

Royal Wootton Bassett Town Council

***ADOPTED BY COUNCIL
8th December 2016***

Financial Management Strategy

Appendices Attached as follows:

Appendix A – Financial Regulations

Appendix B – Annual Governance Statement Policy

Appendix C – Asset Register

Appendix D – Insurance Schedule

Appendix E – Risk Management Policy (to be written)

Royal Wootton Bassett Town Council

Financial Management Strategy

1. Introduction

1.1 This Financial Management Strategy (FMS) completes the suite of documents by which Royal Wootton Bassett Town Councils performance may be monitored. The Town Councils Policy Plan 2016 – 2021, which was adopted on **8th December 2016**, is the basis for the Performance Management Strategy (PMS) as well as the FMS.

1.2 The FMS will govern the Town Councils financial management. The FMS is designed to be read in conjunction with both the PMS and the Policy Plan. However, as Finance cuts across all the Town Councils business, the FMS is written and applies across the board rather than being applied to the specific business of each of the Town Councils standing Committees. Therefore, the FMS concentrates on Policy number 2 – Finance, in the Policy Plan. For ease of reference these policies are reproduced at the beginning of the FMS.

1.3 Whilst the Town Councils Policy Plan will be reviewed in 2019, both the PMS and the FMS are meant to be ‘living documents’ subject to review at any appropriate points. It is likely that any change in the Policy Plan, at the review, will affect the FMS and the PMS and it may be appropriate to review them both following review of the Policy Plan. All three documents will provide guidance to the Town Councils elected members and officers, as well as information for the internal and external auditor and members of the public.

1.4 This FMS will be important in providing an understanding of the process by which income and expenditure is budgeted and monitored. The Town Council will ensure it has sufficient funds to cover its running costs, to maintain its assets in good condition and to provide high quality services for the residents and Council Tax payers of Royal Wootton Bassett. It is anticipated that the FMS will provide definition, clarity and transparency of the entire process of sound and prudent financial management in which the Town Council engages.

FINANCIAL MANAGEMENT STRATEGY

This Financial Management Strategy is based upon Policy 2 - Finance of the Royal Wootton Bassett Town Council Policy Plan. This Policy is reproduced below but readers are also directed to the Town Councils Performance Management Strategy for further information.

Policy Plan 2016 – 2021

Policy 2 - Finance

2.1 Objective

TO DETERMINE AND MONITOR THE LEVEL OF INCOME AND SPENDING BY THE TOWN COUNCIL TO ENSURE THE APPROPRIATE LEVEL OF FUNDING FOR THE PROVISION OF ITS SERVICES

2.2 Policies

ROYAL WOOTTON BASSETT TOWN COUNCIL WILL:

2.2.1 Ensure that sufficient funding is available to provide a high quality standard of services, consistent with affordability.

2.2.2 Have due regard to the effect that any increased spending will have on the Council Tax payers of Royal Wootton Bassett.

2.2.3 Maintain effective control over the Town Councils expenditure by means of regular monitoring of the finances throughout the year.

2.2.4 Review the Town Councils Standing Orders and Financial Regulations at least every four years, to coincide with elections.

FINANCIAL MANAGEMENT STRATEGY

1. The Town Councils Financial Processes

1.1 The Town Councils financial year commences on 1 April and ends on 31 March in each year. The Town Councils financial business is overseen on a day to day basis by the Responsible Financial Officer (RFO), who also carries out a monthly financial audit. In 2016 the role of RFO is the responsibility of the Town Clerk.

1.2 The Town Councils financial business is governed by its Financial Regulations, which are attached at Appendix A of this document. A review of the Financial Regulations has been undertaken in 2016.

2. The Audit Regime

2.1 The external audit regime is controlled by the Smaller Authorities' Audit Appointments (SAAA) Ltd and the audit is carried out annually. The SAAA appoints the auditors and sets the audit fee. In 2016 the external Audit is carried out remotely by the Town Councils Auditors, Grant Thornton and the fee is set at £2,000.

2.2 Additionally, the Town Council is obliged by regulation to appoint an independent Internal Auditor. In 2016 the appointed independent Internal Auditor is Lightatouch Internal Audit Services. The independent internal audit is carried out every six months.

2.3 The Town Council is governed by the Accounts & Audit Regulations and proper practices, which require that the Council shall maintain an adequate and effective system of internal audit that shall be reviewed annually. In order to comply with this Regulation, the Council has drawn up an Annual Governance Statement Policy to guide the process of annual review, which is attached at Appendix B.

3. The Council Tax and Financial Resources

3.1 The Town Councils 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 Royal Wootton Bassett Town Council by Wiltshire Council, which also collects funds on behalf of itself, Wiltshire Constabulary and Wiltshire Fire Service. The data on which the Town Council calculates the effect of its Precept on an average Band D property is supplied by Wiltshire Council and the funds are paid to the Town Council in April and September each year. The portion of the total Council Tax bill for Royal Wootton Bassett Town Council provided services is usually relatively small. In 2016 it is less than 15% of the total.

3.2 The services that the Town Council provides to the residents of Royal Wootton Bassett are those shown under each Committee heading in the PMS and comprise the running costs that are necessary to finance these services. These costs are known as the 'Revenue budget'. The current Revenue budget will be the

starting point for elected members and officers in preparing the following years annual Budget.

3.3 As well as Revenue funding, consideration will be given each year to Capital funding, defined as one-off projects for which a budget will only be required in one financial year. This may be a major project such as new play equipment or a new cemetery. It is this type of spending that Capital funding is used for and the resultant budget heading is known as an Earmarked Reserve for a specific project.

3.4 Another type of Capital funding is that produced when the Town Council sells equipment or property. The funds raised by this method cannot be held against Revenue requirements. Elected members must first consider whether such funds should be used to repay any outstanding loans that the Town Council has. Having considered this aspect, a decision can then be made as to whether the funds should be set aside for Capital projects. This type of funding has no effect on the annual budget – it is kept in the Town Councils accounts until it is allocated to a Capital project.

4. The Budgeting Process – Revenue Funding

4.1 In October of each year, the RFO will prepare a preliminary Revenue budget for the forthcoming financial year. Government issued inflation figures will be used to make an informed assessment as to what increases should be included in the budget.

4.2 At each stage of the budget setting process, each Committee will scrutinise its 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 the 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 that cuts in services will arise.

4.3 When each Committee considers its own Revenue budget requirements, the members of the Committee will discuss the preliminary budget proposals provided by the RFO. A recommendation will then be put to the Town Council on its proposed overall budget.

5. The Budgeting Process – Capital Funding

5.1 At the same time that each Committee's Revenue budget is discussed, consideration will be given to each Committee's Capital budget. Capital budget consists of 'one off' items that will not be repeated in forthcoming years. Examples of Capital projects are:

- A potential new Cemetery.
- New Equipment at Play Areas.

- The potential of Manor House.
- A contribution towards Campus.
- Projects at Jubilee Lake.

5.2 When a new Capital project is identified, elected 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 at 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.

5.3 Any reports prepared by the officers for consideration by elected members will include a section detailing the Financial Implications of the proposal, when appropriate. Members will aim to achieve a sensible balance between providing quality services for the residents of Royal Wootton Bassett at a reasonable cost.

6. Completion of the Budget Process

6.1 Once each Standing Committee has prepared and agreed on its own budget, the two budgets will be combined and scrutinised by the Revenue & Resources Committee and a recommendation on the level of Precept will be formed. This recommendation will then be put before a Town Council meeting specially scheduled to agree the Budget and set the Precept, to be no later than December in each year. Careful consideration will be given by all elected members to the effect of the proposed budget on the Council Tax levels for an average Band D house in Royal Wootton Bassett.

7. Monitoring and Reporting on the Budget

7.1 Once the Budget is set for the coming financial year, the RFO must account for any variation to the Revenue & Resources Committee and ultimately to the full Town Council, by means of the monitoring process described below.

7.2 Spending is regularly monitored throughout the year by the following means:

- Monthly Financial Management Reports – Responsible Financial Officer (RFO)
- Quarterly Financial Management Reports – Revenue & Resources Committee and RFO
- Quarterly Independent Internal Audit – Independent Internal Auditor
- Annually – External Audit

7.3 The RFO will report on any significant overspends on individual budget cost headings, with reasons, to the Revenue & Resources Committee, which will consider whether any action is required to mitigate the overspend.

7.4 Any under-spends identified at the financial year end will usually be decanted into the General Reserves. However, the RFO may consider that certain items should be 'rolled over' to the next financial year on the same cost heading. The RFO has delegated authority to action such roll-overs.

8. **General Reserves**

8.1 It is considered prudent that the Town Council should set aside no less than the value of three to four months of the Revenue expenditure each year, as General Reserves, to cover unexpected and unforeseen events. An example of the type of event that may occur is Wiltshire Council may face delays in collecting its Council Tax and be unable to pay the Town Council when it should, therefore jeopardising the Town Councils ability to pay its debts. General Reserves may also be used to cover expenditure on opportunities that may be presented during the financial year.

8.2 Any expenditure from General Reserves **must first** be approved by the Town Council. Elected 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.

8.3 The Town Council has set its General Reserves figure at £326,355 as at 31st March 2016.

9. **Investments**

9.1 Any surplus funds* held by the Town Council will be invested in a low risk monthly investment. The Town Council has a Treasury Management Policy to govern how these investments are made and this is attached to the Councils Financial Regulations.

*The Town Councils portion of the Council Tax is paid over by Wiltshire Council twice per year in April and September. This money will not be utilised immediately and will produce a surplus of funds at certain times of the year. Capital funds will usually be spent during the year and the Reserves must be kept intact as far as possible. It is from these sources that the surplus funds arise.

9.2 Any investment will be for up to twelve months with provision to ensure that sufficient funds are available to make payments due, but without leaving a large surplus in the Town Councils current bank account.

9.3 Although surplus funds will be invested as described above, a certain amount of funds will be kept in the Town Councils current bank account. This will be an interest bearing account, even though at a lower rate than the monthly investment.

10. **Asset Management**

10.1 The Town Councils Asset Register is attached at Appendix C. The Asset Register will be updated as and when new items are purchased or items are disposed of. The Town Councils assets will be re-valued on a quinquennial basis by a reputable valuation company, the next review being due in 2017 and every five years. This valuation will form the basis for Insurance cover required.

10.3 A Buildings Maintenance Schedule (BMS) is in the process of being prepared. The BMS will detail all the regular buildings maintenance required in each financial year. As part of the budget process each year, the BMS will be scrutinised and estimated expenditure requirements assessed. An amount will then be included in the budget of the relevant Committee for that purpose. The BMS will be reviewed on an annual basis to ensure it is kept up to date. Periodic structural reports will also be completed.

10.3 An Inventory has been drawn up of the Town Council's equipment in each location. This is essentially for Insurance purposes, but also to control the replacement of items at an appropriate time. The Inventory will be updated on an ongoing basis, as old equipment is disposed of and new equipment purchased

10.4 The Civic Regalia is listed separately in the Asset Register. Most of the Civic Regalia has a high replacement and repair value, especially the Mayoral Chain. The Revenue & Resources Committee annual budget will include a suitable amount to allow for new or replacement robes and any necessary repairs of the regalia that may occur from time to time.

11. Insurance

11.1 The Town Council requires insurance cover for a variety of risks, as well as its assets. In 2016 the Town Council's insurers are Aviva. An Insurance Schedule has been drawn up and the Town Council will review its insurance requirements annually, to ensure that all required risks are covered. The Insurance Schedule is available from the office by arrangement.

11.2 The insuring company will be reviewed on a triennial basis by obtaining quotations from at least three reputable insurance companies. The next review will take place in June 2018.

12. Banking

12.1 In 2016 the Town Council's bankers are the HSBC.

12.2 The banking arrangements will be reviewed on a quinquennial basis, to ensure that the Town Council's needs are fully met at the lowest possible cost available.

13 Risk Assessment and Management Policy

13.1 The Town Council's Risk Management Policy is attached at Appendix E. 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 to the Town Council at least annually.

13.2 All reports for consideration by elected members will contain a section on Risk Assessment.

14. Review of the Financial Management Strategy

14.1 This Financial Management Strategy will be reviewed every four years. However, elected members or the Town Clerk/RFO may request an intermediate review at any other time as circumstances may dictate. Review of the Policy Plan and/or the PMS may also trigger a review of the FMS.