

Magor with Undy Town Council

Annual Investment Strategy and Reserves Policy 2025/2026

INTRODUCTION AND LEGISLATION

This Annual Investment Strategy is prepared in accordance with the statutory guidance on Local Government Investments issued by the Welsh Government. This guidance applies to Town and Community Council's with total investments expected to exceed £250,000 at any time during the financial year.

The guidance is effective for financial years commencing on or after 1 April 2020.

This strategy complies with the requirements set out in Section 15(1)(a) of the Local Government Act 2003. The 2003 Act provides that a local authority may invest:

- For any purpose relevant to its functions under any enactment
- For the purpose of prudent management of its financial affairs

All cash, bank balances, financial assets, borrowings and credit arrangements are defined as part of the Council's treasury management activities.

INVESTMENT STRATEGY

This Annual Investment Strategy concentrates on the Council's temporarily surplus resources (or other financial assets it holds) and the investments it undertakes of those resources. This strategy sets out the Council's policies, objectives and reporting arrangements for the prudent management of its investments.

Magor with Undy Town Council acknowledges the importance of prudently investing any surplus funds held on behalf of the community and defines its treasury management activities as:

Management of day-to-day cash flows, banking and investment transactions; together with effective control of the risks associated with those activities, and the pursuit of best value performance consistent with those risks.

The Council undertakes to ensure that for all its investments, priority will be given firstly to security and liquidity rather than to yield. In drafting this Annual Investment Strategy, the Council has made appropriate arrangements for:

- Identification, management and control of risks in its investments and treasury management activities,
- Budgeting, accounting and audit arrangements,
- Cash and cash flow management requirements,
- Segregation of responsibilities, organisational arrangements, adequate documentation and the identification of a responsible officer for investment/treasury management activities,

- Corporate governance,
- Procedures to ensure it is alert to the possibility it may become subject to an attempt to involve it in a transaction involving the laundering of money.

All investments undertaken by this Council will be made and repaid in Sterling.

In order to diversify an investment portfolio largely invested in cash, investments will be placed with a range of approved financial institutions to minimise risk.

SUMS INVESTED AT 1st FEBRUARY 2025:

CCLA – OPUBLIC SECTOR DEPOSIT FUND: £461,087.53

BARCLAYS BANK – CURRENT ACCOUNT: £12,740.27

BARCLAYS BANK – GENERAL RESERVE FUND: £147,523.34

If any new investments are proposed during the financial year 2025/2026, before such an investment is undertaken it will need to be first approved by Magor with Undy Town Council.

RESERVES

The purpose of this strategy is to set out how the Council will determine and review the level of General Reserves.

The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement and it is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are clear protocols for their establishment and use.

These reserves protect against risk, ensure contingencies are in place and support investment in future projects which are beneficial to the town. Magor with Undy Town Council is thus required to maintain adequate financial reserves to meet the needs of the organisation, it will maintain reserves for the following reasons:

- A sum approximately equal to 3-12 months of its net revenue expenditure will be maintained as the General (non-earmarked) Reserve, in accordance with good practice.
- Other reserves which are earmarked for special purposes or future development, or to meet other commitments, will be maintained as necessary.

General reserves can be used to smooth the impact of significant pressures, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

Earmarked reserves will be established on a “needs” basis, in line with planned or anticipated project requirements, and will be established through a decision of the Town Council. Council, when establishing an earmarked reserve, will set out:

- the reason/purpose of the reserve;
- how and when the reserve can be used;

- procedures for the management and control of the reserve;
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

Earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

Magor with Undy Town Council takes a prudent approach to setting its budget each year, considering and reviewing the level of general and earmarked reserves as part of the annual budget preparation. In assessing the level of the Town Council's reserves, account needs to be taken of the risks facing the Council in terms of any significant unforeseen expenditure requirements.

Magor with Undy Town Council must ensure that a proper and appropriate exercise has been undertaken and that the levels of closing reserves for the year remain "fit for purpose".

BANKING ARRANGEMENTS

The Council periodically reviews its banking arrangements in a process that assesses accessibility of funds, service level, bank charges, returns and other considerations. Banking arrangements will next be reviewed at the Annual Finance Meeting scheduled for January 2026.