

SWANAGE TOWN COUNCIL

Dr Martin Ayres
Town Clerk

Town Hall
SWANAGE
Dorset
BH19 2NZ

18th May 2023

Dear Councillor

Local Government Act 1972

You are summoned to attend a **SPECIAL MEETING** of the Swanage Town Council to be held at the Town Hall, Swanage on **WEDNESDAY, 24th MAY 2023** at **7.00 p.m.** for the purpose of transacting the business mentioned in the Agenda

Yours sincerely

Martin K. Ayres

Town Clerk

PLEASE NOTE: **15 MINUTES OF PUBLIC PARTICIPATION TIME WILL BE HELD AT 7.00 P.M. PRIOR TO THE COMMENCEMENT OF THE MEETING.**

Although legal restrictions in relation to the Covid-19 pandemic have been lifted, Swanage Town Council will, in accordance with advice issued by Public Health Dorset, continue to take appropriate precautions to limit the risk of transmitting the disease and politely asks those planning to attend this meeting to do the following:

- at the earliest opportunity notify the Council of your intention to attend by e-mail admin@swanage.gov.uk or telephone 01929 423636, because capacity will continue to be carefully managed;
- stay at home if you feel unwell and/or have Covid symptoms;
- wear warm clothing to the meeting as doors and windows will be open for ventilation purposes;
- be mindful of others and respectful of their personal space.

The latest advice from Public Health Dorset can be found here: [News and updates - Public Health Dorset - Dorset Council](#)

To all Members of the Council

A G E N D A

1. Apologies.

2. Declarations of Interest and consideration of requests for Grants of Dispensations
(Councillors are reminded of their obligations to declare their interests in accordance with Section 9 and Appendix B of the Council’s Code of Conduct).
 3. To consider the independence of the internal auditor and to confirm there is no conflict of interest with the external auditor.
 4. Internal Audit Report 2022/23. (Reports enclosed).
 - (a) Visit 6 of 6.
 - (b) Annual Report.
 5. To review the system of internal control. (Report enclosed).
 6. To approve the following sections of the Annual Governance & Accountability Return 2022/23 Form 3 for submission to the Council’s External Auditor:
 - (a) Section 1 – Annual Governance Statement 2022/23
 - (b) Section 2 – Accounting Statements 2022/23 (Copy enclosed).
 7. To receive Annual Treasury Report 2022/23. (Copy enclosed).
 8. Items of Information and Matters for Forthcoming Agendas.
 - * 9. Seafront stabilisation and enhancement scheme
 - (a) To consider proposal from Dorset Coast Forum to undertake public consultation. (Copy enclosed).
 - (b) To consider engaging WSP under a retainer to provide professional advice re. stabilisation works. (Briefing note to follow).
 - * 10. Victoria Terrace/Marsh Way Wall Stabilisation – To consider engaging professional advice to prepare costed engineering options. (Briefing note to follow).
 - * 11. Former Taxi Office, Swanage Station – To agree new lease arrangements. (Briefing note to follow).
 - * 12. Property-Related Legal Matters
 - (a) Beach Ice Cream Kiosks – To receive update following determination of County Court Claim.
- * Under Standing Order No. 1 c), it is envisaged that in view of the confidential nature of the business to be transacted, it is advisable in the public interest that the press and public will be excluded from the Meeting during consideration of agenda items 9, 10, 11 and 12 (due to legal and commercial confidentiality).
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FINAL

Internal audit report 2022/23

Visit 6 of 6

SWANAGE TOWN COUNCIL

Date: 17th May 2023

Report author: R Darkin-Miller
Email: r.darkin@darkinmiller.co.uk

Introduction

This report contains a note of the audit recommendations made to Swanage Town Council following the carrying out of internal audit testing on site on the 12th and 15th May 2023 respectively.

The audit work has been carried out in accordance with Appendix 9 of the 2014 'Governance and Accountability for Local Councils: A Practitioners' Guide', with additional tests specific to the Council as agreed with the Town Clerk and Finance Manager, and later tests as added by the AGAR requirements.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

Audit Opinion

The internal audit for 2022/23 has now been completed in accordance with the provisions of the Practitioners' Guide and the CIPFA code of internal audit practice.

Based on the sample testing carried out at this final audit visit and during the year, all of the Council's current financial controls appear to be operating effectively.

Audit Recommendations

Recommendations made during the audit are shown in appendix one to this report. Recommendations are graded as follows:

Rating	Significance
High	Either a critical business risk is not being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

The number of recommendations made at this audit visit and their priority are summarised in the following table:

Rating	Number
High	0
Medium	3
Low	2
Info	0
TOTAL	5

The number of recommendations made in total during this audit year is as follows:

Rating	Number						
Visit	1	2&3	4	5	5 (confi)	6	TOTAL
High	0	3	1	2	1	0	7
Medium	0	4	5	4	0	3	16
Low	7	3	4	2	0	2	16
Information	0	0	0	1	0	0	1
TOTAL	7	10	10	9	1	5	40

I would like to thank Alison Spencer, Finance Manager for her assistance during this audit.

Darkin Miller ~ Chartered Accountants
2022/23 INTERNAL AUDIT OF SWANAGE TOWN COUNCIL
FINAL REPORT VISIT 6 OF 6: 16th MAY 2023

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/Medium/High)	Management Response	Responsible Officer	Due Date
3.5 – Amend date in approval minute	<p>I reviewed the Council and Committee minutes to see if there was any unusual financial activity. I found no such activity, but noted that minute 130b of the Council meeting of 30/01/23 referred in error to the approval of the minutes of 16/12/22 (the meeting was held on 16/01/23).</p> <p>I recommend that an amendment is made in order to ensure that a complete record of approved Council business and decisions is held.</p>	L	Agreed	TH1	May 2023
3.6 – Consider how to deal with minutes of sub-committees, and ensure committees work within delegations	<p>The Council, as a large and complex Council, has a number of standing committees, advisory committees, sub-committees, and working groups in order to cover the complex and varied aspects of its operational and strategic business. I was told that advisory committee minutes are not included in the minute book as these committees do not make any decisions, and sub-committee minutes are not included as they report to standing committees. I found that at the Capital Projects Sub Committee meeting of 08/06/22, the committee made a number of recommendations directly to Council instead of to its standing committee, but that the minutes of this committee were not included in the signed set of Council and Committee minutes. The Town Clerk advised that this occurred</p>	M	<p>Agreed to maintain separate minute folders for the meetings of sub and advisory committee meetings.</p> <p>Reporting processes have since been clarified by adoption of a scheme of delegation and revised committee terms of reference was adopted in March 2023.</p>	TH1,TH2 & TH7	May 2023

	<p>because most meetings of the Council’s standing committees were cancelled during summer 2023 pending a review of the committee structure, therefore a pragmatic approach was taken.</p> <p>As the Capital Projects Sub Committee meeting of 08/06/22 appears to have acted as a pseudo standing committee by making recommendations to Council, it would seem appropriate that the minutes of this committee are included within the Council minutes in order to ensure that the minutes reflect all business and decisions enacted during the civic year. However, I note that the Council and Committee minutes are printed and sequentially numbered, and that the inclusion of this set of minutes would be otherwise inconsistent with the exclusion of the minutes of other sub-committees.</p> <p>The Planning and Community Engagement Manager suggested that it may be appropriate for such minutes to be separately filed and signed by the Chair as a true record. This would seem to be an appropriate solution which ensures that the Council and Committee minutes remain consistent, but that an approved record of the business transacted at sub-committees is maintained.</p> <p>I recommend that Council considers how best to ensure that a clear record of approved Council business and decisions is maintained, and that Committees act within their delegations.</p>				
3.7 – Ensure minutes are	I noted that the minutes have not been signed since 26/09/22. It is important that they are signed when	M	Agreed	TH2 & TH7	May 2023

signed once approved	<p>approved in order to evidence that the minutes are the approved record of Council business and decisions.</p> <p>The Planning and Community Engagement Manager noted that they would be signed at the next Council meeting on 22/05/23.</p> <p>I recommend that this is carried out as planned.</p>				
5.1 – Ensure concession agreements signed	<p>I checked to see that prices charged agreed with those set by the Council for a sample of income streams. I found that the prices charged agreed for 75/76 samples (a recommendation was made earlier in the year in relation to the sample that did not agree), but noted that for 2/76 samples, where the Council had let beach concessions, the related agreement had not yet been signed.</p> <p>I recommend that the concession agreements are signed as soon as possible in order to ensure that there is clarity over the income due under the agreements.</p>	M	Agreed	TH1	July 2023
5.2 – Ensure all periodic income included on schedule	<p>I checked to see that the schedule of debtors contains a note of all periodic income (in order to ensure that such income is promptly invoiced). I found that the vast majority of such income is included, but that there are no entries for the Monkey Beach concession, nor the ECVF income.</p> <p>I recommend that both are added in order to ensure that all periodic income is included so that it can be invoiced in a timely manner.</p>	L	Agreed.	TH3 & TH4	Implemented May 2023

Annual Internal Audit Report 2022/23

SWANAGE TOWN COUNCIL

ENTER PUBLICLY AVAILABLE WEBSITE ADDRESS
www.swanage.gov.uk

During the financial year ended 31 March 2023, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2022/23 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2021/22 AGAR tick "not covered")</i>	✓		
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	✓		
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(during the 2022-23 AGAR period, were public rights in relation to the 2021-22 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).</i>	✓		
N. The authority has complied with the publication requirements for 2021/22 AGAR <i>(see AGAR Page 1 Guidance Notes).</i>	✓		
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	✓		

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

PLEASE SEE ATTACHED DD/MM/YYYY DD/MM/YYYY

Name of person who carried out the internal audit

Mrs R Darkin-Miller LLB(Hons) BFP FCA

Signature of person who carried out the internal audit

SIGNATURE REQUIRED

Date

16/05/2023

***If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).**

****Note:** If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Dates internal audit undertaken:

07/09/22	08/09/22	12/09/22	12/10/22	14/10/22	21/11/22
25/11/22	28/11/22	30/11/22	05/12/22	21/12/22	22/12/22
30/01/23	10/02/23	15/02/23	06/03/23	12/05/23	15/05/23



R Darkin-Miller LLB (Hons) BFP FCA 16/05/23



Agenda Item 4 b)

FINAL

Annual Internal Audit Report 2022/23

**SWANAGE TOWN
COUNCIL**

Date: 17th May 2023

Report author: R Darkin-Miller
Email: r.darkin@darkinmiller.co.uk

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1 Introduction

- 1.1 Internal audit provides Members and management with assurance that the internal controls required for the proper stewardship of public funds are being adequately maintained. This is a statutory function provided in accordance with Accounts and Audit Regulations. The level of assurance is in accordance with the agreed audit plan (Appendix A), which is designed to ensure that all of the Council's significant finance and governance systems are subject to audit on an annual basis, with less material or inherently risky systems audited periodically in accordance with a strategic audit plan, and with the depth of the audits determined by an assessment of risk and materiality.
- 1.2 The main purpose of this report is to provide an opinion on the assurance that can be placed on the internal control system.

2 Audit Objectives and the Internal Control System

- 2.1 Internal Audit's principal objective is to provide an independent appraisal function for the review of the internal control system as a service to the authority. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 2.2 The internal control system is not fixed but can and should evolve in response to the changing local government environment. It must, therefore, be subject to continual review and it will always be possible to improve on the overall system. The review of the internal control system is encompassed by all of the audit activities listed below.
- 2.3 The main objectives of the internal control system are to:
 - ◆ Ensure adherence to management policies and directives, in order to achieve organisational objectives.
 - ◆ Safeguard assets.
 - ◆ Secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of the records.
 - ◆ Ensure compliance with statutory requirements.

3 Audit Opinion

Based on the internal audit reviews completed in respect of 2022/23, in accordance with the annual audit plan, Swanage Town Council's central systems and internal control arrangements appear to be effective.

4 Summary of Activity

- 4.1 A total of six audit reports covering six visits have been issued in 2022/23 relating to the standard internal audit programme for local Councils (appendix 9 audits per the 2014 Practitioner's Guide, plus additional tests introduced by later AGARs), as supplemented by additional testing specific to Swanage Town Council. No additional audits were carried out in the year. The audits carried out in 2022/23 covered a variety of services and functions, resulting in a range of recommendations, which in the main related to improvements in record keeping and financial procedures. During the course of the audit, each recommendation was discussed with the relevant staff, the Finance Manager and the Town Clerk.
- 4.2 In addition to the planned audit work set out above, advice was also provided on an ad-hoc basis ranging from systems issues to potential irregularities, and Trust funds and the statements of the Community Partnership were independently examined where required.

5 Format of Audit Reports

- 5.1 Three standard formats are used for reports.
- 5.2 The in-year appendix 9 audit reports identify which systems were reviewed during the audit visits and (in a separate action plan) note the findings, implications and recommendations made in relation to areas of identified control weaknesses. Management responses, responsible officers and due dates are also captured within the action plan.
- 5.3 The end-of-year appendix 9 audit report summarises the audit opinion for the year, in addition to noting findings, implications and recommendations from the final audit visit.
- 5.4 The third audit report format is for non-appendix 9 audits. This report notes the risks being tested by the audit, the audit opinion (where the range of assurance

given is full/reasonable/partial/none) and the findings from each of the tests carried out. Recommendations made during the audit are shown within the report and are summarised in an action table at the end of the report.

- 5.5 Each audit report uses the following grading system for the significance of recommendations made:

Rating	Significance
High	Either a critical business risk is or may not be being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

- 5.6 In addition, each audit continues to be supported by detailed working papers for each of the audit tests undertaken.

6 Audit Recommendations

- 6.1 A summary of the number and significance of appendix 9 audit recommendations, is shown below:

Rating	Number						
Visit	1	2&3	4	5	5 (conf*)	6	TOTAL
High	0	3	1	2	1	0	7
Medium	0	4	5	4	0	3	16
Low	7	3	4	2	0	2	16
Information	0	0	0	1	0	0	1
TOTAL	7	10	10	9	1	2	40

- 6.2 In total 40 ‘appendix 9’ recommendations were made in 2022/23 (2021/22: 26 ‘appendix 9’ recommendations). 7 were graded ‘high’, and 16 ‘medium’ (21/22: 2H and 11M for appendix 9).
- 6.3 The recommendations from the high and medium level findings and recommendations (and related management responses) are noted at the end of this report for information. The full findings can be found in the underlying detailed audit reports. *The confidential recommendation has not been included in order to ensure that this report can be published.

7 Follow-up

- 7.1 The role of the Policy, Finance and Performance Management Committee continues to be effective in supporting the implementation of audit recommendations and follow-up issues. During 2022/23, officers reported back to the Committee on progress with the implementation of agreed audit recommendations. In addition, a responsible officer continues to be identified for each recommendation. As a result performance on implementing recommendations is very good.

8 Conclusions

- 8.1 The number of appendix 9 recommendations made has increased year on year. This was mainly due to the raising of recommendations in relation to the periodic review of Stocks and Stores, which accounted for 7 of the low level recommendations, and due to a higher than normal number of recommendations in relation to the Market operation (11 recommendations made in year of which 8M, 3L). Overall recommendations remain low for a Council of this size, mainly as a result of the prompt implementation of agreed audit recommendations which improved the control environment.
- 8.2 As agreed with the Town Clerk, elements of the detailed audit relating to income and the depot have been moved to a periodic audit review over a four year strategic audit plan. The number of days spent carrying out the core appendix 9 audit was 15.25 days (2021/22: 14.25).
- 8.3 0 additional days of audit work were carried out in relation to ad-hoc reviews, leaving the total number of audit days at 15.25 (2021/22: 0.5 additional days, total 14.75).
- 8.4 Whilst the Internal Audit function is unable to give absolute assurance, the results of the reviews completed during the year have resulted in an overall opinion that: in all material respects:
- Key central systems and internal control arrangements continue to be effective;
 - Agreed policies, regulations and Standing Orders are complied with;
 - Managers are aware of the importance of maintaining internal controls and accept recommendations made by Internal Audit to improve internal controls; and
 - Adequate arrangements are in place to prevent and detect fraud.

8.5 The annual audit did not identify any significant control weaknesses for inclusion in the Annual Governance Statement.

I would like to thank the staff at the Town Council for their high level of co-operation during my internal audit work throughout the year.

Rosie Darkin-Miller LLB (Hons) BFP FCA
Principal
Darkin Miller ~ Chartered Accountants

Darkin Miller ~ Chartered Accountants
2022/23 INTERNAL AUDIT OF SWANAGE TOWN COUNCIL
ANNUAL AUDIT REPORT: SUMMARY OF HIGH AND MEDIUM LEVEL RECOMMENDATIONS

Appendix 1 – Recommendations and Action Plan

Recommendation number [Report number]	Detail	Priority (Low/ Medium/ High)	Management Response	Responsible Officer	Due Date
5.1 – Action on debt collection [2&3]	I recommend that steps are taken to resolve the disputes for the £4k of debt and chase the £2.9k of debt, and that the Council continues to take action to recover the £39.5k of debt and keep Members apprised of the outcome.	M	Agreed.	TH3 & TH4	January 2023
21.1 – Ensure signed agreements in place for all stallholders [2&3]	I recommend that signed agreements are put in place for all stallholders.	M	Due to reasonable high levels of staff turnover at the market for 2022, the collection of full documentation has been a challenge at times. However the Visitor Services Manager has now passed this responsibility to the new role of Business Development Officer and for next year is hoping to create a permanent role to support the Market each Friday. He is confident that this issue will be resolved going forward.	TIC1 & TIC9	Ongoing
21.2 – Ensure market reconciliation spreadsheet is up to date and reconciled to Sage	I recommend that the spreadsheet is reconciled to Sage with amendments posted to Sage or the spreadsheet as required in order to ensure that both contain an accurate, up to date record of the amount due to be paid by stallholders, and the monies received. I further recommend that the seasonal and daily trader	M	Some of these issues have occurred as both the current Market Attendant and Business Development Officer have recently started their new roles and the training has coincided with a particularly busy time for the	TIC1, TIC9 & SA01	Ongoing

[2&3]	information is clearly split out on the spreadsheet so that the audit trail is clearer. This will reduce the risk of fraud and error.		Visitor Services Manager. However he is now confident that this issue will be resolved going forward.		
21.3 – Ensure new customers set up with the correct default nominal code and VAT type [2&3]	I recommend that when new customer accounts are created, the system defaults are used to set up the default income and VAT code, which will help to ensure that the correct nominal code and VAT type is used for each market income invoice.	M	This was human error and all those who input on Sage within the team will be reminded of the appropriate VAT rates. The use of a default setting will be investigated as suggested.	TIC 1 & TIC9	Ongoing
21.4 – Prompt posting of invoices [2&3]	I further recommend that invoices are posted to Sage once they are raised in order to book the income and create the debtor, which will improve the accuracy of budget monitoring and the ability of the Council to manage and recover overdue debt.	M	Agreed	TH3 & TH4	Ongoing
21.6 – Train Business Development Officer on Sage [2&3]	I recommend that training on the finance system is provided to the Business Development Officer in order to ensure that the finance system is properly used.	M	The Business Development Officer has not yet had any access to SAGE and training will be taking place in January 2023.	TIC1	January 2023
21.7 – Ensure prompt correction of charging errors [2&3]	I recommend that any future pricing errors are corrected promptly in order to ensure that the correct price is charged and all due income received for each market stall.	M	Agreed	TIC 1 & TIC 9	Ongoing
23.1 – Developer to ensure no	I recommend that the Council gets the developer to confirm that no other system	H	This issue was resolved with the developer. In addition we are now	TIC1	Complete

further system errors within Beach Hut booking system [2&3]	errors are in place which would generate undercharges on the rental income.		using a new IT system from an alternative company.		
2.2 – Amend VAT on Barclaycard and check other transactions [4]	I recommend that the Barclaycard transactions are checked and adjustments made to the VAT in order to recover all VAT due takes place as planned.	M	Agreed	TH3	January 2023
2.3 – Check tender threshold in s.11.9 of the Financial Regulations [4]	I recommend that Council considers whether s.11.9 needs amending in light of the change to s.11.11 in order to ensure that the Financial Regulations are clear and consistent with regards to tender thresholds.	M	It is agreed that the Finance & Governance Committee reviews the Financial Regulations, specifically section 11-Contracts, to ensure that it is clear. However, this will be done once The Procurement Bill is passed into law in 2023 and any required revisions can then be incorporated into the Financial Regulations at that point.	TH1 & TH3	December 2023
6.1 – Ensure safe accessible at all times [4]	I recommend that a note of the safe combination is made and kept in a secure location, in order to ensure that the float can be accessed and checked when required.	M	Agreed	TIC1	With immediate effect
19.2 – Reconcile Mermond and Co-op car park	I recommend that the reconciliation and adjustments are carried out as planned as soon as possible in order to ensure that the Council and the Co-op's share of income and	H	Agreed	TH3	February 2023

income and expenditure [4]	expenditure is correctly stated, and to ensure that the Council has recovered the correct amount for expenditure it incurs administering the ticket machines on behalf of the Co-op.				
21.8 – Ensure correct fee charged for stall size [4]	I recommend that the stall sizes are checked to ensure that the correct rent is being charged allowing for the flexibility over stall size during quiet periods.	M	Agreed: At the time of the audit visit, both staff were reasonably new to the market and the induction process was still in place. These issues have now been dealt with through this process.	TIC 1, TIC 6 & TIC 9	Completed
21.11 – Ensure sundry debtor income identified and posted to correct debtor [4]	I recommend that the coding is corrected as planned, and that the coding of market rent is double checked prior to entry onto the finance system to ensure that any sundry debtor income is identified and posted to the correct debtor account.	M	Agreed: We are currently reviewing the way we manage this process and the new Business Development Support Officer has taken a lead so we do not anticipate issues of this nature in the future	TIC9	February 2023
I checked to see that the audit recommendations made in relation to the 2019/20 review of the council's policy documents and compliance with the Transparency Code had been implemented. There had been a delay in 20/21 and 21/22 due to Coronavirus so the recommendations were re-raised in the 21/22 audit report. The original recommendations are noted below in italics at items 3.2 – 3.4. Additional comments have been added in un-italicised text below.					
3.2 – Implement risk register and policy documents actions from 2019/20 audit [5]	<i>I recommend that comparison carried out during the testing is used to identify where documents should be included in the risk register or FOI scheme, or published to the Council's website, and that the Council considers whether the named policies should be adopted and/or published. This will help to ensure that the Council's risk register and policy documents are up to date.</i>	M	Agree as before. Preparation of a Policy Register with relevant dates of review will be produced and used as a monitoring tool to ensure compliance. A significant amount of work has been carried out post-pandemic in updating policy documents, but it	TH1 & TH7	June 2023

	The original deadline for this recommendation was March 2023. The Finance Manager noted that, as at 08/03/22, this work is ongoing.		is acknowledged that this is a work in progress.		
3.3 [5]	<p><i>I recommend that a policy control sheet is drawn up (this could be based on the comparison sheet created during the audit) to show the policy name, its purpose (or the risk it is managing), the date of adoption, the review date, and where the policy is published. This will make it easier to ensure that policy updates are carried out in a timely manner, and that all published versions of the policies are updated when changes are made.</i></p> <p>The original deadline for this recommendation was March 2023. The Finance Manager noted that, as at 08/03/22, this work is ongoing.</p>	M	Agreed – see above.	TH1 & TH7	June 2023
3.4 [5]	<p><i>I also noted that the Council's publications under the Transparency Code are not up to date, with payments lists only published to June 2017, tender and contract information to Q1 2015/16, and no information published in relation to other required items such as information on Council properties.</i></p> <p>The Council noted that 'the information is published (via agenda papers, minutes and the Dorset Explorer website) [but that it] should be made more readily accessible from the relevant web page'.</p>	H	Agreed. Work is ongoing in this matter with some progress made and more imminent.	TH1 and Management Team	September 2023

	The original deadline for this recommendation was September 2023. The Finance Manager noted that, as at 08/03/22, this work is in progress and expected to be up to date by September 2023.				
19.4 – Ensure residents’ permit database fully completed [5]	I recommend that no entries are deleted on the database, and that all available fields are fully completed, in order to improve the audit trail.	M	Agreed	TH5 & TH6	March 2023
24.1 – Lease schedule [5]	I recommend that the collating of rental information is completed as soon as possible, to note for each asset the: <ul style="list-style-type: none"> - Asset - Tenant - Lease/licence start, end and review dates - Initial and subsequent rent values (with a note of the date and minute of the Council meeting where agreed if relevant) - For any leases or licences with expired terms or for which a review date has passed - a note of the action being taken to let a new lease or carry out the rent review - Plus any other information that will enable timely management of rental income <p>And that this information is review by the PFPM committee at least once a year in to ensure that all leases and licences are up to date and rent is being charged in accordance with those agreements.</p>	H	Agree. Spreadsheets to be updated. F&G to review each January for the year ahead.	TH1 & TH3	September 2023

<p>24.2 – Ensure debtors schedule is up to date and rents invoiced as soon as possible</p> <p>[5]</p>	<p>I recommend that:</p> <ol style="list-style-type: none"> 1. The schedule of debtors is updated to remove the entry for the observatory, and to include the boat rings (if material), motor boats, and the amount due in relation to the Downs wayleave, and to correct the name of the lessor for the chalet. 2. The Prospect Nursery and Football Ground agreements are concluded and related rental charged as soon as possible, in order to ensure that there is clarity over lease terms and that the Council receives all income due. 3. The matters are reported back to the PFPM Committee (as has been carried out previously) in order to ensure member oversight of ongoing lease negotiations and rent reviews. This will improve the audit trail and help to ensure that the correct amount is charged to the correct tenant at the correct time. 	<p>M</p>	<p>Agreed, but note that the majority of the lease/licence agreements referred to are either peppercorn or nominal rents. F&G to review each January as above.</p>	<p>TH1 & TH3</p>	<p>April 2023</p>
<p>3.6 – Consider how to deal with minutes of sub-committees, and ensure committees work within delegations</p> <p>[6]</p>	<p>I recommend that Council considers how best to ensure that a clear record of approved Council business and decisions is maintained, and that Committees act within their delegations.</p>	<p>M</p>	<p>Agreed to maintain separate minute folders for the meetings of sub and advisory committee meetings.</p> <p>Reporting processes have since been clarified by adoption of a scheme of delegation and revised committee terms of reference was adopted in March 2023.</p>	<p>TH1,TH2 & TH7</p>	<p>May 2023</p>

<p>3.7 – Ensure minutes are signed once approved</p> <p>[6]</p>	<p>I recommend that [the Council and Committee minutes from 26/09/22 are signed at the next Council meeting on 22/05/23] as planned.</p>	<p>M</p>	<p>Agreed</p>	<p>TH2 & TH7</p>	<p>May 2023</p>
<p>5.1 – Ensure concession agreements signed</p> <p>[6]</p>	<p>I recommend that the concession agreements are signed as soon as possible in order to ensure that there is clarity over the income due under the agreements.</p>	<p>M</p>	<p>Agreed</p>	<p>TH1</p>	<p>July 2023</p>

	Days			
	2022/23	2023/24	2024/25	2025/26
	Actual	Planned		
Income				
Allotments		0.50		0.50
Beach Gardens		1.00		1.00
Boat Park		1.00		1.00
Car Parks	1.50	1.00	2.00	1.00
Cash Collection and Bank reconciliation	0.25	0.75	0.75	0.75
Cemeteries		0.75		0.75
Debtors	1.25	0.75	0.75	0.75
Market	1.50		0.50	
Lease Income	0.75		0.50	
TIC Cash Income		0.50		0.50
TIC Rent Income	1.25		1.00	
<i>Section Total</i>	6.50	6.25	5.50	6.25
Expenditure				
Bookkeeping	0.25	0.25	0.25	0.25
Creditors – payments	1.00	2.00	2.00	2.00
Depot stocks and stores	0.75		1.00	
Payroll	1.50	1.50	1.50	1.50
Petty cash and imprests	0.50	0.50	0.50	0.50
Bank reconciliation and Treasury management	0.50	0.50	0.50	0.50
Budgetary Control	0.25	0.50	0.50	0.50
Risk Management	1.00	1.00	1.00	1.00
Year end procedures and Fixed Assets	1.50	1.25	1.25	1.25
<i>Section Total</i>	7.25	7.50	8.50	7.50
Other audit areas				
Trust Funds	0.15	0.25	0.25	0.25
Community Partnership	0.10	0.25	0.25	0.25
Additional audit work	0.00	0.00	0.00	0.00
Available audit days/contingency	0.00	2.75	2.50	2.75
<i>Section Total</i>	0.25	3.25	3.00	3.25
Management/planning/reporting	1.25	1.00	1.00	1.00
TOTAL	15.25	18.00	18.00	18.00

Report on the Findings of the Review of the System of Internal Control 2022/23

Under paragraph 6(1)(a) of the Accounts and Audit Regulations 2015 the Town Council has an obligation to conduct a review of its System of Internal Control at least once a year. The findings of the review must be considered by the Council as a whole prior to the adoption of the Annual Governance Statement, which forms part of the Annual Governance and Accountability Return Form 3.

The System of Internal Control (SIC) is a core part of the Council's governance framework and consists of a set of checks and balances designed to ensure that proper arrangements are made to safeguard the public money and resources in its charge. The SIC is designed to manage risk to a reasonable level, and to prevent and detect fraud and corruption. It is acknowledged that it cannot eliminate all financial and operational risks, and can only provide reasonable and not absolute assurance of effectiveness.

Important elements of the Council's SIC include:

- adherence to financial regulations and standing orders;
- adoption of appropriate corporate and financial plans;
- action on reports from both internal and external auditors;
- arrangements for risk management, including maintenance of a Corporate Risk Register;
- compliance with administrative procedures including the segregation of duties so far as is possible in a small organisation;
- scrutiny of management accounts, annual estimates, budget forecasting and variance reports by Members.

Following public consultation in the autumn of 2022, the Town Council adopted its Corporate Plan for the period 2023-25 at its meeting held on 13th March 2023. The document sets out five corporate priorities, together with key actions to be taken during the lifetime of the plan. The priorities include a commitment to delivering good governance.

The Council has also recently reviewed its committee structure, to ensure that its committee terms of reference are aligned to its corporate priorities. As a result, the former Policy, Finance and Performance Management Committee has been renamed the Finance and Governance Committee. It continues to play a vital role in overseeing the Council's spending and investment plans, reviewing Council policies, prioritising actions and monitoring the delivery of agreed projects.

The following policy documents were reviewed during 2022/23 to strengthen the system of internal control, and revised versions were adopted at the meetings indicated below:

- Members' and Officers' Protocol (Council Meeting – 26th September 2022)
- Reserves and Balances Policy (Council Meeting – 16th January 2023)

- Treasury Management and Investment Strategy Statement (Council Meeting – 16th January 2023)
- Committee Terms of Reference and Scheme of Delegation (Council Meeting – 13th March 2023)
- Corporate Risk Register (Council Meeting - 13th March 2023).

In effect, the Council keeps the system of internal control under constant review, addressing matters raised by the internal and external auditors at the earliest opportunity. The external auditors (PKF Littlejohn) did not identify any matters for consideration by the Town Council and this was reported to the Council Meeting held on 26th September 2022.

The process of internal audit is key to the review of the SIC, the Council again having appointed Darkin Miller Chartered Accountants to provide internal audit services. Each autumn a meeting is held between the Internal Auditor and the Town Clerk, in his capacity as the Responsible Finance Officer under Section 151 of the Local Government Act 1972, to review and approve the annual risk-based audit plan to ensure that all significant risks are addressed. This year that duty was delegated to the Finance Manager and the meeting took place on 7th September 2022. As a result, it was agreed to increase the audit work in connection with the market, given recent changes to the relevant management systems. As previously agreed, lower-risk Council activities are audited on a rolling 4-year programme, rather than every year.

The internal auditor's interim reports are addressed by appropriate departmental managers as soon as they are completed. Responses are co-ordinated by the Finance Manager and incorporated into the internal auditor's reports to the Finance & Governance Committee, which were considered on 9th November and 14th December 2022, and on 22nd February and 15th March 2023. This ensures that actions are taken at the earliest possible opportunity. The following are examples of amendments that have either been made to the SIC as a result of the internal auditor's reports during 2022/23, or are in the process of being implemented:

- Improvements to market procedures;
- Revisions to contract regulations (Section 11 Financial Regulations);
- Creation of a register of policy documents, with a schedule of review dates.

The Committee also reviewed progress in implementing the recommendations from the previous audit year on 15th March 2023.

The internal auditor's annual report for 2022/23 confirms that no significant control weaknesses were identified for inclusion in the Council's Annual Governance Statement.

In conclusion, the Town Council continues to take measures to improve its SIC to ensure that public funds are used economically, efficiently and effectively. During 2023/24 the Finance & Governance Committee will continue its important work in overseeing the implementation

of recommendations from the internal and external auditors, together with improvements identified in the Corporate Risk Register and a review of key Council policy documents. The Committee has identified the publication of a Medium Term Financial Strategy as a key priority.

Martin Ayres
Town Clerk and RFO - May 2023

Section 1 – Annual Governance Statement 2022/23

We acknowledge as the members of:

ENTER NAME OF AUTHORITY

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2023, that:

	<i>Agreed</i>		<i>'Yes' means that this authority:</i>
	<i>Yes</i>	<i>No*</i>	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.			<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.			<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.			<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.			<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.			<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.			<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>
7. We took appropriate action on all matters raised in reports from internal and external audit.			<i>responded to matters brought to its attention by internal and external audit.</i>
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.			<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A
			<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>

***Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.**

This Annual Governance Statement was approved at a meeting of the authority on:

DD/MM/YYYY

and recorded as minute reference:

MINUTE REFERENCE

Signed by the Chairman and Clerk of the meeting where approval was given:

Chairman

SIGNATURE REQUIRED

Clerk

SIGNATURE REQUIRED

ENTER PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

Section 2 – Accounting Statements 2022/23 for

ENTER NAME OF AUTHORITY

	Year ending		Notes and guidance
	31 March 2022 Restated £	31 March 2023 £	
			<i>Please round all figures to nearest £1. Do not leave any boxes blank and report £0 or Nil balances. All figures must agree to underlying financial records.</i>
1. Balances brought forward			<i>Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.</i>
2. (+) Precept or Rates and Levies			<i>Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.</i>
3. (+) Total other receipts			<i>Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.</i>
4. (-) Staff costs			<i>Total expenditure or payments made to and on behalf of all employees. Include gross salaries and wages, employers NI contributions, employers pension contributions, gratuities and severance payments.</i>
5. (-) Loan interest/capital repayments			<i>Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).</i>
6. (-) All other payments			<i>Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).</i>
7. (=) Balances carried forward			<i>Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).</i>
8. Total value of cash and short term investments			<i>The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.</i>
9. Total fixed assets plus long term investments and assets			<i>The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.</i>
10. Total borrowings			<i>The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).</i>

For Local Councils Only	Yes	No	N/A	
11a. Disclosure note re Trust funds (including charitable)				<i>The Council, as a body corporate, acts as sole trustee and is responsible for managing Trust funds or assets.</i>
11b. Disclosure note re Trust funds (including charitable)				<i>The figures in the accounting statements above do not include any Trust transactions.</i>

I certify that for the year ended 31 March 2023 the Accounting Statements in this Annual Governance and Accountability Return have been prepared on either a receipts and payments or income and expenditure basis following the guidance in Governance and Accountability for Smaller Authorities – a Practitioners' Guide to Proper Practices and present fairly the financial position of this authority.

Signed by Responsible Financial Officer before being presented to the authority for approval

SIGNATURE REQUIRED

Date DD/MM/YYYY

I confirm that these Accounting Statements were approved by this authority on this date:

DD/MM/YYYY

as recorded in minute reference:

MINUTE REFERENCE

Signed by Chairman of the meeting where the Accounting Statements were approved

SIGNATURE REQUIRED

SWANAGE TOWN COUNCIL



Financial Review Year Ended 31st March 2023

Contents

1. Introduction and Overview
2. Financial Review
 - Revenue Account/Service Provision
 - Capital Programme and Planning
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 - Earmarked Reserves
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 - Income & Expenditure
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 - Tangible Fixed Assets and Long-Term Investments
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1. Introduction & Overview

In line with the Accounts and Audit (England) Regulations 2015, the Town Council's statutory statement of account is the Annual Governance & Accountability Return (AGAR), a format developed for the town and parish council sector and other 'smaller relevant bodies' (SRB) with annual income or expenditure of less than £6.5m.

However, given its wide-ranging role as one of the largest town councils in England, the Council has agreed that it should produce a separate review of the financial year, to provide a more detailed commentary on the Council's finances for the benefit of councillors and officers, and to provide transparency for local residents.

2. Financial Review

Revenue Account/Service Provision

A summary of the Council's budgeted and actual income and expenditure, with variances, is given below.

Service	Net Expenditure	Budgeted Net Expenditure	Variance Year to Date
Car Parks	(511,874)	(425,675)	(86,199)
Boat Park	(30,268)	(10,230)	(20,038)
Public Conveniences	139,400	135,625	3,775
Cemeteries	(4,141)	(1,100)	(3,041)
Parks and Operations (incl CCTV)	694,502	642,590	51,912
Beach Gardens	3,240	10,970	(7,730)
Beaches/Foreshore	79,958	86,105	(6,147)
Beach Chalets/Bungalows	(118,964)	(121,900)	2,936
Publicity/Tourism	221,181	215,595	5,586
Allotments	(7,669)	(6,340)	(1,329)
General Buildings/Misc Areas	(54,941)	(71,350)	16,409
Central services to the public:	380,045	426,920	(46,875)
Democratic & Corporate Management	123,819	107,800	16,019
Grants & Donations	24,480	21,700	2,780
Net Cost of Services	938,768	1,010,710	(71,942)
Interest payable and similar charges	4,269	4,400	(131)
Interest and investment income	(208,002)	(140,000)	(68,002)
Net Operating expenditure	735,035	875,110	(140,075)
Other Movements on the General Fund	238,498	37,000	201,498
Amount to be financed:	973,533	912,110	61,423
Financed by:			
Grants/Donations	(22,000)	(3,000)	(19,000)
Community Infrastructure Levy	(118,460)	0	(118,460)
Precept on Dorset Council	(840,000)	(840,000)	0
Total Financing:	(980,460)	(843,000)	(137,460)
(Surplus)/Deficit for the Period	(6,928)	69,110	(76,038)

FINANCIAL REVIEW 2022/23

During 2022/23 the net expenditure on Town Council services, taking into account all revenue income and expenditure, was £735,035, this being £140,075 less than budgeted. The Council received a total of £840,000 in Precept, together with grants, donations and other contributions of £140,460. It also contributed a net sum of £238,498 to its earmarked reserves to fund specific projects. Overall, this resulted in a surplus on the General Fund for the year of £6,928.

In addition to the parish precept, the Town Council has two other principal sources of income: car parking charges and investment income. Car parking income significantly exceeded budget, bringing in £95,000 more than anticipated. This constitutes the Council's largest variance against budget. In January 2022, a relatively cautious approach was taken to budget setting given the uncertainty around how visitors would react once travel abroad fully re-opened post-pandemic. Although parking income in 2022/23 was £22,000 less than in the previous financial year, the number of users of the council's car parks remained significantly higher than in 2019, no doubt assisted by the exceptionally warm and dry summer weather.

Income from the Council's investments also significantly exceeded budget, due both to the deferral of capital expenditure and the sharp increase in interest rates that has occurred since budget setting in January 2022. This is analysed further below in the Treasury Management section of this review. Due to a change in accounting guidance, this figure now includes the interest received for the fourth quarter of 2021/22 and the first three quarters of 2022/23.

The impact of increased visitor numbers to the town continued to be seen across most of the Council's sources of seasonal income. Beach hut income increased year-on-year, although only the Spa significantly exceeded budget. Income was also higher than budgeted from the Boat Park, an underspend due to the deferral of works from the repairs and maintenance budget contributing to a significant positive variance. At Beach Gardens income showed little change year-on-year and was marginally below budget. However, changes to the regulations in respect of VAT on leisure services has led to income being £15,000 over budget and a significantly reduced net cost of the service has been realised at year-end.

At the Tourist Information Centre, income was marginally above budget due to higher stock sales, but a number of relatively small overspends offset this, resulting in a small negative variance on budget. In respect of the beaches and foreshore budget, significantly higher costs of seaweed clearance were offset by underspends on other headings.

Parks and Operations is the Council's largest budget, and produced the second largest variance of £51,912 (8.1 per cent). This is largely the result of three projects: professional fees in connection with the planned stabilisation of Sandpit Field and the Weather Station/Spa; stabilisation of the access road to the football ground at Day's Park as a result of it being undermined by badger ingress; and the resurfacing of the skate park at King George's Field.

In relation to community facilities, an increase in the costs of the Council's contract cleaning service for the public conveniences was offset by an underspend in repairs and maintenance. In respect of the Council's cemeteries and allotments there were small positive variances against budget.

FINANCIAL REVIEW 2022/23

The variance in relation to the General Buildings/Downs and Miscellaneous Grounds budget is related to work on three projects: the installation of notice boards on the Downs explaining its designation as a Local Nature Reserve (carried over from 21/22) and professional fees in connection with the planning of improvement works to Peveril Point Road and Station Approach.

Central Services costs were under budget, by approximately £47,000, largely due to lower staff costs and small underspends in areas such as legal and professional fees and computer services. Democratic Representation and Management costs were over budget, in part due to £12,000 being paid in-year to fund work on the development of a Seafront Masterplan.

The combination of higher than anticipated income and underspends across a number of budgets has facilitated a higher than budgeted net contribution to earmarked reserves (see section on earmarked reserves below). Once this is accounted for there is a surplus on the General Fund for the year of £6,928, compared to an anticipated annual deficit of £69,110 at budget setting. The overall outcome at 31st March 2023 is a General Fund Balance of £865,558, leaving the Council well-placed to withstand further financial uncertainty in the months ahead as inflation continues to bring pressure to bear on Council budgets. This robust financial position will also aid delivery of the agreed Corporate Plan.

Capital Programme and Planning

The Town Council adopts an annual capital works programme as part of its budget setting process in January. These works can be financed from reserves, either those earmarked for a specific project (EMR), the Usable Capital Receipts Reserve (UCRR), or the General Fund.

Table 1 below summarises the actual capital expenditure for the 2022/23 financial year and how this was financed.

Table 1: Capital expenditure and source of financing 2022/23

	Funded from Capital Receipts £	Funded from Earmarked Reserves £	Funded from General Fund £	External Funding £	Total Cost £
Land & Buildings					
Godlingston Cemetery Extension	6,879	-	-	-	6,879
Tennis Court 3 -Resurfacing	-	6,000	-	26,374	32,374
*Days Park Pathway & Lighting- WIP	-	24,492	-	-	24,492
Cow Lane/Panorama Rd Upgrade	20,695	-	-	-	20,695
Vehicles, Plant & Equipment					
John Deere Utility Tractor	30,750	-	-	-	30,750
Trimax Snake s2 320 Mower	5,700	10,000	8,750	-	24,450
King Georges Play Area	-	42,490	-	-	42,490
Pay & Display Machines	-	-	20,917	-	20,917
TOTAL	64,024	82,982	29,667	26,374	203,047

* Excluded from Fixed Asset Register/Box 9

Land & Buildings

Godlingston Cemetery Extension: The majority of works for the cemetery extension were completed in 2021/22, with completion works carried out in the 2022/23 financial year. Costs incurred in year totalled £6,879, bringing total project costs to £237,224, financed from the UCRR.

Tennis Court Resurfacing: Council awarded the contract to resurface court 3 at Beach Gardens to ETC Sport Surfaces Ltd for a sum of £30,990 in March 2022. It was agreed that Swanage Tennis Club would fund £24,990 of these costs, with the Council contributing £6,000 from its Community Infrastructure Levy (CIL) Reserve. It was further agreed that this contribution would be underwritten by the Tennis Club for a period of 5 years from the completion date, July 2022. The actual cost of the project was £32,374, with the additional sum of £1,384 being met by the Tennis Club, a total contribution of £26,374.

Days Park Footpath and Lighting Installation: Initially approved with a budget of £120,000, the project was reconsidered in year and split into two phases. The first phase has a revised budget of £70,000 for the installation of lighting along a pathway. This project has been delayed due to inclement weather, with the lighting having been purchased but yet to be installed. Costs of £24,492 have been incurred in year and met from the CIL reserve.

Cow Lane – Upgrade: Works to upgrade the southern section of Cow Lane were undertaken in the year, £20,695, funded from UCRR, in order to facilitate its adoption by Dorset Council. The adoption is still outstanding and will be in combination with another stretch of road, the northernmost section of Panorama Road, where upgrading works are still to be carried out.

Vehicles, Plant and Equipment

Tractor: Following a tender process, Council approved the purchase of a John Deere 4066m tractor at a cost of £30,750 being financed from UCRR. This was delivered in November 2022.

Trimax s2 320 mower: Further to the purchase of a tractor, Council also approved an addition to the capital programme for the purchase of a mower, in order to streamline work processes at a cost of £24,450. This was funded from EMR (£10,000), funds received through the general fund from the disposal of equipment (£8,750) and from the UCRR (£5,700).

King George's Play Area: The tender for this project was awarded to Sutcliffe Play in January 2022 for £87,995, with works commencing in February 2022. The works were delayed, and additional costs incurred, resulting in the project being carried over to 2022/23. Works were completed in May 2022 at a total cost of £95,920, with costs of £53,530 being paid in 2021/22 (including £50,000 from a COMF grant) and £42,490 in 2022/23 from EMR.

Pay & Display Machines: An addition to the capital programme, Council approved the purchase of 4 Flowbird C5 Solar Powered Pay & Display Machines, procured through ESPO framework 509 Lot 1, in December 2022. The machines were installed in March 2023 at a total cost of £20,917 financed from the General Fund.

Treasury Management

The Council has continued to contract Arlingclose as its treasury advisors and remains classified as a retail client, restricting the advice that can be given and investments that can be made to some extent.

The Council continues to maintain its objective of the security of capital over yield, within the parameters as set out in the Treasury Management Strategy Statement 2022/23 and upon advice given by Arlingclose. The Council has continued to maintain a relatively diverse investment portfolio, given the size of its balances, throughout the course of the 2022/23 financial year, utilising accounts with Lloyds Bank, the UK Government, with both term deposits and Gilts, Money Market Funds, CDs and pooled funds.

Short-term investment activity, as defined in the Practitioners' Guide, has been minimal during the year. The Bank of England increased the official Bank Rate to 4.25% in March 2023, from 0.75% in March 2022. This has resulted in higher returns from short-term investments than originally estimated, with £17,068 received in 2022/23, compared to £695 in 2021/22 for the same investment vehicles.

With regards to long-term investments (strategic investments) the Council continued to maintain the units held in the CCLA LAMIT property fund, the M&G Strategic Corporate Bond Fund and the Ninety-One Diversified Income Fund. In accordance with the *Practitioners' Guide*, long-term investments are recorded in the asset register (and included in Box 9 of the AGAR section 2) at the original cost of acquisition this being £2.5m, £1m and £0.5m respectively.

In terms of income generation, the pooled funds have continued to perform well, realising an annualised yield of 3.62%, 3.59% and 4.01% respectively (3.69% overall), based upon market value rather than book value.

In addition to these investments, during the course of the year the Council also held investments with the UK Government, UK Gilts, and Certificates of Deposit with Santander and Yorkshire Building Society. Although these investments are intended to be held in the short term (less than 1 year) they are classified as long-term investments for the purposes of the AGAR in accordance with the Practitioners' Guide. The purchase and redemption of these investments is also classed as income and expenditure rather than a movement of cash and are recognised as such in Boxes 3 and 6 of the AGAR. The movement of these investments has resulted in income of £1.84m and expenditure of £2.38m being included in Box 3 and Box 6 of the AGAR respectively. At year-end, £493k and £500k were held for a UK Gilt and YBS CD respectively. The total of long-term investments, £4.99m, is included in Box 9 on the Annual Return.

In recognition of the fact that the value of long-term investments will change over time, the market value of the long-term investments held by the Council are noted in the Fixed Asset Register. For the five long-term investments held by the Council total £5.27m with unrealised gains of £284k overall.

The net return on the Council's investments had been estimated at £140,000, with an actual outturn of £208,002 being realised at year end.

The Council's Annual Treasury Report 2022/23, which gives a more in-depth review, has been published separately. A summary of investments held at 31st March 2023 can be found on page 15.

Earmarked Reserves

The Council's Earmarked Reserves were established in order to build up funds to meet anticipated future expenditure as identified in the capital programme and risk register. The Council's Reserves and Balances Policy was reviewed during the course of the year, as part of the process for setting the Council's budgets for the 2023/24 financial year.

In 2022/23 a contribution of £309,888 was made from the general fund to various earmarked reserves. Conversely £101,058 of earmarked reserves were utilised to finance revenue expenditure. The majority of this financing was made from the deferred committed expenditure reserve which was established in 2019/20 due to the large number of projects that had not been completed at year end.

On 1st April 2022 this reserve held £94,100, being the budget allocated for a number of projects brought forward from 2021/22 with £61,668 of this was budget actually spent in the year. At 31st March 2023 this reserve held £45,305, being the total of budgets allocated to projects deferred to 2023/24. This has resulted in a net movement of £48,795 to the general fund. If this expenditure is not met in 2023/24 the funds held in the reserve will be appropriated back to the general fund.

The Community Infrastructure Levy (CIL) Reserve received contributions of £118,460 in year. This reserve holds funds raised by Dorset Council from the CIL in order to meet expenditure in accordance with Community Infrastructure Levy Regulations 2010, Regulation 59C. During 2022/23, £6,000 of this reserve was utilised to finance the installation of an astroturf surface on tennis court 3 at Beach Gardens and £24,942 financed the purchase of lighting for pathway improvements at Day's Park, as per Regulations. At the end of the 2022/23 financial year, £260,669 was held in the CIL reserve.

During the course of the year, capital expenditure totalling £52,490 (excluding CIL transactions) was financed from earmarked reserves with £10,000 part-financing the purchase of the Trimax mower and £42,490 financing the installation of play equipment at the King George's play area.

With an opening balance of £2,462,759 a net increase in the year of £125,848 has resulted in a balance of £2,588,607 being held at 31st March 2023. The majority of earmarked reserves have been established to fund the Council's future capital programme. The notable exception being the unspent committed expenditure reserve.

The Council's Usable Capital Receipts Reserve (UCRR) saw a reduction of £64,024 in the year with this expenditure financing capital projects. £6,879 was utilised to finance the Godlingston cemetery extension and £20,695 financed the upgrade of Cow Lane to highway standards, £30,750 financed the purchase of the John Deere Tractor and £5,700 contributed to the purchase of the Trimax Snake Mower. The Council carries forward a balance of £2,192,260 in its UCRR into the next financial year.

A summary of the Council's reserves can be found on pages 13 to 14.

3. Accounting Statements

The Annual Governance and Accountability Return Form 3

The statutory statement of account is presented as the Annual Governance and Accountability Return (AGAR) Form 3 (formerly known as the Annual Return), which has been published separately. The information contained within this report provides supplementary/supporting information to the AGAR. The AGAR consists of three sections and an Annual Internal Audit report:

Section 1 – Annual Governance Statement

This consists of nine statements where members give assurance that they have discharged their responsibilities in the proper governance of the body.

Section 2 – Accounting Statements

The accounting statements consist of a summary of the income and expenditure for the year, balances and reserves held by the council at year end, cash balances and short-term investments, fixed assets and long term assets and total borrowings. This section standardises the presentation of the accounts into a simple and easily understandable format and must be certified by the Responsible Finance Officer.

Sections 1 & 2 must be approved by the Council in accordance with the requirements of the Accounts and Audit Regulations 2015.

Section 3 – External Auditor report and certificate

This report is issued by the Council's external auditor, appointed by the SAAA, and summarises the findings from the audit. It contains an opinion on the accounting statements and represents a limited level of assurance.

Annual internal audit report

This report reviews whether the systems of financial and other controls over the council's activities and operating procedures are effective.

Accounting Policies

Section 2 of the Annual Governance and Accountability Return summarises the Council's transactions for the 2022/23 financial year and its position at 31st March 2023. The statement of account has been prepared following guidance given in *Governance and Accountability for Smaller Authorities in England: A Practitioners' Guide to Proper Practices March 2022 (England)*.

Financial Statements - Restatement of 2021/22 following a change in recognition of interest from long-term investments and Assets Under Construction

The 2022 edition of the Practitioners’ Guide (the guide) issued by the Joint Panel on Accountability and Governance (JPAG) applied in respect of financial years commencing on 1 April 2022 included changes in the recognition of interest received from long-term investments and of assets under construction.

Section 5.181 states: Dividend or interest received should be included in line 3 once received into the bank account or added to the value in line 9 if reinvested.

This has meant that the interest received from the Council’s long-term investments, as defined by the guide, cannot be recognised in the accounts until it has been received into the Council’s bank account i.e., on a cash basis.

Section 5.59 states: Assets that are either under construction or have not been brought into use should be included on the asset register only once complete and they benefit the community.

This has meant that any assets under construction will be excluded from the Financial Statements, Box 9.

These changes to the guide have necessitated a restatement of the 2021/22 financial statements (AGAR Form 3), as comparative figures must be stated on the same basis.

The changes made to the 2021/22 financial statements are:

The removal of provisions relating to interest on long-term investments and adjustments to income received in the year, and the removal of the value of assets under construction:

- Box 1 – balances brought forward reduced by £39,851 (provision held at 31 March 2022)
- Box 3 – total other receipts increased by £1,905
- Box 7 – balances carried forward reduced by £37,946
- Box 9 -total fixed assets and long-term assets – removal of value of assets under construction £283,775

Summary of changes to the AGAR Section 2 - Accounting Statements 2021/22

		31st March 2022 £	De-accrue March LTI investment interest	Remove Work In Progress	31st March 2022 Restated £
1	Balance brought forward	1,507,920	(39,851)		1,468,069
3	(+) Total other receipts	1,700,154	1,905		1,702,059
7	(=) Balances carried forward	1,163,510	(37,946)		1,125,564
9	Total fixed assets and long-term assets	13,639,265		(283,775)	13,355,490

4. Supplementary Information in Support of the Annual Governance and Accountability Return

The Annual Return - Income & Expenditure				
2021/22			2022/23	
Restated				
£	£		£	£
	1,468,069	<i>Reserves & Balances brought forward - Box 1</i>		1,125,564
		Income		
	747,040	<i>Precept - Box 2</i>		840,000
568,056		Rental, Interest & Investment Income	647,279	
824,827		Charges made for Services	825,856	
255,238		Other Income or Contributions	360,821	
53,938		Capital Contributions/Investments	1,874,516	
	1,702,059	<i>Total Other Receipts - Box 3</i>		3,708,472
		Expenditure		
		<i>Salaries and Wages</i>		
(699,062)		Direct Service Costs	(802,670)	
(219,648)		Democratic, Management and Civic Costs	(271,857)	
	(918,710)	<i>Total Staff Costs - Box 4</i>		(1,074,527)
	0	<i>Loan interest/capital repayments - Box 5</i>		0
		<i>Other Costs</i>		
(828,068)		Direct service costs	(1,073,723)	
(13,744)		Grant and donations	(24,480)	
(203,004)		Democratic, Management and Civic Costs	(255,800)	
(305,732)		Capital Expenditure	(203,047)	
(66,300)		Capital Grants	0	
(456,046)		Long Term Investments	(2,389,559)	
	(1,872,894)	<i>Total Other Costs - Box 6</i>		(3,946,609)
	<u>1,125,564</u>	<i>Reserves & Balances carried forward - Box 7</i>		<u>652,900</u>

Bank Reconciliation for year ended 31st March 2023			
	£	£	Note
Bank Accounts			
Current	14,256		
Call Account	63,344		
<i>add</i>			
outstanding receipts	4,182		
<i>add</i>			
petty cash	<u>645</u>		
Total Cash and Bank		82,427	
Short Term Investments			
CCLA-Public Sector Deposit Fund	250,000		
MMF-Abrdn	<u>500,000</u>		
Total Short Term Investments		750,000	6
Total Cash and Short Term Investments – Box 8		<u>832,427</u>	

Reconciliation of Reserves to Cash

Where the Accounting Statements (Section 2 of the AGAR) have been prepared on an income and expenditure basis and there have been adjustments for debtors/prepayments and creditors/receipts in advance at the year end, the net difference between them is equal to the difference between Boxes 7 and 8.

Box 7 and Box 8 are reconciled as the balances carried forward, less debtors, plus creditors being equal to the total cash and short-term investments held by the Council.

2021/22 Restated £		Note	2022/23 £
1,125,564	Box 7 - Balances carried forward		652,900
(130,384)	(-) Debtors	1	(197,250)
293,223	(+) Creditors	2	376,777
1,288,403	(=)Box 8 - Total cash and short-term investments		832,427

Tangible Fixed Assets and Long-Term Investments

Tangible fixed assets and long-term assets are treated the same under the annual return. When they are purchased the cost is expensed through total other payments (Box 6) and when they are sold the proceeds of the sale are receipted through total other receipts (Box 3). The value of the sum of these assets is shown in Box 9 on the Annual Return.

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A revision to the Practitioners' Guide for the year commencing 1st April 2022 has meant that the prior year has been restated. The change is that any asset under construction should only be brought into the asset register once complete, rather than noted as under construction. For the 2021/22 financial year, two assets were classified as under construction and in 2022/23 one asset has this classification. This means that the additions to the fixed asset register do not balance with the capital expenditure detailed on page 3, with assets under construction being omitted from Box 9. Capital expenditure in 2022/23 was £203,047. The addition of £462,330 shown below is the result of adding capital expenditure of £283,775 incurred in 2021/22 to the Asset Register in 2022/23, less £24,492 of capital expenditure incurred in 2022/23 but held as an asset under construction at year end.

	Operational Assets				<u>Non-Operational Assets</u>	Total
	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure	Community	Investment Properties	
Tangible Fixed Assets- Cost or Valuation	£	£	£	£		£
As at 31 March 2022 restated	7,605,312	644,369	17,105	36,596	600,000	8,903,382
Additions/Enhancements	53,069	172,037	0	237,224	0	462,330
Reclassifications	0	0	0	0	0	0
Gifted Assets	1	0	0	1	0	2
Disposals	(3,616)	(97,377)	0	0	0	(100,993)
As at 31 March 2023	7,654,766	719,029	17,105	273,821	600,000	9,264,721
Long Term Investments- Cost						
As at 31 March 2022						4,452,108
Additions						2,389,559
Redeemed						(1,848,142)
As at 31 March 2023						4,993,525
Total Fixed Assets and Long Term Assets – Box 9						14,258,246

The addition and redemption of long-term investments is a result of the classification of investments which, although held for the short-term, do not meet the Practitioners' Guides of a short-term investment and so, by default, are classified as long-term investments for the purposes of the AGAR.

Long Term Borrowing

2021/22 £	Analysis of Loans - PWLB	2022/23 £
0	Balance brought forward	0
0	Principal paid in year (Box 5)	0
<u>0</u>	Total Outstanding – Box 10	<u>0</u>

The Council remained debt free throughout the course of the financial year.

Notes

1. Debtors

2021/22		2022/23
Restated		
£	Amounts falling due in one year :-	£
15,865	HMRC-VAT	51,617
69,786	Sundry Debtors	119,245
(15,000)	Provision for Bad/Doubtful Debtors	(35,000)
51,319	Payments in Advance	55,288
8,414	Stock	6,100
<u>130,384</u>	Total	<u>197,250</u>

Following a change in the Practitioners’ Guide regarding the recognition of interest due from long-term investments, the 2021/22 sundry debtor total has been restated to remove the provision of £37,946 for interest due.

The increase in sundry debtors is largely due to an increase in the level of arrears for rent due, at the end of the year. These were reviewed at the end of the financial year and the provision for bad/doubtful debtors was increased by £20,000, to £35,000 accordingly. The amount owed from HMRC for VAT includes provision for £17,210, being a claim for VAT on leisure services.

2. Creditors

2021/22		2022/23
£		£
113,860	Sundry Creditors	182,296
179,363	Receipts in Advance	194,481
<u>293,223</u>		<u>376,777</u>

The increase in the value of sundry creditors at the end of the year is due to the outstanding payment of invoices for repairs and maintenance at 31st March. The increase in monies received in advance of the next financial year mainly relates to prepaid Beach Hut rentals.

Movement of Reserves				
	Balance 31 March 2022 *Restated £	Net movement in year £	Balance 31 March 2023 £	Note
General Fund	*858,630	6,928	865,558	3
Earmarked Reserves	2,462,759	125,848	2,588,607	4
Usable Capital Receipts Reserve	2,256,284	(64,024)	2,192,260	5
Total	*5,577,673	68,752	5,646,425	

This table details changes during the year in the Council’s reserves. It provides opening and closing balances and details of any movements on the reserve. The total of the reserves held differs from the AGAR section 2 total in Box 7 due to the treatment of the £4.99m long-term investments that the council holds in Gilts and pooled funds. Following the *Practitioners’ Guide*, when any Long-Term Investments are entered into, they are shown to be expensed through Box 6 thus reducing the total in Box 7. However, under statute this investment is not classified as capital expenditure and is merely a movement of cash from a short term investment to a long term investment and as such has not been shown as being expensed from a reserve.

3. The General Fund

2021/22 Restated £		2022/23 £
818,092	General Fund Balance brought forward	858,630
429,731	Net Surplus or (Deficit) for Year	245,425
0	Financing Capital Expenditure	(29,667)
(351,246)	Transfers (to)/from Earmarked Reserves	(208,830)
<u>858,630</u>	General Fund Balance carried forward	<u>865,558</u>

The general fund balance is the Council’s “working balance” and states the cumulative surplus (or deficit) on the Council’s income and expenditure account. The Council has seen an increase of £6,928 on the general fund in the year, comprising of a net surplus of £245,425 for the year, less a net transfer from the general fund to earmarked reserves of £208,830 and the financing of capital expenditure of £29,667.

4. Earmarked Reserves

These reserves represent amounts that have been set aside in order to build up funds to meet future anticipated liabilities or to fund specific projects. Movements to/from the reserves have been made in line with the Council’s Reserves & Balances Policy.

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Earmarked Reserves	Balance 31/03/2022 £	Additions to Reserve £	Cap Ex f'd from reserves £	Rev Ex f'd from Reserve £	Balance 31/03/2023 £
Vehicle & Plant Replacement	10,000	10,000	(10,000)	0	10,000
King Georges Play Area & Skate Park	89,587	10,000	(42,490)	0	57,097
Play Equipment-General Areas	11,406	10,000	0	0	21,406
Car Park Machines	34,248	5,000	0	0	39,248
Tennis Courts Refurbishment	9,632	2,680	0	0	12,312
Seafront Enhancement Scheme	1,334,557	60,000	0	0	1,394,557
Community Sea Defence Project	450,000	0	0	0	450,000
Public Conveniences	100,000	15,000	0	0	115,000
Beach Huts Reserve	65,000	10,000	0	0	75,000
Football Club Facilities	6,958	4,443	0	(6,958)	4,443
De Moulham Back Roads	21,406	2,000	0	0	23,406
Insurance & Contingency Reserve	40,000	0	0	0	40,000
Community Infrastructure Levy	172,701	118,460	(30,492)	0	260,669
IT Equipment Reserves	18,164	5,000	0	0	23,164
Environmental Projects	5,000	12,000	0	0	17,000
Committed expenditure deferred	94,100	45,305	0	(94,100)	45,305
Total	2,462,759	309,888	(82,982)	(101,058)	2,588,607

During the year a contribution of £309,888 was made to earmarked reserves from the General Fund, while £101,058 of revenue expenditure was financed from reserves, a net appropriation of £208,830. A further £82,982 of reserves was utilised to finance capital expenditure. This has resulted in a net increase of £125,848 in Earmarked Reserves.

5. Usable Capital Receipts Reserve (UCRR)

The UCRR holds the proceeds of the sale of fixed assets and can only be used in accordance with regulations. The Council utilised £64,024 during the course of the year to finance capital expenditure. No capital receipts were received, resulting in a balance of £2,192,260 being held at the end of the year.

2021/22 £		2022/23 £
2,498,786	Balance brought forward	2,256,284
0	Capital receipts	0
	Less:	
(242,502)	Capital receipts used for financing Assets	(64,024)
0	Capital Grants	0
<u>2,256,284</u>	Balance carried forward	<u>2,192,260</u>

6. Treasury

The Council's cash/investments are disclosed in the annual return at historic cost. All investments have been made in line with the Council's Annual Investment Strategy.

Counterparty	Principal	Maturity Date	Rate
Lloyds Bank-Call Account	£63,344	n/a	0.70%
Lloyds Current Account	£14,256	n/a	0.00%
Abrdn Money Market Fund	£500,000	n/a	3.98%
CCLA-Public Sector Deposit Fund	£250,000	n/a	4.11%
Total Short Term Investments–(incl. in Box 8)	£827,600		
CCLA-LAMIT Property Fund	£2,500,000	n/a	3.62%
M & G Strategic Corporate Bond Fund	£500,000	n/a	3.59%
Ninety One - Diversified Income Fund	£1,000,000	n/a	4.01%
Yorkshire Building Society CD	£500,050	15/06/2023	3.93%
UK Government - UK Gilt	£493,475	22/07/2023	3.59%
Total Long Term Investments–(incl. in Box 9)	£4,993,525		
Total Investments held @ 31st March 2023	£5,821,125		

The Council held four short term investments at 31st March 2023. It held two investments in Money Market Funds, one with the CCLA Public Sector Deposit Fund (a qualifying MMF) and one with Aberdeen Standard Investments (Abrdn). The investments held with the MMFs have a variable rate of return. A further £63k was held in a Lloyds commercial call account, with £14k held in the Council's current account. All short-term investments return the capital sum invested plus interest.

The Council continued to maintain its units held in the CCLA LAMIT property fund, the M&G Strategic Corporate Bond Fund and the Ninety-One Diversified Income Fund valued at £2.5m, £0.5m and £1m respectively in the Annual Return. The Council held investments in UK Gilts and a Yorkshire Building Society CD at the end of the year. Although both of these investments are intended to be held in the short term (less than 1 year) they are classified as a long-term investment for the purposes of the AGAR in accordance with the Practitioner's Guide, with £493k and £500k being held respectively at year end. The total of long -term investments, £4.99m is included in Box 9 on the Annual Return.

7. Trust Funds – Box 11

The Council acts as Corporate Trustee for three Charitable Trusts. An in-depth review of the management of the three Trusts has been undertaken during the year and was still under review at year end.

It has been established that the Trust with the working title, James Day Trust (Day's Park) and charity name, Gift of Public Pleasure Grounds, was incorrectly registered. It has now been confirmed that this Trust relates to four specific parcels of land conveyed to the former Urban District Council in 1924 and

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not to Day's Park, which is solely owned by the Town Council. As such an application was successfully made to the Charity Commission to amend the Register of Charities to remove the working title.

A management agreement between the Town Council and King George's Trust is pending, which will confirm the Town Council's role in managing the playing field on behalf of the Trust.

Discussions are ongoing with regards to Lloyds Bank (Private Banking) retiring as the Trustee of a fourth Trust, the James Day Will Trust, and the possibility of the Council assuming the role of Trustee. At 31st March 2023, £42.27 was held in the James Day Will Trust income account administered by Lloyds Bank (Private Banking).

The possibility of merging the Gift of Public Pleasure Grounds Trust, De Moulham Trust and the James Day Will Trust has been put forward as way to consolidate and simplify the Council's position as Trustee to these Trusts and consideration will be given to this in 2023/24.

	Income £	Expenditure £	Net Gain/(Loss) £
De Moulham Trust <i>Established in 1990 as a gift of land and holding of Trust land covenants</i>	22,510	(3,250)	19,260
Gift of Public Pleasure Grounds <i>Indenture dating from 1924</i>	0	0	0
King George's Field <i>Deed of dedication entered into 5th May 1951</i>	0	0	0

Charitable Funds held by Trusts:

	Balance 31 March 2022 £	Net Contributions to/(from) Fund £	Balance 31 March 2023 £
De Moulham Trust	80,543	19,260	99,803
James Day Trust	0	0	0
King George's Field	0	0	0

8. Pension

Swanage Town Council participates in the Local Government Pension Scheme (LGPS). The fund is administered by the Dorset County Pension Fund in which Swanage Town Council is pooled as a 'small scheduled body'. This fund provides members with benefits based on pay and service.

In 2022/23 the Council paid an employer's contribution of £172,852 into the Dorset County Pension Fund (a total of £139,519 in 2021/22), being 22% of pensionable pay. In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded to former employees who have retired early, together with the related increases. In 2022/23 these amounted to £2,412 (£2,346 in 2021/22).

9. Grants

The following grants were issued during the 2022/23 financial year:

Grants - Issued		
<i>General Power of Competence, Localism Act, 2011</i>	£	£
Revenue Grants		
Swanage & Herston Football Club (Vodafone)	3,950	
*Swanage & Herston Football Club-Youth Football	6,958	
Swanage & Purbeck Development Trust - re: S&HFC	9,398	
Swanage Jazz Festival	250	
The Swanage Platinum Jubilee Group	1,000	
Arts Workshop Swanage	300	
Lewis Manning Hospice Care	484	
Purbeck Good Neighbours	500	
Swanage & District Chamber of Trade	500	
Swanage Town Band	140	
Purbeck Citizens Advice Bureau	1,000	24,480
Capital Grants		
None		0
Total		24,480

*Financed from earmarked reserves

The following grants were received during the 2022/23 financial year:

Grants - Received		
	£	£
Dorset Council - Summer Demand Activities	20,000	
Sea Changers-Water Fountain	2,000	22,000
Capital Grants		
None		0
Total		22,000

The Council also made the following contributions to services provided by third parties:

Contributions to services provided by Third Parties		
	£	£
Durlston Community Bus	1,200	
Dorset Coast Forum/Sustainable Swanage	19,328	
Swanage Water Safety Patrol	4,000	
Dorset Council – Swanage First School Crossing Patrol	3,189	
Total		27,717

10. Audit Fees

Smaller Authorities' Audit Appointments Ltd (SAAA) was appointed in January 2016 as the "person specified to appoint local auditors" under powers set out in Regulation 3 of the Local Audit (Smaller Authorities) Regulations 2015 to perform the functions set out in legislation for smaller authorities.

Following a tender process, BDO LLP were appointed by SAAA as the external auditor for the Council for the 5-year appointing period from 2022/23 until 2026/27. The Council has confirmed that there is no conflict of interest with BDO.

The increase in audit fees is a result of a movement into a higher cost band due to the level of income and expenditure exceeding £5m in total. This is due to the purchase and selling of investments classified as long-term investments in the Practitioners' Guide.

2021/22		2022/23
£		£
2,400	Fees payable to the external auditor appointed by the SAAA	3,780
0	Adjustment on previous years audit fees	0
<u>2,400</u>		<u>3,780</u>

11. Items for Consideration

Any events after the year end, 31st March 2023, have been considered up to the date of the Annual Return, 24th May 2023. There are no items to report which may have an effect upon the Annual Return.

SWANAGE TOWN COUNCIL



Annual Treasury Report 2022/23

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2. External Context
3. Local Context
4. Borrowing Strategy and Debt Management
5. Treasury Investment Activity
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Annual Treasury Report 2022/23

1. Background

The Council's Treasury Management Strategy for 2022/23 is underpinned by having due regard to the Chartered Institute of Public Finance and Accountancy's Guidance for Smaller Public Organisations on the Application of the CIPFA Code of Practice for Treasury Management *in the Public Services: Code of Practice (2014 Edition) and Cross-Sectoral Guidance Notes 2017 Edition* (the CIPFA Code) and the Department for Levelling Up, Housing and Communities (DLUHC) *Guidance on Local Authority Investments*, updated February 2018. The Code recommends that members approve a treasury management annual report after the end of each financial year. This report fulfils the Authority's obligation to have regard to the CIPFA Code and any other appropriate guidance.

The Authority's Treasury Management and Investment Strategy for 2022/23 was approved by full Council on 17/01/2022 which can be accessed on <https://www.swanage.gov.uk/Publications-Finance.aspx>

The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

2. External Context

Economic background: The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge households was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.



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The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%.

The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.

Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. The October-December period it was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.

The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meeting, taking policy rates to a range of 4.75%-5.00% at the March meeting.

From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.

Financial markets: Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.



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Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

Credit review: Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.

In July Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September S&P revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.

The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.

During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.

Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.

As market volatility is expected to remain a feature, at least in the near term, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree of caution is merited with certain authorities.

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3. Local Context

On 31st March 2022 the Authority held investments valued at £6.7m, with usable reserves and working capital being the underlying resources available for investment. On 31st March 2023, the Authority held investments valued at £6.1m. These year-end values include unrealised gains from the Council's strategic investments, being £0.96m in 2022 and £0.28m in 2023.

4. Borrowing Strategy and Debt Management

The Authority is debt free. Usable reserves are forecast to fall to £2.54m by March 2026, as capital receipts and earmarked reserves are used to finance the Council's extensive capital programme. The 2023/24 capital expenditure plans and treasury strategy did not imply a need to borrow over the 3-year forecast period, however this will be reviewed during the course of the 2023/24 financial year as plans for the Seafront Stabilisation Scheme are developed.

5. Treasury Investment Activity

CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represent balances that need to be invested until the cash is required for use in the course of business.

The Authority holds significant invested funds, representing balances and reserves held. During the year the Authority's cash investment balances remained relatively stable, with fluctuations in the value of its long-term strategic investments. The investment position is shown in table 1 below.

Table 1: Treasury Investment Position

Investment Portfolio	31.03.22 Balance £	Net Movement £	31.03.23 Balance £	31.03.23 Income Return %
Banks and building societies (unsecured)	534,427	43,223	577,650	
Money Market Funds	750,000	0	750,000	
UK Govt – DMO Deposit/Gilts	452,108	41,367	493,475	
Total Internal Investments	1,736,535	84,590	1,821,125	3.73%
*Investments in Pooled Funds:				
Property	3,580,092	-590,185	2,989,907	
Bond	469,529	-47,150	422,379	
Multi Asset	919,299	-48,775	870,524	
Total External Funds	4,968,920	-686,110	4,282,810	3.69%
TOTAL INVESTMENTS	6,705,455	-601,520	6,103,935	3.70%

*Funds stated at Fair Value-Issued by Arlingclose

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an



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appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Bank Rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April, rose by around 3.5% for overnight/7-day maturities and 3.3% for 6-12 month maturities.

By end March 2023, the rates on DMADF deposits ranged between 4.05% and 4.15%. The return on the Council's sterling Low Volatility Net Asset Value (LVNAV) Money Market Funds ranged between 0.41% - 0.57% p.a. in early April and between 3.98% -4.11% at the end of March.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 2 below, which only includes the Council's internally managed investments.

Table 2: Investment Benchmarking-Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2022	4.44	AA-	74%	42	0.22%
31.03.2023	5.09	A+	73%	52	3.73%
Similar LAs	4.92	A+	58%	58	3.59%
All LAs	4.71	A+	59%	12	3.67%

Externally Managed Pooled Funds

£4.2m (£4m book value) of the Authority's investments are held in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. In terms of measuring the performance of these funds, the current value is used.

For fixed income bond investors, 2022 was a very difficult year - bonds had their worst year of performance in several decades; long-term government bonds had their worst year ever as central banks delivered larger interest rate hikes than initially expected and promised more to combat inflation. As policy rates rapidly rose from very low levels, bond investors suffered large crystallised or unrealised losses from rising sovereign and corporate bond yields (i.e. falling prices) as well as from widening credit spreads as concern grew over the risk of defaults in a recessionary environment. The return on the All-Gilts index was -16.3% over the 12 months to March 2023. Negative yielding bonds all but disappeared globally.

UK and global equities remained volatile against a backdrop of high and sticky inflation, rapid policy rates tightening and an increasing risk of recession. There was a large sell-off in global equities in

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April, and again in June and September for both UK and global equities. The total return on the FTSE All Share index for the 12 months ending March 2023 was 2.9% and 5.4% for the FTSE 100.

The negative correlation between bonds and equities, which had featured for some years, turned positive in 2022 as both bonds and equities sold off simultaneously against an outlook of sticky inflation and high interest rates. Simultaneously, tighter financial conditions, higher bond yields and challenges in some segments of commercial real estate (e.g. offices post-COVID, high street shops and shopping centres) saw commercial property values fall during 2022, with a large fall in the final calendar quarter.

Dividends continued to be received from the Authority's bond, multi-asset and property funds, the payout increasing for all funds in the portfolio.

The change in the Authority's funds' capital values and income earned over the 12-month period is shown in Table 3 below.

Table 3: Strategic Investment Returns – 12 months to 31st March 2023

Fund Name	Book Value £m	Current Value £	Capital Growth £	Dividends Earned £	Capital Return %	Income Return %	Total Return %
CCLA-LAMIT Property Fund	2.50	2,989,907	-590,185	129,487	-16.49	3.62	-12.87
M & G Strategic Corporate Bond Fund	0.50	422,379	-47,150	16,869	-10.04	3.59	-6.45
Ninety-One Diversified Income Fund	1.00	870,524	-48,775	36,843	-5.31	4.01	-1.3
Total	4.00	4,282,810	-686,110	183,199	-13.81	3.69	-10.12

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.

In future years, when investment income exceeds budget, Council may wish to consider transferring this surplus to an earmarked treasury management reserve to manage future volatility.

Due to accounting practices, these funds are currently stated at cost price in the Council's Annual Return, £4m in total, and as such these funds have an overall unrealised gain of £0.28m at 31st March 2023. Two of the funds are showing an unrealised loss. Unrealised capital losses, or gains, will not have an impact on the General Fund until such a time as the Council redeems all or part of the units held in the funds.

Treasury Performance

The budget for investment income in 2022/23 was £140,000, with actual income of £208,002. This is primarily due to the Council retaining a higher level of reserves than estimated, due to delays in



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implementing its extensive capital programme, combined with much higher interest rates on its short-term investments than forecast.

Non-Treasury Investments

The definition of investments in CIPFA’s revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return.

The Council did not invest in non-treasury investments during the year.

6. Compliance & Treasury Management Indicators

This report provides members with a summary report of the treasury management activity during 2022/23, having due regard to both the CIPFA Code of Practice and DLUCH Guidance. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit Risk Indicator	31.3.23 Actual	2022/23 Target	Complied?
Portfolio average credit rating	A+	A	Yes

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period.

Liquidity Risk Indicator	31.3.23 Actual	2022/23 Target	Complied?
Total cash available within 3 months	£1.82m	£0.75m	Yes

The Authority can confirm that during 2022/23 it complied with its **Treasury Management Policy Statement** and **Treasury Management Practices**.