

BEDFORD GROUP OF DRAINAGE BOARDS

INVESTMENT STRATEGY

DRAINAGE RATES AND SPECIAL LEVIES

Last review date: April 2022

To be reviewed every 5 years

Next review date: April 2027

Reviewed by: Joint Management Committee

Adopted by:

**Alconbury & Ellington Internal Drainage Board
Bedfordshire & River Ivel Internal Drainage Board
Buckingham & River Ouzel Internal Drainage Board**

The Bedford Group 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.

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1. Introduction

- 1.1 The Bedford Group of Internal Drainage Boards (the Bedford Group) 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 (now known as Department for Levelling Up, Housing and Communities) 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 Bedford Group 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 Bedford Group's investment priorities are the security of reserves and liquidity of its investments.
- 2.3 The Bedford Group 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 (now known as Department for Levelling Up, Housing and Communities) maintains that borrowing of monies purely to invest, or to lend and make a return, is unlawful and the Bedford Group 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 Bedford Group 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 Bedford Group.
- 3.2 For the prudent management of its surplus balances, maintaining sufficient levels of security and liquidity, the Bedford Group 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 £500,000 with any one particular UK financial services firm, institution or group, or such other sum as the Bedford Group 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 Bedford Group 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 Bedford Group and published quarterly on the Group's website.
- 3.5 The Bedford Group 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 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 Bedford Group 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 Bedford Group 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 Bedford Group 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 Bedford Group does not currently hold any non-financial investments. The Bedford Group 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.

6. Liquidity of Investments

- 6.1 The Chief Executive and the Responsible 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 Bedford Group 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 Responsible Finance Officer will prepare a current cash flow projection indicating any future suggested investments. This projection will be authorised by both the Responsible Finance Officer and the Chief Executive. The current satisfactory practice is for a maturity profile investment projection to be prepared which provides the Bedford Group with the option to pull back or invest further according to the cash flow requirements.
- 8.2 The Responsible 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 Responsible Finance Officer and presented to the Estimates meeting each year for approval.

- 9.2 At the end of the financial year, the Responsible Finance Officer or the Chief Executive will report on the investment activity to the Bedford Group.

10. Review and Amendment of this Policy

- 10.1 This strategy will be reviewed every 5 years.
- 10.2 The Joint Management Committee reserves the right to make variations to the strategy at any time.
- 10.3 This strategy has been reviewed and agreed with the Bedford Group's Internal Auditor.

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Investment Strategy



Version Control

Version	Changes made	Date
Version 1	n/a	??

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