Kenilworth Town Council

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INVESTMENT and ASSETS POLICY

Date of Approval –

Date of Review –

BACKGROUND

Local council funds are of course public money, much of which is raised through a precept or tax on local electors, therefore it is the responsibility of all councillors to understand and be pro-active guardians of council funds, ensuring their council complies with the various legislation and government codes, spending the money in accordance with the needs and aspirations of their local community.

THE GOOD COUNCILLOR'S GUIDE TO FINANCE AND TRANSPARENCY 2017

The Town Council understands that its commitment to effective Financial Management includes its consideration of Investments and Assets.

Investments and Assets are intrinsically linked and considered jointly within this Policy. No public funds may be used to procure an item unless it falls within one or other of the following definitions -

- Investment - The outlay of public money for income or profit.
- Asset - Property, plant and equipment used by the Council to deliver its services.

INVESTMENTS

Introduction

This policy is created under guidance issued by the Secretary of State for Housing, Communities and Local Government in accordance with the Local Government Act 2003. The extant guidance was issued by MHCLG in 2018.

Kenilworth Town Council acknowledges its responsibility to the community and the importance of prudently investing any reserves held by the council.

Objectives

The general policy objective of the Council is prudent investment of its balances. The Council's investment priorities are:

i. Security of reserves
ii. Liquidity of investments

And then:

iii. Yield - The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

Financial Investments

All the Town Council's financial investments will be Specified Investments which are those offering high security and high liquidity. This means that:-

- The Town Council shall only invest with banks/building societies which it defines as "High Credit Quality". This being those with a credit rating of A with Moody's Investors Service or BBB or better with Standard and Poor's or Fitch Ratings Ltd.

- The Town Council may also invest in the CCLA Public Sector Deposit fund subject to it maintaining a credit rating as required.

- All investments will be made in sterling and any payments or repayments will also be made in sterling.

- Long term investments will be limited to a maximum of £350,000 and will be reviewed annually,

- Credit Ratings will be monitored annually. If the credit rating falls, the Town Clerk, in consultation with the Leader of the Council, will decide on the appropriate action.

- For prudent management of its balances, the Town Council, maintaining sufficient levels of security and liquidity, will invest a significant percentage of its reserves in short term deposits with one or more of the UK major clearing banks and/or building societies.

- No one investment shall be for a period longer than 12 months.

- No investment shall be held with the council's current bankers.

- The procedure for undertaking investments, considering the need for timely and speedy placing of deals shall be documented by the Responsible Financial Officer and approved by the Finance Committee before any investments are placed.

- The Responsible Financial Officer shall review credit ratings of organisations in which the Council holds investments on a quarterly basis. Should the credit rating of an organisation fall below that specified, the Responsible Financial Officer shall consult the Finance Committee and take the appropriate action.

- The Town Council considers that by only using specified investments that the officers and members involved in determining the placement of investments have sufficient capability and skills.

- The Council will review the Town Council's banking arrangements every two years.

- The Town Council will consider the placement of the Town Council's deposits one month before any bond matures.

- The Department of Communities and Local Government maintain that borrowing of monies purely to invest, or to lend and make a return is unlawful and the Town Council will not engage in such activity.

Non-Financial Investments

The Town Council will not normally seek to acquire non financial investments.

However, historically the Council owns one property (Brayes Bungalow, Grounds Farm Lane, CV8 1PP) which falls under the definition of an Investment Property under the International Accounting Standard 40. However, as it was acquired at no cost on the council's establishment it will always pass the required fair value model assessment required by the MHCLG guidance. The Council will, however, regularly assess the propertys' performance as an investment.

Monitoring Arrangements

The Town Clerk will review this strategy annually for approval by the Full Council when annual estimates are being considered.

At the end of the financial year during the preparation of accounts the Town Clerk will also report on all investment activity.

The Council may recommend variations of the strategy for approval by the Full Council in accordance with the guidance from the Secretary of State.

ASSETS

Introduction

The Town Council needs to maintain a register of the fixed assets, long-term investments and other non-current assets that they hold.

The term fixed assets mean the property, plant and equipment used by the authority ***to deliver its services.***

A long-term investment arises where the authority invests money in anything other than a short-term investment.

Joint Panel on Accountability and Governance,Practitioners Guide, March 2021

Fixed Assets

Introduction

The Town Council must compile and formally submit its register of Fixed Assets (as defined) as part of the Annual Return submission.

The purpose of this Register is to inform the Council on financial and budget setting issues including ;

- Reduce over-provision of equipment and software
- Improve the organisations ability to recycle and reuse assets with a remaining useful life.
- Improved forecasting and budget allocation
- Improve procurement decisions by provision of information to assist in the determination of such issues as the cost / benefits and risks of lease versus purchase options
- Improve planning and flexibility of technology upgrade and refreshment

The Register will be compiled and maintained in such a manner as to enable these considerations to be made.

Scope of the Fixed Asset Register

In order to ensure transparency and reasonableness, the following items, where they meet the definition of a fixed asset given above, will be included in the Register, whether purchased, gifted or otherwise acquired, together with their holding location:

- Land and buildings held freehold or on long term lease in the name of the Council
- Community assets
- Assets considered to be portable, attractive or of community significance

The values indicated in the asset register will inform the 'Total Fixed Asset' section of the Annual Return.

The following items fall outside the definition for inclusion and are therefore excluded from the
Council's asset register:

- Assets rented or loaned to the Council
- Assets owned by charitable trusts where the Council is the trustee
- Items held for resale, eg. stock
- Consumable items or items with a useful life of less than a year
- Cash and short term investments
- Intangible assets eg. Armorial Bearings

In accordance with good practice, the Council has set a de minimus level of £250 below which expenditure will not generally be capitalised. All expenditure above the de minimus level will be deemed capital expenditure and added to the fixed asset register.

An annual inspection of the fixed asset register will occur to ensure that all items can by physically verified. Discrepancies between the physical verification process and the register will be investigated promptly by the RFO. Any assets which cannot be located after investigation will be removed from the asset register and recorded in the schedule of disposals. Any new assets identified will be added to the register.

The Fixed Asset register and schedule of disposals will be reviewed annually by the FGS Committee and then approved by Full Council.

Valuation of assets on the fixed asset register

Once recorded on the fixed asset register, the value of assets must not change from year to year until disposal. Concepts of depreciation and impairment adjustment are not appropriate for Local Councils (Governance and Accountability for Local councils: A Practitioner's Guide (England) 2017).

Assets must be valued by one of the following means based on available information:

- Actual purchase price (where known)
- Proxy (estimated purchase price) value, where actual purchase price is not known
- Nominal value of £1. This should be used for assets gifted or transferred to the Council

Valuation of assets for insurance purchases

The fixed asset register will be used to inform the insurers of Council assets.

For the purposes of insurance, the value to be used is the replacement value of the item, not the purchase price or market value.

The Council should ensure assets are valued accurately for insurance purposes to avoid under (or over) insuring. Assets should therefore be valued at least every five years to ensure the appropriate level of insurance is held.

Procurement of New Assets

Procurement of new assets will be subject to meeting ALL of the following criteria:

- Property, plant and equipment used by the authority **to deliver its services.**
- Within the Neighbourhood Plan area.
- Add to or preserve services and public realm it provides to the community and visitors.
- Approval of a business case by Full Council.

Other "non-current" assets

Any historical "assets" falling outside of these criteria will be registered separately for accounting and inventory purposes only.

Public money will not be invested in the maintenance of historical assets unless they meet these criteria.

GENERAL

Investments and Assets Register

A complete register of all assets and investments, categorised and valued as appropriate, will be reviewed annually by the FGS Committee and then approved by Full Council.

This will be timed to contribute to the annual budget setting process.
Part of this will comprise the formal "Fixed Assets" Register, which is a legal document for formal submission.

Income from Investments and Assets

- *The Council shall review all fees and charges annually, following a report of the Clerk and RFO to the Finance and General Services Committee. This will be carried out in a timely manner in order to inform the budget setting process.*

- Current income streams comprise:

Allotments – Required as Council function - Balanced and commensurate Allotment Tenants Association rental based on lease agreement.

Castle Pass fees – Historical Council function. English Heritage. Administration fee.

Brayes Bungalow Rent – not required for fulfilling of council duties and therefore an investment. Rent setting to have regard to market rent applicable.

Jubilee House Chamber Rental – Balanced and commensurate fee for Community use of Council Asset.

- Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed annually by the council, notified to the RFO and the RFO shall be responsible for the collection of all accounts due to the council including rental income.

- The collection of all sums due to the council shall be the responsibility of and under the supervision of the RFO.