Appendix 2(vi)

NEW ROMNEY TOWN COUNCIL

ANNUAL INVESTMENT STRATEGY 2023-24

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 (3rd 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.

The Council's investment priorities are the security of reserves and liquidity of its investments.

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 will monitor the risk of loss on investments by periodically reviewing credit ratings and will only invest in institutions with a high credit quality. Any reduction in credit rating will be reported to the Town Council and, if necessary, the Proper Officer, in consultation with the Responsible Financial Officer, will take appropriate action within delegated powers to protect Town Council assets.

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

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.

Approved and adopted by Full Council: 12th April 2023
Last Reviewed and updated:

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. Such short term investments made with a body or investment scheme of high quality (including the UK Government or a local authority) will automatically be Specified Investments. The Council will only invest in institutions with a minimum ‘A’ rating from approved credit rating organisations and will aim to spread its capital 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

Non-Specified Investments:

These 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.

The Council does not 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 annually following a report from the Responsible Financial Officer to the Finance and General Purposes Committee.

Review and Amendment of Regulations:

The Council's Investment Strategy will be reviewed annually and at other times as necessary. The Annual Strategy for the financial year will be prepared by the Responsible Financial Officer in consultation with the Proper Officer 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.

2023-24 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 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.

Specified proceeds of Church Lane (Phase 1) asset sale will remain invested in the Town Council's existing National Savings Income Bond, as recommended by the Finance and General Purposes Committee and ratified by Full Council, in order to yield a higher interest rate until such time as funds are required. Proceeds of Church Lane (Phase 2) asset sale are currently held in the Lloyds Bank account, which can be most easily accessed via internet banking, as it is envisaged that instant access will be required at some stage within the 2023-24 financial year. Should it become apparent that this will not be the case, consideration will be given, via the F&GP Committee, to transferring specified funds to the National Savings Income Bond.

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.

The Council considered the borrowing of monies during the 2018-19 financial year and, following public consultation, resolved to apply – during the 2019-20 financial year - for a Public Works Loan Board (PWLB) loan in the maximum total amount of £1 million, for the delivery of the proposed Community Hall and Sports Pavilion, having considered all available options for financing this project. Due to the impact of the global coronavirus pandemic which slowed the progress of the afore-mentioned project during 2020-21, the urgency in submitting the formal loan application was removed along with any necessity to draw down on any loan. In response to a reduction in interest rates, the Council subsequently resolved, during the 2021-22 financial year, to reduce the maximum repayment term of a PWLB loan to 31 years. However, interest rates have now increased once again as a result of increases in the Consumer Price Index following the global Coronavirus Pandemic so, following further review the maximum repayment term via further Council resolution was re-instated as 40 years. The formal loan application was submitted in March 2022 and consent to borrow was granted in January 2023. The drawing down of the PWLB loan must be implemented before 6th January 2024 .

Loan Details:

In accordance with formal Town Council approval by resolutions dated 28th March 2019, 23rd January 2020, 9th December 2021, 16th March 2022 and 9th November 2022, New Romney Town Council WILL, prior to entering into any construction contract, draw down the PWLB Loan in the amount of £1 million repayable over a period of 40 years for the purpose of delivering the planned Community Hall, Sports Pavilion and Nursery facilities at Station Road Sports Field, New Romney. Following the most recent resolution to re-instate the 40 year loan term following previous resolutions to reduce the loan term, annual loan repayments are anticipated to be approximately £57,337.30.

As budget adjustments have already been made to accommodate loan repayments, New Romney Town Council will not need to increase the Precept, in 2023-24 or going forward, to cover the annual loan repayments having already offset the entirety of the anticipated fixed rate repayments.

Planning to Mitigate any Financial Risk in Engaging in Such Borrowing:

The Town Council, having received and noted the required detailed financial report, reviewed the affordability of the afore-mentioned loan and undertook a financial risk assessment prior to applying for a PWLB loan.

Affordability / Financial Risk Assessment:

Prior to determining, by resolution of the Council, that a Public Works Loan Board loan would be applied for, it was noted that it was imperative that the Town Council had considered affordability in respect of loan repayments.

It was duly noted that, in fact, through the budgeting process for 2019-20, the town Council had worked stringently through its finances, making appropriate and sustainable reductions to reserve fund contributions and other elements of the annual budget. In this way, it was able to insure the affordability of repayments and minimise impact on local tax payers. As loan repayments had then already been accounted for, they were, therefore, then embedded into the 2020-21 budget and, likewise, its precept requirement. Further budgetary adjustments were then made in light of interest rate increases in 2022 to mitigate the impact of increased repayments, ensuring that there remained no necessity to increase the precept in 2023-24 as a direct result of increased loan repayments.

The Town Council is funded by its Precept and, as such, since the precept is payable to the Town Council by the Government via the District Council, it is a guaranteed income – payable in two equal six-monthly instalments. In addition to the annual precept, as is good practice, New Romney Town Council holds the approximate equivalent of six months running costs within its General Reserves. This protects the Council from any unforeseen emergency that might otherwise prevent it from continuing to provide services until such time as the next precept payment is received. In this way, the affordability of any loan repayment is also protected.

New Romney Town Council is also an asset rich Council, with five buildings (three listed and two with attached gardens/hard standing) and eight areas of land / open spaces within its portfolio.

The Town Council is covered by a suitable level of insurance, including indemnity insurance, together with detailed Financial Regulations and a range of Financial Policies, Protocols and Procedures which are tested through the annual audit process in order that any claim that may arise in respect of Council Business would have minimum financial impact on the Council and any risk of financial loss due to fraud, theft, negligence or other is minimised.

Affordability of PWLB Loan Repayments

Scoring = Low / Medium / High

Risk	**Impact**	**Probability**	**Mitigation Measures**
Inability to afford single six-monthly loan repayment	Low (Noting max 6-monthly payment in re £1M over 40 years = £28,668.65 compared to six-monthly precept income of £187,447.00)	Low (Noting budget allocation in place to cover at least six-month loan repayment and guaranteed income from precept insures ability to meet repayments)	1) Annual Precept received in two equal six-monthly instalments provide regular guaranteed income 2) Adequate insurance cover in place, including indemnity cover to minimise risk of any financial impact resulting from claim against Council which could otherwise affect ability to meet loan repayments 3) Detailed Financial regulations, Policies, Protocols and Procedures in

			place and tested through annual audit process to minimise risk of financial loss due to fraud, theft, negligence or other which could otherwise affect ability to afford loan repayments 4) Good level of Reserve Funds held in case of unforeseen financial requirement which could otherwise affect ability to afford loan repayments

The total amount borrowed in the maximum amount of £1 million compares to the delivery of a capital project in the approximate total amount of £3.6 million. Over a 40 year term, total repayable is approximately as detailed below:

Loan Value	Interest Rate	Term	6-monthly repayment	Annual repayment	Total Cost over 36 years
£1,000,000.00	4.91%	40 YEARS	£28,668.65	£57,337.30	£2,293,492.00

This remains well below the basic capital value of a resulting community facility with a nett capital value of approximately £3.6 million and can, therefore, be confirmed to be an acceptable ratio of debt to capital value.