



**END OF YEAR ACCOUNTS REPORT
FOR THE YEAR ENDING
31 MARCH 2023**

Unit 13 Conqueror Court
Sittingbourne
Kent
ME10 5BH

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SUMMARY

The Board has **not** elected to prepare a full Statement of Accounts required by larger Public Bodies (Category 1 authorities), as provided for in the Local Audit and Accountability Act 2014.

The Board has completed this Statement of Accounts in accordance with the Financial Reporting Standard for Smaller Entities 2008 (FRSSE) issued by the Accounting Standards Board (other than in respect of the note required for the defined benefit pension scheme) and has prepared an Annual Return which all Category 2 Authorities are required to do, in accordance with Regulation 11 of the Accounts and Audit Regulations 2015, based on these accounts. The Board is a Category 2 Authority.

The Boards role is to determine strategy, direction, and policy for the organisation and to ensure the IDB operates within an appropriate Governance framework. The Board is supported by Officers, led by the Clerk and Chief Officer, who advise the Board, implement the Boards agreed policies and operationally manage and provide the Boards services.

The Board secures income from two main sources. Firstly, through a direct drainage rate on owners and occupiers of agricultural land within the Drainage District, with rates being payable on 01 April each year. Secondly via special levies paid by each of the four Local Authorities.

The rates and levies for the forthcoming year are set at a Board meeting prior to the 15th February each year when the Board are asked to consider and agree a proposed budget.

The Board agreed on 29 November 2021, a rate uplift for 2022-2023 of 3.5% was agreed in order to set a balanced budget.

Examples of the Boards work in 2022-2023 include:

- Operation of the Boards four pumping stations to protect property, agricultural land, and critical infrastructure in the Drainage District.
- Substantial completion of the Boards summer 2022 weed cutting and maintenance programme.
- Pump maintenance programme.
- Purchase of a woodchipper.
- Purchase of Emergency backup pumps.
- Carried out a series of bank revetment works.
- Acted as Intelligent Client to oversee the construction of the Rushenden Pump Station.
- Continuing with the Boards conservation initiatives.
- Delivery of our planning consultancy and regulatory role in house.

All figures exclude VAT

The Board achieved as of 31 March 2023 a year end surplus position of £106.2k (compared to £204,073 on 31 March 2022), which will be allocated as a Contribution to General Reserve on 31 March 2024, subject to the Boards approval of the General Reserve allocation at the November 2023 Board meeting.

MEMBERS 2022-2023

The Board comprises nineteen Members, including nine directly elected members representing landowners, and ten members appointed by the four Local Authorities who pay Special Levies to the Board.

Elections of occupiers of land are every three years and the latest term of office runs from 2021 to 2024.

Term of office is four years for Councillors (appointed members) and three years for landowners (elected members). Members of the Finance Committee are highlighted in bold and elected members are highlighted in blue.

Note that this is correct for the financial year 2022-2023 and that some Appointed Members have changed since the May 2023 Local Elections.

2022-2023			
<u>Member</u>	<u>Nomination</u>	<u>Date Appointed</u>	<u>Term</u>
Cllr M Bonney	Swale B.C	01 May 2021	One
Cllr H Browne	Medway Council	01 May 2019	One
Cllr C Buckwell	Medway Council	01 May 2019	One
Cllr D Carnell	Swale B.C	01 June 2019	One
Cllr D Davis	Tonbridge + Malling B.C	01 April 2014	Two
Cllr Etheridge	Medway Council	01 May 2015	Two
Mr G Fulton	Elec Dis 5	01 September 2015	Three
Mr R Hall	Elec Dis 3	01 March 2010	Four
Mr J Hinge		01 April 2022	One
Cllr K Ingleton	Swale B.C	01 May 2021	One
Mr J C Lewis	Elec Dis 5	01 December 1985	Twelve
Mr J H Mair	Elec Dis 5	01 August 2018	Two
Mr S J Mair	Elec Dis 1	01 November 2012	Three
Mr T Malpas		01 April 2022	One
Cllr P Marchington	Swale B.C	01 May 2021	One
Cllr R Palmer	Swale B.C	01 June 2019	One
Cllr K Rowles	Swale B.C	01 July 2020	One
Mr B Stone	Elec Dis 4	01 February 2004	Six

STATEMENT OF INTERNAL CONTROL FOR YEAR ENDING 31 MARCH 2023

1 Scope of Responsibility

The Lower Medway Internal Drainage Board (the Board) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Board is also responsible for ensuring that there is a sound system of Internal Control which facilitates the effective exercise of the Board's functions and which includes arrangements for the management of risk.

2 The Purpose of The System of Internal Control

The system of Internal Control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of Internal Control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Board's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically.

The system of Internal Control has been in place at the Board for the year ended 31 March 2023 and up to the date of approval of the annual report and accounts and, except for the details of significant Internal Control issues at section 5, included where relevant, and accords with proper practice.

3 The Internal Control Environment

- The Board has appointed a Chairman who is responsible for the smooth running of meetings and for ensuring that all Board decisions are lawful.
- The Board has appointed a Clerk who acts as the Board's advisor and administrator. The Clerk is the Board's Responsible Financial Officer and is responsible for administering the Board's finances. The Clerk is responsible for the day-to-day compliance with laws and regulations that the Board is subject to and for managing risks. The Clerk also ensures that the Board's procedures, control systems and policies are adhered to.
- The full Board meets at least twice a year and monitors progress against its aims and objectives at each meeting by receiving relevant reports from the Clerk.
- The Board reviews its obligations and objectives and approves budgets for the following year at its November meeting.
- The Board has appointed a Finance Committee of Members who meet four times each year and monitor progress against objectives, financial systems and procedures, budgetary control and carry out regular reviews of financial matters. At the fourth meeting, the End of Year Accounts Report, Annual Return, Annual Governance Statement, and Internal Controls are reviewed and approved. The minutes of the meetings of the Finance Committee are reported to and approved by the Board.
- During the financial year, quarterly budget monitoring reports have been made to the Finance Committee to ensure that expenditure is in line with the approved budget, and to review and agree any variances.
- During 2022-2023, the Board, to support its Governance arrangements, approved on 28 November 2022 its Risk Register (Financial Risk Assessment) which will be reviewed and

updated again in November 2023. The also Board approved a revised set of Financial Regulations.

- The Board has appointed an Independent Internal Auditor who reports to the Board on the adequacy of its financial controls, procedures, and risk management.
- The Board's External Auditors, PKF LittleJohn, complete an annual limited assurance review and award an External Auditor Report and Certificate, which is presented to the Board.

4 Review of Effectiveness

The Board has responsibility for conducting an annual review of the effectiveness of the system of Internal Control. The review of the effectiveness of the system of internal control is undertaken by the work of the Clerk, Finance Committee and informed by the reports of internal and external auditors.

5 Significant Internal Control Issues

The Board strives for the continuous improvement of the system it has adopted for Internal Control and has addressed/noted all the minor issues and weaknesses raised and reported during the review process.

STATEMENT OF ACCOUNTING POLICIES

1 ACCOUNTING CONCEPTS

As a Board, we acknowledge our responsibility for ensuring that there is a sound system of Internal Control, including arrangements for the preparation of the accounting statement, following the below account concepts.

Relevance

The accounts are prepared so as to provide readers with information about the Boards financial performance and position that is useful for assessing the stewardship of public funds.

Reliability

The accounts are prepared on the basis that the financial information contained within them is reliable, i.e., they are free from material error, deliberate or systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income, and expenditure then caution or prudence has been used as a basis to inform the selection and application of accounting policies and estimation techniques.

Comparability

The accounts are prepared so as to enable comparison between financial periods. To aid comparability the Board has applied its accounting policies consistently both during the year and between years.

Understandability

Every effort has been made to make the accounts as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of accounting.

Materiality

Certain information may be excluded from the accounts on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the Board or to the understanding of the accounts.

Accruals

The accounts are required to be prepared on an accruals basis. **However, the Internal Audit process has highlighted that the accounting system utilised during 2022-2023 is cash-basis accounting, and this will need to be rectified during 2023-2024.** The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the accounts for the year in which those effects are experienced and not in the year in which the cash is actually received or paid.

Going Concern

The accounts are prepared on a going concern basis, i.e., on the assumption that the Board will continue to operate for the foreseeable future.

Primacy of legislative requirements

Where a particular accounting treatment is prescribed by legislation, then that treatment prevails even if it conflicts with one or other of the accounting concepts outlined above. In the unlikely event of this arising, a note to that effect will be included in the accounts.

2 GOVERNMENT GRANTS AND SUBSIDIES

No Government Grants or subsidies have been received during 2022-2023.

3 PENSIONS

The Board participates in the Local Government Pension Scheme, a defined benefit scheme operated by Kent County Council. The Board paid a contribution of 38.5% on employees pensionable pay into the pension fund during 2022-2023.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The last actuarial valuation took place on 31 March 2022 which will take effect from 1 April 2023 when the Boards contribution will increase to 38.5%.

4 TAXATION

Drainage Boards are exempt from Income, Corporation and Capital Gains Taxes. Value Added Tax is included in the Income and Expenditure Account only to the extent that it is irrecoverable.

VAT is accounted for separately and is not included in income and expenditure accounts, whether of a capital or revenue nature. Input VAT which is not recoverable from HM Revenue & Customs will be charged to revenue accounts or added to the capital expenditure as appropriate.

5 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

There are no material exceptional or extraordinary item to disclose in the Accounts.

6 INCOME RECOGNITION

Income is recognised at the time of invoicing. In the case of Drainage Rates this is on the 1st April annually.

7 FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. In defining capital expenditure, the Board operates a *de minimis* level of £5,000 for tangible assets. Any expenditure below this level is charged to revenue in the year of acquisition.

Profits or losses on the disposal of fixed assets are shown separately on the face of the Income and Expenditure Account prior to the Operating Net Surplus/(Deficit).

8 DEPRECIATION

Land and buildings are not depreciated on the grounds that an ongoing repairs and maintenance policy results in an extension of useful life and negates the necessity for material depreciation.

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- newly acquired assets are depreciated in the year of acquisition.
- depreciation is calculated using the straight-line method.

The standard useful lives for each category of asset are as follows:

- Vehicles – 4 to 5 years depending on mileage
- Plant and machinery – 4 to 8 years depending on the type and hours worked
- Computer Equipment: 3 years.
- Emergency Pumps: 5 years

10 STOCK

Stocks are valued in the Balance Sheet on the average price basis with no allowance made for obsolescent and slow-moving items. This is a departure from the requirements of FRS102 which require stocks to be shown at actual cost or net realisable value, if lower. The effect of the different treatment is not material. Full stock takes have been undertaken.

11 RESERVES

The Board holds the following reserves, the adequacy of which is reviewed by the board annually. The purposes of the Reserves can be reviewed in the Boards Capital Reserves and Financing Policy.

Reserves Breakdown 31 March 2023	Amount
General Reserve	£ 1,732,822
Plant Reserve Fund	£ 307,949
Asset Fund	£ 10,000
Harty & Leysdown Replacement Funds	£ 450,000
Luddenham Fund	£ 44,979
Provision for new Depot	£ 170,000
Surface Water Development Contribution	£ 50,508
Harty and Leysdown Consents and Ecology	£ 7,479
Bells Maintenance	£ 5,043
Bells Access Path	£ 20,000
	£ 2,798,780

12 POST BALANCE SHEET EVENTS

Changes are made to the accounts where a material post balance sheet event occurs that either provides additional evidence relating to conditions existing at the balance sheet date or indicates that the application of the going concern concept to a material part of the Board is not appropriate.

INCOME AND EXPENDITURE (PROFIT AND LOSS) ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH 2023

This statement summarises the resources that have been generated and consumed in providing services and managing the IDB during 2022-2023.

Date: 19/04/2023
Time: 11:42:15

Lower Medway Internal Drainage Board

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Profit and Loss

From: Month 1, April 2022
To: Month 12, March 2023

Chart of Accounts:

Default Layout of Accounts

	<u>Period</u>	<u>Year to Date</u>
Sales		
Canterbury City Council	11,083.07	11,083.07
Tonbridge & Malling Borough Council	216,247.24	216,247.24
Medway Council	404,117.44	404,117.44
Swale Borough Council	906,018.80	906,018.80
Ratepayers Due	47,779.38	47,779.38
Rechargeable Works	70,000.00	70,000.00
Highland Water Contribution	54,443.00	54,443.00
Rechargeable Works - Other	40,544.00	40,544.00
Surface Water Development Contribution	71,836.89	71,836.89
Sales of Assets	750.00	750.00
Credit Charges (Late Payments)	339.23	339.23
Consent Fees	1,860.00	1,860.00
Interest Received	11,730.99	11,730.99
Profit/(Loss) on Disposal of Fixed Assets	(1,076.08)	(1,076.08)
	1,835,673.96	1,835,673.96
Direct Expenses		
Annual Precept paid to EA	335,000.00	335,000.00
Bells Pumping Station - Costs	26,042.53	26,042.53
Harty Pumping Stations - Costs	10,061.48	10,061.48
Channel Maintenance - Costs	505,157.45	505,157.45
Rushenden Pumping Station - Costs	1,624.05	1,624.05
Leysdown Pumping Station - Costs	7,985.31	7,985.31
Materials Purchased	107.45	107.45
EA / PSCA - Costs	(9,025.00)	(9,025.00)
Depot Stock Adblue Expense	520.70	520.70
Depot Stock Gasoil Expense	10,114.47	10,114.47
Labour	1,247.50	1,247.50
Commissions	3,000.00	3,000.00
Promotions & Advertising	297.65	297.65
Miscellaneous Expenses	719.91	719.91
Twyford Pumping Station - Costs	2,752.98	2,752.98
	895,606.48	895,606.48
Gross Profit/(Loss):	940,067.48	940,067.48
Overheads		
Gross wages - Workman	117,910.22	117,910.22
Staff Salaries	163,168.98	163,168.98
Employers NI - Staff	14,838.75	14,838.75
Employers Pensions - Staff	62,510.09	62,510.09
Employers NI - Workman	9,316.79	9,316.79
Employers Pensions - Workman	45,432.16	45,432.16
Benenden Health	952.00	952.00

Date: 19/04/2023

Lower Medway Internal Drainage Board

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Profit and Loss

From: Month 1, April 2022

To: Month 12, March 2023

Chart of Accounts:

Default Layout of Accounts

	<u>Period</u>	<u>Year to Date</u>
Depot Rent	33,763.11	33,763.11
Business Rates	21,967.81	21,967.81
Heating & Lighting Costs	12,832.52	12,832.52
Motor Expenses	18,693.07	18,693.07
Travelling & Entertainment	278.58	278.58
Heavy Plant Insurance	2,580.66	2,580.66
Heavy Plant Inspections/Repairs & Servicing	8,673.09	8,673.09
Printing & Stationery	14,556.11	14,556.11
Telephone & Computer Charges	6,229.90	6,229.90
Professional Fees	32,132.44	32,132.44
Equipment Hire & Rental	5,240.76	5,240.76
Maintenance	12,454.39	12,454.39
Labour Income From Internal Recharges TO	(460,141.04)	(460,141.04)
Bank Charges & Interest	673.45	673.45
Depreciation	79,784.93	79,784.93
General Expenses	29,229.31	29,229.31
Board and Staff Expenses	2,032.32	2,032.32
	<u>235,110.40</u>	<u>235,110.40</u>
Net Profit/(Loss):	<u>704,957.08</u>	<u>704,957.08</u>

BALANCE SHEET FOR YEAR ENDING 31 MARCH 2023

This statement is fundamental to the understanding of the Boards financial position as of 31 March 2023. It shows the balances and reserves at the Boards disposal and the fixed and net current assets employed in its operation, together with summarised information on the fixed assets held. The statement also includes assets and liabilities of the Board.

Date: 19/04/2023
Time: 11:42:38

Lower Medway Internal Drainage Board Balance Sheet

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From: Month 1, April 2022
To: Month 12, March 2023

Chart of Accounts:

Default Layout of Accounts

	<u>Period</u>	<u>Year to Date</u>	
Fixed Assets			
Office - New	0.00	1,112,504.51	
Bells / Mockett Pump Station	0.00	1.00	
Pump Stations - Rushenden	0.00	1.00	
Pump Station - Harty	0.00	1.00	
Pump Station - Leysdown	0.00	1.00	
Pump Station - New	84,370.46	327,332.17	
Heavy Plant Depreciation	(44,408.30)	(180,921.83)	
Office Equipment	913.13	27,171.83	
Office Equipment Depreciation	(6,655.00)	(8,393.00)	
Motor Vehicles	(10,600.01)	90,658.32	
Motor Vehicles Depreciation	(11,866.00)	(51,259.34)	
Pump Station Twyford	1.00	1.00	
		11,755.28	1,317,097.66
Current Assets			
Stock - Adblue held at Depot	278.46	278.46	
Stock - Gasoil held at Depot	2,426.49	2,426.49	
Debtors Control Account	44,310.48	44,310.48	
Stock - Aces Spares	0.00	52,745.00	
Ratepayers Due	(3,957.79)	12,486.97	
Prepayments	1,685.55	1,685.55	
Provision for Future replacement of Plant	0.00	(140,061.82)	
Payments Received in Advance	0.00	(12,297.50)	
Bank	623,355.76	2,905,067.17	
Purchase Tax Control Account	0.00	62.15	
Vat Liability	352.89	1,209.27	
		668,451.84	2,867,912.22
Current Liabilities			
Creditors Control Account	(12,107.01)	61,057.57	
PAYE & NI	(4,986.18)	0.00	
Net Wages	(7,730.26)	0.00	
Revaluation of Pump Stations	1.00	5.00	
Reserves	0.00	3,421,265.08	
Purchase Tax Control Account	72.49	0.00	
		(24,749.96)	3,482,327.65
Current Assets less Current Liabilities:		693,201.80	(614,415.43)
Total Assets less Current Liabilities:		704,957.08	702,682.23
Capital & Reserves			
P & L Account	704,957.08	704,957.08	
Previous Year Adj		(2,274.85)	
		704,957.08	702,682.23

