

**Minutes of Treasury Sub-Committee Meeting
Of the Lower Severn (2005) Internal Drainage Board
Held Wednesday 4th September 2019 at 10.30am
At the LSIDB Offices**

Present: Ald C Williams Chairman
 Cllr M Riddle
 Mr J Nichols
 Cllr P Abraham Deputy for Mike Barnes
 Martin Dear Accounts Officer AO
 Louise Reading Minutes
 Mr V Boscawen Smith & Williamson S&W
 (For items 2897, 2898 & 2899)

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| 2891 | <p>Apologies/Welcome Apologies were received from Mike Barnes.</p> <p>The Chairman welcomed Cllr P Abraham to the meeting who was deputising for Mike Barnes.</p> <p>The Chairman welcomed Vere Boscawen to the meeting at 11.15.</p> | |
| 2892 | <p>Chairman's Announcements. There were no announcements.</p> | |
| 2893 | <p>Declaration of Members' Interests No interests were declared.</p> | |
| 2894 | <p>Minutes of the Previous Meeting</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The minutes of the meeting held on 13th March 2019 be approved. | |
| 2895 | <p>Matters arising from the minutes All actions were complete.</p> | |
| 2896 | <p>Schedule of Investments Ald Williams provided Cllr Abraham with a brief overview.</p> <p>The equity portfolio had not performed well and Mr Nicholls raised the point that perhaps some funds should be invested into a Worldwide Tracker Index.</p> <p>The AO handed out copies of the original contract taken out with S&W, which originally instructed S&W to provide a balanced portfolio.</p> <p>Discussion took place as to whether the cash balance in the developer's funds could be invested to increase return and perhaps these funds could be invested into a Worldwide Tracker Index.</p> <p>The AO reminded the Members that working capital and cash flow would need to be considered prior to the investment of any large cash sums.</p> <p>The AO asked Members which investment schedules they would like to see at future meetings.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The AO will provide the Treasury Sub Committee with an investment schedule from 1st April 2017 to the current date at future meetings. | <p><u>Action 1</u> AO to provide investment schedules from 1st April 2017</p> |

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| 2897 | <p>Review of current Portfolio Mr Boscawen reported to Members that the value of the current portfolio had delivered a return of 11.89% against a benchmark of 13.83% since 1st January 2019 with a yield of 3.6%.</p> | |
| 2898 | <p>Market Update The market fell sharply in Q4 of 2018 but has since recovered in 2019. Economical Growth in the USA has declined impacting on stocks and shares across the globe due to the trade war with China. It is considered that this will deescalate soon with impending elections in the USA.</p> <p>Brexit is also still a concern to international investors and thus they are not investing in the UK markets. Its predicted that once a deal is finalised the UK will reattract international investors.</p> | |
| 2899 | <p>Future Investment Strategy Mr Boscawen advised that in future the Board should invest in shares that provide capital growth rather than income generated.</p> <p>Mr Boscawen recommended the following investment changes:</p> <ol style="list-style-type: none"> a) Miton UK Multi Cap be sold and reinvested in Standard Life UK Smaller Companies Trusts Plc. b) Kames Capital Plc Corporate Bond be sold and reinvested into Black Rock Corporate. c) Henderson’s Far East Income be sold and reinvested into Pacific Horizon Investment Trust Plc. d) Cash be reinvested into Murray Income and North American Inc Plc <p>The Chairman thanked Mr Boscawen for his time and Mr Boscawen left the meeting.</p> <p>After discussion Members decided that Black Rock was not the right fund to reinvest money due to its performance history.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • Miton UK Multi Cap be sold and reinvested in Standard Life UK Smaller Companies Trusts Plc • Kames Capital Plc Corporate Bond be sold and reinvested 50:50 to Invesco Corporate Bond Fund and Murray Income. • Henderson’s Far East Income be sold and reinvested into Pacific Horizon Investment Trust Plc. • The surplus cash within S&W be invested 50:50 into Murray Income and North American Inc Plc. | <p>Action 2 AO to instruct S&W</p> |
| 2900 | <p>Balance Sheet & Developers Funds as at 30th June 2019 The Chairman advised that he had checked with the AO that there were no material changes to these figures in July or August. Other than earlier discussions on the investment of cash there was no further comment.</p> | |
| 2901 | <p>Cash flow forecast Pump replacement to 2025/2026 The AO informed the Sub Committee that he was planning to visit these figures as they were 3 years old.</p> <p>The Members supported the AO suggestion that the pump replacement programme already budgets for an annual increase in drainage rates and levy of £25,000, it would be prudent that if any further funds are needed that this is met from unallocated reserves in the first instance.</p> | |

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| 2902 | <p>Cash flow for 2019/2020 The AO reported to the Sub Committee that the cash flow was healthy.</p> <p>Ald Williams proposed transferring some money from the direct reserve account into a 32- or 35-day deposit. This to be reviewed on a monthly basis.</p> <p>Mr Nicholls suggested asking the bank to set up parameters in which money could be automatically moved at the end of each month.</p> | <p>Action 3 The AO to speak to the bank.</p> |
| 2903 | <p>Cash Flow 2019/2020 – 2023/2024 The figures were presented to the Sub Committee.</p> <p>Mr Nichols asked what would happen in the event of severe flood damage. The AO explained dependent on severity, other bodies may be responsible. The Board had Insurance in place to cover its responsibilities.</p> | |
| 2904 | <p>Review of Reserves. The Chairman hadn't appreciated that the Engineering Committee only meet once a year and therefore they hadn't considered the Capital Programme. Thus, the review of the reserves policy was made in this context. The Sub Committee discussed if it would be more prudent for the Engineering Committee to meet more frequently.</p> <p>The reserves were reviewed. Observations were made in respect that the Pump Station Replacement may require further allocation and that the Pensions Reserve remained a liability to the Board.</p> <p>It was agreed by the Members that £150,000 from the Developers Reserves should be invested into a Worldwide Tracker Index. Whether this should be with S&W or managed as a separate entity in house depending on how much administration was required and the additional charges S&W would require.</p> <p>The AO reminded the Members that ADA Good Guidance suggests that professional advice should be sought and if advice isn't taken then clear guidance as to why should be recorded.</p> <p>The Members further discussed chargeable fees and how they would differ from self-managed, a nominee or through a Broker.</p> <p>It was suggested that perhaps NatWest could act on the Board's behalf in this case.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The AO would seek advice from S&W about investing £150,000 into a Worldwide tracker Index, what the top three funds would be, the fees or charges for holding or administering this investment. • The AO would also enquire with the bank about holding the investment. • The AO will circulate his findings by email and Members will respond electronically to decide the way forward. | <p>Action 4 Cllr Riddle to discuss with the Engineering Committee Chair.</p> <p>Action 5 The AO to investigate options.</p> |
| | The date of next meeting to be advised | |
| | The Meeting closed at 12.30pm | |