

PEVENSEY AND CUCKMERE WATER LEVEL MANAGEMENT BOARD

DRAINAGE RATES AND SPECIAL LEVIES

INVESTMENT STRATEGY

WATER MANAGEMENT ALLIANCE

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Version 3

The Board has an Investment Strategy which is designed to maximize the return on temporary short term cash surpluses, at the same time as safeguarding public money. The document makes it clear how this will be done.



Investment Strategy

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Investment Strategy

1. Introduction

- 1.1 Pevensey and Cuckmere Water Level Management Board (the Board) acknowledges the importance of prudently investing the temporary surplus funds held on behalf of the local ratepayers and special levy paying councils.
- 1.2 This strategy complies with the Statutory Guidance on Local Government Investments (3rd Edition) issued by the Ministry of Housing, Communities and Local Government under section 15(1)(a) of the Local Government Act 2003.
- 1.3 This strategy also complies with the two codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA):
 - Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes
 - The Prudential Code for Capital Finance in Local Authorities

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 Ministry of Housing, 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.

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- 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. These must be made in high credit-rated financial institutions or groups, as measured by a credit rating agency (Standard and Poor's, Moody's Investors Service Ltd or Fitch Ratings Ltd). 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, the Board will engage the services of a Regulated Investment Broker to make the following types of investment:
- 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 £100,000 with any one particular UK financial services firm, institution or group, or such other sum as the Board may specify from time to time by statutory resolution. It should be noted that the protection afforded by the Financial Services Compensation Scheme for investments of up to £50,000 and bank deposits of up to £85,000 does not apply to this Board because it is not currently defined as being an 'eligible depositor' in the Financial Conduct Authority's scheme rules.
- 3.4 The Interest rate secured by our Investment Broker for each deposit will be monitored by the Board and published quarterly on the WMA Group's website.
- 3.5 The Board may choose to make loans to local enterprises, local charities, other IDBs, wholly owned companies and joint ventures 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

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security and liquidity, only if, in accordance with the statutory guidance it can demonstrate that:

- Total financial exposure to these type of loans is proportionate;
- It has used an allowed “expected credit loss” model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9 *Financial Instruments* as adopted by proper practices to measure the credit risk of its loan portfolio;
- It has appropriate credit control arrangements to recover overdue repayments in place; and
- The Board has formally agreed the total level of loans by type that it is willing to make and their total loan book is within their self-assessed limit.

4. Non Specified Investments

- 4.1 These investments are financial investments that are not loans and do not meet the criteria to be treated as specified investments. They 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 fully assessing the risk, in accordance with the statutory guidance.

5. Non-Financial Investments

- 5.1 Non-financial investments are assets that the Board holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.
- 5.2 The Board does not currently hold any non-financial investments. The Board will only make such investments after having assessed the market that it would be competing in, the nature and level of competition, how it thinks that the market would evolve over time, barriers to entry and exit and any ongoing investment requirements.

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6. Liquidity of Investments

- 6.1 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.
- 6.2 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.

7. Long Term Investments

- 7.1 Long term investments are defined in the Guidance as greater than 12 months.
- 7.2 The Board does not currently hold any long term investments; neither will it make any such investments.

8. Internal Controls

- 8.1 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.
- 8.2 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.

9. End of Year Investment Report

- 9.1 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.

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- 9.2 At the end of the financial year, the Finance Officer or the Chief Executive (as the Responsible Financial Officer or the S151 of the Local Government Act 1972 officer) will report on the investment activity to the Board.

10. Review and Amendment of this Policy

- 10.1 This strategy will be reviewed annually.
- 10.2 The Board reserves the right to make variations to the strategy at any time.
- 10.3 This strategy has been reviewed and agreed with the Board's Internal Auditor.