**WATER MANAGEMENT ALLIANCE**

# DRAINAGE RATES AND SPECIAL LEVIES

# INVESTMENT STRATEGY

## FINANCIAL

**Review date: April 2024**

**To be reviewed every 5 years**

**Next review date: April 2029**

**Reviewed by: WMA Consortium Management Committee**

### Adopted by:

WMA Member Boards:
Broads Internal Drainage Board
East Suffolk Internal Drainage Board
King's Lynn Internal Drainage Board
Norfolk Rivers Internal Drainage Board
South Holland Internal Drainage Board
Waveney, Lower Yare and Lothingland Internal Drainage Board
Pevensey and Cuckmere Water Level Management Board

WMA Associated Boards:
Bluntisham Internal Drainage Board
Haddenham Level Drainage Commissioners
Hundred of Wisbech Internal Drainage Board
Over and Willingham Internal Drainage Board
Swavesey Internal Drainage Board
Waldersey Internal Drainage Board

The Water Management Alliance has an Investment Strategy which is designed to maximise 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.

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**INVESTMENT STRATEGY**

# 1. INTRODUCTION

1.1 The Water Management Alliance Member Boards acknowledge 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

1.4 For the purposes of this policy document, the WMA Member Boards are defined within the Consortium Agreement, dated 29 March 2024.

# 2. INVESTMENT OBJECTIVES

2.1 In accordance with Section 15 (1)(a) of the Local Government Act 2003, the Boards 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 Boards' investment priorities are the security of reserves and liquidity of its investments.

2.3 The Boards 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 monies purely to invest, or to lend and make a return, is unlawful and the Member Boards 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 Boards will only invest with Building Societies where independent credit analysis shows them to be suitably creditworthy. A minimum asset size of £250m applies, as published by The Building Societies Association, and detailed on the Building Societies' Assets Factsheet. These investments can be used with minimal procedural formalities as are currently used by the Member Boards.

3.2 For the prudent management of its surplus balances, maintaining sufficient levels of security and liquidity, each 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 £1m with any one UK financial services firm, institution or group, or such other sum as each Member 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 the Member Boards because they are 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 on the WMA Group's website, within each Member Board's Financial Report.

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

- Total financial exposure to these types 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.
- 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 Member Boards 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 Boards do not currently hold any non-financial investments. The Boards will only make such investments after having assessed the market that they would be competing in, the nature and level of competition, how they think that the market would evolve over time, barriers to entry and exit and any ongoing investment requirements.

## 6. LIQUIDITY OF INVESTMENTS

6.1 The Chief Executive and the Finance and Rating Manager 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 Boards do not currently hold any long-term investments; neither will they make any such investments.

## 8. INTERNAL CONTROLS

8.1 As existing investments mature, the Finance and Rating Manager will prepare a cash flow projection to identify opportunities for further investments. The current practice is for a maturity profile investment projection to be prepared twice a month, which provides each Member Board with the opportunity to pull-back deposits needed for working capital to pay its bills or to reinvest/invest similar, additional, or reduced sums for a further period according to its cash flow requirements. All such investments will be authorised by the Chief Executive.

8.2 The Finance and Rating Manager will then act on this authorisation and proceed with any further investments as agreed. Confirmation of the investment will be filed electronically, for review by the Chief Executive.

8.3 Each Member Board will monitor the return on its investments periodically during the course of every financial year.

## 9. END OF YEAR INVESTMENT REPORT

9.1 The Annual Estimate of Investment Income for the coming financial year will be prepared by the Finance and Rating Manager and presented to each Member Board's Estimates meeting every year for approval.

9.2 At the end of the financial year, the Finance and Rating Manager or the Chief Executive (or 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 every 5 years.

10.2 The Water Management Alliance reserves the right to make variations to the strategy at any time, subject to compliance with each Board's Reserved Matters.