DOVER TOWN COUNCIL
ANNUAL INVESTMENT STRATEGY 2025-26
(Adopted by Town Council 16/4/25 – Min 277d)

INTRODUCTION

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

This Strategy complies (as appropriate) with legislation including the revised requirements set out in the Guidance on Local Government Investments issued by the Secretary of State for Housing Communities and Local Government in 2018 for periods after 1 April 2018.

KEY PRINCIPLES

In accordance with Section 15(1) of the Local Government Act 2003 Act, the Council will 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 has two underlying objectives

- Security (protecting the capital sum invested from loss)
- Liquidity (ensuring the funds invested are available for expenditure when needed)

The Council is committed to transparency and openness in reporting and to making it easy for informed observers to understand how good governance and democratic decision accountability have been exercised.

The Council is not allowed in law to borrow more than, or in advance of, their need purely in order to profit from an investment which may be in financial or non-financial assets.

The Council will take account of and seek to invest, where appropriate, to support high social, environmental and other ethical standards.

Transparency and democratic accountability

An Annual Investment Strategy will be prepared each year and presented to a meeting of the Full Council for approval ideally before the start of the financial year.

Material changes to the Strategy during the year will be included in a Revised Strategy and presented to a meeting of the Full Council prior to implementation.

The Strategy will contain the disclosures and reporting requirements specified in the Statutory Guidance.

The Strategy will be publicly available on the Town Council's website.

Contribution

The Council holds investments to support effective treasury management activities.

The Council's investment priorities are first the security of reserves (protecting the capital sum invested from loss), second the liquidity of its investments (ensuring the funds invested are available for expenditure when needed) and thirdly yield (where consistent with proper levels of security and liquidity).

Use of indicators

The Council will monitor the risk of loss on investments by reviewing credit ratings on a monthly basis and more often if necessary and by any other appropriate means. The Council will aim to only invest in institutions of high credit quality. Reference will be made 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 scrutinised including information from the credit rating agencies including Fitch Ratings Ltd, Moody's Investors Service Ltd, and Fitch Ratings Ltd. The Council should aim for "A" ratings. Investments will be spread over different providers where appropriate to minimise risk. Significant changes in credit ratings will be immediately reported to the Town Council and the Proper Officer is delegated to take such action as necessary to protect Town Council assets.

Members and other interested parties should be able to understand the total exposure of the Council from borrowing and investment decisions using appropriate indicators where necessary in relation to the Council's financial position. It is recognised however that certain indicators may be more relevant to the larger financial portfolios of Local Authorities.

The Town Council will provide specific training for treasury management appropriate to the Council's circumstances.

Security

Financial Investments

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

Specified investments

Specified Investment are those offering high security and high liquidity, made in sterling a with a maturity of no more than a year and not defined as capital expenditure under relevant regulations. Such short-term investments made with a body or investment scheme of high credit 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.

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

• Deposits with UK banks, UK building societies, Local Authorities or other authorised public authorities

Investments will be made after appropriate assessment of the market in line with the key principles.

The Council does not use external advisors as it is not considered necessary given the prudent risk-averse nature of the authorised investments.

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.

The Full Town Council will consider and authorise every that loan 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.

Non-Specified investments

These investments do not meet the criteria to be classified as a specified investment. In general, they have greater potential risk – examples include investment in the money market, stock and shares.

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

Non-Financial Investments

Non-financial investments are non-financial assets that the organisation hold primarily of partially to generate a profit. The asset will normally be a physical asset that can be realised to recoup the capital invested.

Investments in non-financial assets are not considered able to meet the two underlying key principles of the Investment strategy - security and liquidity.

The Town Council will not invest in non-financial assets.

Capacity, skills and culture

The Council is committed to ensuring that those elected members and statutory officers involved in the investments decision making process 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 the quantum of these decision have change the overall risk exposure of the Council.

This will be achieved by

- Appropriate training of members and officers;
- Use of appropriate expert external advisors;
- Reporting to Council in the most open, clear, understandable and transparent way possible;
- The use of existing regular communication procedures between senior members and officers to facilitate constantly improved capacity, skills and information exchange.

2025/26 INVESTMENT PLAN

The Co-Operative bank and HSBC are the Town Council's Bankers. Funds not required for immediate use are currently invested in interest bearing accounts at HSBC. Amounts will be invested for up to one year. It is envisaged that these arrangements will continue during the year. The Council's banker for normal day to day transactions is the Co-Op Bank and a facility exists to transfer money in the current account and the end of the banking day into an overnight deposit account to earn interest.

The Council has some investments in the Public Sector Deposit Fund scheme through CCLA and earns a good rate of interest currently.

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 Council does not anticipate borrowing monies for spending needs during the year.

Given the low absolute level of funds to be invested and the low level of interest rates it is not anticipated that the use of private sector treasury management advisors would benefit the Council.

The Council took out a loan of £360,000 in 2004 from the Public Works Loan Board to finance the purchase of Maison Dieu House (used and Council offices and meeting rooms). The loan principle will be repayable after 30 years and a transfer £12,000 per year to a repayment reserve is made to ensure funds are in place to meet the liability when it falls due. The reserve at the end of 2024/25 will be £250,000. The Council has no other debts (except for normal trade creditors).

Officers and Councillors responsible for Treasury Management will receive training as offered by the National Association of Local Councils and other appropriate bodies.

Adopted by Town Council – 16 April 2025 (Min 277d)