



Towyn & Kinmel Bay Town Council

Annual Investment Policy & Strategy

Adopted by Towyn & Kinmel Bay Town Council at Full Council Meeting held on 29/01/2018.

Reviewed by TKBTC at Full Council Meeting held on:- 28/01/2019.

Reviewed by TKBTC at Full Council Meeting held on:- 27/1/2020.

Reviewed by TKBTC at Full Council Meeting held on:- 18/01/2021.

Reviewed by TKBTC at Full Council Meeting held on:- 17/01/2022.

Reviewed by TKBTC at Full Council Meeting held on:- 16/1/2023.

Reviewed by TKBTC at Full Council Meeting held on:- 15/1/2024.

Reviewed by TKBTC at Full Council Meeting held on:- TBC

1. Introduction

- 1.1 Towyn & Kinmel Bay Town Council acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community.
- 1.2 In preparing its investment strategy the Council is required under Section 15 (1) of the Local Government Act 2013 to have regard to such Guidance as the Welsh Government may issue.
- 1.3 The current statutory Governance and Accountability for Local Councils in Wales – A Practitioners Guide – Managing Investments.
- 1.4 The Guidance Note makes distinction between investments that are:
 - a) High security and high liquidity (specified investments); and ,
 - b) Those with potentially greater risks and lower liquidity (no-specified investments)
- 1.5 A 'Specified Investment' is one which is made in sterling, is not long term (less than 12 months) not defined as capital expenditure and is placed with a body which has a high credit rating or made with the UK Government, a UK Local Authority or a parish or community council. Any other type of investment is considered 'Non Specified Investment' to which there can be greater risk and where professional investment advice might be required.
- 1.6 This strategy is prepared with regard to the appended guidance and in accordance with Council's Financial Regulations where it relates to Loans & Investments and Risk Management.

2. Investment Objectives

- 2.1 Towyn & Kinmel Bay Town Council's priorities will be centred on the security of reserves (protecting the capital sum from loss) and then liquidity of its investments (keeping the money readily available for expenditure when needed).
- 2.2 All investments will be made in Sterling.
- 2.3 The Department for Communities and Local Government maintains that borrowing of monies purely to invest, or to lend and make a return, is unlawful and this Council will not engage in such activity.
- 2.4 If external investment managers are used, they will be contractually required to comply with the policy.

3. Specified Investments

- 3.1 Specified Investments are, by definition in the Guidance note, those offering high security and high liquidity, made in Sterling and with a maturing of no more than a year. Such short term investments made with the UK Government or a local authority to Town/Parish Council will automatically be Specified Investments, as will those with bodies or investment schemes of "high credit quality."
- 3.2 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Council will use:
 - Deposits with UK banks, UK building societies, UK local authorities or other UK public authorities
 - The debt management agency of HM Government

Towyn & Kinmel Bay Town Council has a Public Sector Deposit Fund (Instant Access – But as per Welsh Audit Office Recommendation is Recorded as a Fixed Asset and not as part of the cash balances) and also holds investments with HSBC Building Account (Instant Access Savings Account), HSBC General Current Account (Instant Access) and HSBC Savings Account (Instant Access).

4. Non-Specified Investments

- 4.1 These investments have greater potential risk – examples include investment in the money market, subordinated bonds from banks, permanent interest-bearing shares from building societies and corporate stocks and shares.

Given the unpredictability and uncertainties surrounding such investments, the Council will not use this type of investment.

5. Liquidity of Investments

- 5.1 Subject to retaining no less than three months' average working capital requirement in current and deposit accounts giving immediate access, the Town Clerk, as the Council's Responsible Financial Officer, will determine the amounts and maximum period for which funds may be prudently invested, in accordance with paragraph 3 above, so as not to compromise liquidity.
- 5.2 The placement of surplus funds shall be delegated to the Town Clerk, as the Responsible Financial Officer, such delegated authority to be confirmed at the Annual Council Meeting each year.

- 5.3 Credit Ratings (for non-UK Government Investments will be monitored at quarterly intervals. If the credit rating falls during that period, the Town Clerk, in consultation with the Chairman of PFR & Planning Committee, will decide on the appropriate action.

6. Long-term Investments

- 6.1 Long term investments are defined in the Guidance note as greater than 12 months and it requires that, should any Council wish to invest for periods greater than 12 months, it must identify the procedures for monitoring, assessing and mitigating the risk of loss of invested sums.

The Council currently hold £57,582.17 (Balance as at 5/12/2024) in a Public Sector Deposit Fund, and whilst this is repayable on demand, as per the Internal Auditor's Reports 2016-17 & 2017-18 and the External Auditor's Report 2016-17 and Welsh Audit Office Recommendation (Practitioners Guide), this amount is recorded on the Asset Register as a Fixed Term Investment.

7. End of Year Report

- 7.1 Investment forecasts for the coming financial year were accounted for when budget was prepared. At the end of the financial year, the Town Clerk will report on investment activity to the PFR & Planning Committee

8. Review of the Strategy

- 8.1 The Investment Strategy shall be reviewed annually by the PFR & Planning Committee, and approved by full Council before the commencement of a new financial year.
- 8.2 Council shall be able to amend or make variations to the Strategy at any time.

9. Alternative Formats

- 9.1 If you require this document in another format please contact the Council on 01745 355899 or email clerk@towynkinmelbay-tc.gov.uk

10. Freedom of Information

- 10.1 In accordance with the Freedom of Information Act 2000, this Document will be published on the Council's Website www.towynkinmelbay-tc.gov.uk and is also available by contacting Towyn & Kinmel Bay Town Council, Community Resource Centre, The Square, Off Foryd Road, Kinmel Bay, Conwy LL18 5BT. Telephone: 01745 355899 or email: clerk@towynkinmelbay-tc.gov.uk
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Towyn & Kinmel Bay Town Council

Financial Management Policy

Adopted by Towyn & Kinmel Bay Town Council at Full Council Meeting held on 29/11/2017.

Reviewed by TKBTC at Full Council Meeting held on :- 27/03/2019.

Reviewed by TKBTC at Full Council Meeting held on :- 27/1/2020.

Reviewed by TKBTC at Full Council Meeting held on:- 18/01/2021.

Reviewed by TKBTC at Full Council Meeting held on:- 17/01/2022.

Reviewed by TKBTC at Full Council Meeting held on:- 16/1/2023.

Reviewed by TKBTC at Full Council Meeting held on:- 15/01/2024.

Reviewed by TKBTC at Full Council Meeting held on:- TBC.

1. The Financial Process

The Town Council's financial year commences on 1 April and ends on 31 March in each year. The Town Council's financial business is overseen on a day to day basis by the Responsible Financial Officer who is also the Town Clerk.

Financial business is governed by the Financial Regulations, which will be reviewed annually, as a minimum.

2. The Audit Regime

The external audit regime is controlled by the Auditor General for Wales and the audit is carried out annually. The Auditor General appoints the auditors and sets the audit fee.

3. Council Tax (Precept) and Financial Resources

The Town Council's financial resources are delivered by means of a small portion of the Council Tax that is levied on residents within the town boundary. This levy is called the 'Precept'. It is collected on behalf of the Town Council by Conwy Borough County Council (CCBC). The data on which the Town Council calculates the effect of its Precept on an average Band D property is supplied by Conwy Borough County Council. The funds are paid in three instalments to the Town Council in April, August and December each year.

The services that the Town Council provides for the residents of Towyn & Kinmel Bay are shown in Appendix B which includes the running costs that are necessary to finance these services. These costs are known as the 'Revenue Budget'. The current annual Revenue

Budget is the starting point for Members and the Clerk in preparing the following years Annual Budget.

As well as revenue funding, consideration will be given each year to the capital funding defined as one-off projects for which a budget will only be required in one financial year.

4. The Budgeting Process – Revenue Funding

Each year, the Town Clerk/RFO will prepare a preliminary Revenue Budget for the forthcoming financial year. Government issued inflation figures will be used to make an informal assessment as to what increases should be included in the budget.

The PFR & Planning Committee/Full Council will scrutinise the revenue requirements together with the projected effect on the average Band D Council Tax level. A balance will be struck between providing high quality services to the community and maintaining a reasonable level of Council Tax. Inflationary increases imposed by others means that the Council Tax for the town will inevitably have to rise each year, at least by the level of inflation. Any reduction in the budget and Precept, and therefore in Council Tax, will mean that savings will have to be made in the services provided by the Town Council. Even a standstill budget will require savings to be made and making savings will mean cuts in service will be necessary.

The budget proposals will be discussed by each Committee and a recommendation put to the Town Council in January on the proposed budget for the forthcoming year.

5.1 The Budgeting Process – Capital Funding

At the same time that the Committee's/Full Council's Revenue Budget is discussed, consideration will be given to the Capital Budget. This budget will consist of 'one off' items that will not be repeated in forthcoming years.

When a new Capital Project is identified, Members will decide whether the project is to be carried out in the next financial year or in a future financial year. If the latter, then the capital requirement may be budgeted over a number of years, to effectively 'save up' to complete the project as a given point in time in the future. Other capital projects may be considered to be of a more urgent nature and the funding will be budgeted in a single financial year.

Any reports prepared by the Clerk for consideration by Members should contain a Resource Appraisal section detailing the financial implications of the proposal. Members will aim to achieve a sensible balance between providing services for the residents of Towyn & Kinmel Bay at a cost which is considered to be reasonable.

5.2 COMPLETION OF BUDGET PROCESS

When the Policy Finance & Resource Committee (if in place) has agreed a draft budget it will scrutinize the proposals and a recommendation on a level of Precept will be formed. This recommendation will be put to a meeting of the Full Council specifically scheduled to agree the Annual Budget and set the Precept. This meeting must be held no later than 30th January each year. Careful consideration will be given by all Members to the effect of the proposed budget on the Council Tax levels for an average Band D house.

6. Monitoring and Reporting

Once the budget is set for the forthcoming year, the Clerk must account for any variation to the relevant Committee.

Spending will be closely monitored throughout the year and monitoring reports for each Committee will be provided at every meeting of that Committee.

Any overspends, with reasons, on individual budget cost headings will be reported to the Committee, which will consider whether any action is required to mitigate the over- spend.

Any under- spend identified at the financial year end will usually be decanted into the General Reserves. However, the Clerk may consider that certain items should be 'rolled over' to the next financial year on the same cost heading. A list of this type of under-spend will be prepared for the Committee which will make a recommendation to Full Council.

7. General Reserves

It is recommended by the Auditor General for Wales that the Town Council should set aside no less than the value of three months' expenditure each year, as General Reserves, to cover unexpected and unforeseen events. An example of the type of event that may occur is Conwy County Borough Council facing a delay in collecting its Council Tax and is unable to pay the Town Council when it should therefore jeopardising the ability for the Town Council to pay its debts.

General Reserves may also be used to cover expenditure on opportunities that may be presented during the financial year.

Any expenditure from General Reserves **must first** be approved by the Full Council. Members will scrutinise any such request very carefully before giving approval for such expenditure. The only exception to this rule is when a matter is so urgent that it must be dealt with immediately. Standing Orders and Financial Regulations state clearly what action must be taken in such circumstances.

The Town Council has set its General Reserves figure every year, as part of the Annual Precept calculations.

8. Investments

Any surplus funds held by the Town Council will be invested in line with its Annual Investment Policy.

9. Assets

The Asset Register will be updated as and when new items of more than £500 are purchased or items disposed of.

A Building Maintenance Schedule (BMS) will detail all the regular building maintenance required each financial year. As part of the budget process each year, the BMS will be scrutinised and estimated expenditure requirements assessed. The BMS will be reviewed on an annual basis to ensure it is kept up to date.

An inventory of equipment will be maintained. This is essentially for insurance purposes, but also to control the replacement of items at an appropriate time. The annual budget will include an amount for replacement and repair of equipment. The inventory will be updated on an

ongoing basis as old equipment is disposed of and new equipment purchased. It will also be subject to an annual review in February/March each year.

10. Insurance

The Town Council has a policy of Insurance. This policy is subject to review every year.

The insuring company will be reviewed on a triennial basis by obtaining quotations from at least three reputable companies. The next review is due in March 2025.

11. Banking

The Town Council banks with the HSBC Bank.

The banking arrangements will be reviewed annually to ensure that the needs of the Town Council are fully met at the lowest possible cost available.

12. Borrowing

The Town Council has Public Sector Loan which is subject to six monthly repayments, which are presently set at £4245.71 per half year. (May & November).

Borrowing limits are determined by prudential indicators which represent a control on the maximum level of borrowing permitted and limits need to be set or revised by the Full Council. The maturity structure of borrowing will be kept broad to allow flexibility in the structuring of debt. This will ensure control over the Council's exposure to risk from having to pay back significant amounts of debt all at the same time.

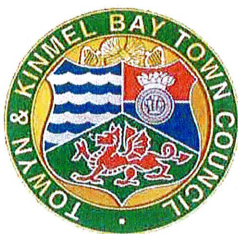
13. Risk Management

The Town Clerk will ensure that a robust and proportionate method of Risk Assessment and Management of all the Town Council's activities is in place and will report on an annual basis to the PFR Committee/Full Council.

All reports for consideration by Members should contain a section on Risk Management.

14. Review of Financial Management Procedure

This Financial Management Procedure will be reviewed every year. However, Members or the Town Clerk may request an intermediate review at any other time as circumstances dictate.



Towyn & Kinmel Bay Town Council

Formal Reserves Policy – Calculation Sheet

Adopted by Towyn & Kinmel Bay Town Council at Full Council Meeting held on 29/01/2018

Reviewed by TKBTC at Full Council Meeting held on:- 28/01/2019.

Reviewed by TKBTC at Full Council Meeting held on:- 27/1/2020.

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Reviewed by TKBTC at Full Council Meeting held on:- 15/01/2024.

Reviewed by TKBTC at Full Council Meeting held on :- TBC

Review/Consider what budgets are required for.

(The breakdown below relates to the Public Sector Fund Deposit Funds, which presently under Welsh Audit Office Recommendations must be recorded on the Asset Register as a Fixed Asset, and must not be included as part of the Cash Reserves).

This is in addition to the Cash Reserves held on Cash Deposit to cover the value of three months expenditure each year, as General Cash Reserves, to cover unexpected and unforeseen events. An example of the type of event that may occur is the CCBC facing a delay in collecting its Council Tax and is unable to pay the Town Council when it should therefore jeopardising the ability for the Town Council to pay its debts. (The Welsh Audit Office recommendation is to hold a min equivalent of 25% (3m) of the Net Revenue Expenditure).

General Fund Reserve – Risk Assessment

Identifying the risks allows the Council to take account of the circumstances around current structural change due to service provision and economic circumstances.

Risks can be identified as; risks from potential one-off events; risks which will have general financial consequences and actions that need to be in place to minimise the potential for financial support.

Assessment of Potential Risks (not covered by insurance)

The outcome of this analysis has been to place an estimated total value on the range of risks that may arise and which are not covered by insurance.

No	Risk	Effects/Action	Value of Risk
1	Loss of staff	Council could not function effectively additional advertising costs to attract staff, pay for staff cover	£5,000
2	Major Loss of Service through fire/flood structural damage	Premises not operational	£10,000
3	Insurance Claims – Good claims management		£5,000
4	Uninsurable losses		£7,500
	Building Fund	Unanticipated Building Costs/Upkeep	£10,000
5	ICT Security/data corruption	Loss of service robust security policies, backup, firewalls and off site electronic document storage	£5,000
6	Unanticipated Legal Costs	Legal costs that cannot be recovered	£12,000
7	Misc Loss		£3,082
Total			<u>£57,582</u>

Role of Clerk/Responsible Finance Officer

It is the responsibility of the Clerk/Responsible Finance Officer (RFO) to advise the Town Council about the level of reserves that it should hold and ensure that it has clear protocols for their establishment and use.

There are four significant safeguards in place against the Town Council over committing itself financially;

- a) The balanced budget requirement.
- b) RFO S114 Powers.
- c) External Auditors responsibility to Review and Report on Financial Standing.
- d) The Interim and Year-end Audit Reports from the Town Council's Internal Auditor.

Town Council, on the advice of their Clerk/RFO, are required to make their own judgements on the level of reserves, taking into account all relevant local circumstances. Local circumstances vary. A well-managed authority with a prudent approach to budgeting should operate with reserves in the Town Council's current range given its emerging service responsibilities. It is the responsibility of the Clerk/RFO to ensure reserves are spent in line with their purpose. Where expenditure is planned in future accounting periods, it is prudent to build up reserves in advance.

The Clerk RFO has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent responsible stewardship of public funds.

7. Summary

General Reserves should not reach the level of the precept.

The figure for General Reserves is obtained from Assessment of Potential Risks (not covered by insurance), section 5 and will be reviewed on a yearly basis.
