMRs)

Earmarked Reserves are ring fenced funds for previously specified projects and work. The funds are kept with our General Reserves and invested either in CCLA or held in savings accounts at one of the banks listed on our Balance Sheet. The accountable list of EMRs is shown on the second half of the balance sheet.

New (temporary) - EMR 352 created for Frome Community Drivers (FCD) for an anticipated three months March to May 2024. On the closure of the Active & In Touch charity, who had FCD under their wing, FTC were asked to caretake FCD's reserves and administer PAYE for the FCD co-ordinator until a new CIC could be set up for the scheme. There are no cost implications for FTC just a small amount of admin support from Hannah Watts, Nikki Cox and Sarah Williams. On 1 May 2024 we received confirmation that the new CIC had been set up (Community Drivers – Frome CIC, company number 15686129) and we are awaiting new bank details. The balance of the earmarked funds will be transferred back to the new CIC within weeks. We request Council's retrospective approval.

In January, Council agreed the use of £75k from General Reserves towards the Devolution projects under negotiations with Somerset Council. This amount was journalled from General Reserves along with the agreed EMRs relating to New Projects and CCTV. The Devolution EMR was created from these transactions.

[A full list of current EMRs at 31 March with descriptions of their purpose is found at Appendix 9.3.](#) Of the total £993k EMRs: £201k is held for Devolution initiatives; £178k for capital projects (asset purchases or refurbishment); £177k in grant funding for specific projects (Lotto funded Green & Healthy Futures, Safer School Streets); £69k for Open Spaces use; £56k for Town Hall major works use; £54k restricted use funds (Egford Park, Somerset Connect project, the Community Fridge); £50k for the IT project; £37k for Community use; and £33k in donations held in trust for other organisations.

The Annual Governance and Accountability Return 2023/24 (AGAR)

[Annual Internal Auditors report 2023/24 – AGAR Internal Auditor - Appendix 9.4](#)

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 letters.

[Annual Governance Statement 2023/24 – AGAR Section 1 – Appendix 9.5](#)

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 2023/24, 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 2023/24 and for it to be recorded as a minute reference.

[Accounting Statements for 2023/24 – AGAR Section 2 – Appendix 9.6](#)

Section 2 of the Annual Governance Statement compares 2023/24 to the previous financial year 2022/23 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 Appendix 9.7 Explanation of Variances 2023/24](#).

Exercise of Public Rights

We will announce following this meeting the exercise for the public rights dates as being Monday 3 June 2024 to Friday 12 July 2024 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 2024
5. Approve the revised Earmarked Reserves for the start of the financial year
6. Approve the increase in the minimum prudent General Reserve from £180k to £350k
7. Note the amount in the General Reserve at the start of the financial year
8. Approve the Internal Auditor's reports Oct 23 – Jan 24 and Feb 24 – Mar 24 as included in Appendix 9.4