

UPPER MEDWAY INTERNAL DRAINAGE BOARD



**MINUTES OF A MEETING of the Finance Committee (Estimates) held via
Zoom Conference Call**
on Tuesday 13 October 2020 at 10am.

Members of the Committee Present

D Goff - Chairman

P Harper
H Rogers
C Wheeler

In attendance

O Pantrey - Clerk
L Carey – Finance Officer
L Rowland – Officer Manager

1. APOLOGIES FOR ABSENCE

No response received from M Round.

The Chairman of Finance made a statement as follows:

Those of you that are here as Counsellors, I want to remind you that you are here as Board Members and you should remember this in your decision-making process as in the ADA Blue Book. We were warned last year by the previous Clerk that we needed to make some serious decisions and now that time has arrived. We did not heed to that warning and we went for a small increase and the figures produced now show it is time to make an important decision.

In the past few months, we have been distracted by 2 tribunals and the change of Clerk. Now we have a new Clerk and Finance Officer in place, now it is the time to support them and move forward. They have found several problems within the finances (the AGAR and IDB1 forms) and they are addressing those and hopefully now we are on top of the situation.

I sat down with the Clerk and Finance Officer a couple of weeks ago and went through the proposed budgets looking where savings can be made and how we might move forward. We did find a couple of discrepancies of cross charging between the Upper and Lower Boards and this has now been sorted out. I believe we found all the skeletons that were in the cupboard and we now have a true reflection of the financial situation for the Upper Board.

We must now be positive and deal with the issues faced. I have said before the Board has been a bit dysfunctional and disjointed in the past and now is the time to deal with our issues or there is a real danger of problems down the line for the future of the Board.

We have appointed new Auditors and we are meeting with them tomorrow so they can look at whether we are compliant with everything we are doing. We have had concerns with the previous auditor, we are now moving on in this area as well.

We have to be positive and bold to allow us to move on and deal with drainage issues in the area. We need to plan for the future and the potential new office/depot and other developments through a detailed business plan and vision. We need to look at the minimum bank balances of £350,000 as this only represents 3-4 months of trading. If we have a severe flood this could soon disappear. The EA have set out a very detailed strategy for the next 5 years and the role of the IDB is clearly outlined and we need to be ready to take on our role, whatever that might be. A quote from the ADA Gazette from Innes Thompson says "We should support the strategy and answer the question, what are you able to contribute through your own business plan for the community within which you work?". If we sit back, we may be looked at by DEFRA and could potentially be taken over by somebody else.

The Chairman of Finance asked for any comments.

The Chairman of the Board added that he wished to comment about the warning that we are on a watchlist from ADA as a result of errors on our return and subsequent corrections. We obviously want to avoid that as it doesn't give us the confidence in what we should be doing and it adds an additional burden in having to respond to any enquiries or an internal inspection that could come as a result of that.

1. **ESTIMATES**

RECEIVED the budget and the Clerk's Estimates Report for 2021/22.

(As attached to these Minutes - Appendix 1)

The Clerk said he wanted to discuss the potential of breaching our own minimum reserve policy of £350,000 and if Members wished to do that as it may be redeemed irresponsible. He said we had options; remove liability, sell assets, generate income (which he was working on but would take time to see results of this) or increase the rate. He said there are areas we may be able to see a little bit back on for example the EA precept and we will be meeting with the EA in the coming weeks to discuss a return on this year's precept and a reduction in next year's precept and explained the figure on the report had been put in place for prudence.

He said that a Technical Assistant is realistically likely to be needed soon and wished to discuss this with Members along with the replacement of the fourth member of staff at the depot.

Members discussed the report and estimates documents in detail, the main points raised are recorded below.

C Wheeler felt the appointment of a Technical Assistant was an unnecessary one as this would be expensive and had been problematic in the past.

P Harper wanted to make a general point by saying we are in a very different and difficult world to what we were last year due to COVID-19 and felt in more favourable circumstances we might be able to increase the levy but felt that freezing it which could reduce our budget by c. £90,000 or even reducing it should be considered in these times. He felt the recruitment of a Technical Assistant was not vital at this time and that we should be looking to recover consents costs as much as possible. He also felt the £350,000 reserves policy could be reduced as most organisations work on smaller reserves and suggested a reserves policy of perhaps 3 months which was more typical and would reduce this to £203,000. He raised the issue of depreciation and suggested a depreciation holiday. He also raised the issue of reducing office costs with staff working from home as there would be savings here, albeit small savings.

The Chairman of the Board said that he felt the Board should be concentrating more on optimising the work depot staff and getting the work on the ground back up to the levels we expect and agreed with the other Members that the Technical Assistant could not be justified at this time and this position should not be filled without Board approval. He also said that he was looking forward to receiving the next report from the Works Supervisor to see what level of work has been going on with the depot staff.

The Chairman of the Board also questioned the figures on the second column on the Summary Expenditure Report.

The Finance Officer apologised that there had been an error and said the second column should state April 2020 to March 2021 rather than October 2020 to March 2021 and said this would be amended to avoid further confusion. He Also stated that he wanted to provide very black and white figures to the Board in order for them to make a decision on the levy.

The Chairman of the Board also wished to raise the high plant costs and asked for clarification that most of those costs were due to depreciation.

The Finance Officer confirmed that £105,000 was depreciation.

The Chairman of the Board said that the machinery had not been used to its potential and we should look at increasing our 4-year depreciation policy and keeping plant beyond warranty.

C Wheeler agreed and felt that replacing plant after 4 years was a luxury.

The Clerk reminded Members that the agreement to replace plant was made as a Joint Services Committee and if the Upper Board changed their decision this would affect the future discounts for the Lower Board so the Lower Board would need to be informed of this decision.

The Chairman of Finance said that we have the same problem again, where we have made a decision within the Joint Services Committee that we are going back on and he said that the Technical Assistant was also half of the Lower Boards. He said that we cannot make decisions and keep going back on them.

The legal and professional fees were discussed at length.

The Chairman of Finance said that the legal and professional fees can be taken out for next year as the way things are going the matter will be resolved soon and said now that we have a stable situation we should not have legal and professional fees like this in the future.

The Chairman of the Board brought up the labour costs for depot salaries and asked whether this was including a fourth member of staff that we were looking to replace.

The Finance Officer confirmed it was for four members of staff.

A long discussion took place regarding the need for the replacement of the fourth member of staff in the depot, contractor fees including the use of the Lower Board workmen and also the Upper Board undertaking rechargeable work themselves.

On a proposition by Chairman of Finance seconded by The Chairman of the Board it was **AGREED** to go ahead with the replacement of the fourth member of depot staff and we should look to reduce our rechargeable work next year if we can.

C Wheeler was also in agreement. P Harper was more hesitant but confirmed he did not want to go against the majority decision.

The Clerk confirmed we are ready to move to interview stage and this had been put on hold until a decision had made and now this had been agreed he hoped to be able to hold interviews within the next couple of weeks.

The Chairman of Finance requested that the Finance Committee were given a regular update on contractor costs going forward.

The Chairman of Finance asked Members clarification on how they wished to deal with the Technical Assistant role.

It was **AGREED** to put the Technical Assistant position on hold and to have further justification for this position and for this to be looked at again next year.

The Chairman of Finance said that he recommended the reserves policy remain at £350,000 and we speak to the new auditors for their advice on this policy.

The Chairman of the Board added that we are operating on the advice of the external auditor which is to hold 50% turnover in reserve and 2 years ago we reduced the reserves level from the high £400,000's to £350,000.

P Harper suggested that the reserves policy be reviewed every 2 years.

The Chairman of the Board asked the Clerk if he could make a guess regarding the additional income we might receive from the EA.

The Clerk confirmed that David Lowe had said that they were struggling to spend it and it would likely be reduced.

The general feeling was that because requests had been made to adjust figures that the Finance Committee should meet again next week to discuss the estimates again before making the recommendation to the Board regarding the levy increase.

The Clerk said that we need to be clear what we are going to supply to the Board and his recommendation was to supply a summary sheet and the Finance Committee's recommendation.

It was **AGREED** to meet again on Tuesday 20 October at 9am.

2. ANY OTHER BUSINESS

There was no AOB to discuss.

3. CLOSURE

There being no further business the Chairman of Finance thanked Members for their attendance and declared the meeting closed.