

Agenda item 9

For decision:

Year End Financial reports to 31 March 2026

General Reserves and proposed Earmarked Reserves at 1/4/26

Approve the Internal Audit & controls

Year End Actions prior to AGAR signing

Approve the Bank mandate changes

Review the Internal Auditors reports

Approve the IT & AI Policy 2026

Approve the list of Disposals at 31 March 2026

Approve the Financial Regulations 2026

Approve the Annual Governance & Accountability Return (AGAR) 2025/26

Author: Sarah Williams, Business Manager & RFO

Summary

A report on the Year End to 31 March 2026 is provided prior to review and approval of the Annual Governance and Accountability Return (AGAR) for 2025/26.

Earmarked Reserves are amounts accumulated for specific projects. A revised list of proposed EMRs ([Appendix 9.4](#)) needs approval by the Council for commencement of 2026/27. Cllrs are also requested to note the amount in the General Reserve.

There are a number of finance related policies, actions and approvals to consider before the AGAR signing.

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 9.12 & 9.13](#), see page 3 - the Annual Internal Audit report completed and signed by the Council's Internal Auditor, Kevin Rose of IAC Audit & Consultancy Ltd.
2. [Appendix 9.12](#) - the Annual Governance Statement (for approval by Council & signatures of the Chair and Clerk of the meeting)
3. [Appendix 9.13](#) - the Accounting Statements for 2025/26 certified by the RFO (for approval by Council & signature of the Chair of the meeting)

Please will Cllrs contact me by email ([swilliams@frometowncouncil.gov.uk](mailto:swilliams@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 2026](#)

[Appendix 9.2 - Payments over £500 January – March 2026](#)

[Appendix 9.3 - Balance Sheet at 31 March 2026](#)

[Appendix 9.4 – Revised Earmarked Reserves commencing 2026/27](#)

[Appendix 9.5 – Year End Actions sheet & Bank reconciliations confirmation signature](#)

[Appendix 9.6 – Internal Controls 2025/26](#)

[Appendix 9.7 – Annual Internal Auditors Reports 2025/26](#)

[Appendix 9.8 – IT & AI policy 2026/27](#)

[Appendix 9.9 – Disposals list 2026](#)

[Appendix 9.10 – Investment Policy Review 2026/27](#)

[Appendix 9.11 – Financial Regulations 2026/27](#)

[Appendix 9.12 – Annual Governance Stmt 2025/26 AGAR Section 1 – Chair & Clerk to sign](#)

[Appendix 9.13 – Annual Accounting Stmt 2025/26 AGAR Section 2 – Chair to sign](#)

[Appendix 9.14 – Explanation of variances 2025/26](#)

**Summary of the Council’s financial situation at year end 31 March 2026**

The year to 31 March 2026 ended in a relatively strong financial position considering the expansion challenges of devolved assets and services in the year – in particular taking on the Key Centre and the maintenance of 57 new open spaces. In 25/26 we successfully delivered the bulk of the work programme, saving costs on some projects, planning carried forward work into 26/27 for others, reducing Earmarked Reserves (EMRs) (from £1m to £600k) as requested by Council, but also setting aside EMRs for events such as the 2027 Elections, a large Town Event later in 2026 and the purchase of replacement play equipment. We are also able to propose strengthening our prudent General Reserve for the future in line with higher operating costs. See section on [Prudent General Reserve](#).

The Income & Expense report for 25/26 can be found in [Appendix 9.1](#) and comments on notable over or under spends (column E) are shown in column G. A summary of notable + / - are shown in the table on the next page.

Whilst the Gross outcome line of the Income & Expense report shows a deficit of £31k, that figure does not reflect Earmarked Reserves funding. The actual outcome at year end is a net underspend of £384k. This is explained largely by:

- Salaries underspend - £97k/5% of budget (after deducting the virement of £67k towards a tractor purchase) = a number of later than budgeted recruits, plus not replacing in year leavers immediately or merging roles, and unexpected grant income for a role.
- Carried forward projects - £165k = work now planned in 26/27
- Town Hall major works - £124k = carried forward to 26/27.

Accounting for the carried forward projects we have budgeted to use £165k of General Reserves for income subsidy in the 2026/27 financial year plus EMRs where planned.

Notable **negative** or positive effects on the 25/26 financial outcome are listed below:

Nominal Ledger	Negative / Positive	Note
100-2117/8 – INCOME THRIVE	£56,909	Displaced Persons Hub grant confirmed and paid later than budget setting – FTC’s underwriting of £44k returns to General Reserves.
100-7014 - Community Engagement	£15,000	Citizens Assembly project carried forward to 26/27
200-2189 - INCOME Badgers Hill	-£32,000	Provision for bad debt of rent from Badgers Hill Ltd, landlords and owners of Frome Town AFC Ltd
200-7203/7204/7992 - Badgers Hill costs	-£16,758	Legal fees, maintenance and H&S costs at Badgers Hill site in 25/26
201-2106 - INCOME Meeting Rms	£10,228	Stronger hires from year start – Probation Service & other users
201-2107 - INCOME Tenants	£9,742	FLP continuing as tenants in 25/26
201-7910 - TH utilities & waste	£15,624	Better waste services contracts and lower utilities costs
300-7014/7616 – Climate engagement & School streets	£8,106	Unspent funds moved to EMR 341 Sustainability for use in 26/27
400-7931 – Devolution legals	£20,197	Less than budgeted devolved assets/services completed in year and Market Yard Toilets lease not progressed at all in 25/26 year, some extra will be needed from GenRes in 900-7010 L&P in 26/27.
400-7936 - Market Yard Toilets	£28,360	Commissioned C&G toilets provision and no further repairs undertaken in 25/26.
400-7963 - Markets Frome	£27,401	Commissioned out to The Frome Independent to end April 2026 then returns to FTC for management
500-7014 - Engagement	£21,000	Movement strategy now budgeted in 26/27
600-7935 – Discover Frome	£19,192	Unspent budget moved to EMR 390 DF for agreed Shopfront Guide £8k and FTC website 26/27. Bus maps & DF Big Maps also cfwd to 26/27 and funds added to EMR 390.
600-7962 – Town Centre Investment	£16,554	Town Centre commercial waste project cfwd in to 26/27
700-7938 – Open Spaces maintenance	£11,51	Rangers tried to reduce costs across estate works & materials in an effort to mitigate the costs/losses incurred through the break-in and theft at the Rangers Yard.

700-7959 - Yard maintenance	-£14,758	Higher than budgeted costs due to replacements and security enhancements following yard break-in & theft in 2025
700-7997 - Community Woodland	-£10,611	Additional costs incurred in needing specialist bailiffs for horses removal from site at the start of the project
700-8027 – Henley Way	£18,832	Unused funds due to excessive cost of ramp. Moved back to General Reserves.
800-2120 – Events	£14,198	Events income enhanced by a sponsored event on Pancake Day with £7k donated by Andros Foods through WixHill Ltd, PLUS donations for Junior Park Run from Frome Town Rotary, Frome Active, Frome Running Club, Rotary Club of Frome, Frome Triathlon Club. Funds moved to EMR 329 Town Events for savings towards large event in 2026.
900-2001 – INCOME Bank interest	£23,029	Higher than budgeted due to longer retention in savings/investment accounts
900-7003 – Staff & Cllr training	£9,047	Underspend in year on staff training. This is a focussed project for 26/27.
900-7009 - IT subs & support	-£7,803	Full MS Business Premium licences required for ALL users (72) due to cyber security issues - advised by ITEC. Following Cyber Essentials exercise cost should be able to be reduced in 26/27.
900-7971 - Cllr Allowances	-£19,000	New Leader allowance agreed to come from GenRes - Council 21May25 £15k & extra £4k Sept25
900-7972 - 2027 Elections	-£15,584	Market Ward & Park Ward by-elections
<b>Notable + / - to budget</b>		<b>1 April 2025 – 31 March 2026</b>

A list of payments of £100 is published on the finance page of our website quarterly and those over £500 are listed in [Appendix 9 .2.](#)

#### 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 at 31 March 2026 is shown on the second half of the balance sheet at [Appendix 9.3](#) and a full list with descriptions of their planned use is found at [Appendix 9.4](#). As requested by Council, during 25/26 we were able to use a number of EMRs as planned and have consequently reduced the amount held in EMRs from £1m to £631k.

### Prudent level of General Reserves

It is recommended to set a minimum level of general reserve in case of emergencies. The Smaller Authorities Proper Practices Panel (SAPPP) Practitioners' Guide (previously: the Joint Panel on Accountability and Governance – JPAG) guidance is between three to twelve months operating costs. The larger the council, the lower the suggested prudent reserves amount due to anticipated stronger resilience. The biggest risk for Frome Town Council is an uninsured loss, but it is hard to estimate what a reasonable provision for this would be or to fully plan for it. Other risks reviewed would be covered to some extent by existing Earmarked Reserves such as damage to the Town Hall.

The proposal this year is to increase the level of prudent General Reserve from its current £350k to three months operating costs, calculated at May 2026 to be circa £678k, and then to review annually. £678k is three months costs of the following:

Salaries & Cllr allowances	£461k	
PWLB loans commitment	£ 35k	
Annual Insurance premium	£ 7k	
All buildings rates & utilities	£ 55k	
Town Centre running costs	£ 25k	
Open spaces maintenance	£ 69k	
Administration & legals	£ 26k	<u>Total: £678k</u>

The General Reserve currently stands at £994k. If the above proposal is approved, £678k would be set aside as the prudent minimum reserve, and £165k allocated for use in 2026/27, leaving £151k available for any unbudgeted Council expenditure in the year.

This places the Council in a strong position. We are already aware that the riverbank at Welshmill will require urgent and potentially significant works in the coming year, although costs are not yet known. In addition, the development of a Medium Term Financial Plan for FTC has highlighted the need to establish a capital savings/replacement budget line especially given its increasing assets related to devolution.

Either of these pressures could readily draw on the £151k available. However, this level of flexibility ensures the Council retains options, providing a positive and resilient starting point for the 2026/27 financial year.

#### Recommendation

1. Approve the recommendation to increase the minimum prudent level of General Reserve from its current £350k to three months operating costs, calculated at May 2026 to be circa £678k, and then to review annually.

### Statement of Internal Control

As part of Frome Town Council's Annual Governance and Accountability Return (AGAR) Frome Town Council are asked as part of the Annual Governance Statement to confirm that 'We maintained an adequate system of internal control including measures designed to

prevent and detect fraud and corruption and review its effectiveness.’ The purpose of an internal control is to mitigate or eliminate risk to the Council by following processes and procedures that are in place. Not all risk can be eliminated but can usually be reduced to a residual risk which is deemed acceptable. Therefore, we are asking Council to review our internal controls set out [in Appendix 9.6](#). Once these have been reviewed this means Council can select yes on the statement for 2025/26.

Year end actions prior to signing off AGAR – [Appendix 9.5](#) Year Actions paper

#### Bank Mandate changes

As Peter Wheelhouse is now formally FTC’s Town Clerk we need to add him to the mandates of all the Council’s bank accounts and the only two that he was not already a signatory to were the CCLA and Mendip Credit Union. We ask this Council meeting to formally ratify the mandate changes along with the actions paper and mandate in the [Appendix 9.5](#)

#### Recommendations

2. Full Council to ratify approval of the Internal Controls of the Council and the risk register.
3. To approve the bank signatories and to note the table of bank accounts in [Appendix 9.5](#) Year Actions paper
4. Appointment of Peter Wheelhouse to the bank mandates for: CCLA and Mendip Credit Union

#### Internal Auditor’s Year End Report 2025-26

The Internal Auditor Kevin Rose ACMA of IAC Audit & Consultancy Ltd conducted his Internal Audits at the Town Hall offices on 9 June 2025, 18 December 2025 and 27 March 2026. His reports can be found in [Appendix 9.7](#).

We have addressed a number of his recommendations, but there are some we still need to work on and due to under capacity in the Finance Team we have been unable to progress them all. We now urgently need to engage an additional part-time Finance Officer for two days a week to partner with our existing Finance Officer who works three days a week, to provide the minimum cover needed, until Hannah Watts returns from maternity leave in the Autumn.

We recommend reappointing Kevin Rose, IAC Audit and Consultancy Ltd as our internal auditor for 2026/27. Kevin is independent from Frome Town Council, Councillors and staff members and is competent. Kevin is also a member of the Smaller Authorities Proper Practices Panel (SAPPP) who are the authors of the SAPPP Practitioners Guide.

#### Recommendations

5. Approve the reappointment of Kevin Rose, IAC Audit and Consultancy Ltd as our internal auditor for 2026/27
6. Approve the temporary recruitment of an additional two day a week Finance Officer level staff member for 3 months to assist the Business & Finance team to complete their tasks to be funded from the General Reserve

### Assertion 10 new to AGAR 2026

Assertion 10 is a new requirement in the Annual Governance and Accountability Return (AGAR) from the 2025/26 financial year. It focuses on digital and data compliance for parish and town councils. By answering “Yes” to Assertion 10, Council is confirming that it:

- Manages data lawfully and securely, complying with UK GDPR and the Data Protection Act 2018  
- FTC’s response: We provided the Internal Auditor with a Data Audit report completed by the relevant staff managing different sections of data.
- Uses proper digital systems, such as council-owned email domains (not personal accounts)  
- FTC’s response: it is clear and in evidence that all FTC staff and Cllrs use FTC domain based email addresses.
- Maintains a legally compliant and accessible website, meeting WCAG 2.2 AA standards and publishing required information  
- FTC’s response: provided audit reports and documentation detailing the extensive website accessibility work conducted in 2022 and confirmed that similar work would be carried out in the redesign of the FTC website this financial year 26/27.
- Has appropriate IT and data governance policies in place and follows transparency and Freedom of Information requirements.  
- FTC’s response: Whilst FTC has recently undertaken an extensive Cyber Essentials exercise and enforced Multi-factor Authentication across all its systems, our IT policy needed revision and is enclosed here at [Appendix 9.8](#) for review and approval at this meeting.

Assertion 10 ensures councils can demonstrate they have robust digital governance, data protection, and transparency arrangements in place, reflecting the growing importance of managing information and online services responsibly.

To demonstrate our compliance in Assertion 10 we provided the Internal Auditor with:

- a Data Audit report completed by the relevant staff managing different sections of data
- our IT & AI policy – [Appendix 9.8](#) (for approval at Council)
- website accessibility documentation demonstrating we had conducted an extensive website accessibility exercise in 2021 and would be revisiting the work in the website redesign project due later in 2026

#### Recommendation

7. Full Council to approve the IT & AI policy for 2026

### Asset Register 31 March 2026

As part of our year end annual work we provide the auditor with an updated Asset Register and list of disposals. We ask Council to approve the list of disposals in 2025/26 in [Appendix 9.9](#). On the Internal Auditor's recommendation we have moved assets in Mary Bailey to a separate tab in the Asset Register workbook; to indicate they are held on land which the Council manages as the sole trustee for Fields in Trust. Also on the Internal Auditor's recommendation, we have removed all items under £500 from the Asset Register but will continue to monitor and record such purchases for insurance purposes. Hence the change in asset values described in the Variances sheet in [Appendix 9.14](#).

### Disposal of Assets

We recommend that the assets listed in [Appendix 9.9](#) are disposed of. An explanation of the reason for disposal is provided in the appendix.

#### Recommendation

8. Approve the Disposals list at 31 March 2026.

### Financial Regulations 2026 – at [Appendix 9.11](#)

We are currently re-drafting the Financial Regulations to align more closely with NALC's template version. As the NALC version is shorter, more flexible and relies on Appendices, we need to ensure that the detail we think Council will want to retain is included in the relevant Appendices.

For the start of 26/27 we recommend that Council approve the existing Financial Regulations for use in the year including the Investment Policy in [Appendix 9.10](#) and will bring the new version of Financial Regulations to Council in July for approval.

#### Recommendations

9. Approve the Investment Policy in [Appendix 9.10](#) for inclusion in the Financial Regulations 2026
10. Approve the current Financial Regulations for use in 2026/27 with no amendments.

### The Annual Governance and Accountability Return 2025/26 (AGAR)

#### Annual Internal Auditors report 2025/26 – AGAR Internal Auditor – [Appendix 9.7](#)

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 2025/26 – AGAR Section 1 – [Appendix 9.12](#)

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 10, 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 2025/26, 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.
10. Put in place arrangements for the effective management of IT and data management

**Recommendation**

11. 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 2025/26 and for it to be recorded as a minute reference.

Accounting Statements for 2025/26 – AGAR Section 2 – [Appendix 9.13](#)

Section 2 of the Annual Governance Statement compares 2025/26 to the previous financial year 2024/25 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, & 9. An explanation of the variances is provided in our submission to the external auditors, copy enclosed in [Appendix 9.14](#) Variances.

**Exercise of Public Rights**

We will announce on the Tuesday following this meeting the exercise for the public rights dates as being Wednesday 3 June to Tuesday 14 July 2026 and will upload the notice to the website and the Town Hall noticeboard.

**Recommendations:**

12. Note that the Responsible Finance Officer has certified that the accounting statements fairly represent the financial position of Frome Town Council.
13. 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)
14. Approve the exercise of public rights dates for 2026
15. Approve the revised Earmarked Reserves 31/03/26 for the start of the financial year
16. Note the amount in the General Reserve at the start of the financial year
17. Approve the payments over £100 published on the website and over £500 circulated with this report.