

SOUTH HOLLAND INTERNAL DRAINAGE BOARD

INVESTMENT STRATEGY

1. Introduction

- 1.1 South Holland 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 Services 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. These must be made in high credit-rated financial institutions or groups, as measured by a credit rating agency such as Fitch. The credit rating for the institution or group should be either AAA, AA, A or BBB (F1, F2 or F3) which indicates relatively low to moderate credit risk. 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, South Holland Internal Drainage 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 £500,000 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, South Holland Internal Drainage Board will not use this type of investment without a Board resolution stating otherwise.

5. Liquidity of Investments

- 5.1 The Chief Executive and the Finance Officer 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 On a monthly basis and/or as existing investments mature, the Finance Officer will prepare a current cash flow projection indicating any future suggested investments. This projection will be authorised by both the Finance Officer 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 Officer 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 Officer and presented to the Estimates meeting each year for approval.

8.2 At the end of the financial year, the Finance Officer or the Chief Executive (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 annually.

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.

P J Camamile
Chief Executive

9 February 2010