

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Treasury Meeting

Wednesday 31st August 2022

The Gables
10.30am

TERMS OF REFERENCE

OF THE TREASURY SUB COMMITTEE

Approved 5th 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 9th March 2022 at 11.00am
The Gables Hotel**

Present: Ald C Williams Chairman
Mr J Cornock (Deputising for Cllr M Riddle)
Mr J Nichols

Martin Dear Accounts Officer AO
Louise Reading Minutes

| | | |
|-------------|---|--|
| 3354 | Election of Chairman for 2021/22 The AO invited nominations for the post of Chairman. Ald Williams was proposed and seconded for the post. No other nominations were proposed. It was resolved that: <ul style="list-style-type: none"> Ald Williams be elected Chairman for the ensuing year. | |
| 3355 | Election of Vice Chairman for 2021/2022 The Chair invited nominations for the post of Vice Chair. Mr J Nichols was proposed and seconded for the post. No other nominations were proposed. It was resolved that: <ul style="list-style-type: none"> Mr J Nichols be elected Vice Chair for the ensuing year. | |
| 3356 | Apologies/Welcome Apologies were received from Ald P Abraham, Cllr P Howells and Cllr Riddle. Mr J Cornock was welcomed to the meeting. | |
| 3357 | Chairman's Announcements. There were no announcements. | |
| 3358 | Declaration of Members' Interests No interests were declared. | |
| 3359 | Minutes of the Previous Meeting It was resolved that: <ul style="list-style-type: none"> The minutes of the meeting held on 25th August 2021 be approved. | |
| 3360 | Matters arising from the minutes All actions were complete. | |
| 3361 | Reports from Smith & Williamson The Chairman advised Members that Smith & Williamson are to be rebranded as Evelyn Partners in the Summer of 2022. Members acknowledged the impact world current affairs was having on investments. The recommendation from Smith & Williamson was to switch the existing holding of Artemis Global Income Fund into a new holding of Guinness Global Income. This transfer would not make any material difference to the portfolio. | |

| | | |
|-------------|---|---|
| | <p>Members agreed that some more detailed information for the transfer would have been beneficial and that going forward this would be requested.</p> <p>It was agreed to accept the recommendation.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The funds held in Artemis Global Income Fund be transferred to Guinness Global Income Fund | |
| 3362 | <p>Management Fees charged by Smith & Williamson</p> <p>The AO presented a summary of the fees charged by Smith & Williamson for the years ended 31 December 2020 and 2021.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The report be noted. | |
| 3363 | <p>Review of Treasury Management Policy</p> <p>The AO explained that the Treasury Management Policy was last reviewed by this Sub Committee in March 2021. This policy is subject to an annual review.</p> <p>No changes were proposed to the existing policy.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • There are no changes to the current Treasury Management Policy and: • The Policy, as per Appendix A, be presented to F&GP Committee and the Board for approval. | |
| 3364 | <p>Review of Capital Financing and Reserves Policy</p> <p>The AO explained that the Capital Financing and Reserves was last reviewed by this Sub Committee in March 2021. This policy is subject to an annual review.</p> <p>No material changes were proposed to the existing policy. However, Members agreed that the AO and Chairman will determine and make any minor changes were necessary following the discussion that will take place, later in this meeting, under minute 3367.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The AO and Chairman make any minor changes to the Capital Financing and Reserves Policy, if required, and: • The amended Policy, be attached to these minutes as Appendix B, and be presented to F&GP Committee and the Board for approval. | <p><u>220309TRE1</u></p> <p>The AO and Chairman to make any minor changes to the Capital financing and Reserves Policy, if required.</p> |
| 3365 | <p>Balance Sheet & Developers Funds as at 31st January 2021</p> <p>In response to a question from Mr Cornock the AO explained the current situation with the pension deficit. Members acknowledged this was the Boards biggest liability.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The Balance Sheet and Developers Fund be noted. | |
| 3366 | <p>Schedule of Investments since date of acquisition and for the previous 12 months as at 31st January 2022</p> <p>Members noted the Investment schedules provided by the AO.</p> <p>With regard to the tracker fund, the Chairman reminded Members that the comparator being used was not a direct comparison to the tracker held by the Board.</p> | <p><u>220309TRE2</u></p> <p>The AO to add note to the Tracker Fund information page</p> |

| | | |
|-------------|--|--|
| | <p>Members agreed that the AO should add a note on the tracker fund information page to clarify that the benchmark is not a direct comparison. The note to read: This benchmark is not a direct comparison. It is expected that a slight difference between actual performance and benchmark will occur.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The AO add a note to the tracker fund information page in relation to the actual performance versus the benchmark used. | |
| 3367 | <p>Developers Fund Contribution to the annual maintenance The AO explained to Members that the Developers Fund annual contribution had been recently reviewed to ascertain if the investment portfolio would be sufficient in covering future liabilities. The Chairman added that he had requested a more tangible figure from the Civil Engineer as to what the contribution figure is.</p> <p>The Civil Engineer had provided the Committee with a revised estimated annual figure of £50,000. With present value of the liabilities at Avonmouth and Severnside being around £310,000.</p> <p>Members agreed that the current investment portfolio was sufficient in meeting this liability, and that the increase would be reflected in the transfer to the Capital Expenditure Reserve account.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The following be presented to F&GP and the Board for approval: <ol style="list-style-type: none"> 1. Developers' funds of £50,000 plus 5% per annum (inflation) be transferred for the ensuing 20 years; 2. Developer Fund Contributions be reviewed by the Treasury Sub-Committee every five years; 3. Any further sums from developers be treated the same way. | |
| 3368 | <p>Cash Flow Forecast – Capital Programme to 2029 The Chairman advised Members that the Capital Programme expenditure profile was not definitive and was subject to many variables that were currently under review. This includes a future decision by the Board decision as to how to proceed with the Pump Replacement Programme.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The Cash Flow – Capital Programme to 2029 be noted | |
| 3369 | <p>Cash Flow 2021/2022 This report was presented by the AO.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The Cash flow 2020/2021 be noted. | |
| 3370 | <p>Cash Flow 2022/2023 This report was presented by the AO.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The Cash flow 2021/2022 be noted. | |
| 3371 | Cash Flow Forecast for 2022/2023 – 2026/2027 | |

| | | |
|-------------|---|--|
| | <p>Members noted that the Pump Replacement Programme presented a huge impact on the Boards finances with four pump stations to still be completed.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The Cash Flow 2021/2022 – 2025/2026 be noted. | |
| 3372 | <p>Date of next meeting The date of next meeting is 31st August 2022</p> | |
| | The Meeting closed at 12:30pm | |

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Treasury Management Policy

To be approved by the Board on 8th June 2022

Introduction

The primary principle governing the Board's investment criteria is the security of the financial institution in which the Board places its funds. Yield/return and liquidity are also key considerations.

1. The Board's funds

Approved Financial Institutions

The Board's principal banker is NatWest.

Cash may be deposited with any of the four main clearing banks (NatWest, Lloyds, Barclays and HSBC).

2. Accountabilities

The Treasury Sub-Committee will determine the amount of cash that is available for deposit with the four main clearing banks.

In addition to the NatWest Direct Reserve account, there will be two or three other deposit accounts.

Cash may be deposited in instant access accounts, fixed term accounts or notice accounts

If deposited in a fixed term account then the maximum fixed term period is six months.

If deposited in a notice account then the maximum notice period is six months.

The Accounts Officer to have flexibility to allocate funds between accounts in order to attract the best return. In particular the Accounts Officer is authorised to move funds between the Bonus Saver and the two Notice Accounts to increase the return of interest received on cash balances having regards to the cash flow requirements of the Board.

3. Funds received from Developers

Under minute No. 2218 at 24 June 2015 Board Meeting, the Board approved the appointment of Smith & Williamson Investment Managers. They manage the fund on a non-discretionary basis.

The Board resolved to invest £500,000 of the funds into a balanced multi asset portfolio. The income from these investments are to be re-invested.

The Treasury Sub Committee has the authority to invest future sums received from Developers. Before investing any future sums received, the Treasury Sub-Committee must take into account the cash flow requirements of the Board.

The Treasury Sub-Committee has the authority to agree into which funds these should be invested following consultation with Smith & Williamson.

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Capital Financing and Reserves Policy

To be approved by the Board on 8th June 2022

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

- **Capital Account**
This reserve consists of the total net value/worth, (assets less liabilities) of the Individual Drainage Boards when they amalgamated in 2005 to become one entity, the Lower Severn (2005) Internal Drainage Board.
- **Developers Fund**
This reserve consists of sums received from Developers. A Developer will pay the Board an agreed sum, up front, for the Board to maintain agreed rhines, ditches and ponds over the lifespan of the Developers project within the Developers specified areas of responsibility.

Annually, an amount will be transferred from this Reserve to the Income and Expenditure Account, to cover the applicable income and maintenance costs in that year. Within the Income and Expenditure Account there will be an income entry showing the transfer of funds. The corresponding expenditure will be shown within the relevant expenditure headings.

The investment portfolio, notwithstanding unexpected events, will be kept at a level which is sufficient to meet this liability. Any surplus will be transferred from the Developers Fund Reserve to the Capital Expenditure Reserve.

- **Capital Expenditure**
This reserve is needed to regularly appropriate from the expected excess income arising annually from the Income and Expenditure Account a sum of such magnitude as to be sufficient to cover the expected cost of the Board's approved capital expenditure which is incorporated into its medium term financial plan. The major element of this reserve will be to cover the expected cost of replacing pumps at pumping stations to meet the 2009 Eel Regulations.

Subsequent to the purchase of an asset, annual depreciation will be applied at its appropriate rate and charged to the Income

and Expenditure Account. The annual depreciation charged will be as follows:

Plant and Machinery; Motor Vehicles; Office Equipment;
Furniture and Fittings; Intangible Assets – Depreciation
25% on the reducing balance

Land - Depreciation not taken

Buildings – Depreciation over 20 years straight line, over
40 years straight line from 1 April 2021

Pumps - Depreciation over 15 years straight line

- **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

- **Accumulated Fund**

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.

Earmarked Reserves will only be held for genuine and intended purposes and their levels regularly reviewed. Each Earmarked Reserve will be separately identified and enumerated.

If, at the year end, the Accumulated Fund 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.

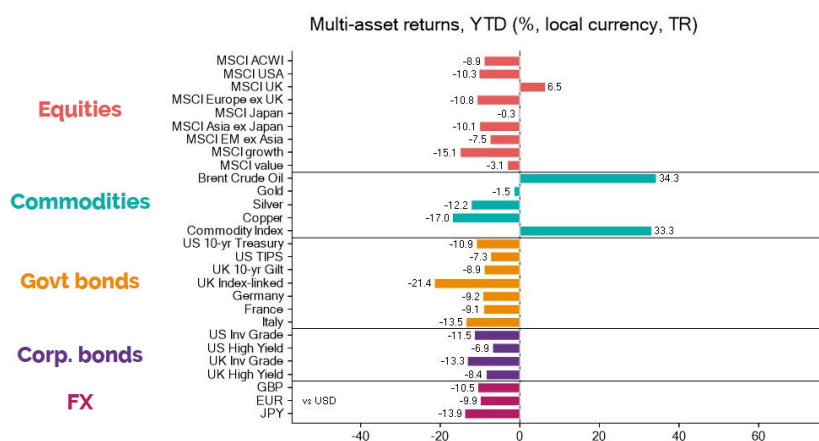
Lower Severn Internal Drainage Board - 18 August 2022

Portfolio performance for the year from 31st December to date is -11.95% which compares to -1.45% from the C2 Comparator and -3.11% from the MSCI PIMFA Balanced benchmark. Returns since the last meeting on 9th March 2022 however are positive with a return of +5.80% which compares to +5.08% from the C2 Comparator and +4.14% from the MSCI PIMFA Balanced Index.

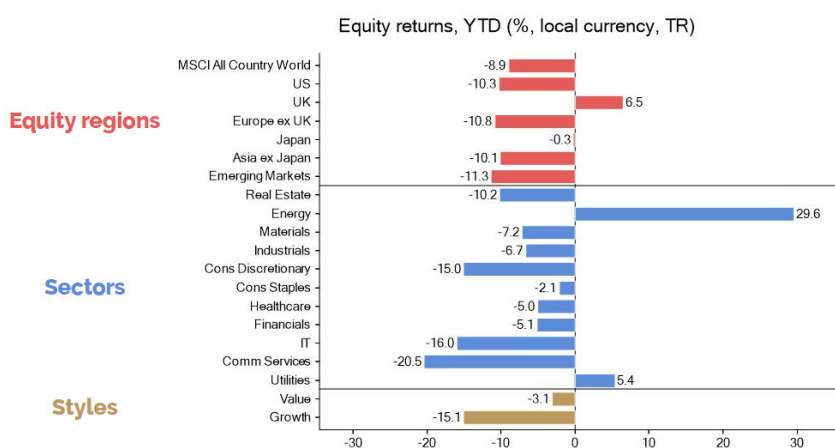
In the year to date the divergence of returns between sectors has been extreme and until mid-June the dynamic which emerged at the start of the year persisted. Holdings pricing in high future growth rates including those in the technology and healthcare sectors, which have delivered strong returns over the last decade, de-rated while companies in the oil & gas sector performed particularly well. Smaller companies have also been weak in the period reflecting the fact they are faster growing and so have seen valuations compressed, have little exposure to the energy sector and being more domestically focussed have not benefited to the same extent from the impact of weaker sterling on their overseas earnings. In recent weeks there has been some reversal in this trend with a fall in the oil price leading to some relative weakness in the energy sector, while growth investments have benefited from a fall in longer-term interest rate expectations. A relatively strong second quarter earnings season has also been supportive of valuations. We expect markets to remain volatile however while uncertainty over the path of inflation and interest rates remains.

I have included charts below highlighting the divergence of returns in local currency for the year to date. What is notable about the returns highlighted in the first chart is the strong relative performance of the UK indices over this timeframe, resulting primarily from a large weighting within the indices to the energy sector and a low weighting to the technology sector which has been weak in the period. The first chart also highlights how bonds, which typically provide a ballast to portfolios at times of market stress have also been weak, bond prices move inversely to interest rates and so have seen their values fall this year as interest rate expectations have risen. As illustrated by the second chart the Energy and Utilities sectors are the only global sectors to produce a positive return over this timeframe.

We do not propose any material changes to the portfolio at this time, many of the investment trust holdings are standing at wider than average discounts to the underlying net asset value which we expect to narrow in time. Investment trusts with an income focus or value style including North American Investment Trust and Murray Income Trust have by contrast seen a modest narrowing of their discount to net asset value and should discounts narrow further could provide an opportunity to switch into an open-ended fund offering similar sector exposures.



Source: Refinitiv Datastream/Evelyn Partners, Data as at 15 Aug 2022



Source: Refinitiv Datastream/Evelyn Partners, Data as at 15 Aug 2022

Valuation of securities

17 August 2022

The Lower Severn Int Drainage Brd

Evelyn Partners

Portwall Place, Portwall Lane, Bristol, BS1 6NA

Telephone: +44 (0)117 376 2000

smithandwilliamson.com

AM.2180 BRI007

evelyn
PARTNERS

CONTENT

| | |
|--|--------|
| Mandate Information | 1 |
| Valuation Summary | 2 |
| Asset Allocation | 3 |
| Portfolio Reconciliation and Performance | 4 |
| Valuation of Assets | 5 - 8 |
| Notes and Disclaimers | 9 - 10 |

MANDATE INFORMATION

This portfolio is managed by Smith & Williamson Investment Management LLP.

This valuation sets out the asset allocation and holdings as at the date shown and the performance of the portfolio.

The asset allocation and choice of investments reflect how the portfolio meets the investment preferences and objectives.

The portfolio's core objective is 'A balance between income and capital growth', over a 'Long - Over 5 years' time horizon. The chosen risk profile is 'Strategy C - Medium Risk 2 - GBP', as defined at the back of the valuation.

If you would like to discuss this valuation or make a change to the objectives or preferences, including attitude to risk, please contact your investment manager. Please also notify us of any changes in personal or financial circumstances which might have a bearing on how the portfolio is managed.

Valuation Summary

As at 1 January 2022

As at 17 August 2022

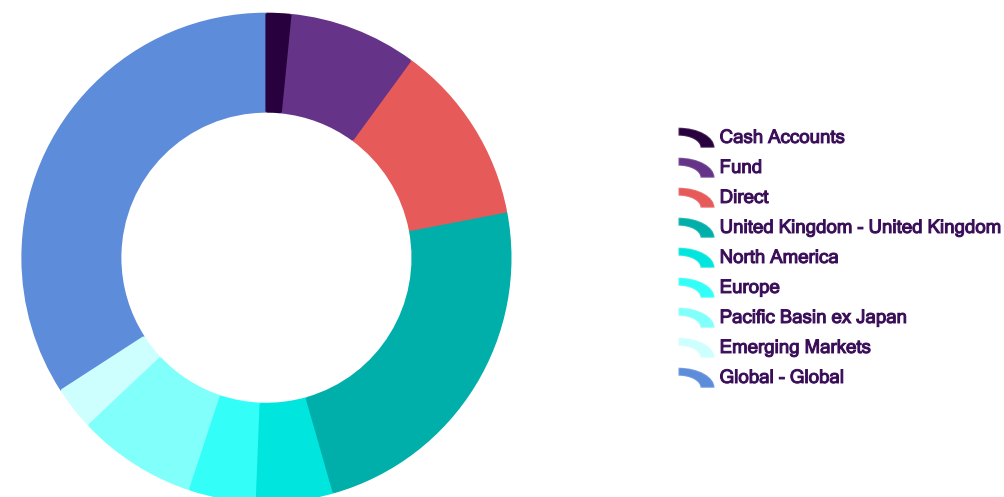
| Value GBP | Managed % | | Value GBP | Managed % |
|--------------|--------------|----------------------------|--------------|--------------|
| 10,398 | 1.0 | Cash | 14,411 | 1.6 |
| 88,020 | 8.5 | Bonds | 77,593 | 8.5 |
| 116,405 | 11.2 | Alternatives & Multi-Asset | 109,278 | 11.9 |
| 825,727 | 79.4 | Equities | 714,850 | 78.0 |
| 260,949 | 25.1 | United Kingdom | 216,127 | 23.6 |
| 227,527 | 21.9 | Overseas | 185,955 | 20.3 |
| 41,720 | 4.0 | North America | 46,488 | 5.1 |
| 65,800 | 6.3 | Europe | 40,622 | 4.4 |
| 89,505 | 8.6 | Pacific Basin ex Japan | 72,280 | 7.9 |
| 30,503 | 2.9 | Emerging Markets | 26,565 | 2.9 |
| 337,250 | 32.4 | Global | 312,769 | 34.1 |
| 1,040,550 | 100.0 | TOTAL - MANAGED PORTFOLIO | 916,131 | 100.0 |

Asset Allocation

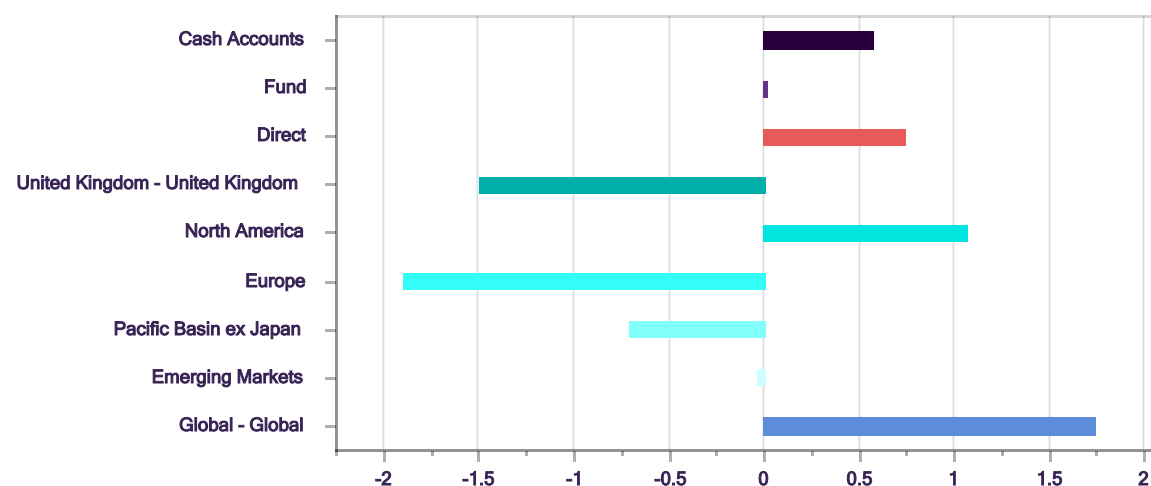
Managed Portfolio

| As at 17 August 2022 | Market Value (GBP) | % |
|---------------------------------------|--------------------|--------------|
| CASH | | |
| • Cash Accounts | 14,411 | 1.6 |
| BONDS | | |
| Sterling (GBP) | | |
| • Fund | 77,593 | 8.5 |
| ALTERNATIVES & MULTI-ASSET | | |
| Property | | |
| • Direct | 109,278 | 11.9 |
| EQUITIES | | |
| United Kingdom | | |
| • United Kingdom | 216,127 | 23.6 |
| Overseas | | |
| • North America | 46,488 | 5.1 |
| • Europe | 40,622 | 4.4 |
| • Pacific Basin ex Japan | 72,280 | 7.9 |
| • Emerging Markets | 26,565 | 2.9 |
| Global | | |
| • Global | 312,769 | 34.1 |
| TOTAL PORTFOLIO | 916,131 | 100.0 |

Asset Allocation as at 17 August 2022



Asset Allocation % Changes from 1 January 2022 to 17 August 2022



Managed Portfolio

Portfolio Reconciliation

| | Value GBP |
|--|---------------------|
| Opening value for 1 January 2022 | 1,040,550.17 |
| Capital added | 16,890.61 |
| Capital paid away | (72.00) |
| Net addition/subtraction to capital | 16,818.61 |
| Income received | 14,468.73 |
| Income paid away | (16,890.61) |
| Net addition to income accounts | (2,421.88) |
| Capital gain (loss) | (138,815.53) |
| Closing value for 17 August 2022 | 916,131.37 |

Performance

| | 1 Jan 2022 | 17 Aug 2022 | Change % |
|---|------------|-------------|----------------|
| Portfolio Total Return (Primary) | | | -11.95% |
| Portfolio Capital Return | | | -13.34% |

Market Index Movements

| | | | |
|----------------------------|-----------|-----------|--------|
| Comparator C2 TR GBP | 249.42 | 245.81 | -1.45% |
| MSCI PIMFA Balanced NR GBP | 2,831.35 | 2,743.39 | -3.11% |
| MSCI World NR GBP | 17,286.50 | 17,161.52 | -0.72% |
| MSCI ACWI NR GBP | 429.07 | 423.75 | -1.24% |
| MSCI ACWI ex UK NR GBP | 440.95 | 434.16 | -1.54% |

The Portfolio Return percentages are calculated using values as at each month-end with money in/out time-weighted to 31 August 2020, and daily thereafter. Past performance is not an indication of future performance.

Valuation of Assets

Managed Portfolio

| | | Service Type | Book Cost GBP | Price | Value GBP | Total % | Estimated Gross Income GBP | Estimated Gross Yield % |
|---------------------------------------|--|--------------|------------------|------------|--------------|------------|----------------------------------|-------------------------------|
| CASH | | | | | | | | |
| Cash Accounts | | | | | | | | |
| GBP | Income Account GBP (MACC.ACC.INC.GBP) | AM | | | 912.50 | 0.10 | 0 | 0.0 |
| GBP | Investment GBP (MACC.INV.GBP) | AM | | | 13,494.52 | 1.47 | 34 | 0.3 |
| | 63 days interest accrued from 15-JUN-2022 | | | | 4.03 | | | |
| | Total | | | | 13,498.55 | | | |
| BONDS | | | | | | | | |
| Sterling (GBP) | | | | | | | | |
| Fund | | | | | | | | |
| 25,750 | SCHRODER INVESTMENT FUND COMPANY SCHRODER STRATEGIC CREDIT L DIS (GB00B11DP098) | AM | 24,730.02 | GBP 0.8639 | 22,245.43 | 2.43 | 1,136 | 5.1 |
| 17,750 | INVESCO FIXED INTEREST INV SERIES INVESCO CORPORATE BOND UK Z DIS (GB00B8N45097) | AM | 37,048.65 | GBP 1.9416 | 34,463.40 | 3.76 | 1,024 | 3.0 |
| 23,000 | SEQUOIA ECONOMIC INFRAST INC FD LTD NPV (GG00BV54HY67) | AM | 24,933.70 | GBP 0.908 | 20,884.00 | 2.28 | 1,438 | 6.9 |
| ALTERNATIVES & MULTI-ASSET | | | | | | | | |
| Property | | | | | | | | |
| Direct | | | | | | | | |
| 41,250 | PICTON PROPERTY INCOME LIMITED ORD NPV (GB00B0LCW208) | AM | 32,460.57 | GBP 0.918 | 37,867.50 | 4.13 | 1,433 | 3.8 |
| 12,000 | 3I INFRASTRUCTURE ORD NPV (JE00BF5FX167) | AM | 29,832.48 | GBP 3.415 | 40,980.00 | 4.47 | 1,254 | 3.1 |
| 17,000 | URBAN LOGISTICS REIT PLC ORD GBP0.01 (GB00BYV8MN78) | AM | 25,649.72 | GBP 1.79 | 30,430.00 | 3.32 | 1,292 | 4.3 |

| | | | Service Type | Book Cost GBP | Price | Value GBP | Total % | Estimated Gross Income GBP | Estimated Gross Yield % |
|------------------------|--|----|--------------|----------------------------|------------|--------------|------------|----------------------------------|-------------------------------|
| EQUITIES | | | | | | | | | |
| United Kingdom | | | | | | | | | |
| 5,850 | ABRDN UK SMLR COS GROWTH TRUST PLC ORD GBP0.25 (GB0002959582) | AM | 28,123.73 | GBP 5.16 | 30,186.00 | 3.29 | 450 | 1.5 | |
| 10,800 | SCHRODER UK MID CAP FD PLC ORD GBP0.25 (GB0006108418) | AM | 47,575.46 | GBP 5.78 | 62,424.00 | 6.81 | 1,728 | 2.8 | |
| 9,625 | MURRAY INCOME TRUST ORD GBP0.25 (GB0006111123) | AM | 70,422.07 | GBP 8.67 | 83,448.75 | 9.11 | 3,465 | 4.2 | |
| 8,400 | INVESCO PERPETUAL UK SMLR CO'S IT ORD GBP0.20 (GB00B1FL3C76) | AM | 36,190.48 | GBP 4.77 | 40,068.00 | 4.37 | 1,915 | 4.8 | |
| Overseas | | | | | | | | | |
| North America | | | | | | | | | |
| 14,900 | NORTH AMERICAN INCOME TST (THE) PLC ORD GBP0.05 (GB00BJ00Z303) | AM | 32,986.20 | GBP 3.12 | 46,488.00 | 5.07 | 1,579 | 3.4 | |
| Europe | | | | | | | | | |
| 44,250 | BAILLIE GIFFORD EUROPEAN GROWTH TST ORD GBP0.025 (GB00BMC7T380) | AM | 30,997.71 | GBP 0.918 | 40,621.50 | 4.43 | 155 | 0.4 | |
| Pacific Basin ex Japan | | | | | | | | | |
| 6,500 | ASIA DRAGON TRUST PLC ORD GBP0.20 (GB0002945029) | AM | 35,354.36 | GBP 4.41 | 28,665.00 | 3.13 | 423 | 1.5 | |
| 6,500 | PACIFIC HORIZON INVESTMENT TRUST ORD GBP0.10 (GB0006667470) | AM | 20,766.51 | GBP 6.71 | 43,615.00 | 4.76 | 0 | 0.0 | |
| Emerging Markets | | | | | | | | | |
| 21,000 | JPMORGAN GBL EMERG MKTS INC TST PLC ORD GBP0.01 (GB00B5ZZY915) | AM | 24,436.82 | GBP 1.265 | 26,565.00 | 2.90 | 1,071 | 4.0 | |
| Global | | | | | | | | | |
| 7,775 | MONKS INVESTMENT TRUST ORD GBP0.05 (GB0030517261) | AM | 69,349.33 | GBP 10.84 | 84,281.00 | 9.20 | 183 | 0.2 | |
| 2,125 | VANGUARD FUNDS PLC FTSE ALL-WORLD UCITS ETF USD DIS (IE00B3RBWM25) | AM | 149,716.52 | GBP 89.59 | 190,378.75 | 20.78 | 2,651 | 1.4 | |
| 1,410.18 | GUINNESS ASSET MANAGEMENT FUNDS PLC GUINNESS GLOBAL EQUITY INCOME Z GBP DIS (IE00B754QH41) Prices daily, one day in arrears | AM | 36,490.14 | GBP 27.024203 on 16 Aug 22 | 38,108.99 | 4.16 | 855 | 2.2 | |

| | Service Type | Book Cost GBP | Price | Value GBP | Total % | Estimated Gross Income GBP | Estimated Gross Yield % |
|-------------------------|--------------|------------------|-------|--------------|------------|----------------------------------|-------------------------------|
| MANAGED PORTFOLIO TOTAL | | | | 916,131.37 | 100.00 | 22,086 | 2.4 |

The above total includes accrued interest of GBP 4.03

AM: Advisory Managed

Valuation of Assets

Portfolio Breakdown

| | Value GBP | Total % | Estimated Gross Income GBP | Estimated Gross Yield % |
|-------------------|--------------|------------|----------------------------------|-------------------------------|
| Advisory Total | 916,131.37 | 100.00 | 22,086 | 2.4 |
| GRAND TOTAL VALUE | 916,131.37 | 100.00 | 22,086 | 2.4 |

Notes and Disclaimers

Notes

You should check the details of your valuation and advise your investment manager of any inaccuracies. The prices used in valuing the portfolio are normally the latest available mid-market prices at the valuation date. Price information is obtained from standard industry sources. If no price information is available we estimate a fair value on a best endeavour basis, which may indicate a lack of liquidity of the asset. Where a price is not current at the valuation date we have indicated the date of the price. Funds which price periodically (including daily) compute a price based on net asset value which is applied only to orders taken before the price is published, therefore the price in your valuation may not be the price at which a trade placed on the date of the valuation would be executed. Holdings in this valuation are based on trade date, with cash positions based on settlement date and unsettled trades included as Bargains for later settlement. Book costs are calculated on a single pool basis; where holdings are subject to UK capital gains tax the costs used for the purposes of calculating taxable gains and losses may be different, especially where holdings were originally acquired prior to 6th April 2008. Estimated gross income and yield uses existing data to estimate future income and includes tax deducted or credited where applicable. Please contact your investment manager if you would like a more detailed breakdown of fees and charges or if you have any questions about your holdings or transactions.

Risk Profiles

Your portfolio is managed by Smith & Williamson Investment Management LLP (registered in England at 25 Moorgate, London EC2R 6AY, number OC369632, authorised and regulated by the Financial Conduct Authority). Our risk profiles are:

A - Minimal Risk

- Minimal chance of capital loss but inflation may erode the real value of assets over time
- Intended to maximise the predictability of returns
- Likely to consist of term deposits, cash funds and short-term money market instruments
- Suitable for those who want nominal protection of their capital, have a known short-term liability and/or the funds are only available for shorter time periods

B - Lower Risk

- Some risk of capital loss and inflation may still erode the real value over time
- Intended to offer the potential for greater returns than Minimal Risk as outlined in Profile A above
- A core holding of fixed interest instruments but will also include limited amounts of riskier assets such as equities and alternative investments
- Three choices - B1/B2/B3 - the risk profiles increase chiefly in proportion to the equity exposure in the portfolio
- Suitable for those prepared to take a moderate degree of investment risk to potentially improve on cash returns and should normally protect more of their capital than the medium risk choices below were equity markets to fall

C - Medium Risk

- Risk of capital loss and you must be willing to accept that the value of your investments will rise and fall
- Intended to offer the potential for greater returns than the three Lower Risk B profiles
- A core holding of equities but will also include exposure to alternative investments, bonds and cash
- Three choices - C1/C2/C3 - the risk profiles increase chiefly in proportion to the equity exposure in the portfolio
- Suitable for those with a long investment time horizon (over 5 years), significant risk appetite and capacity for loss while trying to generate long-term returns above inflation

D - Higher Risk

- Increased risk of capital loss and you must be prepared to accept risk of large fluctuations in the value of your investments
- Intended to offer the potential for greater returns than the three Medium Risk C profiles
- Typically invested almost entirely in equities
- Depending on market conditions and/or your specific requirements it may hold other asset classes including bonds, alternative investments or cash
- Suitable for those with a long investment time horizon (over 5 years), high risk appetite and capacity for loss

Custody Services

Unless otherwise annotated, all the assets within your portfolio are held in safe custody on your behalf by Smith & Williamson Investment Services Limited (registered in England at 25 Moorgate, London EC2R 6AY, number 976145, regulated by the Financial Conduct Authority (FCA)) as custodian in accordance with the FCA's Client Asset Sourcebook (CASS) rules. Securities held by us are either registered in the name of our nominee company or held to our order by a third party custodian appointed by us. Non-financial assets such as property or other chattels are not protected by the FCA's CASS rules. Any assets held by a third party appointed by you are placed at your own risk. These assets may not be offered the same level of protection as those held by Smith & Williamson Investment Services Limited.

Data Sources & Disclosures

Smith & Williamson comparator indices are not industry-wide composites and are not recognised by any of the underlying index data providers. A breakdown of each is available on our website <http://www.smithandwilliamson.com/en/services/investment-management-private-client/#useful>

The Bank of England base rate, Retail Price Index (RPI), Consumer Price Index (CPI) and Sterling Overnight Index Average (SONIA) are public sector information licensed under the Open Government Licence, <http://www.nationalarchives.gov.uk/doc/open-government-licence>

Markit Indices Limited © 2022. Neither Markit, its Affiliates or any third party data provider makes any warranty, express or implied, as to the accuracy, completeness, fitness for purpose or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. Neither Markit, its Affiliates nor any data provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the Markit data, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom. Without limiting the foregoing, Markit, its Affiliates, or any third party data provider shall have no liability whatsoever in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgements, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

Source ICE Data Indices, LLC ("ICE DATA"), is used with permission. ICE Data, its affiliates and their respective third party suppliers disclaim any and all warranties and representations, express and/or implied, including any warranties of merchantability or fitness for a particular purpose or use, including the indices, index data and any data included in, related to, or derived therefrom. Neither ICE Data, its affiliates nor their respective third party suppliers shall be subject to any damages or liability with respect to the adequacy, accuracy, timeliness or completeness of the indices or the index data or any component thereof, and the indices and index data and all components thereof are provided on an "as is" basis and your use is at your own risk. ICE Data, its affiliates and their respective third party suppliers do not sponsor, endorse, or recommend Smith & Williamson Services Limited and affiliates, or any of its products or services.

Hedge Fund Research Inc. www.hedgefundresearch.com. The HFRI and HFRX licensed indices are being used under license from Hedge Fund Research Inc., which does not

approve of or endorse the contents of this report.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

MSCI WMA data is comprised of a custom index calculated by MSCI for, and as requested by the Personal Investment Management & Financial Advice Association (PIMFA) formerly the Wealth Management Association (WMA). The MSCI data is for internal use only and may not be redistributed or used in connection with compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including loss of profits) even if notified of the possibility of damages.

This page has intentionally been left blank

This page has intentionally been left blank

Cllr MR Riddle
Oak Farm
Oldbury Lane
Thornbury
BRISTOL
BS35 1RD

AM.2180 BR1007

REF: MD

REPORT BY: Accounts Officer

Evelyn Partners – Fees and Charges

Investments

The management charge is 1% per annum comprised of a 0.8% investment management fee and a 0.2% custody charge, payable in arrears on a quarterly basis.

Commission is charged on transactions at a rate of 0.6% on equities and 0.4% on fixed interest securities.

Tracker Fund

Fee reduced by two thirds to 0.33%.

Standard execution rate of 0.3% on purchases.

Fees and Charges

For the year ended 31 December 2021

- Management Charge - £8,293
- Fees on purchases/sales of Investments - £804

For the year ended 31 December 2022

- Management Charge
 - First Quarter - £1,891
 - Second Quarter - £1,786
- Fees on purchases/sales of Investments - £416

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

BALANCE SHEET AS AT 30 JUNE 2022

| | Note | £ | 30/06/22 £ | 30/06/21 £ | Variance £ | 31/03/22 £ | Variance £ |
|--|------|-----------|------------------|-------------------|---------------|------------------|---------------|
| FIXED ASSETS | | | | | | | |
| Fixed Assets | 1 | 1,525,142 | 1,525,142 | 992,680 | 532,462 | 1,365,615 | 159,527 |
| LONG TERM ASSETS | | | | | | | |
| Investments | | 842,795 | 842,795 | 997,858 | -155,063 | 948,555 | -105,760 |
| CURRENT ASSETS | | | | | | | |
| Stock +WiP | | 106,320 | | 54,144 | 52,176 | 79,952 | 26,368 |
| Trade Debtors | | 48,000 | | 8,740 | 39,260 | 362 | 47,638 |
| Drainage Rate Debtors | | 2,552 | | 4,229 | -1,677 | 218 | 2,334 |
| Levy Debtors | | 0 | | 0 | 0 | 0 | 0 |
| VAT Claim | | 13,431 | | 2,892 | 10,539 | 19,491 | -6,060 |
| Special Levies - Environment Agency | | 36,326 | | 35,614 | 712 | 0 | 36,326 |
| Prepayments | | 29,783 | | 32,807 | -3,024 | 39,117 | -9,334 |
| Cash at Bank and in hand | | 1,011,692 | | 901,045 | 110,647 | 386,170 | 625,522 |
| Short Term Deposits | | 410,203 | | 409,777 | 426 | 409,958 | 245 |
| | | | 1,658,307 | 1,449,248 | 209,059 | 935,268 | 723,039 |
| CURRENT LIABILITIES | | | | | | | |
| Trade Creditors | | -416,319 | | -28,501 | -387,818 | -43,914 | -372,405 |
| Other Creditors | | -30,457 | | -30,045 | -412 | -29,274 | -1,183 |
| Accrued Expenses | | -7,648 | | -6,635 | -1,013 | -18,001 | 10,353 |
| Finance Leases due within one year | | 0 | | 0 | 0 | 0 | 0 |
| Prepaid Rates | 2 | -92,832 | | -79,642 | -13,190 | 0 | -92,832 |
| Prepaid Levies | 2 | -382,562 | | -349,624 | -32,938 | 0 | -382,562 |
| Payments Received in Advance | | 0 | | -7,200 | 7,200 | 0 | 0 |
| Prepaid Developers Funds | | -34,749 | | -33,737 | -1,012 | 0 | -34,749 |
| | | | -964,567 | -535,384 | -429,183 | -91,189 | -873,378 |
| NET CURRENT ASSETS | | | 693,740 | 913,864 | -220,124 | 844,079 | -150,339 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 3,061,677 | 2,904,402 | 157,275 | 3,158,249 | -96,572 |
| LONG TERM LIABILITIES | | | | | | | |
| Finance Leases | | 0 | | 0 | 0 | 0 | 0 |
| Pension scheme deficit | | -708,000 | | -1,412,000 | 704,000 | -708,000 | 0 |
| | | | -708,000 | -1,412,000 | 704,000 | -708,000 | 0 |
| NET ASSETS | | | 2,353,677 | 1,492,402 | 861,275 | 2,450,249 | -96,572 |
| FINANCED BY: | | | | | | | |
| CAPITAL ACCOUNT | | | 666,569 | 666,569 | 0 | 666,569 | 0 |
| ACCUMULATED FUND | | | | | | | |
| Balance brought forward | | 1,093,359 | | 596,060 | 497,299 | 596,060 | 497,299 |
| Surplus for the 3 months | | 114,156 | | 100,771 | 13,385 | 256,853 | -142,697 |
| Transfer to Capital Expenditure Reserve | | -68,750 | | -62,500 | -6,250 | -250,000 | 181,250 |
| Additional Transfer to Capital Exp. Res. | | 0 | | 0 | 0 | 0 | 0 |
| Transfer from Capital Expenditure Reserve | | 0 | | 0 | 0 | 490,446 | -490,446 |
| | | | 1,138,765 | 634,331 | 504,434 | 1,093,359 | 45,406 |
| Developers Funds Reserve | | | | | | | |
| Investments at cost | | 650,000 | | 650,000 | 0 | 650,000 | 0 |
| Increase in value | | 192,795 | | 347,858 | -155,063 | 298,555 | -105,760 |
| Investments at current value | | 842,795 | | 997,858 | -155,063 | 948,555 | -105,760 |
| Cash at Bank | | 64,820 | | 31,339 | 33,481 | 111,137 | -46,317 |
| | | | 907,615 | 1,029,197 | -121,582 | 1,059,692 | -152,077 |
| Capital Expenditure Reserve | 3 | | 204,145 | 429,722 | -225,577 | 194,046 | 10,099 |
| Pension Reserve | | | -708,000 | -1,412,000 | 704,000 | -708,000 | 0 |
| Revaluation Reserve | | | 144,583 | 144,583 | 0 | 144,583 | 0 |
| | | | 2,353,677 | 1,492,402 | 861,275 | 2,450,249 | -96,572 |

Notes

- Fixed assets include purchases, sales and depreciation for 3 months to 30 June 2022
- In all these cases the balance sheet has been adjusted to reflect receipts
- This Reserve is held as cash and increases by £22,917 each month.
There is a corresponding monthly charge in the income and expenditure account.
As the new pumps are capitalised as a fixed asset, they are depreciated over 15 years.

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Developers Funds June 2022

| | £ | | | |
|--|----------------|--------------|--------------|----------|
| Balance at 1 April 2022 | 1,059,692 | | | |
| Increase in value of investments | -105,760 | | | |
| Transfer of cash to investments | 0 | | | |
| Interest on Cash held in Deposit Account | 15 | | | |
| Developers Contributions - received | 0 | | | |
| Transfer to Board 2022/23 | | | | |
| Developers drawdowns | -46,332 | | | |
| Current Balance | 907,615 | split | | £ |
| | | | Investments | 842,795 |
| | | | Cash at Bank | 64,820 |
| Estimated balance 31/03/2022 | 907,615 | split | | £ |
| | | | Investments | 842,795 |
| | | | Cash at Bank | 64,820 |

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Since the Date of Acquisition

| | At Acquisition | 30-Jun-22 | Increase in value | Increase in value - percentage | Increase in Market Comparator | Increase in Market Comparator - percentage | Difference |
|---------------------------------------|----------------|----------------|----------------------|--------------------------------------|-------------------------------------|---|----------------|
| | £ | £ | £ | | £ | | £ |
| Investments - since 1 April 2017 | 563,485 | 671,584 | 108,099 | 19.18% | 128,424 | 22.79% | -20,325 |
| Tracker Fund - since 19 December 2019 | 149,713 | 171,211 | 21,498 | 14.36% | 29,468 | 19.68% | -7,970 |
| Total of all Securities | 713,198 | 842,795 | 129,597 | | 157,892 | | -28,295 |

For the 12 Months to 30 June 2022

| | 01-Jul-21 | 30-Jun-22 | Increase in value | Increase in value - percentage | Increase in Market Comparator | Increase in Market Comparator - percentage | Difference |
|--------------------------------|----------------|----------------|----------------------|--------------------------------------|-------------------------------------|---|-----------------|
| | £ | £ | £ | | £ | | £ |
| Investments | 815,788 | 671,584 | -144,205 | -17.68% | -34,707 | -4.25% | -109,498 |
| Tracker Fund | 182,070 | 171,211 | -10,859 | -5.96% | -8,478 | -4.66% | -2,381 |
| Total of all Securities | 997,858 | 842,795 | -155,064 | | -43,184 | | -111,879 |

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Tracker Fund

For the Period 19 December 2019 to 30 June 2022

| | Value | | | |
|---|-----------|---------------|--------|------------------|
| | 19-Dec-19 | 30-Jun-22 | | |
| | £ | £ | | |
| Tracker Fund | | | | |
| Vanguard FTSE All-World UCITS ETF | 149,713 | 171,211 | | |
| Tracker Fund | | | | |
| Increase in value | | 21,498 | | |
| Increase in value - percentage | | | 14.36% | |
| | | | | Index |
| MSCI World Index ex UK | | | 19.68% | 19-Dec-19 326.27 |
| MSCI World Index ex UK Increase in value change | | 29,468 | | 30-Jun-22 390.49 |
| Difference | | -7,970 | | |

For the 12 Months to 30 June 2022

| | Value | | | |
|---|-----------|---------------|--------|------------------|
| | 01-Jul-21 | 30-Jun-22 | | |
| | £ | £ | | |
| Tracker Fund | | | | |
| Vanguard FTSE All-World UCITS ETF | 182,070 | 171,211 | | |
| Tracker Fund | | | | |
| Increase in value | | -10,859 | | |
| Increase in value - percentage | | | -5.96% | |
| | | | | Index |
| MSCI World Index ex UK | | | -4.66% | 01-Jul-21 409.56 |
| MSCI World Index ex UK Increase in value change | | -8,478 | | 30-Jun-22 390.49 |
| Difference | | -2,381 | | |

The Market Comparator is the MSCI World Index ex UK.

This captures large and mid-cap representation across 22 of 23 developed markets countries excluding the UK.

This benchmark is not a direct comparison.

It is expected that a slight difference between actual performance and benchmark will occur.

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Investments

For the Period 1 April 2017 to 30 June 2022

| Non Equity Investment | Value | | £ |
|-------------------------------|----------------|----------------|---|
| | 01-Apr-17 £ | 30-Jun-22 £ | |
| Kames Capital | 25,633 | 0 | |
| Transfer to Equity Investment | | 9,238 | |
| Schroder Unit Trust | 25,274 | 21,787 | |
| Invesco Fund | 25,612 | 33,642 | |
| John Laing Infra | 27,784 | 0 | |
| Sequoia Economic | 25,358 | 21,160 | |
| Standard Life Inv Prp | 25,930 | 0 | |
| Picton Property | 27,847 | 36,548 | |
| 3i Infrastructure | 0 | 39,480 | |
| Urban Logistics | 0 | 27,455 | |
| | <u>183,438</u> | <u>189,310</u> | |

| Equity Investment | Value | | £ |
|-------------------------------------|----------------|----------------|---|
| | 01-Apr-17 £ | 30-Jun-22 £ | |
| Monks Investment Trust | 0 | 72,307 | |
| Artemis Global Income | 30,455 | 0 | |
| Aberdeen UK Sml Co | 0 | 26,501 | |
| Schroder UK Mid Cap | 42,504 | 54,648 | |
| Murray Income | 54,853 | 80,080 | |
| Invesco UK Smaller Companies | 33,133 | 36,960 | |
| Link Fund Solutions Trojan Income | 52,916 | 0 | |
| Link Fund Solutions Miton | 30,825 | 0 | |
| North American Income | 30,135 | 42,316 | |
| European Investment Trust | 31,920 | 35,135 | |
| Henderson Far East Income | 30,209 | 0 | |
| Asia Dragon Trust | 0 | 28,015 | |
| Pacific Horizon | 0 | 39,845 | |
| Polar Emerging Markets | 29,726 | 0 | |
| JP Morgan Emerging Markets | 0 | 26,145 | |
| Guinness Global Equity | | 35,903 | |
| Transfer from Non Equity Investment | | -9,238 | |
| | <u>366,676</u> | <u>468,617</u> | |
| Investment Cash | <u>8,544</u> | <u>8,683</u> | |
| | 558,658 | 666,610 | |
| Income Cash | <u>4,827</u> | <u>4,974</u> | |
| Total All Securities | 563,485 | 671,584 | |

All Securities

| | | |
|--------------------------------|---------|--------|
| Increase in value | 108,099 | |
| Increase in value - percentage | | 19.18% |

| | | |
|---|---------|--|
| MSCI WMA Balanced Index Increase | 22.79% | Index |
| MSCI WMA Balanced Index Increase in value | 128,424 | 01-Apr-17 2,101.14 30-Jun-22 2,580.01 |

Difference

-20,325

Notes:

1. Transfer of funds to Equity from Non Equity of £12,358
2. Investment of Cash in Equity of £41,991.
3. Transfer of funds from Equity to Non Equity of £3,120
4. Investment of Cash in Non Equity of £4,461

The Market Comparator is MSCI WMA Balanced Index.

This index aims to represent the investment strategy of seeking a balanced approach between income and capital growth in the portfolio.

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Investments - Equity

For the Period 1 April 2017 to 30 June 2022

| | Value | | | | |
|--|----------------|----------------|-----------------|-----------|-----------|
| | 01-Apr-17 | 30-Jun-22 | | | |
| | £ | £ | | | £ |
| Monks Investment Trust | 0 | 72,307 | | | |
| Artemis Global Income | 30,455 | 0 | | | |
| Standard Life UK Sml Co | 0 | 26,501 | | | |
| Schroder UK Mid Cap | 42,504 | 54,648 | | | |
| Murray Income | 54,853 | 80,080 | | | |
| Invesco UK Smaller Companies | 33,133 | 36,960 | | | |
| Link Fund Solutions Trojan Income | 52,916 | 0 | | | |
| Link Fund Solutions Miton | 30,825 | 0 | | | |
| North American Income | 30,135 | 42,316 | | | |
| European Investment Trust | 31,920 | 35,135 | | | |
| Henderson Far East Income | 30,209 | 0 | | | |
| Asia Dragon Trust | 0 | 28,015 | | | |
| Pacific Horizon | 0 | 39,845 | | | |
| Polar Emerging Markets | 29,726 | 0 | | | |
| JP Morgan Emerging Markets | 0 | 26,145 | | | |
| Guinness Global Equity | 0 | 35,903 | | | |
| Transfer from Equity Investment | | -12,358 | | | |
| | <u>366,676</u> | <u>465,497</u> | | | |
| Increase in value | | | 98,821 | | |
| Increase in value - percentage | | | 26.95% | | |
| | | | | Index | |
| MSCI World Index Increase | | | 54.98% | 01-Apr-17 | 9,889.13 |
| MSCI World Index Increase in value | | 201,591 | | 30-Jun-22 | 15,325.97 |
| | | | | | |
| | | | <u>-102,770</u> | | |
| Adjustments: | | | | | |
| Additional Funds since April 2017 | | | | | |
| Sep-19 Murray Income | 8,582 | -10,610 | 23.63% | 30-Sep-19 | 12,396.22 |
| Oct-19 North American | 7,717 | -9,770 | 26.60% | 31-Oct-19 | 12,105.56 |
| Oct-19 Murray Income | 12,358 | -15,646 | 26.60% | 31-Oct-19 | 12,105.56 |
| Aug-20 Monks Investment Trust | 9,010 | -10,584 | 17.47% | 31-Aug-20 | 13,046.26 |
| Aug-20 Schroder Mid Cap | 9,334 | -10,965 | 17.47% | 31-Aug-20 | 13,046.26 |
| Mar-21 Pacific Horizon Investment Trust - sold | -40,364 | 42,323 | 4.85% | 31-Mar-21 | 14,616.45 |
| Mar-21 Asia Dragon Trust | 35,354 | -37,070 | 4.85% | 31-Mar-21 | 14,616.45 |
| Sep-21 Schroder UK Mid Cap - sold | -3,080 | 2,929 | -4.89% | 30-Sep-21 | 16,113.80 |
| Mar-22 Guinness Global | -32,802 | 29,806 | -9.13% | 31-Mar-22 | 16,866.44 |
| Mar-22 Artemis Global Income - sold | 36,490 | -33,157 | -9.13% | 31-Mar-22 | 16,866.44 |
| | | | | | |
| Difference | | | -155,514 | | |

The Market Comparator is MSCI World Index.

This index is a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries.

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Investments

For the 12 Months to 30 June 2022

| Non Equity Investment | Value | | £ |
|-----------------------|----------------|----------------|---|
| | 01-Jul-21 £ | 30-Jun-22 £ | |
| Schroder Unit Trust | 25,222 | 21,787 | |
| Invesco Fund | 39,103 | 33,642 | |
| Sequoia Economic | 25,576 | 21,160 | |
| Picton Property | 28,927 | 36,548 | |
| 3i Infrastructure | 35,760 | 39,480 | |
| Urban Logistics | 26,690 | 27,455 | |
| | <u>181,278</u> | <u>180,072</u> | |

| Equity Investment | Value | | £ |
|------------------------------|----------------|----------------|---|
| | 01-Jul-21 £ | 30-Jun-22 £ | |
| Monks Investment Trust | 106,673 | 72,307 | |
| Artemis Global Income | 32,538 | 0 | |
| Standard Life UK Sml Co | 40,833 | 26,501 | |
| Schroder UK Mid Cap | 79,520 | 54,648 | |
| Murray Income | 83,834 | 80,080 | |
| Invesco UK Smaller Companies | 53,088 | 36,960 | |
| North American Income | 41,720 | 42,316 | |
| European Investment Trust | 67,083 | 35,135 | |
| Asia Dragon Trust | 34,320 | 28,015 | |
| Pacific Horizon | 55,250 | 39,845 | |
| JP Morgan Emerging Markets | 31,500 | 26,145 | |
| Guinness Global Equity | 0 | 35,903 | |
| | <u>626,359</u> | <u>477,855</u> | |
| Investment Cash | <u>5,436</u> | <u>8,683</u> | |
| | 813,073 | 666,610 | |
| Income Cash | <u>2,715</u> | <u>4,974</u> | |
| Total All Securities | 815,788 | 671,584 | |

All Securities

| | | |
|--------------------------------|----------|---------|
| Increase in value | -144,205 | |
| Increase in value - percentage | | -17.68% |

| | | Index |
|---|---------|--------------------|
| MSCI WMA Balanced Index Increase | -4.25% | 01-Jul-21 2,694.65 |
| MSCI WMA Balanced Index Increase in value | -34,707 | 30-Jun-22 2,580.01 |

Difference

-109,498

The Market Comparator is MSCI WMA Balanced Index.

This index aims to represent the investment strategy of seeking a balanced approach between income and capital growth in the portfolio.

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Investments - Equity

For the 12 Months to 30 June 2022

| | Value | | | | | |
|--|-----------|-----------|----------|---------|-----------|-----------|
| | 01-Jul-21 | 30-Jun-22 | | | | |
| | £ | £ | £ | | | |
| Monks Investment Trust | 106,673 | 72,307 | | | | |
| Artemis Global Income | 32,538 | 0 | | | | |
| Standard Life UK Sml Co | 40,833 | 26,501 | | | | |
| Schroder UK Mid Cap | 79,520 | 54,648 | | | | |
| Murray Income | 83,834 | 80,080 | | | | |
| Invesco UK Smaller Companies | 53,088 | 36,960 | | | | |
| North American Income | 41,720 | 42,316 | | | | |
| European Investment Trust | 67,083 | 35,135 | | | | |
| Asia Dragon Trust | 34,320 | 28,015 | | | | |
| Pacific Horizon | 55,250 | 39,845 | | | | |
| JP Morgan Emerging Markets | 31,500 | 26,145 | | | | |
| Guinness Global Equity | 0 | 35,903 | | | | |
| | 626,359 | 477,855 | | | | |
| Increase in value | | | -148,505 | | | |
| Increase in value - percentage | | | | -23.71% | | |
| | | | | | Index | |
| MSCI World Index Increase | | | | -2.56% | 01-Jul-21 | 15,728.42 |
| MSCI World Index Increase in value | | | -16,027 | | 30-Jun-22 | 15,325.97 |
| | | | -132,478 | | | |
| Adjustments: | | | | | | |
| Additional Funds in the previous 12 months | | | | | | |
| Mar-21 Pacific Horizon Investment Trust - sold | | -40,364 | 42,323 | 4.85% | 31-Mar-21 | 14,616.45 |
| Mar-21 Asia Dragon Trust | | 35,354 | -37,070 | 4.85% | 31-Mar-21 | 14,616.45 |
| Sep-21 Schroder UK Mid Cap - sold | | -3,080 | 2,929 | -4.89% | 30-Sep-21 | 16,113.80 |
| Mar-22 Guinness Global | | -32,802 | 29,806 | -9.13% | 31-Mar-22 | 16,866.44 |
| Mar-22 Artemis Global Income - sold | | 36,490 | -33,157 | -9.13% | 31-Mar-22 | 16,866.44 |
| Difference | | | -124,295 | | | |

The Market Comparator is MSCI World Index.

This index is a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries.

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Expenditure Forecast for the Capital Programme - 2022/23 to 2028/29

As at 30 June 2022

| | | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total 2022/29 | |
|---|---------------------|---------|-----------|-----------|-----------|---------|-----------|-----------|------------------|---|
| | | £ | £ | £ | £ | £ | £ | | £ | |
| Pump Stations | | | | | | | | | | |
| | No. of Pumps | | | | | | | | | |
| Oldbury | 3 | | | | | | 2,563,042 | 905,704 | 3,468,746 | |
| Marshfield | 2 | | 733,102 | 397,837 | | | | | 1,130,939 | |
| Lapperditch | 2 | | 797,997 | 436,425 | | | | | 1,234,422 | |
| Wicks Green | 2 | | | | 1,269,664 | 678,982 | | | 1,948,646 | |
| Elmore Back | 2 | 58,651 | | | | | | | 58,651 | |
| Saul | 1 | | | | | | | | 0 | |
| Pump Expenditure Total | | 58,651 | 1,531,099 | 834,262 | 1,269,664 | 678,982 | 2,563,042 | 905,704 | 7,841,404 | 0 |
| Plant and Vehicles | | | | | | | | | | |
| Water Level Monitoring Equipment | | 8,000 | | | | | | | 8,000 | |
| Energreen SPV3 | | 240,370 | | | | | | | 240,370 | |
| Energreen VX65 HVB | | -38,000 | | | | | | | -38,000 | |
| Kobelco Excavator | | | 160,000 | | | | | | 160,000 | |
| Kobelco Excavator WU16 T2M | | | -15,000 | | | | | | -15,000 | |
| Isuzu Truck | | | 35,000 | | | | | | 35,000 | |
| Isuzu Truck WU17 NVD | | | -5,000 | | | | | | -5,000 | |
| Energreen SPV2 | | | | 300,000 | | | | | 300,000 | |
| Energreen VX65 HTA | | | | -40,000 | | | | | -40,000 | |
| Ford Ranger Truck | | | | 40,000 | | | | | 40,000 | |
| Isuzu Truck VO62 RPY | | | | -5,000 | | | | | -5,000 | |
| Loadall/Material Handler | | | | | | 90,000 | | | 90,000 | |
| Merlo Loadall WX08 OSY | | | | | | -1,000 | | | -1,000 | |
| Claas Tractor/Mower | | | | | | | 210,000 | | 210,000 | |
| Claas 697 WX14 LGO | | | | | | | -22,000 | | -22,000 | |
| Hitachi Excavator | | | | | | | 220,000 | | 220,000 | |
| Hyundai WX12 CWL | | | | | | | -15,000 | | -15,000 | |
| JCB Wheeled Excavator | | | | | | | 190,000 | | 190,000 | |
| JCB WV19 FUJ | | | | | | | -18,000 | | -18,000 | |
| Plant and Vehicles Expenditure Total | | 210,370 | 175,000 | 295,000 | 0 | 89,000 | 0 | 565,000 | 1,334,370 | 0 |
| Capital Expenditure Total | | 269,021 | 1,706,099 | 1,129,262 | 1,269,664 | 767,982 | 2,563,042 | 1,470,704 | 9,175,774 | |

Details of Budget and Expenditure on Pump Stations

| | | Budget | Previous Years Expenditure | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total |
|-------------------------------|---------------------|------------------|-------------------------------|---------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|
| | | £ | £ | £ | £ | £ | £ | £ | £ | | £ |
| Pump Stations | No. of Pumps | | | | | | | | | | |
| Oldbury | 3 | 3,493,429 | 24,683 | | | | | | 2,563,042 | 905,704 | 3,493,429 |
| Marshfield | 2 | 1,156,385 | 25,446 | | 733,102 | 397,837 | | | | | 1,156,385 |
| Lapperditch | 2 | 1,207,343 | 33,288 | | 797,997 | 436,425 | | | | | 1,267,710 |
| Wicks Green | 2 | 1,972,281 | 23,635 | | | | 1,269,664 | 678,982 | | | 1,972,281 |
| Elmore Back | 2 | 815,000 | 869,277 | 58,651 | | | | | | | 927,928 |
| Saul | 1 | 180,000 | 179,623 | | | | | | | | 179,623 |
| Pump Expenditure Total | | 8,824,438 | 1,155,952 | 58,651 | 1,531,099 | 834,262 | 1,269,664 | 678,982 | 2,563,042 | 905,704 | 8,997,356 |

0

Details of Expenditure on Pump Stations in 2022/23

| | | Spend in current financial year, 2022/23, to 1 June 2022 | Spend in current financial year, 2022/23, in June 2022 | Total Spend to date | Expected spend in current financial year from 1 July 2022 | Revised Total expected spend for the current financial year | Original Total expected spend for the current financial year | Difference between Original and anticipated total spend - positive figure represents an underspend |
|----------------------|---------------------|---|--|---------------------------|---|--|---|--|
| | | £ | £ | £ | £ | £ | £ | £ |
| Pump Stations | No. of Pumps | | | | | | | |
| Oldbury | 3 | | 0 | 0 | | 0 | 0 | 0 |
| Marshfield | 2 | | 0 | 0 | | 0 | 0 | 0 |
| Lapperditch | 2 | | 0 | 0 | | 0 | 0 | 0 |
| Wicks Green | 2 | | 0 | 0 | | 0 | 0 | 0 |
| Elmore Back | 2 | 23,409 | 35,242 | 58,651 | | 58,651 | 30,000 | -28,651 |
| Saul | 1 | | 0 | 0 | | 0 | 0 | 0 |
| Total | | 23,409 | 35,242 | 58,651 | 0 | 58,651 | 30,000 | -28,651 |
| | | | | 0 | | 0 | | 0 |

Lower Severn (2005) Internal Drainage Board

CASH FLOW

2022/23

| | | 2022 | | | | | | | | | | | 2023 | |
|------------------------------|------|--------------------------|--------------------------|--------------------------|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Note | Mar £ 000's actual | Apr £ 000's actual | May £ 000's actual | Jun £ 000's actual | Jul £ 000's forecast | Aug £ 000's forecast | Sep £ 000's forecast | Oct £ 000's forecast | Nov £ 000's forecast | Dec £ 000's forecast | Jan £ 000's forecast | Feb £ 000's forecast | Mar £ 000's forecast |
| NatWest No.1 A/c | | | | | | | | | | | | | | |
| Balance b/f | | | 60 | 474 | 167 | 402 | 148 | 134 | 125 | 104 | 126 | 133 | 141 | 148 |
| Other income | 3 | | 1 | 4 | 0 | 4 | 4 | 5 | 4 | 4 | 4 | 4 | 4 | 4 |
| Plant & Machinery Sales | | | 0 | 0 | 0 | 46 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VAT | | | 16 | 11 | 46 | 13 | 3 | 6 | 6 | 8 | 6 | 6 | 6 | 6 |
| Levies | 1 | | 328 | 426 | 0 | 0 | 0 | 0 | 0 | 731 | 0 | 0 | 0 | 0 |
| Rates | 2 | | 79 | 28 | 16 | 14 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| sub total | | | 484 | 943 | 229 | 479 | 154 | 145 | 134 | 846 | 136 | 143 | 150 | 158 |
| Expenditure | 3 | | -49 | -18 | -29 | -42 | -45 | -45 | -45 | -45 | -45 | -45 | -45 | -45 |
| Plant | | | 0 | 0 | 0 | -288 | 0 | 0 | -10 | 0 | 0 | 0 | 0 | 0 |
| Pump Expenditure | | | -25 | 0 | -20 | -22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Developer Expenditure | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EA Levy | | | 0 | 0 | 0 | -49 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Salaries (paid via No.2 A/c) | | | -65 | -65 | -65 | -65 | -75 | -75 | -75 | -75 | -57 | -57 | -57 | -57 |
| Net transfers | 3 | | 129 | -693 | 287 | 135 | 100 | 100 | 100 | -600 | 100 | 100 | 100 | 50 |
| sub total | | | -10 | -776 | 173 | -331 | -20 | -20 | -30 | -720 | -2 | -2 | -2 | -52 |
| Balance c/f | | 60 | 474 | 167 | 402 | 148 | 134 | 125 | 104 | 126 | 133 | 141 | 148 | 106 |
| Other balances | | | | | | | | | | | | | | |
| NatWest | | | | | | | | | | | | | | |
| No 2 Account | | 30 | 33 | 35 | 36 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 |
| Bonus Saver | 4 | 296 | 167 | 860 | 574 | 439 | 339 | 239 | 139 | 439 | 339 | 239 | 139 | 89 |
| Deposit Account | 5 | 206 | 206 | 206 | 206 | 206 | 206 | 206 | 206 | 506 | 506 | 506 | 506 | 506 |
| Lloyds Deposit | 6 | 93 | 93 | 139 | 139 | 139 | 139 | 139 | 139 | 139 | 139 | 139 | 139 | 139 |
| Total | | 625 | 499 | 1,240 | 955 | 817 | 717 | 617 | 517 | 1,117 | 1,017 | 917 | 817 | 767 |
| Developers Funds Cash | | | | | | | | | | | | | | |
| Lloyds Deposit | 6 | 111 | 111 | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 |
| All LSIDB balances | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| LSIDB Working Cash | | 491 | 777 | 1,191 | 1,135 | 738 | 601 | 469 | 325 | 924 | 809 | 693 | 578 | 463 |
| Capital Reserve | | 194 | 196 | 216 | 222 | 227 | 250 | 273 | 296 | 319 | 341 | 364 | 387 | 410 |
| Developer Reserve | | 111 | 111 | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 |
| | | 796 | 1,084 | 1,472 | 1,422 | 1,030 | 916 | 807 | 686 | 1,308 | 1,215 | 1,123 | 1,030 | 938 |

1. Levies received May and November

2. Rates received in May

3. Income and Expenditure as per Budget profile.

4. Direct Bonus Saver earns 0.01% interest
5. Deposit Account - 35 Day Notice earns 0.2% interest.
6. Deposit Account - 32 Day Notice earns 0.1% interest. From 17 June 0.15%.

Lower Severn (2005) Internal Drainage Board

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

| | £ | £ |
|---|------------------|---|
| Balance Sheet as at 30 June 2022 | | |
| Cash at bank and in hand | 1,011,692 | |
| Short term Deposits | 410,203 | |
| Less Petty Cash | 188 | |
| Cash at Bank | <u>1,421,707</u> | |
| LSIDB Working Cash | 1,140,417 | |
| Capital Expenditure Reserve | 216,470 | |
| Developers Funds Reserve | 64,820 | |
| | <u>1,421,707</u> | |

Investments

| | As at 30 June 2022 |
|---|---------------------------|
| | £ |
| Capital | |
| Amount through Evelyn Partners (net) | 650,000 |
| Market value | <u>842,795</u> |
| Change in value | 192,795 |
| Portfolio return since 1 June 2022 | -6.53% |
| Note: Market Index Movements | |
| MSCI WMA Balanced NR | -4.33% |
| MSCI World NR | -5.21% |
| MSCI ACWI (All Countries World Index) | -4.97% |
| MSCI ACWI ex UK | -4.96% |

Developers Funds as at 30 June 2022

| | £ |
|---|----------------|
| Developers Funds Reserve as per Balance Sheet | <u>907,615</u> |
| Funds held as: | |
| Investments | 842,795 |

Cash held at Bank

| |
|----------------|
| 64,820 |
| <u>907,615</u> |

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Cash Flow Forecast for 2022/23 to 2026/27

| Summary | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Working Capital | 463 | 340 | 444 | 468 | 826 |
| Capital Reserve | 410 | -821 | -1,330 | -2,250 | -2,554 |
| Developer Reserve | 65 | 19 | -29 | -79 | -131 |
| Total Cash at Bank | 938 | -462 | -915 | -1,861 | -1,859 |
| Cash Brought Forward | 796 | 938 | -462 | -915 | -1,861 |
| Income | 1,897 | 1,992 | 2,121 | 2,185 | 2,281 |
| Expenditure | -1,752 | -3,353 | -2,760 | -3,303 | -2,802 |
| Add back Depreciation | 223 | 322 | 394 | 467 | 523 |
| Less Capital Purchases | -226 | -361 | -208 | -295 | 0 |
| Cash at year end | 938 | -462 | -915 | -1,861 | -1,859 |

| | £000's | £000's |
|------------------------------------|--------|----------|
| Cash at Bank - 1 April 2022 | | |
| Number 1 Account | 60 | |
| Number 2 Account | 30 | |
| Bonus Saver | 296 | |
| Deposit NatWest | 206 | |
| Deposit Lloyds | 204 | |
| | | 796 |
| Working Capital | 491 | |
| Pump Station Reserve | 194 | |
| Developer Reserve | 111 | |
| | | 796 |
| Difference | | 0 |

| | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | 2026/27 £000's |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Detail | | | | | |
| Working Capital | | | | | |
| Cash Brought Forward | 491 | 463 | 340 | 444 | 468 |
| Income | 1,897 | 1,992 | 2,121 | 2,185 | 2,281 |
| Expenditure | -1,647 | -1,776 | -1,878 | -1,983 | -2,071 |
| Transfer to Capital Reserve | -275 | -300 | -325 | -350 | -375 |
| Add back Depreciation | 223 | 322 | 394 | 467 | 523 |
| Less Capital Purchases | -226 | -361 | -208 | -295 | 0 |
| Cash at year end | 463 | 340 | 444 | 468 | 826 |
| | 463 | 340 | 444 | 468 | 826 |
| Capital Expenditure Reserve | | | | | |
| Cash Brought Forward | 194 | 410 | -821 | -1,330 | -2,250 |
| Transfer from working capital | 275 | 300 | 325 | 350 | 375 |
| Expenditure | -59 | -1,531 | -834 | -1,270 | -679 |
| Cash at year end | 410 | -821 | -1,330 | -2,250 | -2,554 |
| | | | | | |
| Developers Fund Reserve | | | | | |
| Cash Brought Forward | 111 | 65 | 19 | -29 | -79 |
| Income from Developers | 0 | 0 | 0 | 0 | 0 |
| Expenditure | -46 | -46 | -48 | -50 | -52 |
| Cash at year end | 65 | 19 | -29 | -79 | -131 |
| | | | | | |

REVIEW OF RESERVES

Introduction

The current and the proposed Capital Financing and Reserves Policy, which is attached, 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.’

The Board’s expenditure for the year ended 31 March 2022 was £1,543,482.

Level of Reserves as at 31 March 2022

| | |
|---------------------|--|
| Capital Account | £ 666,569 |
| Developers Fund | £ 1,059,692 |
| Revaluation Reserve | £ 144,583 |
| Capital Expenditure | £ 194,046 |
| Pension Reserve | £ -708,000 |
| Accumulated Fund | £ 1,093,359 (70.84% 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

Approved by the Board on 8th June 2022

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

- **Capital Account**
This reserve consists of the total net value/worth, (assets less liabilities) of the Individual Drainage Boards when they amalgamated in 2005 to become one entity, the Lower Severn (2005) Internal Drainage Board.
- **Developers Fund**
This reserve consists of sums received from Developers. A Developer will pay the Board an agreed sum, up front, for the Board to maintain agreed rhines, ditches and ponds over the lifespan of the Developers project within the Developers specified areas of responsibility.

Annually, an amount will be transferred from this Reserve to the Income and Expenditure Account, to cover the applicable income and maintenance costs in that year. Within the Income and Expenditure Account there will be an income entry showing the transfer of funds. The corresponding expenditure will be shown within the relevant expenditure headings.

The investment portfolio, notwithstanding unexpected events, will be kept at a level which is sufficient to meet this liability. Any surplus will be transferred from the Developers Fund Reserve to the Capital Expenditure Reserve.

- **Capital Expenditure**
This reserve is needed to regularly appropriate from the expected excess income arising annually from the Income and Expenditure Account a sum of such magnitude as to be sufficient to cover the expected cost of the Board's approved capital expenditure which is incorporated into its medium term financial plan. The major element of this reserve will be to cover the expected cost of replacing pumps at pumping stations to meet the 2009 Eel Regulations.

Subsequent to the purchase of an asset, annual depreciation will be applied at its appropriate rate and charged to the Income

and Expenditure Account. The annual depreciation charged will be as follows:

Plant and Machinery; Motor Vehicles; Office Equipment;
Furniture and Fittings; Intangible Assets – Depreciation
25% on the reducing balance

Land - Depreciation not taken

Buildings – Depreciation over 20 years straight line, over
40 years straight line from 1 April 2021

Pumps - Depreciation over 15 years straight line

- **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

- **Accumulated Fund**

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.

Earmarked Reserves will only be held for genuine and intended purposes and their levels regularly reviewed. Each Earmarked Reserve will be separately identified and enumerated.

If, at the year end, the Accumulated Fund 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.