

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	
---------------------------	--

☐

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

Annual Internal Audit Report 2024/25

SWANAGE TOWN COUNCIL

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During the financial year ended 31 March 2025, 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 2024/25 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 2023/24, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2023/24 AGAR tick "not covered")</i>	✓		
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	✓		
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(during the 2024-25 AGAR period, were public rights in relation to the 2023-24 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set)</i> .	✓		
N. The authority has complied with the publication requirements for 2023/24 AGAR ✱ <i>(see AGAR Page 1 Guidance Notes).</i>		✓	
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	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 ✱ SEE ATTACHED NOTE

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 REQUIRED

Date

15/05/2025

*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:

03/10/2024	10/10/2024	25/11/2024	28/11/2024	12/12/2024	20/12/2024
20/01/2025	23/01/2025	03/02/2025	04/02/2025	14/05/2025	15/05/2025

Internal Auditor note on test N - Publication:

I checked to see that the Council complied with the public rights and notice of conclusion publication requirements. I found that the public rights notice and ss1&2 of the AGAR were published before the commencement of the public rights period on 03/06/24, and that they were still in place after the end of that period. I found that the Council was unable to publish the notice of conclusion on or before 30/09/24 as the external auditor did not issue their final report until 24/02/25. As a result I have responded 'no' to this test.



R Darkin-Miller LLB (Hons) BFP FCA 15/05/25

Agenda item 4 a)

FINAL

Annual Internal Audit Report 2024/25

SWANAGE TOWN COUNCIL

Date: 18th May 2025

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 2024/25, 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 six visits have been issued in 2024/25 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 2024/25 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 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 Council's request in 2022/23, Councillors receive a focussed report which includes only the high and medium level recommendations, and for which additional detail (relevant to officers but extraneous for Members) has been removed.
- 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 focussed reports issued 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 2024/25.
- 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	6	TOTAL
High	4	0	0	0	4
Medium	3	0	0	0	3
Low	0	3	4	0	7
Information	0	0	0	0	0
TOTAL	7	3	4	0	14

- 6.2 In total 14 ‘appendix 9’ recommendations were made in 2024/25 (2023/24: 11 ‘appendix 9’ recommendations). 4 were graded ‘high’, and 3 ‘medium’ (23/24: 4H and 5M 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 2025, officers reported back to the Committee on progress with the implementation of agreed audit recommendations. In addition, a responsible officer continues to be identified for each recommendation. As a result performance on implementing recommendations is very good.

8 Conclusions

- 8.1 The number of appendix 9 recommendations made has increased slightly year on year. This was due to the periodic testing of Cemetery income following the

delayed start of a replacement administrator, which led to some records not being fully updated at the start of the audit. Overall recommendations remain very 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 2024/25 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 or where a change in risk profile indicated a review was appropriate. The number of days spent carrying out the core appendix 9 audit was 10.75 days (2023/24: 10.75).
- 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 (2023/24: 0 additional days, total 10.75).
- 8.4 Whilst the Internal Audit function is unable to give absolute assurance, the results of the reviews completed during the year have resulted in an overall opinion that: in all material respects:
- Key central systems and internal control arrangements continue to be effective;
 - Agreed policies, regulations and Standing Orders are complied with;
 - Managers are aware of the importance of maintaining internal controls and accept recommendations made by Internal Audit to improve internal controls; and
 - Adequate arrangements are in place to prevent and detect fraud.
- 8.5 The annual audit did not identify any significant control weaknesses for inclusion in the Annual Governance Statement.

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

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

Darkin Miller ~ Chartered Accountants
2024/25 INTERNAL AUDIT OF SWANAGE TOWN COUNCIL
ANNUAL AUDIT REPORT: SUMMARY OF FOCUSSED HIGH AND MEDIUM LEVEL RECOMMENDATIONS

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/ Medium/ High)	Management Response	Responsible Officer	Due Date
[All report 1 of 6]					
14.1 – Ensure public rights and notice of conclusion documents published within deadline	<p>I found that the Council was unable to publish the notice of conclusion on or before 30/09/24 as the external auditor had not issued a final report before that date. The external auditor issued an interim report on 27/09/24, but due to technical issues the Council was unable to publish this on its website until 02/10/24.</p> <p>I recommend that the Council ensures it complies with the publication requirements where possible.</p>	M	Agreed. Every effort was made to publicise the external auditor's report by the deadline. However, given that it was not issued by the auditor until the Friday beforehand there was little opportunity to do so once the technical problem with the website had been identified. The report was published on the Town Hall noticeboard by the deadline.	TH1	With immediate effect
20.1 – Ensure all registers are brought up to date as soon as possible	<p>I found that, due to a staff vacancy during the year, application forms for interments and memorials had been completed along with a spreadsheet which records details thereof, but that the Council registers (of burials, purchased graves and public graves) had not been fully updated since January 2024.</p> <p>I recommend that the three registers, the board and the pear system are brought up to date as soon as possible.</p>	H	Agreed	TH5	30 th November 2024

20.2 – Amend procedures for headstone placement	<p>The Town Clerk noted that a headstone had recently been placed on the wrong plot in error.</p> <p>I recommend that the Council issues new procedures for the placing of headstones.</p>	H	Agreed	TH5/OPS19	24 th December 2024
20.3 – Carry out mapping exercise	<p>The Town Clerk also noted that the current map of one section of the cemetery does not accurately reflect the layout of grave plots, thereby increasing the risk of an interment taking place in an incorrect new plot.</p> <p>I recommend that the Council updates the Cemetery map, in order to ensure that a detailed and accurate record of all plots is held.</p>	H	Agreed	TH5/OPS7	24 th December 2024
20.4 – Ensure notices of interment are fully completed	<p>I checked to see that a sample of notices of interment are fully and correctly completed. I found that the main details of the forms were completed, but that the office management information printed on the header, which allows staff to confirm that all relevant paperwork has been fully completed and the register of burials and registers of graves updated, has not been completed.</p> <p>I recommend that the notices of interment are fully completed in future, and that the headers for incomplete notices are retrospectively completed once the related records have been updated.</p>	M	Agreed	TH5	30 th November 2024

20.5 – Ensure notices of interment and memorial applications are properly filed	<p>I found that the notices of interment and memorial applications were filed in two folders (paid and unpaid). The documents were not split by service type, and were not filed in date order.</p> <p>I recommend that the documents are filed in date order and that different sections are created for the different services.</p>	M	Agreed	TH5	30 th November 2024
20.6 – Ensure ERBs are finalised and issued for burials in 24/25	<p>I found that 3/5 Exclusive Right of Burial certificates had not been issued following a staff vacancy earlier in the year.</p> <p>I recommend that the ERBs are finalised and issued as soon as possible in order to ensure that the grave owner can prove ownership in the event of any query.</p>	H	Agreed	TH5	24 th December 2024

	Days		
	2023/24	2024/25	2024/25
	Actual	Planned	Actual
	Hours	Hours	Hours
Core audit testing:			
Bookkeeping	0.02	0.10	0.05
Expenditure	3.31	6.00	6.39
Risk Management	5.16	6.30	6.44
Budgetary Control	0.18	0.30	0.14
Income	8.40	10.00	5.53
Petty cash and imprests	3.24	3.30	5.45
Payroll	7.54	8.00	5.45
Fixed Assets	0.19	0.30	0.33
Bank reconciliation	0.30	1.00	0.43
Year-end procedures	3.39	5.00	3.44
Exemption, transparency, public rights	0.23	0.25	0.32
Trusts	0.40	1.00	1.00
<i>Section Total</i>	34.29	43.05	37.46
Other audit areas:			
Car Parks	9.59	10.00	8.40
Cemeteries		6.00	8.20
Market	6.30		
TIC Rent Income	12.05	8.00	11.26
<i>Section Total</i>	28.34	24.00	28.26
Management/planning/reporting	12.00	12.00	09.00
TOTAL HOURS	75.03	79.05	75.12
TOTAL 7 HOUR DAYS	10.75	11.25	10.75

To Review the System of Internal Control 2024/25

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.

Report on the Findings of the Review of the System of Internal Control 2024/25

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 investments, reviewing Council policies, prioritising actions and monitoring the delivery of projects. During 2024/25 it received quarterly budget monitoring reports on 24th July 2024, 6th November 2024, and 26th February 2025.

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 2024/25 to strengthen the system of internal control, and revised versions were adopted at the meetings indicated below:

- Safeguarding Policy (Council Meeting – 29th April 2024)
- Reserves and Balances Policy (Council Meeting – 20th January 2025)
- Treasury Management and Investment Strategy Statement (Council Meeting – 20th January 2025)
- Corporate Risk Register (Council Meeting - 24th March 2025).

During the financial year, the Trusts of which the Town Council is the Corporate Trustee have continued to progress a review of their governance arrangements, procuring specialist legal advice. This may result in a merger of the Mowlem Land Trust (De Moulham Trust) and the Gift of Public Pleasure Grounds Trust. This work is due to conclude in the 2025/26 financial year.

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. Although the external auditor's (BDO LLP) report was delayed, as a result of questions raised by a local elector, it did not identify any significant matters for consideration by the Town Council and this was reported to the Council Meeting held on 24th March 2025. A recommendation to include a note of the notional market value of each Council investment as at 31st March in the Council's asset register was accepted by the Council at that meeting.

The process of internal audit is key to the review of the SIC. The annual meeting between the RFO, Finance Manager and the internal auditor to confirm the annual risk-based audit plan took place on 16th September 2024. This was subsequently presented to the Finance & Governance Committee on 6th November 2024. 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 6th November 2024, 13th January and 26th February 2025. This ensures that actions are taken at the earliest possible opportunity.

The F&GC also reviewed progress in implementing the recommendations from the previous audit year on 26th February 2025.

The internal auditor's annual report for 2024/25 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 2025/26 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, including Standing Orders and Financial Regulations. It will also have an important role to play in overseeing the review of the Council's Corporate Plan.

Martin Ayres
Town Clerk and RFO - May 2025

Section 1 – Annual Governance Statement 2024/25

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 2025, 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 2024/25 for

ENTER NAME OF AUTHORITY

	Year ending		Notes and guidance
	31 March 2024 £	31 March 2025 £	
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 2025 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 2025

Contents

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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	(595,177)	(546,295)	(48,882)
Boat Park	(3,787)	(45,750)	41,963
Public Conveniences	162,563	168,295	(5,732)
Cemeteries	(33,408)	(20,405)	(13,003)
Parks and Operations (incl CCTV)	712,971	693,190	19,781
King George's Field Trust-Mgt Account	(10,019)	0	(10,019)
Beach Gardens	1,357	10,265	(8,908)
Beaches/Foreshore	71,082	80,650	(9,568)
Beach Chalets/Bungalows	(130,619)	(120,045)	(10,574)
Publicity/Tourism	277,961	271,945	6,016
Allotments	(6,665)	(6,825)	160
General Buildings (inc. Caravan park)	(20,627)	(32,525)	11,898
Central services to the public:	565,153	480,735	84,418
Democratic & Corporate Management	111,325	115,305	(3,980)
Grants Issued	20,550	16,250	4,300
Net Cost of Services	1,122,660	1,064,790	57,870
Non-Service Expenditure			
Community Infrastructure Levy	(106,899)	0	(106,899)
Grants/Contributions-to EMR	(20,223)	(3,000)	(17,223)
Precept on Dorset Council	(878,750)	(878,750)	0
Interest payable and similar charges	3,881	4,600	(719)
Interest and investment income	(393,584)	(240,000)	(153,584)
Total Net Expenditure	(272,915)	(52,360)	(220,555)
Appropriation to Reserves	395,704	83,600	312,104
Appropriation from Reserves	(94,909)	(24,500)	(70,409)
(Surplus)/Deficit for the Period	27,880	6,740	21,140

During 2024/25 the net expenditure on Town Council services, taking into account all revenue income and expenditure, was £1,122,660, this being £57,870 more than budgeted and included £14,880 in grants directly financing services. The Council received a total of £878,750 in Precept, together with non-service contributions and CIL monies of £127,122 and £393,584 in investment income. It also contributed a net sum of £300,795 to its earmarked reserves to fund specific projects. Overall, this resulted in a deficit on the General Fund for the year of £27,880, compared to a budgeted deficit of £6,740.

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 by £25k, with £14k attributable to Broad Road car park, with the other car parks on budget. Additional income of £12k was attributable to electricity recharged for EVCPs which continued in 24/25 pending a new agreement with Mer. Expenditure was £20k under budget in total due to lower electricity costs and card processing fees together with the cancellation of works at North Beach car park (with a £15k budget). In total net expenditure was £48k under budget.

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 has been the case in recent years, in order to comply with accounting guidance this figure includes the interest received for the fourth quarter of 2023/24 and the first three quarters of 2024/25 in relation to long-term investments. The sale of units in the CCLA property fund also contributed £61k to treasury income in year.

In terms of the council's visitor services, the most significant variation against budget was in relation to Peveril Point Boat Park, where urgent jetty repairs led to significant higher expenditure resulting in a surplus that was almost £42k below what was forecast. The only other visitor service to produce a negative variance, albeit much smaller, was Publicity and Tourism as a result of higher than anticipated repairs and maintenance costs combined with a small overspend on the staffing budget. Other services saw a relatively small positive variance against budget: Beach Gardens due to back payments in respect of the pavilion licence fee together with higher putting and tennis income; Beach Huts due to increased income in respect of Shore Road; and Beaches and Foreshore due to lower than budgeted costs on seaweed management and repairs and maintenance.

Parks and Operations is the Council's largest budget, but produced a relatively small variance proportionate to the total budget of over £800k. A negative variance was largely due to the commissioning of professional services in terms of the Green Seafront Scheme, including Early Contractor Involvement (ECI) to review initial costings of the stabilisation and enhancement options. Likewise, the most significant contributory factor to the almost £12k negative variance in respect of the General Buildings/Downs and Miscellaneous Grounds budgets was ECI work in connection with the proposed Peveril Point Road improvement scheme. Loss of rent from the former taxi office at the station prior to the signing of the new lease also contributed to this variance.

In relation to community facilities, the only significant variance related to the cemeteries where an increased number of interments in the early spring led to higher than anticipated income from fees and charges. With regard to public conveniences higher than budgeted electricity and water costs were more

than offset by lower than planned expenditure on repairs and maintenance. The allotments were on budget.

In terms of the Council's management and administration costs, the significant variance in respect of Central Services costs was largely the result of the external redecoration works to the Town Hall and Annexe (£70,584) which were budgeted for in 2023/24 but were delayed to the 2024/25 financial year. Other unforeseen expenditure related to new fire alarm panels at the Town Hall and higher than anticipated spending on legal fees, although a significant proportion of this has been recharged.

Once contributions to earmarked reserves are accounted for (see section on earmarked reserves below), there is a deficit on the General Fund for the year of £27,880, contributing to an overall General Fund Balance of £845,675 as at 31st March 2025.

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 2024/25 financial year and how this was financed.

Table 1: Capital expenditure and source of financing 2024/25

	Funded from Capital Receipts £	Funded from Earmarked Reserves £	Funded from General Fund £	External Funding £	Total Cost £
Land & Buildings					
Panorama Rd Upgrade	7,174	0	0	0	7,174
Depot External Shelter (Car Port)	16,187	0	0	0	16,187
Station Approach Improvements	120,000	15,529	0	15,000	150,529
Vehicles, Plant & Equipment					
Depot Vehicle	42,752	0	0	0	42,752
3 Phase Electricity Supply	0	0	0	48,921	48,921
PV Panels	21,555	0	0	21,555	43,110
Pay & Display Terminals	0	39,437	0	0	39,437
Capital Grants					
Swanage & Herston Football Club Ltd	17,513	0	0	0	17,513
TOTAL	225,181	54,966	0	85,476	365,623

Land & Buildings

Panorama Road – Upgrade to Highways Standard: In order to facilitate their adoption by Dorset Council, works to upgrade the southern section of Cow Lane were completed in 2022/23 and works to upgrade the northernmost section of Panorama Road were undertaken in the year 2023/24. Provision was made for the expenditure in both financial years totalling £81,608. However, final billing in

2024/25 was higher than anticipated. Following negotiations with Dorset Council, final costs were confirmed at £88,782, with the balance of £7,174 being funded from UCRR in 2024/25.

Depot-External Shelter: The construction of the external shelter was completed in 2024 and the installation of the electrics and vehicle charger in January 2025 at a cost of £16,187 funded from capital receipts.

Station Approach-Infrastructure improvements:

A direct award of contract was made to Dorset Council to undertake the works at Station Approach with a budget allocation of £150.5k. After extended negotiations, it was reported to Council that the Co-operative had agreed to contribute £15k to the works, being the cost associated with night working in order to avoid disruption. The works commenced in January 2025 and were completed in February 2025, with £120,000 being funded from capital receipts, £15,000 funded from the Co-operative and £15,529 funded from CIL reserves.

Vehicles, Plant & Equipment

Depot Vehicle-Electric Flatbed Truck: An order was initially placed in February 2024 for an electric Ford Transit Leader Single Chassis Cab 350. The vehicle was delivered in January 2025 at a cost of £42,752 funded from capital receipts.

Installation of 3 phase electricity supply – Hardstanding: In order to facilitate a Sauna concession at the Hardstanding on Shore Road, the installation of a 3 phase electricity supply was required. Council approved the works, subject to the costs being funded by the concessionaire.

Although difficulties with the distributor were encountered the trenching works completed in December, and the supply installed in January 2025. Total costs incurred were £48,921, to be funded by the concessionaire in accordance with the lease agreement.

Installation of PV Panels: Procurement of the design, supply and installation of the PV panels was undertaken via Contracts Finder in November 2023, and the contract was awarded to Dorset Energy Solutions. Low Carbon Dorset confirmed a grant for 50% of the costs. The installation of the PV panels on the Depot buildings was completed in August 2024. The installation at Beach Gardens was completed in November 2024 with £21,555 funded by a grant from Low Carbon Dorset, and £21,555 being funded from capital receipts.

Pay & Display Terminals: Council approved the purchase of replacement pay & display terminals in three car parks to effect operational efficiencies, in June 2024. An order was placed with Flowbird, and the machines were installed in November 2024 at a cost of £39,437 and funded from earmarked reserves.

Capital Grants

Swanage & Herston Football Club: In June 2024 Council approved the draw down of £17,513 by Swanage & Herston Football Club in respect of funding the submission of a planning application for a

community sports facility at Day's Park. The application was registered by the Council, with a 50% reduction in fees being applied. The grant was funded from capital receipts.

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 2024/25 and upon advice given by Arlingclose. The Council has continued to maintain a relatively diverse investment portfolio, commensurate with the size of its balances, throughout the course of the 2024/25 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. Having 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). Although the Bank of England decreased the official Bank Rate from 5.25% to 5.00% in August 2024, 4.75% in November 2024 and 4.50% in February 2025, yields continue to remain high.

With regards to long-term investments (strategic investments) the Council continued to maintain the units held in the M&G Strategic Corporate Bond Fund and the Ninety-One Diversified Income Fund. However, in March 2024, the Council gave notice of withdrawal of 1/5th of the funds held in the CCLA property fund (200,000 units) in order to ensure adequate liquidity pending the commencement of the Green Seafront Stabilisation Scheme. The proceeds of the sale were received in October 2024, with principal of £482k being returned plus a realised gain on disposal of £61k, both recorded as income in Box 3 of the AGAR.

The redemption of the units prior to funding the capital programme has resulted in an increased level of short-term investments, with the proceeds being placed with the DMO. As such a movement of balances held in long term investments to short term investments has been seen over the year. Presently, yields for both are at similar levels with no adverse impact on income resulting.

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 £3,517,940. In terms of income generation, the pooled funds have continued to perform well, realising an annualised yield of 4.62% (CCLA), 4.77% (M&G) and 4.99% (Ninety-One), 4.72% overall, based upon market value rather than book value.

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

three long-term investments held by the Council this totals £3.66m, with unrealised gains of £143k overall.

The net return on the Council's investments had been estimated at £240,000, with an actual outturn of £393,584 at year end, with £61k being attributable to the realised gain from the sale of units in the CCLA property fund rather than investment yield. The Council's Annual Treasury Report 2024/25, which gives a more in-depth review, has been published separately. A summary of investments held at 31st March 2025 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 2025/26 financial year.

Three new reserves were established through this process during the 2024/25 financial year. The Bandstand Reserve, which holds funds donated by the Friends of Swanage Bandstand following the closure of this charity, an Asset Management Plan Reserve and a Boat Park/Fishers' Huts Reserve, both having been established to earmark funds to finance future projects. Two reserves were closed at the end of the year following a review of their requirement upon the depletion of funds. The Football Club Facilities Reserve was depleted and closed in the year following a contribution to the Swanage & Herston Football Club and the Insurance & Contingency reserve was closed with funds being granted to the Swanage & Purbeck Development Trust for the Health & Wellbeing Hub.

The Community Infrastructure Levy (CIL) Reserve received contributions of £106,900 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 2024/25, £15,529 of this reserve was utilised to part finance infrastructure improvements on Station Approach. At the end of the 2024/25 financial year, £352,252 was held in the CIL reserve.

In 2024/25, contributions totalling £395,704 were made to earmarked reserves. This included £106,900 CIL monies, £3,883 from the Tennis Club and £16,390 from the Friends of Swanage Bandstand. Conversely £94,909 of earmarked reserves were drawn upon to finance revenue expenditure and £54,966 financed capital expenditure.

With an opening balance of £2,821,915 a net increase in the year of £245,829 has resulted in a balance of £3,067,744 of earmarked Reserves being held at 31st March 2025.

Capital Receipts Reserve

The Council's Usable Capital Receipts Reserve (UCRR) saw a reduction of £214,591 in the year. £207,668 was used to finance capital projects, and £17,513 was issued as a capital grant to Swanage & Herston Football Club Ltd to help fund the development of a community sports facility at Day's Park (Table 1). £10,590 was received from the disposal of a vehicle. The Council carries forward a balance of £1,903,556 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, 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 plus long term investments, and 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 2024/25 financial year and its position at 31st March 2025. The statement of account has been prepared following guidance given in the Joint Panel on Accountability and Governance's *Practitioners' Guide, March 2024 edition*.

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

The Annual Return - Income & Expenditure				
2023/24			2024/25	
£	£		£	£
	652,900	<i>Reserves & Balances brought forward - Box 1</i>		1,813,617
		Income		
	849,030	<i>Precept - Box 2</i>		878,750
734,221		Rental, Interest & Investment Income	869,793	
856,337		Charges made for Services	949,220	
392,549		Other Income or Contributions	358,353	
993,525		Capital Receipts, Grants/Contributions & Investments	578,126	
	2,976,632	<i>Total Other Receipts - Box 3</i>		2,755,492
		Expenditure		
		<i>Salaries and Wages</i>		
(897,213)		Direct Service Costs	(955,892)	
(305,243)		Democratic, Management and Civic Costs	(348,060)	
	(1,202,456)	<i>Total Staff Costs - Box 4</i>		(1,303,952)
	0	<i>Loan interest/capital repayments - Box 5</i>		0
		<i>Other Costs</i>		
(1,049,134)		Direct service costs	(1,091,200)	
(12,900)		Grant and donations	(20,550)	
(268,579)		Democratic, Management and Civic Costs	(367,499)	
(118,676)		Capital Expenditure	(348,110)	
(13,200)		Capital Grants	(17,513)	
0		Long Term Investments	0	
	(1,462,489)	<i>Total Other Costs - Box 6</i>		(1,844,872)
	<u>1,813,617</u>	<i>Reserves & Balances carried forward - Box 7</i>		<u>2,299,035</u>

Bank Reconciliation for year ended 31 st March 2025			
	£	£	Note
Bank Accounts			
Current	51,462		
Deposit Account	22,426		
<i>add</i>			
outstanding receipts	2,267		
<i>add</i>			
petty cash	595		
Total Cash and Bank		76,750	
Short Term Investments			
MMFs	250,000		
MMFs	500,000		
DMADF	400,000		
	700,000		
DMADF	550,000		
Total Short Term Investments		2,400,000	6
Total Cash and Short Term Investments – Box 8		2,476,750	

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.

2023/24 £		Note	2024/25 £
1,813,617	Box 7 – Balances carried forward		2,299,035
(166,664)	(-) Debtors	1	(287,496)
391,275	(+) Creditors	2	465,211
2,038,228	(=)Box 8 – Total cash and short-term investments		2,476,750

Tangible Fixed Assets and Long-Term Investments & Assets

Tangible fixed assets and long-term investments & 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

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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 2024/25 financial year, no assets were classified as under construction. Capital expenditure in 2024/25 was £348,110, with the disposal of two assets totalling £61,133 the Fixed Asset Register has increased by £143,168 during the year.

	<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 2024	7,797,934	719,029	17,105	273,821	600,000	9,407,889
Additions/Enhancements	173,890	174,220	0	0	0	348,110
Reclassifications	0	0	0	0	(600,000)	(600,000)
Gifted Assets	0	0	0	0	0	0
Disposals	0	(61,133)	0	0	0	(61,133)
As at 31 March 2025	7,971,824	832,116	17,105	273,821	0	9,094,866
Long Term Investments & Assets- Cost						
As at 31 March 2024						4,000,000
Additions						0
Reclassifications						600,000
Redeemed						(482,060)
As at 31 March 2025						4,117,940
Total Fixed Assets and Long Term Investments & Assets – Box 9						13,212,806

Units in one investment were sold in 2024/25 and none entered into. The freehold of the caravan park has been reclassified from Non-Operational Assets to Long Term Investments & Assets, with a book value of £600,000. In accordance with a recommendation from the external auditor in 2023/24 a valuation of the freehold as at 31st March 2025 has been included as a note to the Council's Asset Register.

Long Term Borrowing

2023/24		2024/25
£	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**

2023/24		2024/25
£	Amounts falling due in one year :-	£
4,771	HMRC-VAT	38,313
158,371	Sundry Debtors	215,071
(35,000)	Provision for Bad/Doubtful Debtors	(35,000)
31,739	Payments in Advance	60,013
6,783	Stock	9,099
<u>166,664</u>	Total	<u>287,496</u>

The year on year variance for VAT is due to the levels of income and expenditure in the March Vat quarter. Also, a VAT refund of £17.3k was outstanding in March 2024. The increase in sundry debtors is largely due to outstanding contributions to capital projects, £37k in total. Additionally, invoicing for Beach Hut licences (Private Sites) was delayed due to negotiations regarding the licence fee. In 23/24 £1,980 was owed at 31 March, in 2024/25 this amount was £24,960. The provision for bad/doubtful debtors has been retained at £35,000 pending resolution of an ongoing debt recovery process. The amount paid in advance of the next financial year is higher in 2024/25 mainly due to the payment of an invoice for insurance for 2024/25 accounting for £24k of the £28k variance.

2. Creditors

2023/24		2024/25
£		£
175,850	Sundry Creditors	247,813
215,425	Receipts in Advance	217,398
<u>391,275</u>		<u>465,211</u>

The increase in sundry creditors is largely due to outstanding payments in relation to works at the TIC, water billing and a car parking management agreement settlement. Invoices for capital projects of £78k were also outstanding at year end.

Movement of Reserves				
	Balance 31 March 2024	Net movement in year	Balance 31 March 2025	Note
	£	£	£	
General Fund	873,555	(27,880)	845,675	3
Earmarked Reserves	2,821,915	245,829	3,067,744	4
Usable Capital Receipts Reserve	2,118,147	(214,591)	1,903,556	5
Total	<u>5,813,617</u>	<u>3,358</u>	<u>5,816,975</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 long-term investments that the council holds in pooled funds £3,517,940. 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

2023/24		2024/25
£		£
865,558	General Fund Balance brought forward	873,555
299,068	Net Surplus/(Deficit) for Year	272,915
0	Financing Capital Expenditure	0
(291,071)	Net Transfers (to)/from Earmarked Reserves	(300,795)
<u>873,555</u>	General Fund Balance carried forward	<u>845,675</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 a decrease of £27,880 on the general fund in the year, comprising of a net surplus of £272,915 for the year, less a net transfer from the general fund to earmarked reserves of £300,795.

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.

Three new reserves were established in year, being the Bandstand, Asset Management Plan and Boat Park/Fishers' Huts earmarked reserves. Three reserves were depleted in year and will be closed; Insurance & Contingency, Football Club Facilities and Committed Expenditure earmarked reserves.

During the year a contribution of £395,704 was made to earmarked reserves from the General Fund, while £94,909 of revenue expenditure was financed from reserves, a net appropriation of £300,795. A further £54,966 of reserves was utilised to finance capital expenditure. This has resulted in a net increase of £245,829 in Earmarked Reserves.

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Earmarked Reserves	Balance 31/03/2024 £	Additions to Reserve £	Rev Ex f'd from reserves £	Cap Ex f'd from Reserve £	Balance 31/03/2025 £
Beach Huts Reserve	85,000	10,000	0	0	95,000
Environmental Projects	42,000	25,000	0	0	67,000
Community Infrastructure Levy	260,881	106,900		(15,529)	352,252
De Moulham Back Roads	25,180	1,771	0	0	26,951
Insurance & Contingency Reserve	19,000	0	(19,000)	0	0
Treasury Risk Management Reserve	122,002	92,130	0	0	214,132
Car Park Machines	44,248	0	0	(39,437)	4,811
Play Equipment-General Areas	31,406	10,000	0	0	41,406
Vehicle & Plant Replacement	25,000	15,000	0	0	40,000
Football Club Facilities	3,120	0	(3,120)	0	0
Tennis Courts Refurbishment	22,378	7,040	0	0	29,418
King Georges Play Area & Skate Park	67,097	5,000	0	0	72,097
Public Conveniences	130,000	15,000	0	0	145,000
IT Equipment Reserves	28,164	0	(5,500)	0	22,664
Green Seafront Enhancement Scheme	1,394,557	61,454	0	0	1,456,011
Community Sea Defence Project	450,000	0	0	0	450,000
Committed expenditure deferred	67,289	0	(67,289)	0	0
King George's Field Mgt Account	4,593	10,019	0	0	14,612
Bandstand	0	16,390	0	0	16,390
Asset Management Plan Reserve	0	10,000	0	0	10,000
Boat Park/Fishers Huts Reserve	0	10,000	0	0	10,000
Total	2,821,915	395,704	(94,909)	(54,966)	3,067,744

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 £207,668 during the course of the year to finance capital expenditure, with a further £17,513 being a grant awarded to Swanage & Herston Football Club. One capital receipt of £10,590 was received for the sale of a vehicle, resulting in a balance of £1,903,556 being held at the end of the year.

2023/24 £		2024/25 £
2,118,147	Balance brought forward	2,118,147
0	Capital receipts	10,590
	Less:	
(60,913)	Capital receipts used for financing Assets	(207,668)
(13,200)	Capital Grants	(17,513)
<u>2,118,147</u>	Balance carried forward	<u>1,903,556</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 @ 31 March 2025
Lloyds Current Account	£51,462	n/a	0.00%
Lloyds Bank-Deposit Account	£22,426	n/a	1.10%
Abrdn Money Market Fund	£500,000	n/a	4.54%
CCLA-Public Sector Deposit Fund	£250,000	n/a	4.50%
DMADF – 33 day deposit	£400,000	01/04/2025	4.46%
DMADF – 31 day deposit	£700,000	28/04/2025	4.46%
DMADF – 49 day deposit	£550,000	19/05/2025	4.42%
Total Short-Term Investments–(incl. in Box 8)	£2,473,888		
CCLA-LAMIT Property Fund	£2,017,940	n/a	4.62%
M & G Strategic Corporate Bond Fund	£500,000	n/a	4.77%
Ninety One – Diversified Income Fund	£1,000,000	n/a	4.99%
Total Long-Term Investments–(incl. in Box 9)	£3,517,940		
Total Investments held @ 31st March 2023	£5,991,828		

The Council held five short-term investments at 31 March 2025. 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. Three term deposits were held with the DMO totalling £1.65m. A further £22k was held in a Lloyds commercial deposit account, with £51k held in the Council's current account. All short-term investments return the capital sum invested plus interest.

Long-term investments are valued at cost, £3.5m at 31 March 2025. During the year, the Council redeemed 200,000 (approximately 1/5th) of the units held in the CCLA LAMIT property fund, equivalent to £482k and continued to hold funds in the M&G Strategic Corporate Bond Fund and the Ninety-One Diversified Income Fund.

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.

A management agreement between the Town Council and the King George's Field Swanage Trust was 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, was established in 2023/24 and holds any surplus funds on the management account, as per the agreement. As such the charity itself does not incur any income or expenditure. For the 2024/25 financial year, a surplus of £10,019 was realised on

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this account and this was appropriated to the earmarked reserve. With a brought forward sum of £4,593, the reserve holds £14,612 at 31 March 2025.

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 by the Town Council alongside its corporate property.

The largest and most complex of the Council's Trusts is the Mowlem Land Trust (known as the De Moulham Trust), which has responsibility for Sandpit Field and the benefit of covenants on properties across a large area of north Swanage.

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.

As noted in the 2022/23 & 2023/24 Financial Reviews, 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 a way to consolidate and simplify the Council's position as Trustee. Further consideration will be given to this in the 2025/26 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>	30,000	0	30,000
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 2024 £	Net Contributions to/(from) Fund £	Balance 31 March 2025 £
De Moulham Trust	55,586	30,000	85,586
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 2024/25 the Council paid an employer's contribution of £212,488 into the Dorset County Pension Fund (a total of £193,011 in 2023/24), 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 2024/25 these amounted to £1,771 (£2,655 in 2023/24).

9. Grants

The following grants were issued during the 2024/25 financial year:

Grants – Issued		
<i>General Power of Competence, Localism Act, 2011</i>	£	£
<i>Revenue Grants</i>		
Swanage & Herston Football Club (Vodafone)	5,250	
Swanage & Herston Football Club	8,800	
Purbeck Citizens Advice Bureau	1,000	
Lewis Manning-Grant	500	
SCDP	1,000	
Mosaic	500	
Purbeck Youth Music	500	
Swanage Town Band	150	
Purbeck Film Festival	500	
Purbeck Sounds Ltd	1,000	
Swanage Library Friends	1,100	
Swanage Tennis Club	250	20,550
<i>Capital Grants</i>		
Swanage & Herston Football Club		17,513
Total		38,063

The Council received two grants during the year from Dorset Council.

Grants – Received		
<i>Revenue Grants</i>	£	£
Low Carbon Dorset Grant – LED Lights	9,100	
Neighbourhood Plan	5,780	14,880
<i>Capital Grants</i>		
Low Carbon Dorset Grant – PV Panels		21,555
Total		36,435

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

Other Contributions to Third Parties		
	£	£
Swanage & Purbeck Development Trust - Health & Wellbeing Hub	21,000	
Portland Association - Legal fees re. opposition to incinerator	1,000	
National Trust - Swanage Streams Partnership	6,000	
Planet Purbeck - Sustainable Swanage Support	5,276	
DC - Sheps Hollow	500	
DC - Swanage Water Safety Patrol	4,200	
DC – Swanage First School Crossing Patrol	4,664	
Total		42,640

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.

2023/24		2024/25
£		£
2,940	Fees payable to the external auditor appointed by the SAAA	2,940
0	Adjustment on previous year's audit fees	1,700
<u>2,940</u>		<u>4,640</u>

The adjustment on the previous year's audit fees relates to costs incurred by the council in relation to additional audit work arising from an elector's questions.

11. Items for Consideration

Any events after the year end, 31st March 2025, have been considered up to the date of the Annual Return, 28th May 2025. 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 2024/25 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 Ministry of Housing, Communities & Local Government (MHCLG) *Statutory Guidance on Local Government Investments (3rd Edition)*, 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 2024/25 was approved by full Council on 25 March 2024 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: Both the UK and US elected new governments during the period, whose policy decisions impacted the economic outlook. The Chancellor of the Exchequer delivered her Spring Statement in March 2025, following her Budget in October 2024. Based on the plans announced, the Office for Budget Responsibility downgraded its predictions for UK growth in 2025 to 1% from 2%. However, it upgraded its predictions for the four subsequent years. Inflation predictions for 2025 were pushed up, to 3.2% from 2.6%, before falling back to target in 2027. The market reaction to the Spring Statement was more muted compared to the Budget, with very recent market turbulence being driven more by US trade policy decisions and President Trump.

After revising its interest rate forecast in November following the Budget, the council's treasury management advisor, Arlingclose, maintained its stance that Bank Rate will fall to 3.75% in 2025.

UK annual Consumer Price Index (CPI) inflation continued to stay above the 2% Bank of England (BoE) target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices at 2.8% in February 2025, down from 3.0% in the previous month and below expectations. Core CPI also remained elevated, falling slightly in February to 3.5% from 3.7% in January, just below expectations for 3.6% but higher than the last three months of the calendar year.

The UK economy Gross Domestic Product (GDP) grew by 0.1% between October and December 2024, unrevised from the initial estimate. This was an improvement on the zero growth in the previous quarter, but down from the 0.4% growth between April and June 2024. Of the monthly

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GDP figures, the economy was estimated to have contracted by 0.1% in January, worse than expectations for a 0.1% gain.

The labour market continued to cool, but the ONS data still require treating with caution. Recent data showed the unemployment rate rose to 4.4% (3mth/year) in the three months to January 2025 while the economic inactivity rate fell again to 21.5%. The ONS reported pay growth over the same three-month period at 5.9% for regular earnings (excluding bonuses) and 5.8% for total earnings.

The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.5% at its March 2025 meeting, having reduced it in February. This follows earlier 0.25% cuts in November and August 2024 from the 5.25% peak. At the March MPC meeting, members voted 8-1 to maintain Bank Rate at 4.5%, with the one dissenter preferring another 25 basis points cut. The meeting minutes implied a slightly more hawkish tilt compared to February when two MPC members wanted a 50bps cut. In the minutes, the Bank also upgraded its Q1 2025 GDP forecast to around 0.25% from the previous estimate of 0.1%.

The February Monetary Policy Report (MPR) showed the BoE expected GDP growth in 2025 to be significantly weaker compared to the November MPR. GDP is forecast to rise by 0.1% in Q1 2025, less than the previous estimate of 0.4%. Four-quarter GDP growth is expected to pick up from the middle of 2025, to over 1.5% by the end of the forecast period. The outlook for CPI inflation showed it remaining above the MPC's 2% target throughout 2025. It is expected to hit around 3.5% by June before peaking at 3.7% in Q3 and then easing towards the end of the year, but staying above the 2% target. The unemployment rate was expected to rise steadily to around 4.75% by the end of the forecast horizon, above the assumed medium-term equilibrium unemployment rate of 4.5%.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would continue to fall throughout 2025. From the cuts in August and November 2024 and February 2025, which took Bank Rate to 4.50%, May is considered the likely month for the next reduction, with other cuts following in line with MPR months to take Bank Rate down to around 3.75% by the end of 2025.

The US Federal Reserve paused its cutting cycle in the first three months of 2025, having reduced the Fed Funds Rate by 0.25% to a range of 4.25%-4.50% in December, the third cut in succession. Fed policymakers noted uncertainty around the economic outlook but were anticipating around 0.50% of further cuts in the policy rate in 2025. Economic growth continued to rise at a reasonable pace, expanding at an annualised rate of 2.4% in Q4 2024 while inflation remained elevated over the period. However, growth is now expected to weaken by more than previously expected in 2025, to 1.7% from 2.1%. The uncertainty that President Trump has brought both before and since his inauguration in January is expected to continue.

The European Central Bank (ECB) continued its rate cutting cycle over the period, reducing its three key policy rates by another 0.25% in March, acknowledging that monetary policy is becoming meaningfully less restrictive. Euro zone inflation has decreased steadily in 2025, falling to 2.2% in

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March, the lowest level since November 2024. Over the current calendar year, inflation is expected to average 2.3%. GDP growth stagnated in the last quarter of the 2024 calendar year, after expanding by 0.4% in the previous quarter. For 2025, economic growth forecasts were revised downwards to 0.9%.

Financial markets: Financial market sentiment was reasonably positive over most of the period, but economic, financial and geopolitical issues meant the trend of market volatility remained. In the latter part of the period, volatility increased and bond yields started to fall following a January peak, as the economic uncertainty around likely US trade policy impacted financial markets. Yields in the UK and US started to diverge in the last month of the period, with the former rising around concerns over the fiscal implications on the UK government from weaker growth, business sentiment and higher rates, while the latter started falling on potential recession fears due to the unpredictable nature of policy announcements by the US President and their potential impact.

The period in question ended shortly before US President Donald Trump announced his package of 'reciprocal tariffs', the immediate aftermath of which saw stock prices and government bond yields falling and introduced further uncertainty over the economic outlook.

Credit review: In October, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions, including the newly added Lloyds Bank Corporate Markets, was kept to a maximum of 100 days. This advice remained in place at the end of the period.

Fitch revised the outlook on Commonwealth Bank of Australia (CBA) to positive from stable while affirming its long-term rating at AA-, citing its consistent strong earnings and profitability.

Other than CBA, the last three months of the period were relatively quiet on the bank credit rating front, with a small number of updates issued for a number of lenders not on the Arlingclose recommended counterparty list.

Credit default swap prices generally trended lower over the period but did start to rise modestly in March, but not to any levels considered concerning. Once again, price volatility over the period remained generally more muted compared to previous periods.

Financial 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 2025 the Authority held investments valued at £6.1m, with usable reserves and working capital being the underlying resources available for investment. These year-end values include unrealised gains from the Council's strategic investments, being £0.14m at 31 March 2025.

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3. Borrowing Strategy and Debt Management

The Authority is debt free. Usable reserves are forecast to fall to £1.2m by March 2028, as capital receipts and earmarked reserves are used to finance the Council's extensive capital programme. The 2025/26 capital expenditure plans and treasury strategy implied a need to borrow in 2026/27, however this will be reviewed during the course of the 2025/26 financial year as plans for the Green Seafront 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	31.03.24 Balance	Net Movement	31.03.25 Balance	31.03.25 Income Return
	£	£	£	%
Banks and building societies (unsecured)	83,812	-9,924	73,888	
Money Market Funds	750,000	0	750,000	
UK Govt – DMO Deposit/Gilts	1,200,000	450,000	1,650,000	
Total Internal Investments	2,033,812	440,076	2,473,888	4.35%
*Investments in Pooled Funds:				
Property	2,873,245	-500,633	2,372,612	
Bond	440,863	-15,766	425,097	
Multi Asset	866,343	-2,552	863,791	
Total External Funds	4,180,451	-518,951	3,661,500	5.06%
TOTAL INVESTMENTS	6,214,263	-78,875	6,135,388	4.77%

*Funds stated at Fair Value

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.

The Authority's treasury investments include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.

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Bank Rate reduced from 5.25% to 5.00% in August 2024, again to 4.75% in November 2024 and again to 4.50% in February 2025 with short term interest rates largely being around these levels. The rates on DMADF deposits ranged between 4.4% and 5.2% and money market rates between 4.5% and 5.2%.

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
31.03.2024	4.23	AA-	41%	16	5.04%
31.03.2025	4.10	AA-	33%	19	4.35%
Similar LAs	4.98	A+	32%	102	4.76%
All LAs	4.77	A+	64%	8	4.55%

Externally Managed Pooled Funds

£3.6m (£3.5m 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.

In financial markets the 2024/25 year was characterised by overall positive equity market performance, market volatility, elevated global yields, central bank interest rate cuts and uncertainties surrounding the impact of UK and European fiscal policy and particularly US President Donald Trump's tariff plans.

For UK and US government bonds, yields declined (and therefore prices rose) until September but then moved higher following the UK budget and strong US economic data. Government bond yields were then generally dragged upwards (prices down) globally by US market movements, given the uncertain trade policy outlook of Donald Trump's administration. Announcements of increased defence spending by governments in Europe and fiscal concerns in the UK saw yields spiking in January before easing somewhat, despite some divergence.

US, UK & European stock markets hit highs in early 2025 but started to decline towards the very end of the period, particularly in the US, reflecting investor concerns over escalating trade tensions and economic uncertainty. The FTSE All Share index was higher at the end of the 12-month period at 4,623 on 31/03/2025 versus 4,324 on 01/04/24. The MSCI All Countries World Index was higher at 3,629 on 31/03/2025 versus 3,425 on 01/04/24.

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Having had a challenging time since 2022, UK commercial property generally experienced a recovery during the period, with improved investment activity, capital values stabilising or improving, particularly towards the end of the period, and income remaining relatively robust.

The combination of the above had a marginal positive effect on the combined value of the Authority's strategic funds since March 2024.

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 2025

Fund Name	Book Value £m	Current Value £	Capital Growth £	Dividends Earned £	Capital Return %	Income Return %	Total Return %
CCLA-LAMIT Property Fund	2.01	2,372,612	42,870	132,882	1.49%	4.62%	6.12%
M & G Strategic Corporate Bond Fund	0.50	425,097	-15,766	21,014	-3.58%	4.77%	1.19%
Ninety-One Diversified Income Fund	1.00	863,791	-2,552	43,252	-0.29%	4.99%	4.70%
Total	3.51	3,661,500	24,552	197,148	0.59%	4.72%	5.30%

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

In February 2024, 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. Upon redemption of the units (200,000 units), in October 2024, Council received £543k, being a return of principal of £482k and a realised gain of £61k.

Due to accounting practices, long-term investments are stated at cost price in the Council's Annual Return, £3.51m in total, and as such these funds have an overall unrealised gain of £0.14m at 31st March 2025. Two of the funds, M&G and Ninety-One, are showing an unrealised loss, £211k in total, and CCLA an unrealised gain of £354k. Unrealised capital losses, or gains, will not have an impact on the General Fund until such a time as the Council redeems all or part of the units held in the funds.

Treasury Performance

The budget for investment income in 2024/25 was £240,000, with actual income of £393,584, although £61,454 was attributable to the realised gain from the sale of units in the CCLA property fund and £332,130 to investment yield. 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 2023/24

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financial 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 has been appropriated to the reserve. In 2024/25 this was £ 92,130 (£122,002 in 2023/24) and holds £214,132 at 31 March 2025, covering unrealised losses. The realised gain has been appropriated to the Green Seafront Scheme earmarked reserve.

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 2024/25 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 2024/25 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 2024/25, 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	31.3.25 Actual	2024/25 Target	Complied?
Portfolio average credit rating	AA-	A	Yes

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



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Liquidity Risk Indicator	31.3.25 Actual	2024/25 Target	Complied?
Total cash available within 3 months	£2.4m	£0.75m	Yes

The Authority can confirm that during 2024/25 it complied with its **Treasury Management Policy Statement** and **Treasury Management Practices**.