



## **Appendix 2(vi)**

# **NEW ROMNEY TOWN COUNCIL**

## **ANNUAL INVESTMENT STRATEGY 2025-26**



### **Introduction:**

New Romney Town Council acknowledges the importance of prudently investing all funds held on behalf of the community by the Council.

The Town Council Investment Strategy complies (as appropriate) with the revised requirements set out in the Guidance on Local Government investments issued by the Department of Communities and Local Government (3<sup>rd</sup> Edition) effective 1st April 2018.

Investments under £10,000 are not subject to the Guidance but for investments between £10,000 and £100,000 the Council is required to make a formal decision on the extent to which it would be reasonable to adopt the Guidance either in part or in full. When making investments over £100,000, the Council is required to adopt the Guidance in full and to put an investment strategy into place.

### **Strategy:**

The Town Council has adopted the Secretary of State's Guidance in full.

In accordance with Section 15(1) of the Local Government Act 2003, the Council will, therefore, have regard (a) to such Guidance as the Secretary of State may issue and (b) to such other Guidance as the Secretary of State may by regulations specify.

Investments are defined as all the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit.

The Council's investment policy is prudent and its priorities are the security of reserves (protecting the capital sum invested from loss) and liquidity of its investments (ensuring the sums invested are available for expenditure when needed).

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

All investments will be made in sterling.

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 this activity.

The Council holds investments to support effective management of Council funds and will only invest in institutions with high credit quality. The RFO (Responsible Financial Officer) will monitor the risk of loss on investments by periodically reviewing credit ratings. Any significant reduction in credit rating will be reported to the Town Council and, if necessary, the Proper Officer, in consultation with the Responsible Financial Officer, is delegated the authority to take appropriate action to protect Town Council assets.

Reference will be made in the assessment of credit worthiness to the general economic and political environment in which institutions operate. All significant sources of information will be scrutinized, including information from the credit rating agencies: Fitch Ratings Ltd and Moody's Investors Service Ltd. The Council should aim for "A" ratings. Investments will be spread over different providers where appropriate to minimise risk.

If an external investment manager is used, he / she will be contractually required to comply with the Strategy.

The Council is committed to ensuring that those Statutory Officers and Elected Members who are involved in financial decision making processes have appropriate capacity, skills and information to enable them to take informed decisions as to whether to enter into a specific investment, to assess individual assessments in the context of the strategic objectives and risk profile of the Council and to enable them to understand how financial decisions can change the overall risk exposure of the Council. This will be achieved by

- Appropriate training of Officers and Members;
- Use of appropriate expert external advisors;
- Reporting to Council in an open, clear, understandable and transparent manner

The Council's Proper Officer, Responsible Financial Officer and Finance Clerk will attend the KALC annual finance conference in order to remain up to date with financial regulations and requirements.

Financial Investments comprise Specified Investments, Loans and Non-Specified Investments.

#### Specified Investments:

Specified Investments are those offering high security and high liquidity, made in sterling and with a maturity of no more than 12 months and not defined as capital expenditure under relevant regulations. Such short-term investments made with a body or investment scheme of high quality (including the UK Government or a local authority or town/parish council) will automatically be Specified Investments.

The Council will only make specified investments, investing in institutions with a high credit rating and will aim for a minimum 'A' rating from approved credit rating organisations. It will also aim to spread its financial assets amongst a range of appropriate institutions.

For the prudent management of its funds, maintaining sufficient levels of security and liquidity, the Council will use:

- Deposits with banks, building societies, UK Government or local authorities

#### Loans

The Council may choose to make loans to appropriate organisations as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity. In such case,

the Full Town Council shall consider and authorise every loan that is awarded on a case-by-case basis demonstrating in each situation:

- Total financial exposure to these types of loans is proportionate;
- Use of an “expected credit loss” model for loans and receivables as set out in International Reporting Standard 9 Financial Instruments as adopted by proper practices to measure the credit risk of the loan portfolio;
- Appropriate credit control arrangements to recover overdue repayments are in place;
- That the Council has formally agreed the total level of loans by type that it is willing to make and the total loan book is within the self-assessed limit.

New Romney Town Council does not award any loans to other organisations and does not intend to do so.

#### Non-Specified Investments:

These investments do not meet the criteria to be classified as specified investments. Non-specified investments have greater potential risk – examples include investment in the money market, stocks and shares – and professional investment advice may be required.

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

#### Liquidity Investments:

The Responsible Financial Officer / Proper Officer will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

Investments will be regarded as commencing on the date on which the commitment to invest is entered into rather than the date on which funds are paid over to the counterparty.

#### Long Term Investments:

All investments by local councils, other than in interest bearing bank and building society accounts, must be identified as long-term investment and treated as capital expenditure. Investments in longer term funds (in excess of 12 months) are by definition long term investments and, thus, deemed to be capital expenditure. Any investment in longer term funds should not exceed the surplus of cash balances above the Town’s annual budgeted expenditure reduced by the annual precept.

The Council does not currently hold any long term investments and no long term investments are currently envisaged.

#### Non-Financial Investments:

Non-Financial Assets are physical assets that a local council holds primarily or partially to generate a profit. Normally, the local council will have a physical asset that can be realised to recoup the capital invested in it. In such cases, the local council should periodically review whether the asset retains sufficient value to provide security of investment. Whereby such value is no longer sufficient to provide security against

financial loss, the council must consider and publish details of mitigating actions that are being taken to protect invested capital.

Investments in non-financial assets are not considered able to meet the two underlying key principles of the Investment strategy - security and liquidity. The Council does not, therefore, currently hold any non-financial investments and no non-financial investments are currently envisaged.

#### Investment Report:

Investment forecasts for the forthcoming financial year are accounted for when the annual budget is prepared. Investments will be reviewed at least annually and a report from the Responsible Financial Officer will be presented to the Finance and General Purposes Committee.

#### Review and Amendment of Regulations:

The Council's Investment Strategy will be renewed annually, taking account of any changes to the relevant regulations - and at other times as necessary. The Annual Strategy for the financial year will be prepared by the by the Proper Officer, in consultation with the RFO and presented to the Full Council.

#### Publication:

The Investment Strategy will be published and available in hard copy and on the Town Council's website.

### **2025-26 Investment Plan**

Funds not required for immediate use will be invested in the NatWest Business Reserve Account, Unity Trust Bank Account, Lloyds Bank and National Savings Income Bonds interest bearing accounts. Interest rates vary from day to day but are competitive with other providers and this spread assists in achieving a greater level of security in accordance with the Financial Services Compensation Scheme. The RFO is authorised to make routine transfers between accounts to facilitate the day to day running of the Council.

Any remaining proceeds of Church Lane (Phase 1) asset sale will remain invested in the Town Council's existing National Savings Income Bond in order to yield a higher interest rate until such time as those funds are required for the Maude Community Centre Project, which will be completed in the summer of 2025.

Remaining proceeds of Church Lane (Phase 2) asset sale are held in the Lloyds Bank account, which can be most easily accessed via internet banking, as regular instant access is required for contractual payments pertaining to the Maude Community Centre Project.

The Council shall, during 2025-26, consider making investments in the Public Sector Deposit Fund scheme through CCLA, which offers a good rate of interest currently and has a good rating in respect of credit worthiness.

The Town Council and senior officers will review the position on a regular basis as set out above and take action as appropriate to deal with any change in circumstances.

The Town Council and senior officers (Town Clerk / RFO and Deputy Town Clerk) will review the situation on a regular basis as set out above and take action as appropriate to deal with any changes in circumstances.

Given the limited availability / accessibility of High Street banking facilities and the current low level of interest rates, it is not anticipated that the use of private sector financial management advisers would benefit the Council.

Officers responsible for dealing with Financial Management will attend conferences / training as offered by KALC and other appropriate bodies. Finance training will also be available for elected Members.

The Town Council drew down a Public Works Loan Board (PWLB) loan in the amount of £1 million in January 2024, for the delivery of the Maude Community Centre Project. This is a fixed-interest loan with capital and interest repayable over a term of 40 years. Total repayable, including interest, over the 40 year term is: £2,395,795.60

Financial provision is made within the annual budget-setting process for two equal six-monthly loan repayments of £29,947.45, which comprises two elements: capital repayment and interest repayment.

The remaining capital debt at the end of 2025-26 will be: £983,853.93.

The Town Council has no other debt (with the exception of normal trade creditors).