

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

# Treasury Meeting

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Wednesday 4th September 2019

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

# **TERMS OF REFERENCE OF THE TREASURY SUB COMMITTEE**

**Approved 5<sup>th</sup> June 2019, Minute 2880**

## **Matters for determination by the Sub Committee.**

1. To ensure that the Sub Committee meets at least twice a year.
2. To determine the future investment strategy of the funds held as long term investments, having taken professional advice.
3. To reinvest the income accumulated from the long term investments, having taken professional advice.
4. To invest future contributions received from developers. Having taken professional advice.
5. To undertake portfolio reviews of the investment strategy twice a year.
6. To plan cash management and determine the placing of short term cash surpluses in deposit accounts on an annual basis.

## **Matters for recommendation by the Sub Committee to the Finance and General Purposes Committee**

7. To review the Treasury Management Policy.
8. To review the Capital Financing and Reserves Policy annually.

**Minutes of Treasury Sub-Committee Meeting  
Of the Lower Severn (2005) Internal Drainage Board  
Held Wednesday 13<sup>th</sup> March 2019 at 10.30am  
At the LSIDB Offices**

**Present:** Ald C Williams Chairman  
Mr M Barnes  
Mr J Nichols  
Martin Dear Accounts Officer AO  
Louise Reading Minutes

<b>2835</b>	<b>Apologies/Welcome</b> Apologies were received from Cllr M Riddle.	
<b>2836</b>	<b>Chairman's Announcements</b> The Chairman welcomed Louise Reading to the Board.	
<b>2837</b>	<b>Declaration of Member's Interest</b> No interests were declared.	
<b>2838</b>	<b>Minutes of the Previous Meeting</b> Minute 2770 should be corrected to say the last year not the last quarter.  <b>It was resolved that:</b> <ul style="list-style-type: none"> <li>• <b>Subject to this amendment the minutes of the 7<sup>th</sup> November 2018 meeting be approved as a true and accurate record.</b></li> </ul>	
<b>2839</b>	<b>Treasury Management and Reserves Policy</b> Alderman Williams raised 2 points on the proposed Treasury Management and Reserve Policy, firstly to take out the word Management from The Treasury Management Sub-Committee.  Secondly, should there be a mechanism within the board as to what to do with surplus developer's funds.  It was suggested that surplus funds be invested.  Mr Nichols questioned could the surplus cash reserves be reinvested in investments; concerns were raised over accessibility of the cash and it was agreed that it would only be for developer's funds as this is long term funding and hence can be invested in long term investments.  The AO said he would like terms of reference for the Treasury Sub-Committee to be compiled. These terms of reference will need to be agreed by the Finance and General Purposes Committee.  <b>It was resolved that:</b> <ul style="list-style-type: none"> <li>• <b>A paragraph, solely for developers' funds, should be drafted and agreed by the Chairman, to say having regard to the overall cash flow, this sub-committee has the authority to invest future sums received from Developers.</b></li> </ul>	<u>Action 1</u> Remove Management from the section 2 Accountabilities  <u>Action 2</u> Add paragraph to Treasury Management & Reserve Policy  <u>Action 3</u> AO to produce Terms of Reference for the consideration at the next F&GP meeting.
<b>2840</b>	<b>Developers Funds</b> The AO has included the M49 improvement works contribution in the figures for 2019/2020. Should this payment be made then the cash reserves will decrease considerably.	

	<p>These figures did not include any income from developers. Any funds received from developers will change the figures significantly.</p> <p>The AO assured Alderman Williams that the annual increase of 3% of the sum transferred to the Income and Expenditure account is currently adequate.</p>	
2841	<p><b>Investment Performance Smith &amp; Williamson</b></p> <p>The underperformance of investments was discussed at great length. Concerns were raised as to why the funds had performed so badly against the balanced and world indices.</p> <p>The overall value of investments had improved in the February 2019 report.</p> <p>Mr Nichols suggested that a strong letter be sent to Smith &amp; Williamson outlining concerns on the underperformance and that we may consider alternative investment companies.</p> <p>Mr Nichols too raised concerns that the portfolio is missing a couple of leading funds.</p> <p>The AO suggested that we can give Smith &amp; Williamson to September to improve and then have a lengthy conversation at the September meeting.</p> <p>Mr Nichols asked if the figures on the AO's spreadsheets are net of fees.</p> <p>The AO explained the figures on his spreadsheet were not net of fees, however they were also not inclusive of cash held. The amount of cash held is net of fees. The figures net of fees can be found in the Smith &amp; Williams report.</p> <p>It was agreed that the AO did not need to provide any other schedules for comparative purposes.</p> <p><b>It was resolved that:</b></p> <ul style="list-style-type: none"> <li>• <b>A letter be sent to Smith &amp; Williamson to address and discuss concerns over underperformance and if no improvements are seen we may need to review out situation in the September meeting.</b></li> </ul>	<p><u>Action 3</u> Chairman/AO to write Letter to S &amp; W addressing concerns</p>
2842	<p><b>Cash Flow – Pump Replacement Programme</b></p> <p>Alderman Williams asked Mr Barnes if the figures and timescales were reasonable for the pump replacement programme. Mr Barnes informed the committee that the Land Drainage Engineer had carefully considered all aspects and that he was as happy as he can that this is currently a reasonable and fair cash flow. However, there will be things that occur that can not be foreseen.</p> <p>The AO reassured the sub-committee that enough was being transferred in to the designated reserve.</p> <p>Mr Nichols enquired if there were price comparisons available as pumps were being completed over several years. Unfortunately, the pumps vary and it is hard to estimate future pricing of pumps. The Engineers are monitoring this.</p> <p>It was agreed that the pump replacement programme and capital programme would be treated in isolation until the capital programme was fully developed.</p>	

<p><b>2843</b></p>	<p><b>Cash Flow 18/19 &amp; 19/20</b>  Alderman Williams questioned would it benefit the Board to have more cash on deposit as there are high levels of surplus cash in both this cash flow and next year's cash flow. It is important to retain easy access.</p> <p><b>It was resolved that</b>  <b>£300,000 be transferred from the bonus saver to NatWest 35-day Account.</b></p>	<p><u>Action 4</u>  AO to move money into Deposit account</p>
<p><b>2844</b></p>	<p><b>Cash Flow 2019/2020 – 2023/2024</b>  A high-level overview of the next few years cashflow was presented by the AO.</p>	
<p><b>2845</b></p>	<p><b>Chairman's Items</b>  To assist committee members living a considerable distance it was requested that the meeting start time be moved to 10.30am This was agreed.</p> <p>At the Boards instruction the Financial Regulations are to be reviewed at the next Board meeting on 5<sup>th</sup> June. The Engineering Committee do not have a meeting scheduled before this time. Mr Barnes suggested that the Capital Program will take some time and it is unlikely that the Engineering committee will meet before this time.</p> <p>The Financial Regulations will need to be submitted to the Governance and Probity Meeting on April 3<sup>rd</sup> for advice then onto the Finance and General Purposes meeting on 22<sup>nd</sup> May for comment before being submitted to the Full Board for final determination.</p> <p><b>It was resolved that</b></p> <ul style="list-style-type: none"> <li>• <b>The Treasury Sub-Committee meetings will start at 10.30am</b></li> </ul>	<p><u>Action 5</u>  AO to liaise with Principal Officer.</p>
	<p>The Meeting closed at 12.05pm</p>	

## LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

### Investments

For the Period 1 April 2017 to 30 June 2019

	Value		£
	01-Apr-17 £	30-Jun-19 £	
<b>Non Equity Investment</b>			
Kames Capital	25,633	25,864	
Schroder Unit Trust	25,274	24,820	
Invesco Fund	25,612	25,524	
John Laing Infra	27,784	0	
Sequoia Economic	25,358	26,128	
Standard Life Inv Prp	25,930	27,836	
Picton Property	27,847	32,585	
3i Infrastructure	0	35,700	
	<u>183,438</u>	<u>198,457</u>	

	Value		£
	01-Apr-17 £	30-Jun-19 £	
<b>Equity Investment</b>			
Monks Investment Trust	0	64,260	
Artemis Global Income	30,455	29,004	
Schroder UK Mid Cap	42,504	48,208	
Murray Income	54,853	60,988	
Invesco UK Smaller Companies	33,133	45,444	
Link Fund Solutions Trojan Income	52,916	0	
Link Fund Solutions Milton	30,825	30,128	
North American Income	30,135	36,811	
European Investment Trust	31,920	36,462	
Henderson Far East Income	30,209	37,100	
Polar Emerging Markets	29,726	30,728	
	<u>366,676</u>	<u>419,133</u>	
Investment Cash	8,544	15,475	
<b>Total All Securities</b>	<u>558,658</u>	<u>633,065</u>	
Income Cash	<u>4,827</u>	<u>3,074</u>	
	<b>563,485</b>	<b>636,139</b>	

Increase in value	72,654		
Increase in value - percentage		12.89%	
			Index
MSCI WMA Balanced Index Increase		12.79%	01-Apr-17 2,101.14
MSCI WMA Balanced Index Increase in value	72,098		30-Jun-19 2,369.98
Difference	<u>556</u>		

## LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

### Investments - Equity

For the Period 1 April 2017 to 30 June 2019

	Value		£		
	01-Apr-17 £	30-Jun-19 £			
Monks Investment Trust	0	64,260			
Artemis Global Income	30,455	29,004			
Schroder UK Mid Cap	42,504	48,208			
Murray Income	54,853	60,988			
Invesco UK Smaller Companies	33,133	45,444			
Link Fund Solutions Trojan Income	52,916	0			
Link Fund Solutions Milton	30,825	30,128			
North American Income	30,135	36,811			
European Investment Trust	31,920	36,462			
Henderson Far East Income	30,209	37,100			
Polar Emerging Markets	29,726	30,728			
	<u>366,676</u>	<u>419,133</u>			
Increase in value			52,457		
Increase in value - percentage				14.31%	
					Index
MSCI World Index Increase				20.72%	01-Apr-17 9,889.13
MSCI World Index Increase in value			75,984		30-Jun-19 11,938.39
Difference			<u>-23,527</u>		

## LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

### Investments

For the Period 1 April 2017 to 31 July 2019

	Value		£
	01-Apr-17 £	31-Jul-19 £	
<b>Non Equity Investment</b>			
Kames Capital	25,633	26,265	
Schroder Unit Trust	25,274	24,398	
Invesco Fund	25,612	25,793	
John Laing Infra	27,784	0	
Sequoia Economic	25,358	26,082	
Standard Life Inv Prp	25,930	25,915	
Picton Property	27,847	30,657	
3i Infrastructure	0	34,200	
	<u>183,438</u>	<u>193,310</u>	

	Value		£
	01-Apr-17 £	31-Jul-19 £	
<b>Equity Investment</b>			
Monks Investment Trust	0	67,410	
Artemis Global Income	30,455	30,540	
Schroder UK Mid Cap	42,504	47,104	
Murray Income	54,853	60,701	
Invesco UK Smaller Companies	33,133	42,924	
Link Fund Solutions Trojan Income	52,916	0	
Link Fund Solutions Milton	30,825	30,120	
North American Income	30,135	38,281	
European Investment Trust	31,920	36,241	
Henderson Far East Income	30,209	38,150	
Polar Emerging Markets	29,726	30,686	
	<u>366,676</u>	<u>422,157</u>	
Investment Cash	8,544	13,634	
<b>Total All Securities</b>	<u>558,658</u>	<u>629,101</u>	
Income Cash	4,827	5,202	
	<u>563,485</u>	<u>634,303</u>	

Increase in value	70,818		
Increase in value - percentage		12.57%	
MSCI WMA Balanced Index Increase	15.68%		Index
MSCI WMA Balanced Index Increase in value	88,333		01-Apr-17 2,101.14
			31-Jul-19 2,430.52
Difference	<u>-17,515</u>		



## LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

### Investments - Equity

For the Period 1 April 2017 to 31 July 2019

	Value		£		
	01-Apr-17 £	31-Jul-19 £			
Monks Investment Trust	0	67,410			
Artemis Global Income	30,455	30,540			
Schroder UK Mid Cap	42,504	47,104			
Murray Income	54,853	60,701			
Invesco UK Smaller Companies	33,133	42,924			
Link Fund Solutions Trojan Income	52,916	0			
Link Fund Solutions Milton	30,825	30,120			
North American Income	30,135	38,281			
European Investment Trust	31,920	36,241			
Henderson Far East Income	30,209	38,150			
Polar Emerging Markets	29,726	30,686			
	<u>366,676</u>	<u>422,157</u>			
Increase in value			55,481		
Increase in value - percentage				15.13%	
					Index
MSCI World Index Increase				26.11%	01-Apr-17 9,889.13
MSCI World Index Increase in value			95,726		31-Jul-19 12,470.82
Difference			<u>-40,245</u>		

## LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

### Investments

For the Period 1 January 2019 to 30 June 2019

	Value		£
	01-Jan-19	30-Jun-19	
	£	£	
<b>Non Equity Investment</b>			
Kames Capital	24,655	25,864	
Schroder Unit Trust	24,105	24,820	
Invesco Fund	24,538	25,524	
John Laing Infra	0	0	
Sequoia Economic	26,105	26,128	
Standard Life Inv Prp	24,024	27,836	
Picton Property	28,329	32,585	
3i Infrastructure	31,020	35,700	
	<u>182,776</u>	<u>198,457</u>	

	Value		£
	01-Jan-19	30-Jun-19	
	£	£	
<b>Equity Investment</b>			
Monks Investment Trust	50,820	64,260	
Artemis Global Income	26,256	29,004	
Schroder UK Mid Cap	41,446	48,208	
Murray Income	52,234	60,988	
Invesco UK Smaller Companies	37,464	45,444	
Link Fund Solutions Trojan Income	0	0	
Link Fund Solutions Milton	29,124	30,128	
North American Income	30,380	36,811	
European Investment Trust	34,825	36,462	
Henderson Far East Income	34,500	37,100	
Polar Emerging Markets	28,557	30,728	
	<u>365,606</u>	<u>419,133</u>	
Investment Cash	8,024	15,475	
<b>Total All Securities</b>	<u>556,406</u>	<u>633,065</u>	
Income Cash	<u>3,040</u>	<u>3,074</u>	
	<b>559,446</b>	<b>636,139</b>	

Increase in value	76,693		
Increase in value - percentage		13.71%	
			Index
MSCI WMA Balanced Index Increase		11.60%	01-Jan-19 2,123.62
MSCI WMA Balanced Index Increase in value	64,901		30-Jun-19 2,369.98
Difference	<u>11,792</u>		

## LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

### Investments - Equity

For the Period 1 January 2019 to 30 June 2019

	Value		£	
	01-Jan-19 £	30-Jun-19 £		
Monks Investment Trust	50,820	64,260		
Artemis Global Income	26,256	29,004		
Schroder UK Mid Cap	41,446	48,208		
Murray Income	52,234	60,988		
Invesco UK Smaller Companies	37,464	45,444		
Link Fund Solutions Trojan Income	0	0		
Link Fund Solutions Milton	29,124	30,128		
North American Income	30,380	36,811		
European Investment Trust	34,825	36,462		
Henderson Far East Income	34,500	37,100		
Polar Emerging Markets	<u>28,557</u>	<u>30,728</u>		
	365,606	419,133		
Increase in value			53,527	
Increase in value - percentage				14.64%
MSCI World Index Increase				17.06%
MSCI World Index Increase in value			62,381	
				Index
				01-Jan-19 10,198.74
				30-Jun-19 11,938.89
Difference			<u>-8,854</u>	

## LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

### Investments

For the Period 1 January 2019 to 31 July 2019

	Value		£
	01-Jan-19	31-Jul-19	
	£	£	
<b>Non Equity Investment</b>			
Kames Capital	24,655	26,265	
Schroder Unit Trust	24,105	24,398	
Invesco Fund	24,538	25,793	
John Laing Infra	0	0	
Sequoia Economic	26,105	26,082	
Standard Life Inv Prp	24,024	25,915	
Picton Property	28,329	30,657	
3i Infrastructure	31,020	34,200	
	<u>182,776</u>	<u>193,310</u>	

	Value		£
	01-Jan-19	31-Jul-19	
	£	£	
<b>Equity Investment</b>			
Monks Investment Trust	50,820	67,410	
Artemis Global Income	26,256	30,540	
Schroder UK Mid Cap	41,446	47,104	
Murray Income	52,234	60,701	
Invesco UK Smaller Companies	37,464	42,924	
Link Fund Solutions Trojan Income	0	0	
Link Fund Solutions Milton	29,124	30,120	
North American Income	30,380	38,281	
European Investment Trust	34,825	36,241	
Henderson Far East Income	34,500	38,150	
Polar Emerging Markets	28,557	30,686	
	<u>365,606</u>	<u>422,157</u>	
Investment Cash	8,024	13,634	
<b>Total All Securities</b>	<u>556,406</u>	<u>629,101</u>	
Income Cash	3,040	5,202	
	<u>559,446</u>	<u>634,303</u>	

Increase in value	74,857		
Increase in value - percentage		13.38%	
			Index
MSCI WMA Balanced Index Increase		14.45%	01-Jan-19 2,123.62
MSCI WMA Balanced Index Increase in value	80,850		31-Jul-19 2,430.52
Difference	<u>-5,993</u>		

## LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

### Investments - Equity

For the Period 1 January 2019 to 31 July 2019

	Value		£	
	01-Jan-19 £	31-Jul-19 £		
Monks Investment Trust	50,820	67,410		
Artemis Global Income	26,256	30,540		
Schroder UK Mid Cap	41,446	47,104		
Murray Income	52,234	60,701		
Invesco UK Smaller Companies	37,464	42,924		
Link Fund Solutions Trojan Income	0	0		
Link Fund Solutions Milton	29,124	30,120		
North American Income	30,380	38,281		
European Investment Trust	34,825	36,241		
Henderson Far East Income	34,500	38,150		
Polar Emerging Markets	<u>28,557</u>	<u>30,686</u>		
	365,606	422,157		
Increase in value			56,551	
Increase in value - percentage				15.47%
MSCI World Index Increase				22.28%
MSCI World Index Increase in value			81,450	
				Index
				01-Jan-19 10,198.74
				31-Jul-19 12,470.82
Difference			<u>-24,899</u>	

## LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

### Investments

For the Period 1 April 2019 to 30 June 2019

	Value		£
	01-Apr-19	30-Jun-19	
	£	£	
<b>Non Equity Investment</b>			
Kames Capital	25,441	25,864	
Schroder Unit Trust	24,434	24,820	
Invesco Fund	25,339	25,524	
John Laing Infra	0	0	
Sequoia Economic	25,990	26,128	
Standard Life Inv Prp	26,625	27,836	
Picton Property	29,426	32,585	
3i Infrastructure	33,048	35,700	
	<u>190,303</u>	<u>198,457</u>	

	Value		£
	01-Apr-19	30-Jun-19	
	£	£	
<b>Equity Investment</b>			
Monks Investment Trust	58,660	64,260	
Artemis Global Income	27,795	29,004	
Schroder UK Mid Cap	49,496	48,208	
Murray Income	56,396	60,988	
Invesco UK Smaller Companies	40,488	45,444	
Link Fund Solutions Trojan Income	0	0	
Link Fund Solutions Milton	29,972	30,128	
North American Income	34,545	36,811	
European Investment Trust	35,223	36,462	
Henderson Far East Income	35,100	37,100	
Polar Emerging Markets	29,016	30,728	
	<u>396,691</u>	<u>419,133</u>	
Investment Cash	12,859	15,475	
<b>Total All Securities</b>	<u>599,853</u>	<u>633,065</u>	
Income Cash	4,079	3,074	
	<u>603,932</u>	<u>636,139</u>	

Increase in value	32,207		
Increase in value - percentage		5.33%	
MSCI WMA Balanced Index Increase		3.62%	Index
MSCI WMA Balanced Index Increase in value	21,869		01-Apr-19 2,287.16
			30-Jun-19 2,369.98
Difference	<u>10,338</u>		

## LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

### Investments - Equity

For the Period 1 April 2019 to 30 June 2019

	Value		£	
	01-Apr-19 £	30-Jun-19 £		
Monks Investment Trust	58,660	64,260		
Artemis Global Income	27,795	29,004		
Schroder UK Mid Cap	49,496	48,208		
Murray Income	56,396	60,988		
Invesco UK Smaller Companies	40,488	45,444		
Link Fund Solutions Trojan Income	0	0		
Link Fund Solutions Milton	29,972	30,128		
North American Income	34,545	36,811		
European Investment Trust	35,223	36,462		
Henderson Far East Income	35,100	37,100		
Polar Emerging Markets	29,016	30,728		
	<u>396,691</u>	<u>419,133</u>		
Increase in value			22,442	
Increase in value - percentage				5.66%
MSCI World Index Increase				6.48%
MSCI World Index Increase in value			25,709	
				Index
				01-Apr-19 11,212.25
				30-Jun-19 11,938.89
Difference			<u>-3,267</u>	

## LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

### Investments

For the Period 1 April 2019 to 31 July 2019

	Value		£
	01-Apr-19	31-Jul-19	
	£	£	
<b>Non Equity Investment</b>			
Kames Capital	25,441	26,265	
Schroder Unit Trust	24,434	24,398	
Invesco Fund	25,339	25,793	
John Laing Infra	0	0	
Sequoia Economic	25,990	26,082	
Standard Life Inv Prp	26,625	25,915	
Picton Property	29,426	30,657	
3i Infrastructure	33,048	34,200	
	<u>190,303</u>	<u>193,310</u>	

	Value		£
	01-Apr-19	31-Jul-19	
	£	£	
<b>Equity Investment</b>			
Monks Investment Trust	58,660	67,410	
Artemis Global Income	27,795	30,540	
Schroder UK Mid Cap	49,496	47,104	
Murray Income	56,396	60,701	
Invesco UK Smaller Companies	40,488	42,924	
Link Fund Solutions Trojan Income	0	0	
Link Fund Solutions Milton	29,972	30,120	
North American Income	34,545	38,281	
European Investment Trust	35,223	36,241	
Henderson Far East Income	35,100	38,150	
Polar Emerging Markets	29,016	30,686	
	<u>396,691</u>	<u>422,157</u>	
Investment Cash	12,859	13,634	
<b>Total All Securities</b>	<u>599,853</u>	<u>629,101</u>	
Income Cash	4,079	5,202	
	<u>603,932</u>	<u>634,303</u>	

Increase in value	30,371		
Increase in value - percentage		5.03%	
MSCI WMA Balanced Index Increase		6.27%	Index
MSCI WMA Balanced Index Increase in value	37,855		01-Apr-19 2,287.16
			31-Jul-19 2,430.52
Difference	<u>-7,484</u>		



## LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

### Investments - Equity

For the Period 1 April 2019 to 31 July 2019

	Value		£	
	01-Apr-19 £	31-Jul-19 £		
Monks Investment Trust	58,660	67,410		
Artemis Global Income	27,795	30,540		
Schroder UK Mid Cap	49,496	47,104		
Murray Income	56,396	60,701		
Invesco UK Smaller Companies	40,488	42,924		
Link Fund Solutions Trojan Income	0	0		
Link Fund Solutions Milton	29,972	30,120		
North American Income	34,545	38,281		
European Investment Trust	35,223	36,241		
Henderson Far East Income	35,100	38,150		
Polar Emerging Markets	<u>29,016</u>	<u>30,686</u>		
	396,691	422,157		
Increase in value			25,466	
Increase in value - percentage				6.42%
MSCI World Index Increase				11.22%
MSCI World Index Increase in value			44,528	
Difference			<u>-19,062</u>	

Index	
01-Apr-19	11,212.25
31-Jul-19	12,470.82

**LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD**

**BALANCE SHEET AS AT 30 JUNE 2019**

	Note	£	30/06/19 £	30/06/18 £	Variance £	31/03/19 £	Variance £
<b>FIXED ASSETS</b>							
Fixed Assets	1	<u>763,056</u>	<b>763,056</b>	<b>758,527</b>	4,529	<b>692,402</b>	70,654
<b>LONG TERM ASSETS</b>							
Investments		<u>636,139</u>	<b>636,139</b>	<b>600,143</b>	35,996	<b>603,932</b>	32,207
<b>CURRENT ASSETS</b>							
Stock +WIP		45,909		46,817	-908	47,973	-2,064
Trade debtors		5,061		17,635	-12,574	6,773	-1,712
Drainage rate debtors		3,997		3,592	405	96	3,901
Levy Debtors		0		0	0	0	0
VAT Claim		10,595		2,510	8,085	5,829	4,766
Special Levies		0		0	0	0	0
Severnside		0		0	0	0	0
Prepayments		29,342		26,859	2,483	32,280	-2,938
Cash at bank and in hand		695,901		1,089,887	-393,986	852,523	-156,622
Short term deposits		<u>1,052,340</u>		<u>400,769</u>	<u>651,571</u>	<u>501,013</u>	<u>551,327</u>
			<b>1,843,145</b>	<b>1,588,069</b>	255,076	<b>1,446,487</b>	396,658
<b>CURRENT LIABILITIES</b>							
Trade Creditors		-59,982		-24,559	-35,423	-38,061	-21,921
Other Creditors		-28,253		-25,352	-2,901	-25,341	-2,912
Accrued expenses		-5,180		-2,515	-2,665	-6,685	1,505
Finance Leases due within one year		-532		-886	354	-1,016	484
Prepaid Rates	2	-72,905		-71,940	-965	-200	-72,705
Prepaid Levies	2	-324,394		-305,381	-19,013	-1,519	-322,875
Special Levies		0		0	0	0	0
Prepaid Severnside		<u>-31,827</u>		<u>0</u>	<u>-31,827</u>	<u>0</u>	<u>-31,827</u>
			<b>-523,073</b>	<b>-430,633</b>	-92,440	<b>-72,822</b>	-450,251
<b>NET CURRENT ASSETS</b>			<b>1,320,072</b>	<b>1,157,436</b>	162,636	<b>1,373,665</b>	-53,593
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>2,719,267</b>	<b>2,516,106</b>	203,161	<b>2,669,999</b>	49,268
<b>LONG TERM LIABILITIES</b>							
Finance Leases		0		-754	754	0	0
Pension scheme deficit		<u>-1,276,000</u>		<u>-954,000</u>	<u>-322,000</u>	<u>-1,276,000</u>	<u>0</u>
			<b>-1,276,000</b>	<b>-954,754</b>	-321,246	<b>-1,276,000</b>	<u>0</u>
<b>NET ASSETS</b>			<b>1,443,267</b>	<b>1,561,352</b>	-118,085	<b>1,393,999</b>	49,268
<b>FINANCED BY:</b>							
<b>CAPITAL ACCOUNT</b>							
			<b>666,569</b>	<b>666,569</b>	0	<b>666,569</b>	0
<b>INCOME AND EXPENDITURE ACCOUNT</b>							
Balance brought forward		572,203		523,570	48,633	523,570	48,633
Net surplus for the 3 months		<u>31,149</u>		<u>16,717</u>	<u>14,432</u>	<u>48,633</u>	<u>-17,484</u>
			<b>603,352</b>	<b>540,287</b>	63,065	<b>572,203</b>	31,149
Developer (Commutated Sums) Reserve			<b>904,449</b>	<b>859,304</b>	45,145	<b>914,678</b>	-10,229
Revaluation Reserve			<b>144,583</b>	<b>146,042</b>	-1,459	<b>144,583</b>	0
Pump Station Reserve	3		<b>400,314</b>	<b>303,150</b>	97,164	<b>371,966</b>	28,348
Pension Reserve			<b>-1,276,000</b>	<b>-954,000</b>	-322,000	<b>-1,276,000</b>	0
			<b>1,443,267</b>	<b>1,561,352</b>	-118,085	<b>1,393,999</b>	49,268

Notes

1. Fixed Assets include purchases, sales and depreciation for 3 months to 30 June 2019.
  2. In all cases the balance sheet has been adjusted to reflect receipts and payments made in advance of the period earned or due.
  3. This Reserve is held as cash and increases by £16,667 each month.
- There is a corresponding monthly charge in the income and expenditure account.

# LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

## Developers Funds June 2019

	£			
Balance at 1 April 2019	914,678			
Increase in value of investments	32,207			
Developers Contributions - received	0			
Transfer to Board 2019/20 Sevenside drawdowns	-42,436			
<b>Current Balance</b>	<b>904,449</b>	<b>split</b>		<b>£</b>
			Investments	636,139
			Cash at Bank	268,310
Transfer to Board 2019/20 M49 Contribution Fees	-94,000			
<b>Estimated balance 31/03/2020</b>	<b>810,449</b>			
Transfer to Board 2020/21 Maintenance and Capital	-43,709			
<b>Estimated balance 31/03/2021</b>	<b>766,740</b>	<b>split</b>		<b>£</b>
			Investments	636,139
			Cash at Bank	130,601

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Cash Flow Forecast for the Pump Replacement Programme

Annual Increment of £25,000 from 2018/19

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£	£	£	£	£	£	£	£	£	£	£
	actual	actual	actual	forecast	forecast	forecast	forecast	forecast	forecast	forecast	forecast
<b>Income</b>											
Provision from Board	150,000	150,000	175,000	200,000	225,000	250,000	275,000	300,000	325,000	350,000	2,400,000
<b>Expenditure</b>											
<b>Pump Station</b>											
<b>Oldbury</b>											
No. of Pumps											
3											
Professional Fees - Motion				1,536						511,764	511,764
											1,536
											0
	0	0	0	1,536	0	0	0	0	0	511,764	513,300
<b>Marshfield</b>											
No. of Pumps											
2											
Drainage Strategy - Water Environment				2,251			382,073				382,073
Professional Fees - Motion				1,536							2,251
											1,536
											0
	0	0	0	3,787	0	0	382,073	0	0	0	385,860
<b>Lapperditch</b>											
No. of Pumps											
2											
Drainage Strategy - Water Environment				2,250	349,035						349,035
Professional Fees - Motion				1,535							2,250
											1,535
											0
	0	0	0	3,785	349,035	0	0	0	0	0	352,820
<b>Wicks Green</b>											
No. of Pumps											
2											
Professional Fees - Motion				1,536					551,884		551,884
											1,536
											0
	0	0	0	1,536	0	0	0	0	551,884	0	553,420
<b>Elmore Back</b>											
No. of Pumps											
2											
Professional Fees - Motion				103,371	200,000						303,371
Contractor -				7,017	6,354						13,371
Drainage Strategy - Water Environment		2,891									0
Modelling - Water Environment				6,523							2,891
Survey - Anthony Brookes				1,235							6,523
											1,235
	2,891	0	13,540	110,960	200,000	0	0	0	0	0	327,391
<b>Saul</b>											
No. of Pumps											
1											
Drainage Strategy - Water Environment		6,887	7,860	79,434							79,434
Professional Fees - Motion			16,527	22,483	3,420						14,747
Contractor - Nomenca				32,846							42,430
											32,846
	6,887	24,387	55,329	82,854	0	0	0	0	0	0	169,457
<b>Total</b>	<b>9,778</b>	<b>24,387</b>	<b>68,869</b>	<b>204,458</b>	<b>549,035</b>	<b>0</b>	<b>382,073</b>	<b>0</b>	<b>551,884</b>	<b>511,764</b>	<b>2,302,248</b>
<b>Reserve</b>											
Balance b/f		140,222	265,835	371,966	367,508	43,473	293,473	186,400	486,400	259,516	
In year	140,222	125,613	106,131	-4,458	-324,035	250,000	-107,073	300,000	-226,884	-161,764	
Balance c/f	140,222	265,835	371,966	367,508	43,473	293,473	186,400	486,400	259,516	97,752	97,752
										Inflation?	

Lower Severn (2005) Internal Drainage Board

2019/20

CASH FLOW

Note	2019						2020						
	Mar £ 000's	Apr £ 000's	May £ 000's	Jun £ 000's	Jul £ 000's	Aug £ 000's	Sep £ 000's	Oct £ 000's	Nov £ 000's	Dec £ 000's	Jan £ 000's	Feb £ 000's	Mar £ 000's
<b>NatWest No 1 A/c</b>		actual	actual	actual	forecast	forecast	forecast	forecast	forecast	forecast	forecast	forecast	forecast
<b>Balance b/f</b>		50	138	98	91	88	71	52	23	26	15	42	52
Other income 3		4	0	11	2	2	1	1	1	1	1	1	1
Plant & Machinery Sales		16	0	0	0	0	0	0	0	0	0	0	0
VAT		5	0	23	11	5	5	5	5	5	5	5	5
Levies 1		20	612	7	0	0	0	0	620	0	0	0	0
Rates 2		63	26	7	21	0	0	0	0	0	0	0	0
<b>sub total</b>		<b>158</b>	<b>776</b>	<b>146</b>	<b>125</b>	<b>95</b>	<b>77</b>	<b>58</b>	<b>649</b>	<b>32</b>	<b>21</b>	<b>48</b>	<b>58</b>
Expenditure 3		-33	-30	-37	-39	-39	-39	-39	-39	-39	-39	-38	-38
Plant		-111	0	0	0	0	0	0	0	0	0	0	0
Pump Expenditure		-6	-1	-3	-22	-20	-72	-20	-20	-20	-21	0	0
Developer Expenditure		0	0	0	0	0	0	0	0	-94	0	0	0
EA Levy		0	-12	0	-11	0	0	-12	0	0	-11	0	0
Transfer to No. 2 A/c for Salaries		-55	-35	-65	-65	-65	-64	-64	-64	-64	-58	-58	-58
Net transfers 3		185	-600	50	100	100	150	100	-500	200	150	100	50
<b>sub total</b>		<b>-20</b>	<b>-678</b>	<b>-55</b>	<b>-37</b>	<b>-24</b>	<b>-25</b>	<b>-35</b>	<b>-623</b>	<b>-17</b>	<b>21</b>	<b>4</b>	<b>-46</b>
<b>Balance c/f</b>		<b>50</b>	<b>138</b>	<b>98</b>	<b>91</b>	<b>88</b>	<b>71</b>	<b>52</b>	<b>23</b>	<b>26</b>	<b>15</b>	<b>42</b>	<b>12</b>
<b>Other balances</b>													
<b>NatWest</b>													
No 2 Account		38	38	18	25	38	38	38	38	38	38	38	38
Direct Reserve 4		765	280	880	580	480	380	230	130	630	430	280	130
Deposit 5		100	400	400	651	651	651	651	651	651	651	651	651
<b>Lloyds Deposit 6</b>		<b>401</b>	<b>401</b>	<b>401</b>	<b>401</b>	<b>401</b>	<b>401</b>	<b>401</b>	<b>401</b>	<b>401</b>	<b>401</b>	<b>401</b>	<b>401</b>
<b>Total</b>		<b>1,304</b>	<b>1,119</b>	<b>1,699</b>	<b>1,657</b>	<b>1,570</b>	<b>1,470</b>	<b>1,320</b>	<b>1,220</b>	<b>1,720</b>	<b>1,520</b>	<b>1,370</b>	<b>1,220</b>
<b>All LSIDB balances</b>		<b>1,354</b>	<b>1,257</b>	<b>1,797</b>	<b>1,748</b>	<b>1,658</b>	<b>1,541</b>	<b>1,372</b>	<b>1,243</b>	<b>1,746</b>	<b>1,535</b>	<b>1,412</b>	<b>1,232</b>

The Pump Station reserve as at 31/03/2019 is £371,966. There are transfers to this reserve of £200,000 in 2019/20.

The forecast spend in year is £204,458. Forecast Pump Station Reserve at 31/03/2020 is £367,508.

Pump Station Reserve as at 30/06/2019 is £400,314.

1. Levies received May and November
2. Rates received in May
3. Income and Expenditure as per Budget profile.
4. Direct Reserve - instant access earns 0.2% interest
5. Deposit Account - 35 Day Notice earns 0.75% interest
6. Deposit Account - 32 Day Notice earns 0.75% interest

## Lower Severn (2005) Internal Drainage Board

### Reconciliation of cash as per the Balance Sheet and the Cash Flow Statement

	£	£
<b>Balance Sheet as at 30 June 2019</b>		
Cash at bank and in hand	695,901	
Short term Deposits	1,052,340	
Less Petty Cash	240	
Cash at Bank	<u>1,748,001</u>	
<b>LSIDB Working Cash</b>	1,079,377	
<b>Pump Reserve</b>	400,314	
<b>Developer Reserve</b>	<u>268,310</u>	
	<u>1,748,001</u>	

### Investments

**As at 30 June 2019**

	£
Capital	
Amount through Smith & Williamson (net)	500,000
Market value	<u>617,590</u>
<b>Change in value</b>	117,590
Income	<u>18,549</u>
<b>Total return</b>	<u><b>136,139</b></u>
<b>Portfolio return since 31 December 2018</b>	<b>13.79%</b>
Note: Market Index Movements	
MSCI WMA Balanced NR	11.60
MSCI World NR	17.06

### Developers Funds as at 30 June 2019

	£
Developer Reserve as per Balance Sheet	<u><b>904,449</b></u>
Funds held as:	
Investments	636,139
Cash held at Bank	<u>268,310</u>
	<u><b>904,449</b></u>

**LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD**

**Cash Flow Forecast for 2019/20 to 2023/24**

<b>Summary</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Working Capital	690	687	610	468	577
Pump Station Reserve	367	43	293	186	486
Developer Reserve	175	131	86	40	-8
<b>Total Cash at Bank</b>	<b>1,232</b>	<b>861</b>	<b>989</b>	<b>694</b>	<b>1,055</b>
Cash Brought Forward	<b>1,354</b>	1,232	861	989	694
Income	1,617	1,706	1,770	1,863	1,929
Expenditure	-1,749	-2,022	-1,542	-2,013	-1,644
Add back Depreciation	114	136	174	231	212
Less Capital Purchases	-104	-191	-274	-376	-136
Cash at year end	<b>1,232</b>	<b>861</b>	<b>989</b>	<b>694</b>	<b>1,055</b>

	<b>£000's</b>	<b>£000's</b>
<b>Cash at Bank - 1 April 2019</b>		
Number 1 Account	50	
Number 2 Account	38	
Bonus Saver	765	
Deposit NatWest	100	
Deposit Lloyds	401	
		1,354
Working Capital	671	
Pump Station Reserve	372	
Developer Reserve	311	
		1,354
Difference		<b>0</b>

	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's
<b>Detail</b>					
<b>Working Capital</b>					
Cash Brought Forward	671	690	687	610	468
Income	1,617	1,706	1,770	1,863	1,929
Expenditure	-1,408	-1,429	-1,497	-1,585	-1,596
Transfer to Pump Station Reserve	-200	-225	-250	-275	-300
Add back Depreciation	114	136	174	231	212
Less Capital Purchases	-104	-191	-274	-376	-136
Cash at year end	690	687	610	468	577
<b>Pump Station Reserve</b>					
Cash Brought Forward	372	367	43	293	186
Transfer from working capital	200	225	250	275	300
Expenditure	-205	-549	0	-382	0
Cash at year end	367	43	293	186	486
<b>Developer Reserve</b>					
Cash Brought Forward	311	175	131	86	40
Income from Developers	0	0	0	0	0
Expenditure	-136	-44	-45	-46	-48
Cash at year end	175	131	86	40	-8



## **REVIEW OF RESERVES**

### **Introduction**

The Board at the meeting of 26 September 2018 approved the attached Capital Financing and Reserves Policy. The Policy states that each reserve will be reviewed, on an annual basis, by the Treasury Sub-Committee prior to review by the Board.

The Good Governance Guide published by the Association of Drainage Boards (ADA) when considering reserves states:

‘As a general rule, in the absence of a specific cause, an IDB can regard this to be a normal year’s expenditure, less any grant funding received, being retained.’

ADA’s own business plan states of maintaining a reserve of at least 30% of annual subscription income.

The Board’s Financial Regulations state that the general provision, including a contingency, should be maintained which is equivalent to approximately 30% of the Board’s annual expenditure.

The Board’ expenditure for the year ended 31 March 2019 was £1,511,855.

### **Level of Reserves as at 31 March 2019**

Developer Reserve	£ 914,678
Revaluation Reserve	£ 144,583
Pump Station Reserve	£ 371,966
Pension Reserve	£ -1,276,000
Income and Expenditure Reserve	£ 572,203 (37.85% of annual expenditure)

### **Recommendation**

That the level of reserves are reviewed and observations are forwarded to the Finance and General Purposes Committee and the Full Board for their consideration.

*Martin Dear*

*Accounts Officer*

# Lower Severn (2005) Internal Drainage Board

## CAPITAL FINANCING AND RESERVES POLICY

### Introduction

Reserves are an essential part of good financial management. They help the Board cope with unpredictable financial pressures and plan for future spending commitments. The purpose of this Reserves policy is to maintain an adequate level of funds to support the ongoing operations of the Board and to provide a source of internal funds for operational priorities such as rhine and ditch maintenance, pumping station running costs and repair, capital replacement and improvement programmes.

The Reserves policy will complement other governance and financial policies and will support the goals and strategies contained in strategic and operational plans.

### Background

The Board is required to set a balanced budget annually, which broadly means that cash raised within the year correlates to the cash expended in that year. However variances to the budget will occur. This may result in surplus funds through unbudgeted income such as Developer Contributions, better values achieved on the sale of assets or additional income from grants, contributions and recharges. Expenditure might be greater than budgeted for example such as lower values achieved on sales of assets, greater maintenance costs than predicted or an increase in pump electricity usage.

There will also be the funding of major (capital) spend. Most purchases, mainly vehicles and plant, are resourced through internal funds which are then replenished through appropriate depreciation charges based upon the life of the assets.

However, there may be instances where monies need to be identified to fund larger capital spend items such as the replacement of pumps or significant flood alleviation and land drainage management schemes. When this occurs forward planning will need to take place in order to ensure that sufficient funds are available at the appropriate times.

Importantly, there is a requirement to manage cash flows to ensure that cash is available when needed.

### Types of Reserve

There are two types of Reserves:

- Earmarked Reserves – funds that are set aside to meet known or future predicted future spending.
- Unallocated Reserves – funds that are working balances to manage cash flow and protect annual budgets against unplanned expenditure.

## Reserves Held

### Earmarked

- **Development (Commuted Sums)**  
This reserve consists of sums received from developers to maintain agreed rhines, ditches and ponds in perpetuity within specified areas.
- **Pump Replacement**  
This reserve is a provision to meet the costs of replacing the pumps at pumping stations to meet the 2009 Eel Regulations
- **Pension**  
This reserve is the liability, of the Board, related to the defined benefit pension scheme. Note it is a negative reserve.
- **Revaluation**  
This reserve is the increase in value of land and buildings, from cost, as at 15 January 2015.

### Unallocated

- **Income and Expenditure**  
This reserve provides protection against unplanned expenditure. Any under spend, at the year end, is transferred to this reserve. Any over spend, at the year end, is met from this reserve.

## Review of Reserves

Each reserve will be reviewed, on an annual basis by the Treasury Sub-Committee prior to review by the Board. The Board's review will form part of the annual budget setting process. Part of this review will include considering guidance published by the Association of Drainage Authorities.

## Creation / Cessation of a Reserve

An earmarked reserve may be created for a specific purpose if it is agreed by the Board. Likewise the Board may close an earmarked reserve if it is no longer required. Any remaining funds in a Reserve to be closed will be transferred to another reserve.

## Level of Reserves Held

The Board has no legal powers to hold reserves other than those for reasonable working capital needs, or for specifically earmarked purposes.

If, at the year end, the Income and Expenditure Reserve is significantly higher than the annual Special Levies and Agricultural Rates income then an explanation will be provided by the Board. The Board's Financial Regulations state that the general provision, including a contingency, should be maintained which is equivalent to approximately 30% of the Board's annual expenditure.

## Liquidity of Reserves

Reserves will be held jointly in general cash and investment accounts of the Board.