

Investment Policy

1. INTRODUCTION

The Danvm Drainage Commissioners acknowledges the importance of the prudent investment of surplus funds on behalf of ratepayers and other stakeholders. As a result of the financial uncertainties over the last two years the assessment of the risk is now even more important.

This strategy considers and takes account of guidance issued by the Chartered Institute of Public Finance and Accounting Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes, and Statutory Guidance issued under Section 15 (1)(a) of the Local Government Act 2003.

2. OBJECTIVES

- In accordance with Section 15(1)(a) of the Local Government Act 2003, the Board will have due regard to latest guidance and regulations;
- The Board's investment priorities are the security of reserves, protecting the capital sum invested from loss and the liquidity of its investments ensuring availability for expenditure when needed;
- The Board will strive to achieve the optimum return on investments commensurate with proper levels of security and liquidity without exposure to a high level of risk;
- Investments will be in sterling;
- The Department for Communities and Local Government maintains that borrowing of monies to invest, or lend and make a return, is unlawful; this Board will not engage in this activity;
- 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

- Specified investments being defined as 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 Standard and Poor's, Moody's Investors Service Limited and Fitch Rating Ltd. The credit rating for the institution or group should either be AAA, AA, A or BBB (F1, F2, F3) indicating relatively low to moderate credit risk. These investments can be used with minimal procedural formalities as currently used by the Board;
- For the prudent management of its surplus balances and funds, the Board will use Bank deposits and Building Societies;
- The Board will restrict any such investments to a total of £1,000,000 with any one Bank or building society;
- The Board limits any investment to a period of twelve months.

4. NON-SPECIFIED INVESTMENTS

- These investments are prone to a higher level of risk and mature after 365 days - examples being investment in the money market, stocks and shares or with bodies not having a high credit rating. The Board will not use this type of investment.

5. LIQUIDITY OF INVESTMENTS

The Senior Finance Officer will determine the investment term so as not to compromise liquidity or the investment term previously approved by the Board.

6. LONG TERM INVESTMENTS

The Guidance defines long term investments as those exceeding 36 months; the Board does not make such investments.

7. INTERNAL CONTROLS

- The Senior Finance Officer carries out a monthly appraisal of the Boards cash flow requirements, from this he determines whether to invest or re-invest funds;
- The Senior Finance Officer reports investment activity at tri-annual Finance and Policy Committee meetings.

8. REVIEW

The Finance and Policy Committee will triennially review this strategy.

Approved by the Finance & Policy Committee at its meeting on 29 March 2019