

Agenda item 3

For decision - Year End Financial reports to March 2025, the Annual Governance and Accountability Return (AGAR) 2024/25 and proposed Earmarked Reserves at 1/4/25
Author: Sarah Williams, Business Manager & Responsible Finance Officer (RFO)

Summary

A report on the March 2025 year end is provided prior to review and approval of the Annual Governance and Accountability Return (AGAR) for 2024/25.

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 3.5](#) - the Annual Internal Audit report completed and signed by the Council's Internal Auditor, Kevin Rose of IAC Audit & Consultancy Ltd.
2. [Appendix 3.6](#) - the Annual Governance Statement (for approval by Council & signatures of the Chair and Clerk of the meeting)
3. [Appendix 3.7](#) - the Accounting Statements for 2024/25 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 3.3](#)) needs approval by the Council for commencement of 2025/26. 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 3.1 - Income & Expenditure statement at 31 March 2025](#)

[Appendix 3.1a - Payments over £500 January - March 2025](#)

[Appendix 3.2 - Balance Sheet at 31 March 2025](#)

[Appendix 3.3 - Revised Earmarked Reserves commencing 2025/26](#)

[Appendix 3.4 - Year End Actions sheet & Bank reconciliations confirmation signature](#)

[Appendix 3.5 - Annual Internal Auditors Report 2024/25](#)

[Appendix 3.6 - Annual Governance Stmt 2024/25 AGAR Section 1 - Chair & Clerk to sign](#)

[Appendix 3.7 - Annual Accounting Stmts 2024/25 AGAR Section 2 - Chair to sign](#)

[Appendix 3.8 - Explanation of variances 2024/25](#)

Summary of the situation at year end

I would like to recognise the diligence and professionalism of Hannah Watts (Finance Officer) and Becca Evans (Business Administrator) in managing the council's accounting processes throughout the year. This is particularly significant given the accounting software move to Xero from Rialtas plus the introduction of a new purchase order app 'ApprovalMax' and a new room bookings app for the Town Hall 'Lemon Bookings'. Their persistence in learning and teaching the new systems and in helping staff monitor and maintain their budgets throughout the year has been invaluable. Without their dedicated efforts and Hannah's expertise in producing the AGAR documentation the preparation of this report would have been significantly more challenging.

We also had some extra help at year end from chartered accountant Kate Simpson FCCA CPFA ILCA who will be undertaking a consulting role during Hannah's maternity leave as well as undertaking the payroll function. Given Kate's skills and experience in local government accounting we will be learning and sharing new processes and different ways of managing the council's finances.

[An Income and Expenditure against Budget report for the year 2024-25 is found at Appendix 3.1, which can be viewed on the website here.](#) Comments on specific codes can be found in the end column of the appendix.

Frome Town Council's financial year ending 31 March 2025 resulted in a 4%/£113k underspend to budget. This is display in the end totals as '£168k less £55k net EMR use' = £113k. The underspend is added to General Reserves after transferring carried forward projects & funds to the EMRs in the attached list for the 2025/26 budget.

This is the smallest net underspend in recent years, reflecting how the increasing responsibilities faced by FTC are pushing its resources closer to their limits. However, FTC maintains strong reserves, is diligent in its procurement processes and flexible to respond to demands and changes as they arise.

The carried forward projects and their funds transferred to EMRs at year end are:

100-7012	Grants - £6k to EMR 318 Community Resources for 25/26 research project
100-7017	Community Partnerships – £12k to Play Equipment EMR for Mary Bailey & VP co-design work
100-7902	Neighbourhoods £3k & 100-7014 Engagement £1k - to EMR 318 Community Resources for St Johns engagement
201-7909	Town Hall maintenance – £15k to EMR for major Town Hall works in 25/26
700-7980	Henley Way steps - £50,000 – project started May 2025
700-7981	Water Meadow purchase (Adderwell/Retreat/FORF) due June 2025 - £30,000
700-7997	Community Woodland works started April 2025 - £10,000

Below are notable under-spends which, combined with the over-spends in the year, resulted in an overall surplus.

Staff costs overall were underspent by 6% / £90k – mostly due to later than budgeted start dates for the Planning Officer (dept 500) and the Climate Action Lead (dept 300). The other over/under spends in the 7001 staff cost codes are a result of varying the coding between budget and actual of the staff allocated to depts.

Other notable underspends in 2024/25 (over £5k):

600-7011	Events - £23k – Cycle event and major town event (drones/fireworks) not taking place in 2024
600-7935	Discover Frome – £8k - Rural England Prosperity Fund grant for some works and DF costs less in year than budgeted
600-7969	Town Centre Ranger costs – £17k Town Centre costs/plan delayed to 25/26
700-7940	Market Place – £5k - no major repairs required
700-7948	Bins & Litter - £6k – lots of reports of poor collections so reductions given by Ideverde
700-7955	Tree surgery & new – planting costs delayed across the estate
900-7003	Staff & Cllr training - £7k – less training undertaken than budgeted
900-7009	IT subs & support – £5k - increase in IT support costs delayed to starting May 2025
900-7977	New Projects & feasibility & research - £50k – no new projects researched 2024/25
900-7979	Tel/internet/equip hire - £6k – new mobiles purchasing contingency not fully used plus stopped most Zoom licences (using TEAMS instead).

Notable overspends 2024/25 (over £2k):

600-7933	Christmas Lights - £12k – Investment in new lights and wiring plus an extra string across the centre
600-7935	Discover Frome expenses – £8k - these were all costs funded by the grant from Rural England Prosperity Fund.
600-7962	Town Centre Investment – these costs were largely the street sweeper purchase which was funded by £40k from the Saxonvale EMR and £25k from reserves (see note below – dept 600 Town Centre)
700-7959	Yard maintenance - £24k – 50% of the Victoria Park Rangers yard works was completed and funded in the 24/25 year budget and 50% in 25/26.

Unbudgeted income contributing further to the surplus:

900-2001	Bank interest – £62k - rate of return from CCLA investment higher than budgeted
700-2121	Grounds maintenance - £10k – income received from works across the estate (Somerset Council, St Johns School, Frome Medical Practice)

Dept 400 – Devolution - The dept budget of £350k for 24/25 incurred £143k expenditure – the balance plus the agreed £85k general reserves use, has been returned to the EMR 354 Devolution for use in 25/26 as budgeted.

Dept 600 – Town Centre - We purchased the town centre street sweeper in 24/25 at a cost of £65k, using £40k of the Saxonvale EMR and £25k of the general reserve surplus in the year. The original decision by Council was to fund the £25k from the 25/26 Town Centre budget but it made sense to use the 24/25 surplus. This results in £25k returning to general reserves at year end 25/26.

Dept 700 - Open Spaces - The Open Spaces dept did well to close the year with a small net surplus given its broadening responsibilities and unexpected costs. This being so even after £90k on delayed projects is carried forward to 25/26. Unbudgeted costs in the year were:

- replacement of The Roundhouse £19k
- the town centre bus shelter glass £2k
- tap works at the Showfield £3k
- extending the path Broadway Community Gardens £4k
- bailiff fees at Welshmill £5k
- replacement of a section of wall at Welshmill £4k
- 50% of the Rangers Yard refurbishment £19k

Payments over £500 January – March 2025 – Appendix 3.1a

[A list of payments over £500 January – March 2025 is found in Appendix 1a, which can be viewed on the website here](#) – the fuller list of payments over £100 is published on our website here: www.frometowncouncil.gov.uk/council/frome-town-council/finance

General Reserves – Balance Sheet – [Appendix 3.2](#)

As agreed at Council May 2024 the General Reserves began the year at £496k, with £350k being the prudent reserve amount required by our Financial Regulations. The surplus from 2024/25 of £113k will set the General Reserve at the start of the 2025/26 financial year at £610k. The starting General Reserve of £610k is after having accounted for the use of £248k General Reserves in the 25/26 budget which have been set aside into the relevant Earmarked Reserves.

This is a strong position for FTC to start its first year as it begins fully managing devolved responsibilities from Somerset Council; The Key Centre, an additional 56 open spaces and play areas, a new Ranger depot, the Market Yard Toilet block, Frome weekly Markets and paying for the service provided through the Town Centre CCTV.

It is recommended to retain this reasonably strong position for FTC as we still face uncertain changes and demands on our ability to provide new services in the coming years.

Earmarked Reserves (EMRs) – Appendix 3.3

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 at 31 March 2025 is shown on the second half of the balance sheet at [Appendix 3.2](#) and a full list with descriptions of their planned use is found at [Appendix 3.3](#).

Year end actions prior to signing off AGAR - [Appendix 3.4 – Year End Actions paper](#)

1. Full Council to ratify Oversight Committees' approval of the Internal Controls of the Council and the risk register.
2. To approve the bank signatories (no changes made to existing bank mandates) and to note the table of bank accounts in [Appendix 3.4 – Year End Actions](#)

The Annual Governance and Accountability Return 2024/25 (AGAR)

Annual Internal Auditors report 2024/25 – AGAR Internal Auditor - [Appendix 3.5](#)

This section has been completed and signed by the Internal Auditor, Kevin Rose of IAC Ltd. The appendix contains both the completed Annual Internal Audit form signed by Kevin Rose the Internal Auditor and their audit confirmation letters.

Annual Governance Statement 2024/25 – AGAR Section 1 – [Appendix 3.6](#)

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 2024/25, 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

3. 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 2024/25 and for it to be recorded as a minute reference.

Accounting Statements for 2024/25 – AGAR Section 2 – [Appendix 3.7](#)

Section 2 of the Annual Governance Statement compares 2024/25 to the previous financial

year 2023/24 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, 4, 6 & 9. An explanation of the variances is provided in our submission to the external auditors, copy enclosed in [Appendix 3.8 Explanation of Variances 2024/25, which can be viewed on the website here](#).

Exercise of Public Rights

We will announce following this meeting the exercise for the public rights dates as being Monday 23 June 2024 to Friday 1 August 2025 and will upload the notice to the website and the Town Hall noticeboard.

Recommendations

4. Note that the Responsible Finance Officer has certified that the accounting statements fairly represent the financial position of Frome Town Council.
5. 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)
6. Approve the exercise of public rights dates for 2025
7. Approve the revised Earmarked Reserves 31/03/25 for the start of the financial year
8. Note the amount in the General Reserve at the start of the financial year
9. Approve the payments over £100 published on the website and over £500