

Black Sluice Internal Drainage Board

Policy No: 05

Investment Strategy Policy

Review Dates:

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| Board Approved | 17 th June 2015 |
| Due for Review | |

1. Introduction

- 1.1 Black Sluice Internal Drainage Board (the Board) acknowledges the importance of prudently investing the temporary surplus funds held on behalf of the local ratepayers. This has acquired even greater importance in the light of the credit crunch during 2008-09 and consideration of the risk involved is a major element to be considered.
- 1.2 This strategy complies with the arrangements set out in the Department of Communities and Local Government (formerly Office of the Deputy Prime Minister) Guidance on Local Government Investments 2004 and the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes and takes account of Section 15 (1)(a) of the Local Government Act 2003.

2. Investment Objectives

- 2.1 In accordance with Section 15 (1)(a) of the Local Government Act 2003, the Board will have regard (a) to such guidance as Government Ministers may issue from time to time and (b) to such other guidance as Government Ministers may by regulations specify.
- 2.2 The Board's investment priorities are the security of reserves and liquidity of its investments.
- 2.3 The Board will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity and be consistent with avoiding any major risks.
- 2.4 All investments will be made in sterling.

2.5 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 Board will not engage in such activity.

2.6 Where external investment managers are used, they will be required to comply with this strategy and will have to be authorised and regulated by the Financial Conduct Authority. Where the Board uses Brokers to carry out the transactions on their behalf, they cannot and do not offer investment advice but simply act as an intermediary.

3. Specified Investments

3.1 Specified investments are those offering high security and high liquidity, made in sterling and which must mature within one year. The Board only places deposits with financial institutions which are on the Financial Conduct Authority's approved list of financial institutions. These investments can be used with minimal procedural formalities as currently used by the Board.

3.2 For the prudent management of its surplus balances, maintaining sufficient levels of security and liquidity, the Board will use:

- Deposits with banks, building societies, local authorities or other public authorities
- Deposits in securities which are guaranteed by the Government.

3.3 The limit of any such investment will be restricted to £300,000 with any one particular institution or group, or such other sum as the Board specify from time to time. It should be noted that the Government guarantee of £50,000 which applies to private investors does not apply to bodies such as the Board.

4. Non Specified Investments

4.1 These investments have greater potential risk and mature after any period longer than 365 days – examples include investment in the money market, stocks and shares or with bodies which do not have a high credit rating.

4.2 Given the unpredictability and uncertainties surrounding such investments, the Board will not use this type of investment without a resolution stating otherwise.

5. Liquidity of Investments

- 5.1 The Chief Executive and the Finance Manager will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.
- 5.2 Investments will be regarded as commencing on the date the commitment to invest is entered into, rather than the date on which the funds are paid over to the relevant body.

6. Long Term Investments

- 6.1 Long term investments are defined in the Guidance as greater than 36 months.
- 6.2 The Board does not currently hold any long term investments; neither will it make any such investments.

7. Internal Controls

- 7.1 The Finance Manager will report on all investments held on a monthly basis as part of the Management Accounts and sent by E-Mail to all members of the Executive Committee. As existing investments mature, the Finance Manager will prepare a current cash flow projection indicating any future suggested investments. This projection will be authorised by both the Finance Manager and the Chief Executive. The current satisfactory practice is for a maturity profile investment projection to be prepared which provides the Board with the option to pull back or invest further according to the cash flow requirements.
- 7.2 The Finance Manager will then act on this authorisation and proceed with any further investments as agreed. A copy of the confirmation of the investment from the financial institution will be initialled by the Chief Executive.

8. End of Year Investment Report

- 8.1 The Annual Strategy for the coming financial year will be prepared by the Finance Manager and presented to the Executive Committee meeting in January each year for approval.
- 8.2 At the end of the financial year, the Finance Manager (as S151 of the Local Government Act 1972 officer) will report on the investment activity to the Board.

9. Review and Amendment of this Strategy

- 9.1 This Strategy will be reviewed within at least five years.
- 9.2 The Board reserves the right to make variations to the Strategy at any time.
- 9.3 This strategy has been reviewed and agreed with the Board's Internal Auditor.