

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

# Treasury Meeting

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Wednesday 14 March 2018

**LSIDB Office**  
**10.00am**

**Minutes of Treasury Management Sub Committee Meeting  
of the Lower Severn (2005) Internal Drainage Board  
Held Wednesday 1<sup>st</sup> November 2017 at 10.00 am  
At Drainage Board Offices Waterside Buildings**

**Present:** Ald C Williams Chairman  
Mr G Littleton  
Mr J Nichols  
Cllr M Riddle  
Martin Dear Accounts Officer AO  
Sue Williams Minutes  
Mr Vere Boscawen Smith & Williamson

<b>2563.</b>	<b>Apologies</b> No apologies were received.	
<b>2564.</b>	<b>Declaration of Member's Interest</b> No interests were declared.	
<b>2565.</b>	<b>Minutes of the Previous Meeting Resolved that:</b> <ul style="list-style-type: none"> <li>• The minutes of the 15<sup>th</sup> March 2017 meeting be approved as a true and accurate record.</li> </ul>	
<b>2566.</b>	<b>Review of Current Portfolio</b> Mr Boscawen circulated the Sub-Committee with the valuation of the Board's securities as at 30 October 2017. This report included MSCI WMA index as a benchmark. Since December 2016 the LSIDB portfolio had made a return of 10.74% this compared with benchmark return of 7.80%. The £500,000 investment of developers' funds was valued at £584,749.  The portfolio was spread across UK and worldwide investments	
<b>2567.</b>	<b>Market Update</b> Mr Boscawen was satisfied the portfolio had generated income and capital growth.  The UK markets were difficult to predict post Brexit but that aside, economic growth across the global markets was performing well.  Mr Boscawen considered that the anticipated rise in interest rates would not have a major effect.	
<b>2568.</b>	<b>Re-investment of Income</b> In accordance with the Treasury Management Policy, approved 28th June 2017, the Sub Committee had discretion to reinvest the income earned from the fund with advice from Smith & Williamson. Mr Boscawen had prepared a suggestion to split the income between existing funds in the portfolio; Invesco Perpetual Smaller Companies Trust, European Investment Trust and Henderson Far East Income Trust.  <b>It was resolved that:</b> <ul style="list-style-type: none"> <li>• The Income generated from the fund be invested on a rolling basis into the three trusts recommended by Smith &amp; Williamson.</li> </ul> Mr Boscawen left the meeting	
<b>2569.</b>	<b>Cash Deposit</b> The Accounts Officer updated the Sub-Committee regarding depositing excess cash funds. He reported that the Cambridge and Counties Bank	<u>Action 1</u> AO to analyse cash flows in

	<p>was not credit rated because it did not borrow money. Only deposits up to £85,000 would be guaranteed by the government.</p> <p>The Accounts Officer would be analysing cash flows to best use the deposit accounts currently available including the Cambridge and Counties Bank.</p>	order to deposit excess cash.
<b>2570.</b>	<p><b>Treasury Management Policy</b></p> <p>The Accounts Officer had circulated an updated Treasury Management Policy following the June Meeting.</p>	
<b>2571.</b>	<p><b>Expenditure on Pump Replacements</b></p> <p>The Sub-Committee repeated a request for an indication of when expenditure might be incurred on pump replacements to be able to plan cash management of excess funds. The Accounts Officer reported he had started to gather the information from the Engineers. It was proposed to report to the Finance &amp; General Purposes Committee either at the December or January meeting.</p>	<p><u>Action 2</u> AO to compile a pump replacement expenditure schedule.</p> <p><u>Action 3</u> Report to F&amp;GP on the timing and cost of the pump replacements.</p>
<b>2572.</b>	<p><b>Next Treasury Sub-Committee Meeting Date</b></p> <p>The Sub-Committee agreed to the dates circulated by the Principal Officer; 14<sup>th</sup> March 2018 and 5<sup>th</sup> September 2018</p>	<p><u>Action 4</u> Contact Mr Boscawen with the proposed meeting dates.</p>
	The meeting closed at 11.25 am	

## Actions Update

### Actions from Board Meeting held 1<sup>st</sup> November 2017

Action No	Officer	Action	Update
1	AO	Analyse cash flows in order to deposit excess cash.	Completed on agenda 14/03/2018
2	AO	Compile a pump replacement expenditure schedule.	Reported to F&GP Meeting 31/01/2018
3	AO	Report to F&GP on the timing and cost of the pump replacements.	Reported to F&GP Meeting 31/01/2018
4	AO	Contact Mr Boscawen with the proposed meeting dates.	Completed

# Changes to our agreement

## March 2018

We are writing to tell you about some forthcoming changes to the way we provide our services to you.

This notice is applicable to you in all capacities, whether received as an individual, one of joint clients, as a trustee, as a partner in a partnership or as a director of a company.

Do please take the time to read this notice and, if you have any concerns or questions relating to these changes, please do not hesitate to contact your Investment Manager.

### Cash - Client Money balances

On 26 March 2018, we will be standardising the way cash is held in investment portfolios. Instead of holding free cash as Client Money under the Financial Conduct Authority's client money rules, all cash balances will be held as deposits by Smith & Williamson Investment Services Limited (SWIS) as banker. SWIS is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

If you currently have more than one client money account we will open additional bank accounts to reflect the accounts as they are at present.

Accounts which contain cash already held by SWIS as banker will be unaffected by the change, including cash held in ISA accounts.

### Bank statements

Following feedback from our clients, with effect from 26 March 2018, we will be standardising the production of bank statements with all clients being issued a statement of all their accounts held by SWIS as banker, once a year. The statements will be issued to coincide with receipt of your annual valuation. Should you wish to receive a statement on a more frequent basis, please ask your usual contact who will be happy to arrange this for you.

You may continue to ask for a bank statement at any time.

### Terms and Conditions

This communication provides notice of the changes that are being made in our existing Terms and Conditions which will come into effect from 26 March 2018.

### What the changes will mean for clients

The changes we are introducing, by removing the use of the client money account, will simplify presentation of transactional information in your investment portfolio. They will not alter the way we manage your portfolio or give you advice and you will still deal with the same people at Smith & Williamson. Smith & Williamson Investment Management LLP will continue to be responsible for investment management and advice, with SWIS still providing custody, settlement, cash management, dealing and banking services.

You will see a material reduction in the number of pages contained in bank statements, in addition to the reduction in the number of times a year you receive them, unless you had previously asked for statements to be sent annually.

All cash deposits held by SWIS as a bank receive direct protection under the UK Financial Services Compensation Scheme (FSCS), subject to the scheme's eligibility requirements, up to the protection threshold, currently £85,000 per depositor.

Each quarter, you will be able to see details of cash movements in and out of your investment portfolio - these will be provided on the Portfolio Movement Schedule in your quarterly portfolio valuation.

On the reverse of this Notice we have provided short answers to a number of questions that you may have about what these changes might mean for you. If you have any further questions, or you feel the questions answered overleaf do not cover your particular situation, please contact your Investment Manager who will be pleased to discuss them with you.

## Frequently asked questions

### Why are you making these changes?

We continually review the way in which our services are provided to clients, taking account of their comments to us, and believe the changes will greatly simplify the way in which information about transactions is provided to clients, cutting down on the complexity of and amount of paper reporting produced.

The closure of the Client Money Account and transfer of the cash to your Investment Account will result in you no longer seeing cash being moved between your Investment Account and your Client Money Account every time a transaction is made from the Investment Account.

### Can I request a more frequent bank statement?

Bank statements are available on request. If you would like a regular statement of your accounts to be issued more frequently than once a year, please advise your Investment Manager who will ensure your preferences are noted.

### I want to retain my existing frequency of bank statements, is this possible?

Yes. Please advise your investment manager who will ensure your statement frequency remains unchanged.

### What level of statutory deposit protection will my cash receive?

All your eligible deposits at SWIS are aggregated and the total amount protected is subject to the current limit of £85,000.

### How do I find out if I am eligible for FSCS protection?

Private clients are generally protected, however there are exceptions. For full details of eligibility rules please go to [www.fscs.org.uk/what-we-cover/eligibility-rules](http://www.fscs.org.uk/what-we-cover/eligibility-rules)

### If we have a joint account do we receive more FSCS protection?

Each beneficial account holder is entitled to the full FSCS protection level of £85,000. This means that cash held jointly between two individual depositors, each would receive £85,000 protection resulting in up to £170,000 of cash deposits being covered by the FSCS. The exact level of protection available for joint balances will depend on the value of cash held individually, as no single person will be eligible to receive more protection than £85,000 across all accounts which they hold with the bank.

### Is there any protection for my money over £85,000?

There are some circumstances when you may receive greater levels of protection, but generally there will not be any protection for amounts over £85,000. For further details please go to the FSCS website at [www.fscs.org.uk](http://www.fscs.org.uk)

### Where can I find details of the UK Financial Services Compensation Scheme (FSCS)?

You can find further information on deposit compensation at [www.fscs.org.uk](http://www.fscs.org.uk) or you can contact the FSCS with the following details;

Financial Services Compensation Scheme  
10th Floor Beaufort House  
15 St Botolph Street  
London EC3A 7QU  
t: 0800 678 1100 or 020 7741 4100  
e: [ICT@fscs.org.uk](mailto:ICT@fscs.org.uk)

### Do I need to do anything?

No, you do not need to take any action. Any cash you hold with us on 25 March 2018 will automatically be transferred from your Client Money Account(s) to your bank account here with SWIS.

### In what circumstances might my money be held under the FCA client money rules?

Whilst all deposits accepted will normally be held in your bank account with SWIS, should you require us to accept a deposit greater than £30m for an extended period exceeding 180 days we may, if required, provide you with the option to place the funds on a designated account with a SWIS approved counterparty bank, where such a deposit would be held according to the FCA client money rules.

## LOWER SEVERN (200) INTERNAL DRIANAGE BOARD

### Increase in Investments since 31 March 2017

Date	Valuation			Stated MSCI WMA Balanced NR Index Since 31 December 2016	
	Income £	Capital £	Total £	Portfolio	Market
<b>31-Jan-18</b>	5,259	591,700		10.98%	9.12%
Add / Less reinvestment	20,060	-20,060			
Net	<u>25,319</u>	<u>571,640</u>	596,959		
<b>31-Mar-17</b>	4,827	558,658	563,485	5.03%	3.58%
Increase	<u>20,492</u>	<u>12,982</u>			
Total increase in value			<u>33,474</u>		
Percentage Increase in value				5.94% (10 months)	7.13% (annual rate)

## Price Indices and Bank Interest Rates

### CPI and CPIH

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 2.7% in January 2018, unchanged from December 2017.

The Consumer Prices Index (CPI) 12-month rate was 3.0% in January 2018, unchanged from December 2017.

CPIH is similar to the Consumer Prices Index (CPI) but attempts to add a measure of owner occupiers' housing costs. This is done by estimating what are called "Owner Occupiers' Housing" costs, adding these to CPI (along with Council Tax prices) to create CPIH.

### RPI

The Retail Price Index (RPI) 12 month rate was 4.0% in January 2018, down 0.1% from December 2017.

### Bank Interest Rates

Instant Access	NatWest	0.05%
32 day	Lloyds	0.57%
35 day	NatWest	0.30%
95 day	NatWest	0.40%
3 months	Lloyds	0.45%
6 months	Lloyds	0.55%
9 months	Lloyds	0.65%
12 months	Lloyds	0.80%
1 year	Various	1.65%
2 years	Various	1.95%
3 years	Various	2.20%
5 years	Various	2.30%



## Key differences between CPI and RPI

	CPI	RPI
Origins	EU in 1996	UK in 1956
Purpose	To compare euro countries for compliance with Maastricht Treaty	To monitor cost of living for government planning and the basis of many agreements (e.g. wages)
Main exclusions (compared with household expenditure)	<ul style="list-style-type: none"> <li>Council tax</li> <li>Mortgage interest payments</li> <li>House prices (depreciation)</li> <li>House purchase costs (e.g. stamp duty)</li> <li>Buildings insurance</li> <li>Ground rent</li> <li>Holiday spending abroad</li> <li>Income tax/National insurance</li> </ul>	<ul style="list-style-type: none"> <li>Income tax/National Insurance</li> <li>Life insurance and pension charges</li> </ul>
But includes	<ul style="list-style-type: none"> <li>Foreign students tuition fees</li> <li>Forex commission for tourists</li> </ul>	Spending when abroad on holiday
How data averaged	<ul style="list-style-type: none"> <li>Mainly geometric means</li> <li>Some normal ratio of averages</li> </ul>	Mix of ratios of averages (i.e. normal average of all prices checked) and average of the relatives (i.e. work out the price change at each store and then average these)
Data source for weights	Household monetary consumption expenditure component of the national accounts (-> weighted towards consumption of the rich)	ONS's Living Costs and Food Survey
Population for weighting	All UK residents	Excludes the wealthy and pensioners on state benefits (i.e. 13% of population)
Used to index	<ul style="list-style-type: none"> <li>Benefits</li> <li>Tax credits</li> <li>Public service pensions</li> </ul>	<ul style="list-style-type: none"> <li>Government debt payments</li> <li>Most pay negotiations</li> <li>Most private sector pensions</li> </ul>

**LOWER SEVERN (2205) INTERNAL DRAINAGE BOARD**

**Cash Flow Forecast for 2018/19 to 2022/23**

<b>Summary</b>	<b>2018/19 £000's</b>	<b>2019/20 £000's</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>	<b>2022/23 £000's</b>
Working Capital	612	535	701	621	450
Pump Station Reserve	-22	178	50	300	189
Sevenside Cash Balances	102	60	16	-29	-75
Hempsted Pond	33	33	33	33	33
<b>Total Cash at Bank</b>	<b>725</b>	<b>806</b>	<b>800</b>	<b>925</b>	<b>597</b>
Cash Brought Forward	<b>1,031</b>	725	806	800	925
Income	1,520	1,613	1,635	1,705	1,787
Expenditure	-1,930	-1,430	-1,765	-1,475	-1,953
Add back Depreciation	125	165	124	165	234
Less Capital Purchases	-21	-267	0	-270	-396
Cash at year end	<b>725</b>	<b>806</b>	<b>800</b>	<b>925</b>	<b>597</b>

	<b>£000's</b>	<b>£000's</b>
<b>Cash at Bank - 1 April 2018</b>		
Number 1 Account	154	
Number 2 Account	28	
Bonus Saver	179	
Fixed Term Deposit	400	
		761
Hampsted Pond	33	
Commuted Sums	96	
Area Wide Charge	187	
Less to be actioned at year end	-46	
		270
Total Funds		<b>1,031</b>

	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
<b>Detail</b>					
<b>Working Capital</b>					
Cash Brought Forward	491	612	535	701	621
Income	1,520	1,613	1,635	1,705	1,787
Expenditure	-1,328	-1,388	-1,368	-1,430	-1,521
Transfer to Pump Station Reserve	-175	-200	-225	-250	-275
Add back Depreciation	125	165	124	165	234
Less Capital Purchases	-21	-267	0	-270	-396
Cash at year end	612	535	701	621	450
<b>Pump Station Reserve</b>					
Cash Brought Forward	270	-22	178	50	300
Transfer from working capital	175	200	225	250	275
Expenditure	-467	0	-353	0	-386
Cash at year end	-22	178	50	300	189
<b>Sevenside Cash Balances</b>					
Cash Brought Forward	237	102	60	16	-29
Income from Developers	0	0	0	0	0
Income from Bank Interest	0	0	0	0	0
Expenditure	-135	-42	-44	-45	-46
Cash at year end	102	60	16	-29	-75
<b>Hempsted Pond</b>					
Cash Brought Forward	33	33	33	33	33
Income	0	0	0	0	0
Expenditure	0	0	0	0	0
Cash at year end	33	33	33	33	33

Lower Severn (2005) Internal Drainage Board

Monthly Cash Flow 2018/19

	2018						2019					
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast
<b>Balance b/f</b>	1,031	918	1,054	957	877	797	715	634	1,120	1,045	971	800
Income	0	784	2	2	3	2	2	675	2	2	2	44
Expenditure	-123	-659	-88	-93	-93	-94	-94	-199	-87	-87	-183	-130
Add back Depreciation	10	11	10	11	10	10	11	10	10	11	10	11
Less Capital Purchases	0	0	-21	0	0	0	0	0	0	0	0	0
<b>Balance c/f</b>	<b>918</b>	<b>1,054</b>	<b>957</b>	<b>877</b>	<b>797</b>	<b>715</b>	<b>634</b>	<b>1,120</b>	<b>1,045</b>	<b>971</b>	<b>800</b>	<b>725</b>
Check Total	918	1,054	957	877	797	715	634	1,120	1,045	971	800	725

Cash at Bank

As at 1 April 2018

Natwest

Number 1 Account	154	41	177	80	0	-80	-162	-243	243	168	94	17	-17
Number 2 Account	28	28	28	28	28	28	28	28	28	28	28	28	28
Bonus Saver	179	179	179	179	179	179	179	179	179	179	179	179	179
Hampsted Pond	33	33	33	33	33	33	33	33	33	33	33	33	33
Area Wide Charge	187	187	187	187	187	187	187	187	187	187	187	93	93
<b>Lloyds Commuted Sums</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>9</b>
	<b>631</b>	<b>518</b>	<b>654</b>	<b>557</b>	<b>477</b>	<b>397</b>	<b>315</b>	<b>234</b>	<b>720</b>	<b>645</b>	<b>571</b>	<b>400</b>	<b>325</b>
<b>Lloyds 32 Day Notice</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>
<b>Total</b>	<b>1,031</b>	<b>918</b>	<b>1,054</b>	<b>957</b>	<b>877</b>	<b>797</b>	<b>715</b>	<b>634</b>	<b>1,120</b>	<b>1,045</b>	<b>971</b>	<b>800</b>	<b>725</b>

Detail	2018						2019						
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	£ 000's forecast	
<b>Working Capital</b>													
Cash Brought Forward	491	364	952	841	746	652	555	460	931	842	753	661	
Income	0	784	2	2	3	2	2	675	2	2	2	44	1,520
Expenditure	-123	-192	-88	-93	-93	-94	-94	-199	-87	-87	-89	-89	-1,328
Transfer to Pump Station	-14	-15	-14	-15	-14	-15	-14	-15	-14	-15	-15	-15	-175
Add back Depreciation	10	11	10	11	10	10	11	10	10	11	10	11	125
Less Capital Purchases		0	-21										-21
Cash Carried Forward	<u>364</u>	<u>952</u>	<u>841</u>	<u>746</u>	<u>652</u>	<u>555</u>	<u>460</u>	<u>931</u>	<u>842</u>	<u>753</u>	<u>661</u>	<u>612</u>	
<b>Pump Station Reserve</b>													
Cash Brought Forward	270	284	-168	-154	-139	-125	-110	-96	-81	-67	-52	-37	
Transfer from Working Capital	14	15	14	15	14	15	14	15	14	15	15	15	175
Expenditure		-467											-467
Cash Carried Forward	<u>284</u>	<u>-168</u>	<u>-154</u>	<u>-139</u>	<u>-125</u>	<u>-110</u>	<u>-96</u>	<u>-81</u>	<u>-67</u>	<u>-52</u>	<u>-37</u>	<u>-22</u>	
<b>Sevenside Cash Balances</b>													
Cash Brought Forward	237	237	237	237	237	237	237	237	237	237	237	143	
Income													0
Expenditure											-94	-41	-135
Cash Carried Forward	<u>237</u>	<u>237</u>	<u>237</u>	<u>237</u>	<u>237</u>	<u>237</u>	<u>237</u>	<u>237</u>	<u>237</u>	<u>237</u>	<u>143</u>	<u>102</u>	
<b>Hempsted Pond</b>													
Cash Brought Forward	33	33	33	33	33	33	33	33	33	33	33	33	
Income													0
Expenditure													0
Cash Carried Forward	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>	