

To consider the independence of the internal auditor and to confirm there is no conflict of interest with the external auditor.

In October 2023 the Council reappointed Darkin-Miller Limited t/a Darkin Miller – Chartered Accountants to provide internal audit services for a 3 year period.

A requirement of the external audit is affirmation of the independence of the internal auditor. Although this is not a statutory requirement it is noted as good practice, as per Section 4.9: Independence within the JPAG *Practitioners' Guide*. The review of the independence of the internal auditor should be considered on an annual basis with regard to personal, financial and professional independence.

As part of the Intermediate Level review, the external auditor, BDO LLP, also requires confirmation each year that there are no conflicts of interest with the aforementioned auditor and the authority must complete and submit the attached form.

Decision required:

- To confirm the independence of the Internal auditor.
- To confirm that there are no conflicts of interest with the external auditor, BDO LLP.

CONFLICT OF INTEREST WITH BDO LLP

To be completed annually and minuted at a meeting of the smaller authority.

Name of Smaller Authority	
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☐

I confirm that there are no conflicts of interest with BDO LLP.

☐

I confirm the following conflicts of interest (please detail below):

This was confirmed and minuted at the following meeting:

Date of Meeting	Minute Reference

Signed (Clerk/RFO)

Print Name

Signed (Chair)

Print Name

FINAL - FULL

Internal audit report 2023/24

Visit 5 of 5

SWANAGE TOWN COUNCIL

Date: 20th May 2024

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 15th and 17th May 2024 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 2023/24 has now been completed in accordance with the provisions of the Practitioners' Guide and the CIPFA code of internal audit practice.

The following areas were reviewed during this audit visit:

1. Payments
2. Risk Management
3. Fixed Assets
4. Bank Reconciliation
5. Year-end
6. Trusts
7. Market

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	1
Medium	2
Low	0
Info	1
TOTAL	4

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

Rating	Number				
Visit	1&2	3	4	5	TOTAL
High	1	1	1	1	4
Medium	1	0	2	2	5
Low	1	0	0	0	1
Information	0	0	0	1	1
TOTAL	3	1	3	4	11

I would like to thank Alison Spencer, Finance Manager; Culvin Milmer, Visitor Services Manager; and Jayne Moulder, Business Development Officer, for their assistance during this audit.

Darkin Miller ~ Chartered Accountants
2023/24 INTERNAL AUDIT OF SWANAGE TOWN COUNCIL
FINAL - FULL REPORT VISIT 5 OF 5: 20th MAY 2024

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/Medium/High)	Management Response	Responsible Officer	Due Date
21.1 – Ensure clear pricing structure in place to enable correct price to be calculated and charged	<p>I checked to see that income is correctly accounted for, maximised and collected in respect of the Town Market. I found that the pricing structure in place for 2023/24, with a range of discounts for different season lengths and different stall sizes, made it difficult to prove that the correct price had been charged.</p> <p>The Visitor Services Manager (VSM) confirmed that the prices had been simplified, with stallholders given the choice of either paying a discounted amount up front for a full financial year, or paying the full price week by week. This means that the issues noted in 23/24 should not recur.</p>	Info	Noted.	TIC 1	n/a
21.2 – Ensure market records up to date with correct information	<p>I noted a difference between the stall size per the market spreadsheet and per the related amount charged for one stallholder. The VSM confirmed that the spreadsheet had a note of the stall size from the previous financial year.</p> <p>I recommend that the market spreadsheet is updated to record the actual stall size of the stalls present each week, so that it is possible to confirm that the correct price has been charged.</p>	M	This has now been updated and the relevant spreadsheet reviewed.	TIC 1, TIC6 & TIC 8	May 2024

21.3 - Ensure market records reconciled to finance system	<p>I found that there were still issues with accounting for receipts from stallholders for whom invoices had been raised for longer term bookings. In theory, an invoice would be raised at the start of the booking against which receipts would be posted. In practice, receipts were sometimes allocated as cash receipts in error, meaning that income and debtors were overstated, and that credit notes had to be raised to clear the outstanding debt. This made the audit trail very complicated, making it more difficult to confirm that the correct amount of money had been received in full. In addition, I noted that one stallholder had received £5 too much credit in relation to the cancellation of a market day, and that there remain differences as between the market spreadsheet (on which attendance dates, stall sizes, amounts due and paid are noted) and the debtors ledger.</p> <p>The VSM has noted that the Business Development Officer (BDO) will reconcile the market spreadsheet and market debtors weekly in future, and that he will check the reconciliation monthly, in order to ensure that the finance system is kept up to date.</p> <p>I recommend that the reconciliations take place as planned.</p>	H	Reconciliations are now undertaken weekly by the Business Development Officer and reviewed annually by the Visitor Services Manager.	TIC 1 & TIC 9	May 2024
21.4 – Ensure signed agreements in place for all	In the 22/23 audit I noted that stallholder agreements were not in place for several stallholders. This issue persisted in 23/24. At the date of the final on-site work on 15/05/24, I was able to confirm that most of	M	This is now taking place.	TIC 1, TIC 6 & TIC9	May 2024

traders prior to start of trading	<p>the long-running stallholders have signed agreements in place. The BDO noted that one stallholder has not signed, as the stall is run by an employee. The VSM confirmed that a signed agreement will be in place by 24/05/24. The BDO also noted that the Visitor Services Assistant has paper copies of the agreement with him, so that new stallholders will be able to sign the agreement prior to commencement of trading.</p> <p>I recommend that the Council ensures that all stallholders have signed the stallholder agreement prior to the commencement of trading, in order to ensure acceptance of the Council's terms and conditions of trading.</p>				
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Annual Internal Audit Report 2023/24

SWANAGE TOWN COUNCIL

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During the financial year ended 31 March 2024, 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 2023/24 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 2022/23, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")			✓
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 (during the 2023-24 AGAR period, were public rights in relation to the 2022-23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2022/23 AGAR (see AGAR Page 1 Guidance Notes).	✓		
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes ✓	No 	Not applicable

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 SUB ATTACHED SHEET

Name of person who carried out the internal audit

DD/MM/YYYY DD/MM/YYYY DD/MM/YYYY

Mrs R Darkin-Miller LLB(Hons) BFP FCA

Signature of person who carried out the internal audit

[Signature] SIGNATURE REQUIRED

Date

17/05/2024

*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:

16/10/2023	23/10/2023	29/11/2023	30/11/2023	23/02/2024	29/02/2024
20/03/2024	22/03/2024	15/05/2024	17/05/2024		



R Darkin-Miller LLB (Hons) BFP FCA 17/05/24

FINAL

Annual Internal Audit Report 2023/24

SWANAGE TOWN COUNCIL

Date: 20th May 2024

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 2023/24, 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 five audit reports covering five visits have been issued in 2023/24 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 2023/24 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. In accordance with the views of the Finance & Governance Committee during the review of internal audit over the summer of 2023, Councillors receive a report setting out the high and medium level recommendations. Officers have been made aware of additional details (extraneous for Members) and a number of low level recommendations to be addressed.

- 5.3 The end-of-year appendix 9 audit report summarises the audit opinion for the year, in addition to noting the high and medium level findings, implications and recommendations from the reports submitted to the Finance and Governance Committee during the year.
- 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. No such reports were issued in 2023/24.
- 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	TOTAL
High	1	1	1	1	4
Medium	1	0	2	2	5
Low	1	0	0	0	1
Information	0	0	0	1	1
TOTAL	3	1	3	4	11

- 6.2 In total 11 ‘appendix 9’ recommendations were made in 2023/24 (2022/23: 40 ‘appendix 9’ recommendations). 4 were graded ‘high’, and 5 ‘medium’ (22/23: 7H and 16M for appendix 9).
- 6.3 The high and medium level recommendations (and related management responses) are noted at the end of this report for information.

7 Follow-up

- 7.1 The role of the Finance and Governance Committee continues to be effective in supporting the implementation of audit recommendations and follow-up issues. In March 2024, 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 decreased year on year. This was partly due to a reduction in the number of audit days for the 2023/24 audit plan, from 14-18 days to 10. In addition, 2022/23 contained a higher number of recommendations than normal, 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 and Finance Manager, the audit plan for 2023/24 comprised the core audit work necessary to sign off the Annual Internal Audit Report, plus additional focus on high value income streams, or income streams with a large number of recommendations in the previous year. The number of days spent carrying out the core appendix 9 audit was 10.75 days (2022/23: 15.25).
- 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 10.75 (2022/23: 0 additional days, total 15.25).
- 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
2023/24 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 – Take action on older debt [1&2]	<p>I checked to see that all income due to the Council is collected. I compared the aged debt reports year on year to end September, and found that overall debt had increased (from £123k to £138k), but the percentage of debt over 120 days had fallen slightly from 47% (£57.8k) to 40% (£55.2k). There are two debts in relation to disputed water recharges, one of which has been settled recently and the second of which is still outstanding. There are a handful of cemetery debtors where invoices/receipts appear to have been posted to the wrong account, and one overdue debtor which needs chasing.</p> <p>I recommend that the larger water dispute debt is resolved as soon as possible, and that the cemetery debtor accounts are reviewed and any corrections made prior to outstanding balances being chased.</p>	M	Agreed	TH3	December 2023
19.1 – Reconcile cash per cash collection agencies to cash per ticket machines	<p>I checked to see that car park cash and card collections are supported by documents showing their completeness.</p> <p>I was unable to agree the total value of cash banked in the month (£29.4k) to the amount of cash lifted from the ticket machines per Metric and Flowbird</p>	M	G4S have again been contacted to send through detailed reports and we are awaiting access to a portal. However, there may still be misallocations as a	TH3/TH4	December 2023

[1&2]	<p>(£30.6k). There was a difference of 11 pulls and £1.2k or 4%. £144.40 of this difference is because Flowbird returned no data for one ticket machine from which G4S show 4 collections. The Finance Manager noted that the machine concerned was Main 2, a Metric machine, which closed in March due to an electrical fault, and that G4S levy a collection charge because they were still attending site to attempt a collection. The balance may be timing differences, but without further detail from G4S which would allow a reconciliation between each cashbox pull, it is not possible to pin the difference down.</p> <p>I recommend that the Council requests a breakdown of the cashbox pulls per month in order to enable it to identify where the differences have arisen, and that it recommences a full reconciliation of cash banked per G4S and the Depot, and cash pulled per the ticket machines.</p>		<p>result of the transit of large volumes of cash and audit ticket.</p> <p>Reconciliations are made via the cashbox editor when collected and any variances highlighted. Reports will be generated per month to confirm the reconciliation.</p>		
23.1 – Ensure paperwork retained until end of audit period for the year in which the booking takes place [3]	I checked to see that the correct amount had been charged and VAT treated correctly for a sample of bookings. I did, however, note that the detailed 2022/23 TIC rental paperwork had already been shredded following the completion of the 22/23 external audit, affecting 3/10 samples which were booked in 22/23 and for which monies were taken by the TIC staff (as opposed to by customers self-servicing via gov.uk pay).	H	GDPR considerations need to be taken into account and the councils document retention schedule will be reviewed in light of this recommendation.	TH1, TH3, TIC1 & TIC2	July 2024

	<p>There is a limit of 540 days for customers to make a chargeback, and retaining the original paperwork can help to prove that a customer was present when a purchase was made. In addition, HMRC requires that businesses keep financial records for 6 years from the end of the last financial year.</p> <p>I recommend that consideration be given to the paperwork being retained for 6 years in order to ensure the Council is protected against possible chargebacks. Council should also review its compliance with HMRC requirements to ensure that it can comply with any potential HMRC investigations.</p>				
6.1 – Ensure full record of transactions kept for cash, and that reimbursements are correctly allocated [4]	<p>I performed a count of the Council's petty cash, till floats and stamp floats.</p> <p>I recommend that cash reimbursements are correctly allocated to each tin, that stamp issues and monies 'borrowed' from a tin to make up a full coin bag for banking are recorded at the time, and that the TIC reimbursements include a note of the periods covered. This should help to ensure that petty cash remains fully balanced.</p>	M	<p>Agreed. Employees responsible for petty cash will be reminded that monies for different imprest accounts should be kept separately and balanced at least monthly.</p> <p>The TIC petty cash reimbursement already includes the forms submitted to the Town Hall. However, a note will be made if the person</p>	TH3/TH4/TI C2	April 2024

			responsible for the petty cash delegates collection.		
23.2 – Ensure all bookings recorded (ideally in booking system) [4]	<p>I checked to see that a sample of bookings had been recorded in the letting system. However, during the testing I found that not all bookings are made on the booking system. During the year, the Council lets out a number of huts to artisans. It also relets spare days when customers hand back their hut keys early (double bookings). The old booking system accommodated these changes, but it is more difficult to take the new bookings system offline in order to make amendments to the bookings to show the changes, so instead the artisan bookings are recorded on a separate spreadsheet. There is no spreadsheet to record double bookings.</p> <p>I recommend that the Council's booking system be amended to facilitate easy change of bookings. Where this cannot be done, or the change is too expensive at the current time, any bookings made outside of this system should be recorded on one spreadsheet and fully reconciled back to the TIC daily bookings in order to ensure that a full audit trail is in place.</p>	H	Switching the beach hut booking system off to amend bookings is more challenging with the new system that we would have hoped. While it can be done, it is too 'clunky' to do on a regular basis. This will be brought up at the next review with the developer, however it is anticipated that the cost to implement a revised process would be high. Therefore, we will ensure that a spreadsheet is maintained of all other bookings and reconciled on a daily basis.	TIC1	Ongoing
23.3 – Ensure full audit trail in place for bookings [4]	It is not currently possible to run a report from the bookings system to show the cancelled bookings, which weakens the audit trail when processing or checking refunds. The Visitor Services Manager has noted that he will speak with the developers about	M	A separate report can be run for cancelled booking from the system.	TIC1	Completed

	<p>creating a report, or ensuring that the data can be included within the standard download.</p> <p>I recommend that this is done in order to reduce the risk of fraud and error.</p>				
21.2 – Ensure market records up to date with correct information [5]	<p>I noted a difference between the stall size per the market spreadsheet and per the related amount charged for one stallholder. The VSM confirmed that the spreadsheet had a note of the stall size from the previous financial year.</p> <p>I recommend that the market spreadsheet is updated to record the actual stall size of the stalls present each week, so that it is possible to confirm that the correct price has been charged.</p>	M	This has now been updated and the relevant spreadsheet reviewed.	TIC 1, TIC6 & TIC 8	May 2024
21.3 - Ensure market records reconciled to finance system [5]	<p>I found that there were still issues with accounting for receipts from stallholders for whom invoices had been raised for longer term bookings. In addition, I noted that one stallholder had received £5 too much credit in relation to the cancellation of a market day, and that there remain differences as between the market spreadsheet (on which attendance dates, stall sizes, amounts due and paid are noted) and the debtors ledger.</p> <p>The VSM has noted that the Business Development Officer (BDO) will reconcile the market spreadsheet and market debtors weekly in future, and that he will check the reconciliation monthly, in order to ensure that the finance system is kept up to date.</p>	H	Reconciliations are now undertaken weekly by the Business Development Officer and reviewed annually by the Visitor Services Manager.	TIC 1 & TIC 9	May 2024

	I recommend that the reconciliations take place as planned.				
21.4 – Ensure signed agreements in place for all traders prior to start of trading [5]	<p>In the 22/23 audit I noted that stallholder agreements were not in place for several stallholders. This issue persisted in 23/24. At the date of the final on-site work on 15/05/24, I was able to confirm that most of the long-running stallholders have signed agreements in place.</p> <p>I recommend that the Council ensures that all stallholders have signed the stallholder agreement prior to the commencement of trading, in order to ensure acceptance of the Council's terms and conditions of trading.</p>	M	This is now taking place.	TIC 1, TIC 6 & TIC9	May 2024

	Days		
	2022/23	2023/24	2023/24
	Actual	Planned	Actual
	Days	Hours	Hours
Core audit testing:			
Bookkeeping	0.25	0.10	0.02
Creditors – payments	1.00	6.00	3.31
Risk Management	1.00	6.30	5.16
Budgetary Control	0.25	0.30	0.18
Income (split over other areas 22/23)		12:00	8.40
- Cash Collection and Bank reconciliation	0.25		
- Debtors	1.25		
Petty cash and imprests	0.50	3.30	3.24
Payroll	1.50	7.00	7.54
Fixed Assets		0.30	0.19
Bank reconciliation and Treasury management	0.50	2.30	0.30
Year-end procedures (and Fixed Assets 22/23)	1.50	5.00	3.39
Exemption, transparency, public rights		0.23	0.23
Trusts	0.25	1.15	0.40*
<i>Section Total</i>	8.25	45.18	34.29
Other audit areas:			
Car Parks	1.50	9.00	9.59
Market	1.50	3.00	6.30
Lease Income	0.75		
TIC Rent Income	1.25	3.50	12.05
Depot stocks and stores	0.75		
<i>Section Total</i>	5.75	15.50	28.34
Management/planning/reporting	1.25	9.00	12.00
TOTAL HOURS		70.08	75.03
TOTAL DAYS	15.25	10.00	10.75
*does not include Community Partnership as work not carried out prior to annual report being issued			

To Review the System of Internal Control 2023/24

Introduction

Under section 6 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. This year, for the first time, a draft report of the findings of the review was presented to the Finance & Governance Committee on 25th April 2024.

Report on the Findings of the Review of the System of Internal Control 2023/24

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.

The Town Council has adopted a Corporate Plan for the period 2023-25, which sets out five corporate priorities, together with key actions to be taken during that timeframe. The Council has also adopted a committee structure to ensure that its committee terms of reference are aligned to its corporate priorities. These priorities include a commitment to delivering good governance, the oversight of which is carried out by the Finance and Governance Committee (F&GC). This committee plays a vital role in overseeing the Council's spending and investment plans, reviewing Council policies, prioritising actions and monitoring the delivery of projects.

In March 2024 the Town Council adopted a Medium Term Financial Plan for the years 2024/25 to 2026/27. The primary aim of this document is to ensure that the Council can both

deliver on the priorities set out in the Corporate Plan and maintain adequate levels of reserves that will provide the Council with financial resilience so that it can continue to address the community's priorities in the years ahead.

The following policy documents were reviewed during 2023/24 to strengthen the system of internal control, and revised versions were adopted at the meetings indicated below:

- Data Protection Policy, Privacy Notices and Records Management Policy (Council Meeting – 30th October 2023)
- Reserves and Balances Policy (Council Meeting – 15th January 2024)
- Treasury Management and Investment Strategy Statement (Council Meeting – 25th March 2024)
- Corporate Risk Register (Council Meeting - 25th March 2024).
- Swanage Town Council (Off-Street) Parking Places Order 2024 (Council Meeting - 25th March 2024).

During the financial year, the Town Council has also been undertaking a review of the management of the charities of which it is the corporate trustee. The F&GC reviewed a draft management agreement between the Town Council and the King George's Field Trust on 13th October 2023, and this was subsequently agreed by both the Town Council and the Trust on 30th October 2023. The aim of the document was to place on a formal footing the management arrangements that had been in existence for many years.

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 (BDO LLP) did not identify any matters for consideration by the Town Council and this was reported to the Council Meeting held on 11th December 2023.

The process of internal audit is key to the review of the SIC. A procurement exercise was carried out over summer 2023, resulting in the reappointment of Darkin Miller Chartered Accountants to provide internal audit services. In order to maximise cost-effectiveness, it was agreed that the audit would focus on the core testing required to meet the provisions of Part Four of the *Practitioners' Guide* produced by the Joint Panel on Accountability and Governance. This would be supplemented by a more detailed audit of the Council's high-value income streams, including car parks, beach huts and the market. The annual meeting between officers and the internal auditor to confirm the annual risk-based audit plan took place on 16th October 2023.

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 F&GC, which were considered on 10th January and 20th March 2024. 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 2023/24, or are in the process of being implemented:

- Improved car park cash collection reconciliations;
- Review of document retention schedule.

The F&GC also reviewed progress in implementing the recommendations from the previous audit year on 20th March 2024.

The internal auditor's annual report for 2023/24 confirms that, based on the audit work carried out, 'Swanage Town Council's central systems and internal control arrangements appear to be effective' and that no significant control weaknesses have been 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 2024/25 it is anticipated that the F&GC 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. It will also have an important role to play in reviewing the Council's strategic plans, in light of the Town Council elections on 2nd May 2024.

Martin Ayres
Town Clerk and RFO - May 2024

Section 1 – Annual Governance Statement 2023/24

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 2024, that:

	Agreed		
	Yes	No*	'Yes' means that this authority:
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 Chair and Clerk of the meeting where approval was given:

Chair

SIGNATURE REQUIRED

Clerk

SIGNATURE REQUIRED

ENTER PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

Section 2 – Accounting Statements 2023/24 for

ENTER NAME OF AUTHORITY

	Year ending		Notes and guidance
	31 March 2023 £	31 March 2024 £	
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 exclude any Trust transactions.</i>

I certify that for the year ended 31 March 2024 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 Chair of the meeting where the Accounting Statements were approved

SIGNATURE REQUIRED

SWANAGE TOWN COUNCIL



Financial Review Year Ended 31st March 2024

Contents

1. Introduction and Overview
2. Financial Review
 - Revenue Account/Service Provision
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 - Long-Term Borrowing
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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	Actual Net Expenditure	Budgeted Net Expenditure	Variance
Car Parks	(538,572)	(508,455)	(30,117)
Boat Park	(42,380)	(40,500)	(1,880)
Public Conveniences	157,114	148,820	8,294
Cemeteries	(23,735)	(26,700)	2,965
Parks and Operations (incl CCTV)	692,933	705,065	(12,132)
King George's Field Trust-Mgt Account	(4,593)	(1,050)	(3,543)
Beach Gardens	(3,382)	20,540	(23,922)
Beaches/Foreshore	154,841	161,875	(7,034)
Beach Chalets/Bungalows	(144,586)	(117,000)	(27,586)
Publicity/Tourism	255,046	244,520	10,526
Allotments	(7,310)	(6,050)	(1,260)
General Buildings (inc. Caravan park)	(34,903)	(65,440)	30,537
Central services to the public:	436,447	513,715	(77,268)
Democratic & Corporate Management	100,495	120,850	(20,355)
Grants Issued	12,900	14,950	(2,050)
Net Cost of Services	1,010,315	1,165,140	(154,825)
Non Operational Transactions			
Community Infrastructure Levy	(152,330)	0	(152,330)
Grants/Contributions to EMR	(6,000)	(3,000)	(3,000)
Precept on Dorset Council	(849,030)	(849,030)	0
Interest payable and similar charges	4,979	4,500	479
Interest and investment income	(307,002)	(185,000)	(122,002)
Total Net Expenditure	(299,068)	132,610	(431,678)
Appropriation to Reserves	446,459	75,000	371,459
Appropriations from Reserves	(155,388)	(154,120)	(1,268)
(Surplus)/Deficit for the Period	(7,997)	53,490	(61,487)

FINANCIAL REVIEW 2023/24

During 2023/24 the net expenditure on Town Council services, taking into account all revenue income and expenditure, was £1,010,315, this being £154,825 less than budgeted. The Council received a total of £849,030 in Precept, together with grants, donations and other contributions of £158,330 and £302,023 in net interest. It also contributed a net sum of £291,071 to its earmarked reserves to fund specific projects. Overall, this resulted in a surplus on the General Fund for the year of £7,997, compared to a forecast deficit of £53,490.

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 exceeded budget, bringing in £32,028 more than anticipated. This was in part due to good weather in the shoulder months, including October, and increased car park usage in December in connection with Christmas events. It also reflects a £10,000 refund in business rates in connection with the public conveniences at Main Beach Car Park.

Income from the Council's investments also significantly exceeded budget, due both to the deferral of capital expenditure and the continuation of higher than anticipated interest rates. This is analysed further below in the Treasury Management section of this review. As was the case last year, in order to comply with accounting guidance this figure includes the interest received for the fourth quarter of 2022/23 and the first three quarters of 2023/24 in relation to long-term investments.

The majority of the council's visitor services recorded a positive variance against budget. At the Boat Park lower expenditure more than offset a small underperformance in terms of income. Net expenditure on the Beaches and Foreshore budgets was largely as anticipated, overspends on repairs and maintenance and beach cleaning being more than offset by a significant underspend on seaweed clearance and the receipt of a summer demand grant from Dorset Council. The £27,565 variance on Beach Hut budgets is almost entirely due to a refund of business rates on the Spa beach huts. At the Visitor Information Centre a relatively small negative variance was the result of lower than anticipated income from stock sales and advertising boards, combined with increased spending on the advertising and promotions budget.

Beach Gardens saw a significant variation against budget due to one-off factors: a £3,382 net surplus against an anticipated loss of £20,540. This was the result of changes to the VAT treatment of leisure services and back payments from the Bowls Club for a pavilion licence fee and water usage.

Parks and Operations is the Council's largest budget, but produced one of the smallest variances, arising from an underspend on tree management and repairs and maintenance. The £30,000 negative variance in relation to the General Buildings/Downs and Miscellaneous Grounds budgets can principally be attributed to spending on professional fees in connection with the Peveril Point Road stabilisation scheme, brought forward from 2022/23, wall repairs at Prince Albert Gardens and loss of income due to the former taxi office at the station being vacant.

In relation to community facilities, the most significant monetary variances arose from lower than anticipated electricity costs in connection with the public conveniences and above-budget spending on repairs, due to works at Burlington Chine being carried over from the preceding financial year. In terms of the cemetery, income from fees was below budget, contributing to a negative variance, whereas the

allotment budgets saw a small positive variance, largely due to lower than planned expenditure on repairs and maintenance.

In terms of the Council's management and administration costs, there were positive variances against budget across Central Services, Democratic and Corporate Management. Despite above-budget spending on legal fees and energy bills, Central Services costs were under budget due to staff vacancies and the deferral of maintenance work to the Town Hall until 2024/25. Democratic and Corporate Management costs were £20,000 under budget, largely due to the deferral of the upgrade to the Council's main website and underspends on environmental projects and consultants' fees in connection with the development of the Neighbourhood Plan. This more than offset unbudgeted expenditure on consultation regarding the Green Seafront Stabilisation Scheme.

Once contributions to earmarked reserves are accounted for (see section on earmarked reserves below), there is a surplus on the General Fund for the year of £7,997, contributing to an overall General Fund Balance of £873,555 as at 31st March 2024.

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 2023/24 financial year and how this was financed.

Table 1: Capital expenditure and source of financing 2023/24

	Funded from Capital Receipts £	Funded from Earmarked Reserves £	Funded from General Fund £	External Funding £	Total Cost £
Land & Buildings					
Days Park Pathway & Lighting	-	57,763	-	-	57,763
Panorama Rd Upgrade	60,913	-	-	-	60,913
TOTAL	60,913	57,763	-	-	118,676

Land & Buildings

Days Park Footpath and Lighting Installation: This project commenced in 2022/23 with a budget of £70,000 having been approved by Council. However, due to inclement weather, the works were delayed and continued into 2023/24, with the project being completed in October 2023. Costs of £24,492 were incurred in the 2022/23 financial year (WIP) and £57,763 incurred in this financial year. The project was funded from the Community Infrastructure Levy reserve.

Panorama Road – Upgrade to Highways Standard: Works to upgrade the northernmost section of Panorama Road, were undertaken in the year, £60,913, funded from UCRR, in order to facilitate its

adoption by Dorset Council. The adoption is still outstanding and will be in combination with the southern section of Cow Lane where upgrading works were completed in 2022/23.

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 & Investment Strategy Statement 2023/24 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 2023/24 financial year, utilising accounts with Lloyds Bank, the UK Government, Money Market Funds and pooled funds.

Short-term investment activity, as defined in the Practitioners' Guide, has been relatively active during the year. Giving regard to the definition of short and long term investments in the Practitioners' Guide and consciously avoiding investments that are classified as long term and counted towards the expenditure and income totals in the AGAR, movements of cash have been confined to term deposits with the UK Debt Management Office (DMO). The Bank of England increased the official Bank Rate from 4.25% in March 2023 to 4.5% in May, 5% in June and 5.25% in August 2023, where it has been held. This has resulted in higher returns from short-term investments than originally estimated.

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. However, in February the Finance & Governance Committee which oversees investments resolved to give notice of withdrawal of 1/5th of the funds held in the CCLA property fund in preparation of ensuring adequate liquidity pending the commencement of the Green Seafront Stabilisation Scheme. 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 5.03%, 4.87% and 4.63% respectively (4.94% overall), based upon market value rather than book value.

In addition to these investments, at the beginning of the year the Council also held investments of £493k in UK Gilts and £500k in a YBS CD. These investments matured during the year and although these investments were held in the short term (less than 1 year) they were classified as long-term investments for the purposes of the AGAR in accordance with the Practitioners' Guide. The redemption of these investments was classed as income rather than a movement of cash and has been recognised as such in Box 3 of the AGAR. The movement of these investments has resulted in income of £993k being included in Box 3 of the AGAR. The total of long-term investments, £4m, 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 £4.18m with unrealised gains of £180k overall.

The net return on the Council's investments had been estimated at £185,000, with an actual outturn of £307,002 being realised at year end.

The Council's Annual Treasury Report 2023/24, which gives a more in-depth review, has been published separately. A summary of investments held at 31st March 2024 can be found on page 14.

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 2024/25 financial year.

A new reserve was established during the year, a Treasury Risk Management Reserve, to build up funds to offset any potential loss upon the redemption of strategic investments. Income from investments received in year, above the budgeted amount will be transferred to this EMR. In 2023/24 this amounted to £122,002 due to a combination of higher levels of funds and interest rates than those anticipated at budget setting.

Following the resolution to undertake the day to day activities of the King George V Playing Field under a management agreement a King George's Field Management Account reserves has been introduced in compliance with the agreement. Any surplus funds received in year will be appropriated to this reserve. In 2023/24 this amounted to £4,593.

In 2023/24, contributions totalling £446,459 were made to earmarked reserves. Of this sum, £288,129 was appropriated from the general fund, and a direct contribution of £6,000 was made by the Tennis Club and £152,330 of CIL monies were received. Conversely £155,388 of earmarked reserves were drawn upon to finance revenue expenditure and £57,763 financed capital expenditure.

At 31st March 2024 the committed expenditure reserve held £67,289, being the allocation of funds in 2023/24 to the Town Hall repairs & maintenance project. The implementation of this project was delayed and carried over to 2024/25. The fund is anticipated to be fully depleted in 2024/25 with the funds being appropriated back to the general fund upon completion of the works.

The Community Infrastructure Levy (CIL) Reserve received contributions of £152,330 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 2023/24, £67,455 of this reserve was utilised to finance repairs to the quay and slipway, £26,900 financed repairs to the pathways at the Recreation Ground and £57,763 financed the purchase of lighting and pathway improvements at Day's Park, as per Regulations. At the end of the 2023/24 financial year, £260,881 was held in the CIL reserve.

With an opening balance of £2,588,607 a net increase in the year of £233,308 has resulted in a balance of £2,821,915 of earmarked Reserves being held at 31st March 2024.

Capital Receipts Reserve

The Council's Usable Capital Receipts Reserve (UCRR) saw a reduction of £74,113 in the year being used to finance capital projects. £60,913 was utilised to finance the upgrade of the northernmost section of Panorama Road to highways standards, and £13,200 was given as a capital grant to Swanage & Herston Football Club Ltd to fund the development of a community sports facility at Day's park. The Council carries forward a balance of £2,118,147 in its UCRR into the next financial year.

A summary of the Council's reserves can be found on pages 11 to 13.

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 2023/24 financial year and its position at 31st March 2024. 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 2023 (England)*.

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

The Annual Return - Income & Expenditure				
2022/23			2023/24	
£	£		£	£
	1,125,564	<i>Reserves & Balances brought forward - Box 1</i>		652,900
		Income		
	840,000	<i>Precept - Box 2</i>		849,030
647,279		Rental, Interest & Investment Income	734,221	
825,856		Charges made for Services	856,337	
360,821		Other Income or Contributions	392,549	
1,874,516		Capital Contributions/Investments	993,525	
	3,708,472	<i>Total Other Receipts - Box 3</i>		2,976,632
		Expenditure		
		<i>Salaries and Wages</i>		
(802,670)		Direct Service Costs	(897,213)	
(271,857)		Democratic, Management and Civic Costs	(305,243)	
	(1,074,527)	<i>Total Staff Costs - Box 4</i>		(1,202,456)
	0	<i>Loan interest/capital repayments - Box 5</i>		0
		<i>Other Costs</i>		
(1,073,723)		Direct service costs	(1,049,134)	
(24,480)		Grant and donations	(12,900)	
(255,800)		Democratic, Management and Civic Costs	(268,579)	
(203,047)		Capital Expenditure	(118,676)	
0		Capital Grants	(13,200)	
(2,389,559)		Long Term Investments	0	
	(3,946,609)	<i>Total Other Costs - Box 6</i>		(1,462,489)
	<u>652,900</u>	<i>Reserves & Balances carried forward - Box 7</i>		<u>1,813,617</u>

Bank Reconciliation for year ended 31st March 2024			
	£	£	Note
Bank Accounts			
Current	31,751		
Call Account	52,061		
<i>add</i>			
outstanding receipts	3,771		
<i>add</i>			
petty cash	<u>645</u>		
Total Cash and Bank		88,228	
Short Term Investments			
CCLA-Public Sector Deposit Fund	250,000		
MMF-Abrdn	500,000		
DMADF-21 Day deposit	300,000		
DMADF – 32 Day deposit	<u>900,000</u>		
Total Short Term Investments		1,950,000	6
Total Cash and Short Term Investments – Box 8		<u>2,038,228</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.

2022/23 £		Note	2023/24 £
652,900	Box 7 - Balances carried forward		1,813,617
(197,250)	(-) Debtors	1	(166,664)
376,777	(+) Creditors	2	391,275
832,427	(=)Box 8 - Total cash and short-term investments		2,038,228

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.

A revision to the Practitioners' Guide for the year commencing 1st April 2022 has meant that any asset under construction will only be brought into the asset register once complete, rather than noted as under construction. For the 2022/23 financial year, one asset was classified as under construction. 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 from 2022/23 being added to Box 9 in 2023/24, totalling £24,492. Capital expenditure in 2023/24 was £118,676 with the addition of £24,492 of capital expenditure incurred in 2022/23 totals an addition to the Fixed Asset Register of £143,168.

	<u>Operational Assets</u>				<u>Non-Operational Assets</u>	
	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure	Community	Investment Properties	Total
Tangible Fixed Assets- Cost or Valuation	£	£	£	£		£
As at 31 March 2023	7,654,766	719,029	17,105	273,821	600,000	9,264,721
Additions/Enhancements	143,168	0	0	0	0	143,168
Reclassifications	0	0	0	0	0	0
Gifted Assets	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
As at 31 March 2024	7,797,934	719,029	17,105	273,821	600,000	9,407,889
Long Term Investments- Cost						
As at 31 March 2023						4,993,525
Additions						0
Redeemed						(993,525)
As at 31 March 2024						4,000,000
Total Fixed Assets and Long Term Assets – Box 9						13,407,889

The 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. Two investments were redeemed in 2023/24 and none entered into.

Long Term Borrowing

2022/23		2023/24
£	Analysis of Loans - PWLB	£
0	Balance brought forward	0
0	Principal paid in year (Box 5)	0
0	Total Outstanding – Box 10	0

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

Notes**1. Debtors**

2022/23		2023/24
£	Amounts falling due in one year :-	£
51,617	HMRC-VAT	4,771
119,245	Sundry Debtors	158,371
(35,000)	Provision for Bad/Doubtful Debtors	(35,000)
55,288	Payments in Advance	31,739
6,100	Stock	6,783
<u>197,250</u>	<u>Total</u>	<u>166,664</u>

The increase in sundry debtors is largely due to an increase in the provision for an NNDR refund and settlement of the Bowls Club rent review. The provision for bad/doubtful debtors has been retained at £35,000 pending resolution of an ongoing debt recovery process. The amount owed from HMRC for VAT in 2022/23 included a provision for £17,210, being a claim for VAT on leisure services. The amount paid in advance of the next financial year is lower in 2023/24 mainly due to the late receipt of an invoice for insurance for 2024/25, accounting for £22k.

2. Creditors

2022/23		2023/24
£		£
182,296	Sundry Creditors	175,850
194,481	Receipts in Advance	215,425
<u>376,777</u>		<u>391,275</u>

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 2023	Net movement in year	Balance 31 March 2024	Note
	£	£	£	
General Fund	865,558	7,997	873,555	3
Earmarked Reserves	2,588,607	233,308	2,821,915	4
Usable Capital Receipts Reserve	2,192,260	(74,113)	2,118,147	5
Total	<u>5,646,425</u>	<u>167,192</u>	<u>5,813,617</u>	

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 £4m long-term investments that the council holds in 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

2022/23		2023/24
£		£
858,630	General Fund Balance brought forward	865,558
245,425	Net Surplus/(Deficit) for Year	299,068
(29,667)	Financing Capital Expenditure	0
(208,830)	Net Transfers (to)/from Earmarked Reserves	(291,071)
<u>865,558</u>	General Fund Balance carried forward	<u>873,555</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 £7,997 on the general fund in the year, comprising of a net surplus of £299,068 for the year, less a net transfer from the general fund to earmarked reserves of £291,071.

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.

During the year a contribution of £446,459 was made to earmarked reserves from the General Fund, while £155,388 of revenue expenditure was financed from reserves, a net appropriation of £291,071. A further £57,763 of reserves was utilised to finance capital expenditure. This has resulted in a net increase of £233,308 in Earmarked Reserves.

Earmarked Reserves	Balance 31/03/2023 £	Additions to Reserve £	Rev Ex f'd from reserves £	Cap Ex f'd from Reserve £	Balance 31/03/2024 £
Beach Huts Reserve	75,000	10,000	0	0	85,000
Environmental Projects	17,000	25,000	0	0	42,000
Community Infrastructure Levy	260,669	152,330	(94,355)	(57,763)	260,881
De Moulham Back Roads	23,406	1,774	0	0	25,180
Insurance & Contingency Reserve	40,000	0	(21,000)	0	19,000
Treasury Risk Management Reserve	0	122,002	0	0	122,002
Car Park Machines	39,248	5,000	0	0	44,248
Play Equipment-General Areas	21,406	10,000	0	0	31,406
Vehicle & Plant Replacement	10,000	15,000	0	0	25,000
Football Club Facilities	4,443	0	(1,323)	0	3,120
Tennis Courts Refurbishment	12,312	10,066	0	0	22,378
King Georges Play Area & Skate Park	57,097	10,000	0	0	67,097
Public Conveniences	115,000	15,000	0	0	130,000
IT Equipment Reserves	23,164	5,000	0	0	28,164
Green Seafront Enhancement Scheme	1,394,557	0	0	0	1,394,557
Community Sea Defence Project	450,000	0	0	0	450,000
Committed expenditure deferred	45,305	60,694	(38,710)	0	67,289
King George's Field Mgt Account	0	4,593	0	0	4,593
Total	2,588,607	446,459	(155,388)	(57,763)	2,821,915

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 £60,913 during the course of the year to finance capital expenditure, with a further £13,200 being a grant awarded to Swanage & Herston Football Club. No capital receipts were received, resulting in a balance of £2,118,147 being held at the end of the year.

2022/23 £		2023/24 £
2,256,284	Balance brought forward	2,192,260
0	Capital receipts	0
	Less:	
(64,024)	Capital receipts used for financing Assets	(60,913)
0	Capital Grants	(13,200)
<u>2,192,260</u>	Balance carried forward	<u>2,118,147</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 Current Account	£31,751	n/a	0.00%
Lloyds Bank-Call Account	£52,061	n/a	1.30%
Abrdn Money Market Fund	£500,000	n/a	5.26%
CCLA-Public Sector Deposit Fund	£250,000	n/a	5.26%
DMADF-21 day deposit	£300,000	18/04/2024	5.19%
DMADF-32 day deposit	£900,000	29/04/2024	5.19%
Total Short Term Investments–(incl. in Box 8)	£2,033,812		
CCLA-LAMIT Property Fund	£2,500,000	n/a	5.03%
M & G Strategic Corporate Bond Fund	£500,000	n/a	4.87%
Ninety One - Diversified Income Fund	£1,000,000	n/a	4.63%
Total Long Term Investments–(incl. in Box 9)	£4,000,000		
Total Investments held @ 31st March 2024	£6,033,812		

The Council held five short term investments at 31st March 2024. It held two investments in Money Market Funds, one with the CCLA Public Sector Deposit Fund (a qualifying MMF) and one with Abrdn. The investments held with the MMFs have a variable rate of return. Two term deposits were held with the DMO totalling £1.2m. A further £52k was held in a Lloyds commercial call account, with £31k 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 (although notice has been given to redeem 1/5th of the units held), 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 total of long -term investments, £4m 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 Trusts, which commenced in 2022/23, has been ongoing during the year.

The principal change made during the 2023/24 financial year was in respect of the King George's Field Swanage Trust, a management agreement between the Town Council and the Trust having been executed as a Deed on 8th November 2023. This regularises the operational relationship between the Council and the Trust and requires the Council to undertake the day-to-day management of the Playing Field and account for any income and expenditure as Council income and expenditure. An earmarked reserve, King George's Field Management Account reserve, has been established and will hold any surplus funds on the management account, as per the agreement. As such the charity itself does not incur any income or expenditure.

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The Gift of Public Pleasure Grounds Trust has as its objective the preservation as public open space of the Weather Station Field, Shore Rd; Prospect Park and Nursery; the southern verge along Gilbert Road; and a small triangular plot of land at Northbrook Cross. None of these parcels of land generate any income and are managed as part of the Town Council's corporate property.

The largest and most complex of the Council's Trusts is the De Moulham Trust, which has the benefit of covenants on properties across a large area of north Swanage. This continues to operate as it has done over recent years, although clarification is being sought over its potential liability for maintaining Sandpit Field on Shore Road.

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 2024, £303.80 was held in the James Day Will Trust income account administered by Lloyds Bank (Private Banking).

As noted in the 2022/23 Financial Review, 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 further consideration will be given to this in the 2024/25 financial year.

	Income £	Expenditure £	Net Gain/(Loss) £
De Moulham Trust <i>Registered 21st September 1995 following deed of assent dated 11th May 1990 gifting land and benefit of covenants to Swanage Town Council</i>	0	(44,217)	(44,217)
Gift of Public Pleasure Grounds <i>Indenture dating from 1924</i>	0	0	0
King George's Field <i>Declaration of Trust entered into 24th September 2007</i>	0	0	0

Charitable Funds held by Trusts:

	Balance 31 March 2023 £	Net Contributions to/(from) Fund £	Balance 31 March 2024 £
De Moulham Trust	99,803	(44,217)	55,586
Gift of Public Pleasure Grounds	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 2023/24 the Council paid an employer's contribution of £193,011 into the Dorset County Pension Fund (a total of £172,852 in 2022/23), 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 2023/24 these amounted to £2,655 (£2,412 in 2022/23).

9. Grants

The following grants were issued during the 2023/24 financial year:

Grants - Issued		
<i>General Power of Competence, Localism Act, 2011</i>	£	£
<i>Revenue Grants</i>		
Swanage & Herston Football Club (Vodafone)	5,250	
Mowlem Institute (Theatre) Charity	5,000	
#Willdoes Charity	500	
Friends of Swanage Primary School	500	
Swanage Skatepark Community Project	500	
Swanage Town Band	150	
Purbeck Citizens Advice Bureau	1,000	12,900
<i>Capital Grants</i>		
Swanage & Herston Football Club		13,200
Total		26,100

The Council received one revenue grant during the year from Dorset Council.

Grants - Received	
<i>Revenue Grants</i>	
Dorset Council - Summer Demand Operations	£ 8,350
<i>Capital Grants</i>	
None	0
Total	8,350

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

Contributions to services provided by Third Parties		
	£	£
Swanage & Purbeck Development Trust-Health & Wellbeing Hub	21,000	
Dorset Coast Forum/Sustainable Swanage	19,180	
Swanage Water Safety Patrol	4,200	
Dorset Council – Swanage First School Crossing Patrol	4,179	
Total		48,559

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.

2022/23		2023/24
£		£
3,780	Fees payable to the external auditor appointed by the SAAA	2,940
0	Adjustment on previous years audit fees	0
<u>3,780</u>		<u>2,940</u>

11. Items for Consideration

Any events after the year end, 31st March 2024, have been considered up to the date of the Annual Return, 29th May 2024. There are no items to report which may have an effect upon the Annual Return.

SWANAGE TOWN COUNCIL



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1. Background

The Council's Treasury Management Strategy for 2023/24 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 2023/24 was approved by full Council on 16th January 2023 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: UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February, but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with the economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK

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economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March meeting was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023, the near-term projection for services price inflation was revised upwards with goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in H2 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.

Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over the period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.

Financial markets: Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.

Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March.

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Credit review: In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.

In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini- budget.

Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.

Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.

Heightened market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

Local Context

On 31st March 2023 the Authority held investments valued at £6.1m, with usable reserves and working capital being the underlying resources available for investment. On 31st March 2024, the Authority held investments valued at £6.2m. These year-end values include unrealised gains from the Council's strategic investments, being £0.28m in 2023 and £0.18m in 2024.

3. Borrowing Strategy and Debt Management

The Authority is debt free. Usable reserves are forecast to fall to £0.85m by March 2027, as capital receipts and earmarked reserves are used to finance the Council's extensive capital programme. The 2024/25 capital expenditure plans and treasury strategy implied a need to borrow at the end of

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the 3-year forecast period, however this will be reviewed during the course of the 2024/25 financial year as plans for the Green Seafront Enhancement Scheme are developed.

4. 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	31.03.23 Balance	Net Movement	31.03.24 Balance	31.03.24 Income Return
	£	£	£	%
Banks and building societies (unsecured)	577,650	-493,838	83,812	
Money Market Funds	750,000	0	750,000	
UK Govt – DMO Deposit/Gilts	493,475	706,525	1,200,000	
Total Internal Investments	1,821,125	212,687	2,033,812	5.04%
*Investments in Pooled Funds:				
Property	2,989,907	-116,662	2,873,245	
Bond	422,379	18,484	440,863	
Multi Asset	870,524	-4,181	866,343	
Total External Funds	4,282,810	-102,359	4,180,451	4.90%
TOTAL INVESTMENTS	6,103,935	110,328	6,214,263	4.94%

*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 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 increased by 1% over the period, from 4.25% at the beginning of April 2023 to 5.25% by the end March 2024. Short term rates peaked at 5.7% for 3-month rates and 6.7% for 12-month rates during the period, although these rates subsequently began to decline towards the end of the period. Money Market Rates also rose and were 5.26% by the end of March 2024.

£4m that is available for longer-term investment is invested in corporate bonds, pooled property & multi-asset funds.

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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
31.03.2023	5.09	A+	73%	52	3.73%
31.03.2024	4.23	AA-	41%	16	5.04%
Similar LAs	4.96	A+	46%	67	5.34%
All LAs	4.82	A+	61%	9	5.17%

Externally Managed Pooled Funds

£4.18m (£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.

2023/24 was characterised by significant volatility in bond markets. Adjusting to central banks' intention of keeping policy rates unchanged amid persistently higher core inflation, tight labour markets and resilient growth, global bond yields rose (i.e. bond prices fell), the August-October 2023 period being a particularly weak one for bond markets with falling prices negatively impacting credit market sentiment and bond fund performance as well as weighing on multi-asset fund returns. November and December saw a turnaround with a significant fall in US and global bond yields (i.e. bond prices rising), the catalyst being a signal from the US Federal Reserve that it was prepared to cut rates in 2024. The 10-year UK gilt yield, which had increased nearly 1.25% since the beginning of the financial year fell back to 3.44% by the end of December, close to its 1st April level. Thereafter, the first quarter of 2024 proved more difficult for government bonds as stubborn inflation led fixed income markets to question if the expectation of the number of rate cuts over 2024 and the accompanying fall in yields had been overdone.

Strong demand for credit resulted in the tightening of credit spreads which was supportive of high yield corporate bonds and emerging market debt.

By contrast, shrugging off geopolitical concerns, global equities were buoyed by healthy corporate earnings, resilient economic data and moderating inflation and the view that central banks had reached the peak of their rate tightening cycles. A number of indices, including the S&P 500 and Nasdaq, posted record highs driven by AI exuberance. The performance of the S&P 500 was primarily driven by its top seven tech-related mega-cap growth stocks (these securities do not heavily feature in equity income funds). After an initial period of caution due to the likelihood of recession, the UK economy fared better than anticipated with a shallow recession, falling inflation and improved

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consumer confidence providing support for UK equities, with stocks trading at attractive valuations relative to their global peers. The FTSE All-Share was one of the top performing stock markets in September and December 2023. The total return on the FTSE All Share index for the 12 months ending March 2024 was 8.2%, FTSE 100 was 8.1% and MSCI All World was 25.7%.

The market background for commercial property improved marginally in 2023 and was more stable, in contrast to the very challenging backdrop of 2022. Low transactional volumes were a constraint on valuations and made prospective sellers and buyers more cautious. Although many sectors lacked momentum, there was growing confidence in the longer-term outlook as occupier demand and rental markets held up. Industrial and retail warehousing sectors remained strong, but the retail and offices sectors remained weak, the latter continuing to be hindered by low occupancy from hybrid working practices.

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 2024

Fund Name	Book Value £m	Current Value £	Capital Growth £	Dividends Earned £	Capital Return %	Income Return %	Total Return %
CCLA-LAMIT Property Fund	2.50	2,873,245	-116,662	150,525	-3.90%	5.03%	1.13%
M & G Strategic Corporate Bond Fund	0.50	440,863	18,484	20,553	4.38%	4.87%	9.24%
Ninety-One Diversified Income Fund	1.00	866,343	-4,181	40,315	-0.48%	4.63%	4.15%
Total	4.00	4,180,451	-102,359	211,393	-2.39%	4.94%	1.60%

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. Upon reviewing these investments, the Finance & Governance Committee determined to withdraw 1/5th of the units held in the CCLA LAMIT property fund in preparation of financing the capital programme over the next three financial years. 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.

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 £0.18m at 31st March 2024. 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.

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Treasury Performance

The budget for investment income in 2023/24 was £185,000, with actual income of £307,002. This is primarily due to the Council retaining a higher level of reserves than estimated, due to delays in implementing its extensive capital programme, combined with higher interest rates on its short-term investments than forecast. During the year a Treasury Risk Management Reserve was established in order to protect against any potential capital loss impacting the general fund at the point when strategic investments are redeemed. In compliance with the reserve policy, investment income received above budget will be appropriated to the reserve. In 2023/24 this amounted to £122,002.

ESG policy: Although the Council has not adopted an Environmental, social and governance (ESG) policy, it is recognised that ESG factors should be considered when placing new investments. The 2023/24 TMISS stated that when investing in banks and funds, the Council will aim to prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code. In 2023/24 all investments held by the Council complied with this assertion.

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.

5. Compliance & Treasury Management Indicators

This report provides members with a summary report of the treasury management activity during 2023/24, having due regard to both the CIPFA Code of Practice and DLUHC 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	31.3.24 Actual	2023/24 Target	Complied?
Portfolio average credit rating	AA-	A	Yes

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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	31.3.24 Actual	2023/24 Target	Complied?
Total cash available within 3 months	£2m	£0.75m	Yes

The Authority can confirm that during 2023/24 it complied with its **Treasury Management Policy Statement** and **Treasury Management Practices**.