

**Minutes of Treasury Sub-Committee Meeting
Of the Lower Severn (2005) Internal Drainage Board
Held Wednesday 25th August 2021 at 10.30am
Via Zoom Virtual Meetings**

Present: Ald C Williams Chairman
Cllr M Riddle
Mr J Nichols
Cllr P Howells

Martin Dear Accounts Officer AO
Louise Reading Minutes
Mr V Boscawen Smith & Williamson S&W
(For items 3243 & 3244)

3241	<p>Apologies/Welcome The Chairman welcomed Members and Vere Boscawen to the meeting.</p> <p>Apologies were received from Mr Barnes.</p>	
3242	<p>Chairman's Announcements. There were no announcements.</p>	
3243	<p>Review of current Portfolio and Markey Update Mr Boscawen explained that despite the ongoing COVID 19 pandemic the Boards funds had continued to recover and showed a healthy return.</p> <p>It was though that inflation may increase however this would likely be transitory and not permanent as governments across the globe did not want to destabilise the recovery made since the depression when covid first hit in 2019.</p> <p>Most sectors found they were almost, if not, fully back to pre-covid operations with the exceptions being mainly transport and hospitality.</p> <p>Members discussed how well the FTSE 250 index was performing and Mr Boscawen explained that it had exposure to many smaller to medium companies that were owner owned and these owners were naturally invested in these companies and more open to acquisitions and mergers.</p> <p>Mr Boscawen introduced a new fund for Members to consider – the Aberforth Smaller Companies Trust. It was launched in 1990 and it was a diverse portfolio with investments in over 80 companies</p> <p>Cllr Riddle asked if it was possible to protect the current growth and value of the Boards investments. Mr Boscawen explained that it would be dependent on when the investments might need to be withdrawn. If there was a liability to pay within the next couple of years it would prove sensible to move money into cash options now however if the forecast was longer term it is highly unlikely money would be lost. History shows good recovery from previous stock and share depressions. There were insurance policies that could be purchased however these could be pricey and cap potential returns.</p>	

3244	<p>Future Investment Strategy</p> <p>Although happy with the performance of the portfolio overall during such turbulent times Mr Boscawen recommended the following investment changes:</p> <ul style="list-style-type: none"> • Transfer around £35,000 from the Schroder UK Mid Cap to Aberforth Smaller Companies Trust. • Invest some of the cash surplus into the Picton Property fund <p>Vere Boscawen advised that he would send through further information on the newly advised investment for review by Members</p> <p>The Chairman thanked Mr Boscawen for his time and Mr Boscawen left the meeting.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • Invest some of the cash surplus into Picton Property, • On receipt and review of the information received on Aberforth Smaller Companies Trust and subject to agreement by Members, either; <ol style="list-style-type: none"> a) Transfer around £35,000 from Schroder UK Mid Cap to Aberforth Smaller Companies Trust. b) Decline the Smith and Williamson recommendation. 	<p>20210825TRE1</p> <p>AO to distribute information on Aberforth Smaller Companies Trust once received from S&W</p>
3245	<p>Declaration of Members' Interests</p> <p>No interests were declared.</p>	
3246	<p>Minutes of the Previous Meeting</p> <p>All actions were complete.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The minutes of the meeting held on 10th March 2021 be approved as a true and correct record. 	
3247	<p>Management Fees charged by Smith & Williamson</p> <p>It was resolved that:</p> <p>The report be noted.</p>	
3248	<p>Balance Sheet & Developers Funds as at 30th June 2020</p> <p>The AO informed Members that there were no surprises in the balance sheet and that the Finance and General Purposes Committee would receive a balance sheet made up to 31st July 2021.</p> <p>In relation to the developers funds the Chairman advised Members that whilst the investment stood at around £1million, the future costs of the Avonmouth and Severnside Scheme were unknown. It would be prudent to quantify the future liability for future statutory maintenance, contractual obligations and unplanned and emergency works. He suggested that maybe the CE could provide some figures for discussion to ascertain if the investments would be sufficient to cover ongoing liabilities. Cllr Riddle added that as land was developed within the Avonmouth and Severnside area this would change the usage of land from agricultural to Levy and this should also be recorded correctly.</p> <p>Cllr Riddle was concerned about the pension deficit increase this year. The AO reminded Members that this was calculated at a</p>	

	<p>specific point in time taking into consideration the stock market at that time.</p> <p>Mr Nicholls asked why we couldn't get a more up to date valuation.</p> <p>The AO explained that we could however it would come with a charge and that with this information the situation would remain. If the valuation was less then this would provide comfort however it could show a further increase which would give rise to further concern. The AO felt that this increase was an anomaly given the Covid 19 pandemic.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The Balance Sheet and Developers fund be noted. 	
3249	<p>Schedule of Investments</p> <p>The Chairman thanked the AO for the schedules of investments that showed figures from their start date and also for the previous 12 months.</p> <p>In response to a question from Cllr Howells, the Chairman explained that should the Board need to cash in some of the investment, in line with the Committees Terms of Reference, they would seek advice from Smith and Williamson and act accordingly.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The Schedule of Investments be noted. 	
3250	<p>Cash flow forecast – Capital Programme to 2029</p> <p>The AO informed Members that this was subject to forthcoming decisions by the Board in respect of the pump station replacement programme</p> <p>The Chairman agreed with the AO and informed Members that he had asked the PO to ask the Engineering Committee at their next Committee meeting if the forecasted sum budgeted over the next 18 months on plant and equipment was essential.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The Cash Flow forecast – Capital Programme to 2029 be noted. 	
3251	<p>Cash Flow 2020/2021</p> <p>The AO advised Members that most of the income was received bi-annually with the second levy payments due in November. Therefore cash flow was lower in the month or two before Levy payments were received. In these months the AO closely monitored invoices relating to the pump station replacement programme in order to manage cash flow.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The Cash flow 2021/2022 be noted. 	
3252	<p>Cash Flow Forecast for 2021/2022 – 2025/2026</p> <p>The AO presented the cashflow and explained that this was correct as at today, however how the Board decided to proceed with its pump station replacement programme could alter these figures significantly</p> <p>It was resolved that:</p>	

	<ul style="list-style-type: none"> • The Cash Flow 2021/2022 – 2025/2026 be noted. 	
3253	<p>Review of Reserves. The AO advised that the review of the reserves was the responsibility of the Treasury Sub Committee annually.</p> <p>Cllr Riddle noted that the accumulated fund totalled 41.5% of annual expenditure which was higher than normal and asked if there was a reason.</p> <p>The AO explained that the new pumps were capitalised and depreciated through the accumulated fund so when a new pump was added it increased the %. Cllr Riddle further asked if it would be better if the new pumps were capitalised and depreciated through the Capital Expenditure. The AO explained that this would not provide true figures for the current capital expenditure forecast.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The Level of Reserves are acceptable and should be submitted to the Finance and General Purposes Committee for agreeing and then forwarded to the Board for approval as per appendix A. 	
3254	<p>Date of next meeting The date of next meeting is to be advised however the Chairman anticipated this to be March 2021 in line with previous years</p>	
	The Meeting closed at 12.05pm	

COMMITTEE: Treasury Sub-Committee

MEETING DATE: 25.08.2021

REF: MD

REPORT BY: Accounts Officer

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 2021 was £1,436,096.

Level of Reserves as at 31 March 2021

Capital Account	£ 666,569
Developers Fund	£ 1,014,331
Revaluation Reserve	£ 144,583
Capital Expenditure	£ 411,307
Pension Reserve	£ -1,412,000
Accumulated Fund	£ 596,060 (41.51% 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