


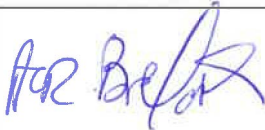



**AXE BRUE, PARRETT & NORTH SOMERSET LEVELS
INTERNAL DRAINAGE BOARDS**

GOVERNANCE

INVESTMENT POLICY

Version 2.0

Approved by the Boards:			
Axe Brue IDB		26/02/2026	Chairman
Parrett IDB		26/02/2026	Chairman
North Somerset Levels IDB		26/02/2026	Chairman

To be reviewed every 24-months

1. INTRODUCTION

1.1. The Somerset Drainage Boards Consortium (SDBC) consisting of the Axe Brue, Parrett and North Somerset Levels Internal Drainage Boards (IDB) acknowledge the importance of prudently investing the temporary surplus of funds held on behalf of local taxpayers and ratepayers in order to maximise the return, but fully recognising any risk to investment. This has acquired even greater importance in light of the 'credit crunch' during 2008-09 and consideration of the risks involved is a major element to be considered

1.2. This Investment Strategy complies with the arrangements set out in the Government's Statutory Guidance on Local Governments Investments 2018 (3rd Edition), the Chartered Institute of Public Finance & Accounting Treasury Management in Public Services: Code of Practice and Cross Sectoral Governance Notes and Section 15 (1)(a) of the Local Government Act 2003.

1.3. For clarity this policy is the Boards Strategy and can only be amended by Full Board endorsement

1.4. This policy will only stand if there are suitably trained officers to carry out investments.

2. INVESTMENT OBJECTIVES

2.1. In accordance with Section 15 (1)(a) of the Local Government Act 2003, the Boards will have regard to:

- a. Such guidance as Government Ministers may issue from time to time.
- b. Such other guidance as Government Ministers may, by Regulations, specify.

2.2. The Boards' Investment priorities are:

- a. Security of Reserves.
- b. Liquidity of investments.

2.3. Each Board will aim to achieve the optimum return on their investments commensurate with proper levels of security and liquidity and be consistent with avoiding any major Risks, investing in low risk investments that are fully guaranteed by either the Financial Services Compensation Scheme or Government.

2.4. All investments will be made in Sterling.

2.5. Borrowing monies in advance of need to purely to invest, or to lend and make a return, is unlawful and the Boards will not engage in such activity.

2.6. If and 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 will not offer investment advice but simply act as an Intermediary.

2.7. The investments are made to either reduce the financial burden of the Special Levy and drainage rate payers or protect the balances of specific reserves against the impact of inflation.

3.0. SPECIFIED INVESTMENTS (SHORT-TERM INVESTMENTS < 12 MONTHS)

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 place deposits with Financial Institutions which are on the Financial Conducts Authority's (FCA) approved list of Financial Institutions.

3.2. For the prudent management of its surplus balances and in maintaining sufficient levels of security and liquidity, the Board will use only:

a. Deposits with Banks, Building Societies, Local Authorities or other Public Authorities.

b. Deposits in securities which are guaranteed by the Government.

3.3. The limits of such investments will be restricted to the upper limit of FSCS compensation (currently £120k) with any one particular Institution or Group, or such sum as the individual Boards may specify from time-to-time. It should be noted that the Government Guarantee of £120,000 under the Financial Services Compensation Scheme (FSCS) which applies to private investors, may also be applicable to Internal Drainage Boards but requires confirmation from each Bank on eligibility.

4.0. NON-SPECIFIED INVESTMENTS (INVESTMENTS BETWEEN 12M – 3 YEARS)

4.1. These investments have greater potential risk and mature after any period of longer than 365 days. Examples of these include investments in the Money-Market, Stocks & Shares, or with bodies which do not have a high credit rating.

5.0. LIQUIDITY OF INVESTMENTS

5.1. The Chief Executive and Director of Finance 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 funds are paid over to the relevant body.

6.0. INTERNAL CONTROLS

6.1. The Director of Finance will Report on all investments held at each Finance & Works Committee. If no Finance & Works Committee is held then a report will be made to the Full Board meeting. 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 Chief Executive and the Responsible Finance Officer. The practice will be that a mature profile investment projection will be prepared which provides the Boards with options to pull-back or invest further according to the cash-flow requirements.

6.2. The Responsible Finance Officer will then act upon this authorisation and proceed with any further investment as agreed.

6.3. Investment income will be used to relieve the financial burden to the rate payers and Special Levy payers or in the instance of investing commuted sums and specific reserves the investment income will be added to the commuted sum/ringfenced reserve to offset the impact of inflation.

7.0. INVESTMENT PROTOCOLS

7.1. The Investment Protocols to be used across all Boards of the Consortium in managing the Investment Funds are at the Annex.

8.0. END-OF-YEAR INVESTMENT REPORT

8.1. The annual strategy for the coming Financial Year will be prepared by the Director of Finance and presented to the full Board Meeting each February for approval.

8.2. At the end of the Financial Year, the Director of Finance will report on the Investment activity to the Board.

**ANNEX A TO
SDBC INVESTMENT STRATEGY
DATED 23 MAR 2023**

SDBC INVESTMENT STRATEGY- INVESTMENT PROTOCOLS

1. Investments will only be made with Banks, Building Societies Local Authorities or other Public Authorities that have been confirmed to be covered by the Financial Services Compensation Scheme (FSCS).
2. The maximum funds to be deposited within any single account by each individual Board of the SDBC is to be the upper limit of FSCS compensation, which is currently £120,000
3. The maximum funds to be deposited with any single institution or Group is the upper limit of FSCS compensation unless it is backed by Government and is then restricted to the Government backing.
4. Prior to investing Board funds, a Report of Cash-flow Projection will be agreed by the Boards at their February Board Meeting.
5. A quarterly Report will be made by the Director of Finance to each Finance & Works Meeting on the status of all Investment funds.
6. Only Board Specific Reserves and Commuted Sums are to be invested under long-term investments (Non-Specified Investments) due to their longer maturity profile.
7. Sufficient funds to enable adequate in-year cash-flow are to be retained on instant-access accounts (lower risk/lower returns)