

# **LOWER MEDWAY INTERNAL DRAINAGE BOARD**



**MINUTES OF A MEETING** of the **Finance Committee** held at  
**17 Albion Place, Maidstone, Kent**  
on **Monday 21 June 2021 at 10.00am**

## **Members of the Committee Present**

Chairman: S Mair

S Batt  
Ald D Dewar-Whalley  
J Lewis  
J Mair

In attendance

O Pantrey - Clerk  
L Carey – Finance Officer  
L Rowland – Officer Manager  
Cllr D Carnell

### **1. APOLOGIES FOR ABSENCE**

No apologies for absence received as all Finance Committee Members present. The Chairman of Finance welcomed D Carnell to the meeting.

### **2. ITEMS OF INTEREST DECLARATION**

None of the Members present declared a pecuniary and/or non-pecuniary interest in any of the items to be discussed on the Agenda.

### **3. MINUTES**

**RECEIVED** the Minutes of the Finance Committee held on 6 October 2020, 14 December 2020, 17 March 2021 and 29 March 2021.

**(As attached to these Minutes – Appendix 1)**

It was **AGREED** that the Minutes of 6 October 2020, 14 December 2020, 17 March 2021 and 29 March 2021 were correctly recorded and should be considered as approved.

#### **4. ACTION LIST & MATTERS ARISING FROM PREVIOUS MINUTES**

**RECEIVED** a copy of the Action List of the Board held on 6 October 2020.

**(As attached to these Minutes – Appendix 2)**

##### **Item 3 – Estimates (Capital Reserves), 6 October 2020**

The Clerk confirmed there was only one item outstanding on the action list for Capital Reserves and Members had agreed to discuss this at the Estimates meeting in October when the Finance Committee are going to look whether or not the reserves of one year are suitable for the pumping stations that we have, bearing in mind that Bells Pumping Station has a reinstatement value due to inflation is closer to £3,000,000 now. The new pumping stations at Harty and Leysdown Pumping Stations are likely to have a reinstatement value of c. £1,000,000 and Rushenden Pumping Station is probably going to be c. £1,000,000. He said we need to start consider that maybe £1,500,000 is not suitable should there be a cataclysmic event that took the pumps out.

D Dewar-Whalley suggested that we approve of the principle today and discuss the funds later.

The Chairman of Finance said that he agreed with the principle and agreed we should set that in motion. He said that previously it had been discussed that £1,600,000 was not enough and that it should move to at least £3,200,000 subject to finding out what the cost liabilities were on Bells, Rushenden, Harty and Leysdown Pumping Stations.

On a proposition by D Dewar-Whalley seconded by J Mair, it was **AGREED** in principle to raise the Capital Reserve Policy subject to further financial provision.

All Members were in favour.

J Lewis asked if it had been agreed that developers were doing the work on Rushenden Pumping Station?

The Clerk confirmed that Homes England are going to pay for the new pump as part of their development. He said we are still investigating what exactly they are going to pump out from there as it maybe that Southern Water should be paying some sort of retainer on the amount of water that they will be pumping through. He also said that it had been agreed that we were not happy with Southern Water taking Rushenden Pump Station on as an asset and it will remain an IDB asset.

#### **5. INTERNAL AUDIT**

**RECEIVED** Mid Kent Audit's end of year internal audit report carried out on 25 May 2021.

**(As attached to these Minutes – Appendix 3)**

The Clerk reminded Members that since the previous internal auditor did not renew his contract, we appointed Mid Kent Auditors as our new auditors. He explained that they conducted a 6 month audit on us covering the period of April 2020 to October 2020 and they had given us a bit of a hammering as we were out on almost everything. He said that the Finance Officer worked with the auditors and provided the things that they

required and that then led us into the end of year internal audit that was carried out last month.

The Finance Officer confirmed that the end of year audit had taken hours to get information over to them, but once we got the required evidence over to them, they only came back with 3 no's as could be seen on the report. She said she was pleased with the report in the end and expects to achieve all yes's next year.

The Chairman of Finance thanked the Finance Officer for her work with the auditors.

The Finance Officer said that one of the no's was to do with Lincolnshire salary scales and confirmed this has since been corrected. She said they also couldn't really look at the previous year's reports as they wanted to. She explained they were only able to look at 2019 and 2020 and wanted to go back even further but we asked them to look at the last 6 months, which they did agree to.

The Clerk explained that another no was our budgetary controls which was to do with our internal departmental budgeting which has also now been resolved and we are now tracking this more accurately. He said the final issue regarding public rights was due to the fact that we had failed to submit the AGAR on time because we were not aware of the deadline and this will be resolved going forward.

The Chairman of Finance thanked everyone for their time spent on this improved audit process.

D Dewar-Whalley raised point 12 under the Detailed Findings section which read "*The Lower Board shares a reserve policy with the Upper Board. However, given the different asset profile and ambitions of the two authorities we are not assured a joint policy is appropriate.*" He said that he would agree that this is not appropriate.

The Clerk said that we need to make it clearer that the Boards do not share a reserve policy, and that they each have their own independent policy and suggested that every year we should agree the Reserve Policy so that it is clearly minuted.

It was **AGREED** that this would be added to the agenda of the Finance/Estimates Committee each year for approval and then added to the main Board agenda for information.

The Chairman of the Board said that the sinking fund shouldn't be attached to the normal reserves.

The Finance Officer confirmed that from this month she will be doing management accounts where everything will be broken down and Members will be able to see exactly what the reserves are for.

D Dewar-Whalley said that it was very important the Upper Board cannot call on the Lower Board funds and that needs to be made very clear.

The Clerk said that it was important to recognise that we needed a shake up on how we were managing governance and finance and we are now in a considerably better position for the future. He said we now have a good relationship with our new auditors and future audits should be easier, but we do need to avoid complacency.

**6. INTERNAL CONTROLS – YEAR ENDING MARCH 2020**

**RECEIVED** a copy of the Boards Statement of Accounting Policies and the Statement of Internal Control for the year ending March 2021.

**(As attached to these minutes - Appendix 4)**

The Chairman of Finance asked Members if they had any comments on the Statement of Accounting Policies and the Statement of Internal Control documents.

No Comments were made.

All Members in attendance **AGREED** that the Chairman of Finance should approve the Statement of Accounting Policies and the Statement of Internal Control for the year ending March 2021.

**7. ANNUAL GOVERNANCE STATEMENT – YEAR ENDING MARCH 2021**

**RECEIVED** the Annual Governance Statement as required by the amended Accounts and Audit Regulations 2015.

**(As attached to these minutes - Appendix 5)**

All Members in attendance **AGREED** that the Chairman of the Board should sign the Annual Governance Statement.

**8. END OF YEAR ACCOUNTS – YEAR ENDING MARCH 2021**

**RECEIVED** the End of Year Accounts for the year ending 31 March 2021 produced for information only.

**(As attached to these Minutes - Appendix 6)**

The Chairman of Finance asked Members if they wished to make any comments on the End of Year Accounts.

The Finance Officer said that the End of Year Accounts will have changed slightly after the required AGAR corrections, and she would be doing journals to correct this. She said that the AGAR should agree back to the balance sheet, but unfortunately the previous years had never agreed. She explained as she could not get them to agree she approached Sallyanne at the WLMA for some guidance on how to rectify the problem. She said Sallyanne kindly offered to take a look at our accounts and during this process it was found the accounts to be incorrect dating back to 2016. She explained that as we could only go back to 2019/2020 on Sage, we agreed to get the figures from there correct, so that this year's figures 2020/2021 will be submitted on the AGAR correctly and give us a good basis for moving forward. She concluded by saying we are aware that there will be a charge for Sallyanne's time and she has put in approximately 30 hours of work.

The Clerk confirmed that Sallyanne has now set up a system to get this right going forward and that the WLMA have offered to do a dry external audit for us in the future before we submit our AGAR to ensure we are getting this right. He added that we should

have been submitting an audit pack along with our AGAR which wasn't being done and this has now been resolved.

Members **NOTED** the End of Year Accounts.

The Chairman of Finance thanked the Finance Officer for her work in sorting out the End of Year Accounts.

## **9. ANNUAL RETURN (AGAR) – YEAR ENDING MARCH 2021**

The Clerk displayed the IDB Annual Return for the year ending 31 March 2021 on the screen and he explained that we had to restate figures and Sallyanne from the WLMA has put a pack together explaining the reasons for this including the pump stations and misallocation of nominal coding.

The Chairman of Finance asked if item 6 could be expanded on as it was the most significant change.

The Finance Officer explained that this was due to the way things had been incorrectly coded before and it was not showing everything that had been paid correctly.

The Finance Officer also explained that another example was that recharged staff costs were being put through as income incorrectly rather than a reimbursement.

The Chairman of Finance said that we should expect a kick back from the external auditors but we will just have to deal with it.

The Clerk said that it is clear to see that we are now addressing financial issues that we had and we have acknowledged we are not perfect but we have now fixed them.

The Clerk read through page 4 of the AGAR and Members were asked to consider and approve by resolution Section 2 (Accounting Statements) of the Annual Return.

**REPORTED** that the Annual Return is issued to Local Councils, Internal Drainage Boards and other Smaller Authorities in England.

All Members present **RESOLVED** that the Chairman of Finance should sign and date Section 2 of the Annual Return.

**REPORTED** that Section 3 relates to the External Auditor Report and Certificate and the Annual Internal Audit Report 2020/2021.

**REPORTED** that PKF LittleJohn LLP will complete the first page of Section 3 and this is where any comments on their findings will be made.

**REPORTED** that Mid Kent Audit, the Boards Internal Auditor completed the second page of Section 3 on 9 June 2021.

The Clerk took the opportunity to ask Members if they felt the Internal Audit Sub Committee was still a valid Committee.

D Dewar-Whalley felt this should now go the Finance Committee to avoid repetitiveness.

The Chairman of Finance asked Members if they felt it was more appropriate for the Internal Audit Sub Committee to now sit in the Finance Committee or whether 3 Members should be appointed from the Finance Committee.

A detailed discussion took place regarding the Internal Audit Sub Committee.

On a proposition by the Chairman of Finance seconded by the Chairman of the Board, it was **AGREED** to disband the current Internal Audit Sub Committee and this can be communicated at the Board Meeting in November when committees will be discussed/reappointed.

## **10. FINANCIAL RISK ASSESSMENT**

**RECEIVED** updated Financial Risk Assessment for approval.

**(As attached to these Minutes - Appendix 7)**

The Clerk explained at the recommendation of the internal auditor he has updated the Financial Risk Assessment to improve it accordingly. He read through parts of the Financial Risk Assessment paying particular attention to the Findings and Conclusion and Recommendations sections on page 6 and 7.

J Lewis highlighted that the lack of control of structures within the district may have a potential knock-on effect to the Board financially in cases where degraded structures lead to flooding or the need for additional maintenance works.

The Clerk agreed and thanked J Lewis for his point. He said that the previous meeting of the Board had agreed that a meeting would take place on Sheppey to address the matter of control structures.

D Dewar-Whalley suggested that a committee should be created to manage this.

On a proposition by the D Dewar-Whalley seconded by the Chairman of Finance, it was **AGREED** to start a new Water Control Management Committee consisting of J Mair, J Lewis, the Clerk and the Works Supervisor.

D Dewar-Whalley asked if someone from the Finance Committee could keep an eye on the risks between meetings so any issues can be resolved quickly.

The Clerk agreed and said the easiest way was for him to discuss this with the Chairman of the Board and Chairman of Finance as they have regular meetings where this could be addressed.

The Clerk asked Members if they were happy with the recommendations.

D Dewar-Whalley said that it was a good reference to have and recommended that they were provided at every Finance Meeting.

The Office Manager agreed to add this as an item on the agenda for future meetings.

On a proposition by the Chairman of Finance seconded by the Chairman of the Board, it was **AGREED** to approve the Financial Risk Assessment.

## 11. **BANK BALANCES**

The Bank Statements balances were confirmed as follows:

	<b><u>Date</u></b>	<b><u>Balance</u></b>
Handelsbanken Paying In Account	31 March 2021	£1,062,668.63
Handelsbanken Paying Out Account	31 March 2021	£390,289.60
Handelsbanken Savings Account	31 March 2021	£204,073.06
HSBC Depot/Current Account	31 March 2021	£9,748.00
HSBC Office/Savings Account	31 March 2021	£4.88
<b>TOTAL</b>		<b>£1,666,784.17</b>

The Chairman of Finance talked through the end of year bank statement figures.

The Chairman of Finance said that he would like to discuss the closure of the HSBC accounts with Members as previously discussed with the Finance Officer. He explained that now we will be having management accounts we can reduce the number of accounts we have. He asked if Members were happy with this.

D Dewar-Whalley raised the issue of security if we do this.

The Clerk said that the advice was to hold several accounts across varying banks to rectify any security issues.

A long discussion was held regarding the bank accounts and opening of new savings accounts with Lloyds and one other bank was suggested.

The Chairman of the Board said that we should have a NatWest Account that is not currently being used.

On a proposition by The Chairman of Finance seconded by D Dewar-Whalley, it was **AGREED** to move our current payments from the Handelsbanken Paying out Account to the Handelsbanken Paying In Account and then close the Handelsbanken Paying Out Account. Take out the capital element from the Handelsbanken Paying In Account and move it to the Handelsbanken Savings Account. Remove all funds from the HSBC savings accounts and move it to the Handelsbanken Savings Account. Then open 2 savings accounts with 2 separate banks to ensure savings can be split responsibly.

All Members were in favour.

## 12. **FINANCIAL POSITION REPORT**

The Finance Officer apologised for not having any current reports to hand for the finances as they stand today. She confirmed that we are in a good position, and we have received all of the income due from all councils and there was currently around £14,000 rates outstanding that we need to chase.

The Chairman of the Board said we must be grateful to the EA, due to COVID and them not doing any work that they allowed us to claim back a lot of money.

The Finance Officer confirmed that we have also received the Highland Water Contribution.

The Chairman of Finance thanked the Chairman of the Board for all of his work in getting the money in from the EA.

The Clerk confirmed that we have received back around half a million pounds from the EA altogether which is more than the precept and we are very happy with that.

### **13. NEW DEPOT/OFFICE UPDATE**

**RECEIVED** Sibley Pares Marketing Report, April 2021.

**(As attached to these Minutes - Appendix 8)**

The Chairman of Finance confirmed that office staff have all been to see the new office and we are hoping for a relocation during the first two weeks of August. He confirmed that during the Upper and Lower Chairs and Vice Chairs recent meeting the Upper Board had agreed that they would contribute to the running costs and to share it 50/50.

The Clerk confirmed that he has put a draft timeline and task list in place and that he was meeting with office staff tomorrow to allocate roles within the move itself. He confirmed he was meeting with the office fitters, Rap Interiors on Thursday morning and had also received wish lists from staff. He also confirmed that he would be speaking to our IT company, Pantec this week to tie everything in with the office fitters.

The Chairman of Finance requested that we make sure that we put in a place a hot desk for the EA.

The Clerk confirmed he would and also allow for any future roles as well.

The Chairman of Finance also raised the point of utilities and business rates and confirmed Nick Prior to be the contact at Swale BC with regards to business rates at the new office.

The Office Manager confirmed this was in hand and she would contact Nick Prior.

Further discussion took place regarding various things to consider at Albion Place including the possible sale of the board room table, what other items should be kept and disposed of and it was suggested that the Clerk obtain quotes for the relocation of items and also the clearance of items not wanted.

The Chairman of Finance said that he felt that Albion Place should be disposed of as soon as possible and it was his and the Chairman of the Board's recommendation for Albion Place to be sold at a public auction and he had contacted Clive Emson to talk about the principles.

D Dewar-Whalley asked if there would be any reserve?



The Chairman of Finance said the guide price would be £280,000 to £300,000 with a reserve of £280,000, with discretionary flexibility of around 5%.

On a proposition by The Chairman of Finance seconded by J Lewis, it was **AGREED** to put Albion Place into public auction, subject to the agreement of the Upper Board Finance Committee.

All Members were in favour.

The Chairman of Finance gave an update on the new depot confirming that heads of terms have been agreed, solicitors have been instructed and we are currently waiting on forms that need to be filled out regarding the welfare works and we are now looking at a lease to lease. He said he was reasonably comfortable that we would get in on a tenancy at will in the next couple of months.

The Chairman of Finance asked J Mair should we get really stuck would he still have a building empty for us to store plant available temporarily.

J Mair agreed to discuss this should this be necessary.

The Clerk said that it was likely that we would get the plant into the Upper depot if necessary.

The Chairman of Finance confirmed that he would now like to invoice the balance of the agreed fixed Costs of £2,500.

#### **14. INSURANCE REVIEW**

**RECEIVED** Insurance Review Report.

**(As attached to these Minutes - Appendix 9)**

The Office Manager explained that an insurance comparison had not been carried out for a number of years, so we had engaged Fenton Group to provide a quotation for us. She explained that Fenton Group's quotes appeared to be cheaper overall, but they had additional charges that NFU did not charge, and their excess was of £2,500 was a lot higher than NFU. She confirmed that the decision had been taken to renew with NFU with the view to reengaging Fenton Group at a later date.

The Office Manager said that it was brought to our attention that other IDBs all have a Group Personal Accident Policy in place, and this was something currently being looked into, and we were currently waiting on some additional information from NFU regarding this so a proper comparison of quotations could be made.

On a proposition by The Chairman of Finance seconded by D Dewar-Whalley, it was **AGREED** to review our insurance every two years, starting with a new review for our 2022 insurance policies.

On a proposition by The Chairman of Finance seconded by the Chairman of the Board, it was **AGREED** to pass the power of delegation with regards to the Group Personal Accident Policy once NFU have responded.

All Members were in favour.

## **15. HARTY & LEYSDOWN PUMP REPLACEMENT**

The Chairman of Finance said that we need to finance the replacement of the Harty and Leysdown pumps through a Public Works Loan and that we had already started allocating £150,000 for loan replacement costs and he would like to repay the loan as soon as possible.

The Clerk said a Public Works Loan was the most efficient way to fund this and he needed today for the agreement from the Board that they are happy to go down the route of the Public Works Loan in region of £1M.

A long discussion was had regarding the Public Works Loan option.

On a proposition by D Dewar-Whalley seconded by the Chairman of the Board, it was **AGREED** in principle of getting a Public Works Loan up to £1.5M over 10 years subject to drawings from Stantec.

## **16. BOARD AMALGAMATION**

Received Medway IDB Amalgamation document.

**(As attached to these Minutes - Appendix 10)**

A detailed discussion took place regarding the potential of the Lower and Upper Board amalgamating.

The Chairman of Finance said that we have the duty to explore amalgamation, we have invited it and we now need to see what comes back from the Upper Board. He said there were certain things we could afford to compromise on, but certain things we should not be prepared to.

On a proposition by the Chairman of Finance seconded by J Mair, it was **AGREED** to pursue looking into board amalgamation.

D Dewar-Whalley and J Lewis were also in favour.

S Batt abstained.

Members discussed the possibility of the Upper Board being unable to make a decision and if they were unprepared to come with the Lower Board on policies.

On a proposition by the Chairman of Finance seconded by D Dewar-Whalley, it was **AGREED** in the event of the Upper Board not agreeing to terms set that the Lower Board should seek separation, disbanding the current Joint Services agreement.

Members also discussed the staff should a separation occur.

The Chairman of Finance said that if an agreement cannot be reached with the Upper Board and separation is necessary the Lower Board should offer all of the office staff the same terms of contract and he confirmed this has already been communicated to the office staff to offer reassurance.

The Clerk requested that the Upper Board workforce also be considered.

On a proposition by the Chairman of Finance seconded by D Dewar-Whalley, it was **AGREED** in the event of separation, The Lower Board will offer all office staff the same terms of contract that they currently have.

On a proposition by the Chairman of Finance seconded by D Dewar-Whalley, it was **AGREED** in the event of separation, The Lower Board will take into consideration the Upper Board workforce subject to a clearer position on what the responsibilities are.

All Members were in favour.

## **17. SWALE BOROUGH COUNCIL**

Received letter from Swale Borough Council regarding new Members.

**(As attached to these Minutes - Appendix 11)**

D Dewar-Whalley confirmed the wording in the letter from Swale Borough Council was the standard wording they use and have used previously.

Members noted the letter.

## **18. ANY OTHER BUSINESS**

### **a) Widening of Weed Screen Bars – Bells Pumping Station**

The Clerk confirmed that there had been an increase of eels passing through the wider sections of the weed screen bars at than the narrower sections at Bells Pumping Station and we have been asked to look into replacing the bars. He said by removing every other one or every third one this would likely be sufficient, but if we did go down this route there was a possibility that we may have to replace them completely in the future. He added that there was an element of concern for example swimming, however this was relatively a minor risk.

A detailed discussion was held regard the weed screen bars, and the risk associated with removing the bars.

D Dewar-Whalley suggested adding signs to highlight the risks.

The Clerk suggested maybe a mesh net would be an option.

The Chairman of Finance said that we should explore removing every other bar and requested the costs be circulated to the Committee. He also asked the Clerk to find out how many eels the improvement equated to.

## **b) Staffing Levels**

The Clerk said that the Works Supervisor's replacement was required now and confirmed this would be sourced internally initially and then put out externally if required.

The Clerk then displayed on screen his proposal for a Compliance Officer that he wished to employ.

The Chairman of Finance asked if this has been included in the current budget.

The Clerk confirmed this had not been included.

The Clerk explained that we had a potential candidate for the role that had worked at the IDB previously, however he would also like to advertise externally and requested the approval for this.

The Chairman of Finance requested that the CV of the potential candidate be circulated to the Finance Committee.

On a proposition by the Chairman of Finance seconded by J Lewis, it was **AGREED** after clarification of the job description that the Compliance Officer role could be advertised externally.

## **c) S Batt Resignation**

The Chairman of the Board explained to Members that as of midnight tonight he will be resigning from the Board due to health reasons and he would be informing the rest of the Board accordingly.

The Chairman of Finance thanked The Chairman for his contribution to the Board and for his achievements in the last few years since taking on the Chairman role.

Members discussed what The Chairman's resignation would mean to the Board and it was **AGREED** that the Chairman of Finance would by default become the Chairman of the Board until the nominations are discussed at the November Board meeting when the Chairman and Vice Chairman would be confirmed.

The Chairman of Finance asked J Mair if he would consider taking on the role of Chairman of Finance now that he was by default the Chairman of the Board.

J Mair agreed he would.

D Dewar-Whalley and J Lewis agreed that J Mair was the best choice to take on the Chairman of Finance role.

J Mair gave his apologies and left the meeting as he had another meeting to attend.

The Chairman of Finance requested that Handelsbanken be notified of the Chairman's resignation and said we would also need to replace him on the Finance Committee.

The Clerk confirmed that we would inform Members that there was an opening on the Finance Committee so that Members could put themselves forward if they wished to do so in the November Board meeting.

**d) PSCA Update**

The Clerk informed Members about the planned PSCA sea defence work at Spit End on the Elmley Reserve and he said this was likely to involve several purchases in advance of the job. He confirmed that we would need to purchase the rock upfront which would cost around £50,000 based on a quote received from Gallaghers. He requested permission from the Committee to make this purchase as part of the PSCA work.

All Members present **AGREED** to go ahead and purchase the rock up front.

**19. DATE OF NEXT MEETING**

The date of the next Finance Committee/Estimates meeting was confirmed for Monday 25 October 2021 at 10am.

**20. PRIVATE & CONFIDENTIAL MATTERS**

There were no private and confidential matters to discuss.

**21. CLOSURE**

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