

**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.