

LOWER MEDWAY INTERNAL DRAINAGE BOARD



**MINUTES OF A MEETING OF THE FINANCE COMMITTEE
HELD AT 13 CONQUEROR COURT, SITTINGBOURNE
ON MONDAY 10 JUNE 2024 AT 11AM**

Members of the Committee Present

Chairman: G Fulton
G Etheridge (remotely)
S Mair
P Marchington

In attendance

P Haselhurst - Clerk
L Rowland - Office Manager

L Fillery, Swale Borough Council

1. APOLOGIES FOR ABSENCE

Apologies received from Finance Chairman, J Mair.

In J Mair's absence G Fulton was appointed Chairman for this meeting.

2. ITEMS OF INTEREST DECLARATION

S Mair declared that the catering for today's meetings had been supplied by his wife's company, Sarah Serves.

3. MINUTES

RECEIVED (Appendix 1) the Minutes of the Finance Committee held on 29 January and 4 April 2024.

It was **AGREED** that the Minutes of 29 January and 4 April 2024 were correctly recorded and should be considered officially approved.

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

RECEIVED (Appendix 2) a copy of the Action List of the Board held on 29 January 2024.

The Clerk gave an update on the outstanding actions as follows:

Public Works Loan – in progress whilst Harty and Leysdown project progressing. Harty and Leysdown project update will be discussed later in the agenda.

Savings Accounts – we are about to open an account with CCLA and the Finance Officer is also looking at high street savings accounts and we will agree details before going ahead with the Finance Committee.

Change of Clerks (Banking) Authorisation Limits – the Clerk’s recommendation to the Committee is to keep the limits as they are because we have quite a few payments related to the new pump stations that exceed £50,000.

The Committee agreed to pause this action.

Display of Historic Minutes – not started, as not a priority at the moment.

Rates Bills Investigations – now complete, new Debt and Collections Policy to be approved at the Board meeting. For smaller bill amounts we will give the option for ratepayers to overpay.

G Etheridge asked if there would be an opportunity to provide an extra section with the action list in the future, including details of completed actions, along with a summary of that completed action.

The Clerk agreed this was a good idea and when we have our new website in place we will have a Members area and her intention would be for the entire action list will be included in that area.

5. **BUDGET MONITORING/BANK RECONCILIATION**

RECEIVED (Appendix 3 & 4) Quarter 4 budget monitoring report and documents for 2023-2024.

RECEIVED (Appendix 5) Quarter 4 bank reconciliation documents for 2023-2024.

The Clerk displayed the budget monitoring report on the screen.

Bank balances were confirmed as follows as of 31 March 2024:

Handelsbanken Paying In Account	£17,189.26
Handelsbanken Savings Account	£3,241,239.98
HSBC Current Account	£4.88
HSBC Deposit Account	£3.67
NatWest Special Interest Bearing Account	£9.67
TOTAL	£3,258,447.49

LMIDB

The Clerk confirmed we had a 4.85% variable variance on the budget, which she was really pleased with and demonstrates the tight budget we have set has worked.

The following current identified overspends in section 3.2 were highlighted as follows:

- Direct Expenses (-£8,718.94). This was due to payment to North Kent Marshes IDB of £9,500. This was received by the LMIDB in the last financial year for PSCA works (Snakey Lane culvert).
- Pumping Stations (-£10,233). This is due to energy cost increases and backdated energy costs not charged at the right time.
- Channel Maintenance (-£7,094). This is due to unbudgeted spend for tractor weights, approved by the Finance Committee in year.

The projected budget overspends were highlighted as follows:

- Staff costs (£32,561). This is due to employment changes (retirement) and gaps recruitment gaps.
- Office and Depot costs (£32,977). This is due to predominantly due to savings in Business Rates for the first floor during the tenanted time period.
- Vehicle and Plant Costs (£6,353). This is due to various underspends including fuel, repairs and servicing, tax, and insurance.
- General Expenses Office (£24,123). This is due to various underspends – refer to Appendix

The Clerk asked if there were any questions.

G Etheridge requested that a summary page be available for future meetings to include a summary page for the North Kent Marshes finances as we are approaching the amalgamation.

Action – share North Kent Marshes end-of-year accounts at the next Finance Committee meeting in July.

L Fillery asked how our capital program feeds into the budget monitoring because we have huge balances and are they earmarked for specific projects?

The Clerk confirmed this will be covered in the next item.

Bank balances were confirmed as follows as of 31 May 2024:

Handelsbanken Paying In Account	£32,461.14
Handelsbanken Savings Account	£4,056,129.61
HSBC Current Account	£4.88
HSBC Deposit Account	£3.67
NatWest Special Interest Bearing Account	£9.70
TOTAL	£4,088,609.00

The Committee noted the bank balances as of 31 March and 31 May 2024.

L Fillery asked what happens with the underspend position, and how that filters into the budget projections for the future?

The Clerk confirmed this will also be covered shortly.

It was **AGREED** that the Committee noted the end-of-year budget variances.

It was **AGREED** that the Committee confirm approval of Quarter 4 bank reconciliation documents for 2023-2024.

The Clerk talked through the summary of the reserves split on 4.1 of the budget monitoring report to answer L Fillery's question on capital projects. The summary of the reserves is as follows:

Reserves Summary	31-Mar-23		31-Mar-24	
General Reserve	£	1,732,822	£	1,870,500.00
Plant Reserve Fund	£	307,949	£	1,181.93
Asset Fund	£	10,000	£	15,000.00
Harty & Leysdown Replacement Funds	£	450,000	£	371,297.46
Luddenham Fund	£	44,979	£	44,979.00
Provision for new Depot	£	170,000	£	220,000.00
Surface Water Development Contribution	£	50,508	£	99,735.13
EA Ecology Precept	£	7,479	£	8,547.55
Bells Maintenance	£	5,043	£	14,999.14
Bells Access Path	£	20,000	£	15,631.80
Water Control Structures	£	-	£	40,000.00
	£	2,798,780	£	2,701,872.01

L Fillery asked what the general reserve is for.

The Clerk explained it is a year's worth of operating balances that doesn't include any capital projects. She said that this is a recommendation in the Good Governance Guide from the Association of Drainage Authorities that IDBs hold a year's worth of operational balance. This is also informed and agreed upon through our Capital and Finance Reserves Policy. She confirmed that 20% is added on top, which is to pay for what is known as a wet year to cover any unforeseen or emergency costs.

L Fillery questioned why it is so high when a million pounds of our running expenses comes from the council.

The Chairman said it was important to note that this money is not paid by the council and that the council collect this money on behalf of the drainage board via council tax.

P Marchington confirmed that 12 months operating costs are considered the safe level and that's the way the IDB have always operated, following the appropriate guidance.

L Fillery said that the council have to pay it regardless, even if they don't collect it and mentioned that the council are not able to put the council tax up by the same level that we are able to put the special levy up by and that gap is funded by the council.

The Clerk confirmed that was about £25,000 for this year.

L Fillery said that the council does not keep anywhere near 100%.

S Mair confirmed that we have followed what the Association of Drainage Board's advice is and that is what all IDBs should be doing. He said from a business perspective if we went against that advice and came unstuck it is not going to reflect well.

L Fillery said she understood the position and was just challenging it.

S Mair said that the other thing that we have which is not the same for a lot of other IDBS, is we operate 4 pumping stations, which exposes us to considerable risk should they all fail. He confirmed this is also part of the Capital and Finance Reserves Policy and what we have done is an asset replacement cost schedule for each of our pumping stations.

It was **AGREED** that the Committee noted the end-of-year reserves summary.

The Clerk talked through the Income in section 5 of the report, confirming these are unbudgeted items due to the uncertainty of them. Details are as follows:

Income in year (budgeted)		
Rates& Levies	£	1,665,550
	£	1,665,550
Income in year (unbudgeted)		
Sale of Assets	£	85,700
EA Rechargeable works	£	55,471
Rechargeable Works	£	41,435
Surface Water Development Contribution- 4013	£	47,637
Consent Fees	£	1,591
HWC from EA	£	73,432
Bank Interest	£	82,240
	-£	6,929
Rent from Jarmans	£	30,027
	£	410,604

It was **AGREED** that the Committee noted the end-of-year financial position and the starting operational balance total exclusive of allocated reserves is £556,667.

6. ANNUAL MANAGEMENT ACCOUNTS REPORT

RECEIVED (Appendix 6) a copy of the Annual Management Accounts Report for year ending March 2024.

The Clerk displayed the report on the screen and confirmed this is a new report that she has put together that includes the Statement of Internal Control, Statement of Accounts and Statement of Accounting Policies and puts our end-of-year accounts in one document. She confirmed this is the report that gets published on our website.

The Clerk gave a summary of the report.

The pension back-funding was discussed.

It was **AGREED** that the Committee noted the Annual Management Accounts Report for the year end March 2024 and agreed for it to be passed to the Board and published on our website.

7. **INTERNAL AUDIT**

RECEIVED (Appendix 7) Mid Kent Audit's end of year internal audit report for 2023-2024.

The Clerk shared the internal audit report on the screen and confirmed she was very pleased with the progress made. She gave a summary of the report, highlighting that the internal auditor's key findings were that the controls we have in place are sound. She explained that one of their findings was that invoice control was raised with a low concern, explaining that this was because we have a couple of bank payments per year for the Environment Agency precept that exceed the £100,000 limit, and we had split the payment internally so we could make this.

S Mair said that the bank should be able to do a temporary increase for a particular payments.

Action – Clerk to ask Handelsbanken about a temporary arrangement for the Environment Agency precept payments.

The Clerk talked through the rest of the findings/recommendations as follows:

- Spending Approval – budgeting (advisory), make a provision for catering in the budget. Confirmed we now have this in place for the next year.
- Risk Management Process (low) – at least annually minutes should evidence Board discussion and consideration of risks. This will now be included at every Board meeting to satisfy this requirement.
- Risk Management Completeness (medium) – the risk register does not include risks in relation to the tenancy agreement, safety risks etc. Some of those have already been added and some time has been put aside to go other this is more detail.
- Budgeting Monitoring – budget codes (low) – once provided to internal audit, end-of-year budget monitoring documents should not be changed. This was related to a last minute error with one of the Q4 figures that needed updating.
- Reserves Amounts (medium) – further support required to ensure that reserves stated as held internally, can be clearly identified within Sage and on the balance sheet. This is regards to Sage quirk, that doesn't impact reserve levels and concerns have not been raised with the reserves that we have in place.
- Income Receipting (advisory) – ensure that applicable invoice charges for rent and utilities recharges are under separate codes.
- Salary Approvals (low) – ensure that minutes clearly evidence that remuneration has been approved in line with policy. We need to ensure that our Finance Committee and Board have it minuted that we have approved salaries specifically.
- Location of Assets (advisory) – record the location of assets on the fixed asset register, as per JPAG guidance 5.57. Required postcodes added.
- Bank Reconciliations (advisory) – ensure reports for the Board use precise month/quarter end figures. Provide consistent detail to include the direction of travel eg from 'savings to paying out'.

G Etheridge asked for large payments if there would be an opportunity to pay quarterly.

Action – Clerk to look into quarterly payments for Environment Agency precept should a temporary payment arrangement not be possible with Handelsbanken.

The Chairman thanked the Clerk and the team as the Internal Audit had gone very well.

The Finance Committee noted the internal audit report.

8. ANNUAL RETURN (AGAR) – YEAR ENDING MARCH 2023

RECEIVED (Appendix 8) the Annual Return for the year ending March 2024.

The Clerk displayed the AGAR on the screen and gave a summary of each section.

The Clerk confirmed that the Board Chairman will be asked to sign Section 1 of the Annual Return in the Board meeting later today.

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 2023/2024.

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 31 May 2024.

9. DEBT & COLLECTIONS POLICY

RECEIVED (Appendix 9 & 9a) new Debt Policy and Collections Policy.

The Clerk confirmed that the Debt Policy had been amended and the reduction incentive of paying something early has been removed as agreed. She also confirmed that we cannot put direct debits in place as this is unfortunately not possible.

The Clerk said there is also a draft Collection Policy that sits alongside the Debt Policy and this will also be going to the Board for approval.

The Chairman asked if there were any comments on these two policies.

No comments made, the Committee was happy for policies to go to the Board for approval.

10. TECHNICAL ASSISTANT BUSINESS CASE

RECEIVED (Appendix 10) Clerk's business case for a Technical Assistant.

The Clerk presented a Business Case to consider the recruitment of a Technical Assistant/Officer to support the team's delivery of projects. She explained what we are going to be in a position where we can identify projects and are receiving an income via Surface Water Development Contribution to fund them, but have no capacity to deliver them. She confirmed that Harty and Leysdown pumping station will be delivered this year, and we will have the flexibility in the budget to finance this new role.

S Mair added that historically we have lost staff and have been unable to replace them due to structural changes and he said that Innes Thompson from the Association of Drainage Authorities has had concerns about the pressure of the team.

G Etheridge thought it was a brilliant idea, as we will be required to do a lot more work in terms of biodiversity and enhancing the countryside. He said the KCC has a new recovery strategy called Making Space for Nature that we will no doubt be asked to be part of. He suggested to offset some of the costs for this he wondered whether we could offer ourselves out as consultants to parish and town councils and share our expertise.

L Fillery said that the initial saving is coming from last year's underspend, but how will that feed into future years?

The Clerk confirmed this would come from the savings of not having the Harty and Leysdown project to deliver.

The Committee discussed what the role would involve in detail.

S Mair added that as part of the wider picture, we would still like to look into PSCA work we can do working with Swale Borough Council which will cut costs for both parties.

L Fillery commented that if we still go down the apprentice route in the future, there may be an opportunity to share one with Swale Borough Council.

11. HARTY & LEYSDOWN PUMP REPLACEMENT

RECEIVED (Appendix 11) Harty and Leysdown Pumping Station Replacement Report.

The Clerk confirmed we are working closely with Stantec and she was bringing this report to the Finance Committee and the Board to show what the options are for the final/construction phase of the project. She highlighted the funding section of the report and explained that we currently have a shortfall of around £415,000. She explained that she is currently working on an application for government funding that was announced by the Association of Drainage Authorities and the deadline for this is at the end of June 2024. She said she feels this should be the priority route to take, but we should have a backup plan if we do not receive this funding. She said we could consider using the unbudgeted income that we received for 2023-24 to put towards the project to enable it to finish this year rather than getting a Public Works Loan.

S Mair said that his initial thoughts would be to spend the unbudgeted income, whilst still applying for the government funding which would mean we would not be paying out interest if we went down the Public Works Loan route. He asked if we applied for the grant, we could still fund the project from the unbudgeted income, and then if we are successful with the funding we can recoup some or all of the costs accordingly.

The Clerk confirmed this was the intention and she will also be applying for other funding via that source for other things.

The Committee agreed with recommending that approach to the Board and the Board will make the final decision in their Board Meeting.

12. INSURANCE UPDATE

RECEIVED (Appendix 12) Insurance Report for information only.

The Office Manager confirmed that overall, the insurance had increased by 8% and it was the first year that the Professional Indemnity insurance has seen a decrease in a couple of years. She confirmed she continues to be happy with the service provided by NFU. She asked if anyone had any questions.

S Mair asked about when we were likely to review our insurance provider.

The Office Manager confirmed we were in year 3 of a 5-year loyalty agreement with the NFU.

Action – review the insurance provider at the end of the loyalty agreement in 2026.

13. ANY OTHER BUSINESS

Future Planning

L Fillery said she would like to understand the profile for the next few years to see if she has any budget problems that she needs to feed into her planning process.

The Clerk said that our big projects are the pump stations and Harty and Leysdown are 3 and 4 of our pump stations and they are all funded. She explained that anything on the capital program from now on will be smaller items i.e water control structures which we would try to get funding (either via precept or externally) for, or we would fund from the surface water development contributions.

S Mair confirmed that we are doing an asset replacement cost for all pumping stations, that will give us an estimate of what we need to put aside over what period which will give us more detail than we have had previously. He said we are also going to undertake a water control structures survey to see what we have got and what we need to do as some of the structures are not fit for purpose. He confirmed there will be a budget program for what those costs will be, and as soon as we have that we can share that information.

L Fillery said that the earlier she can see that the better as she works on a four to five-year budget plan.

Protect our Coastline

G Etheridge asked if we could have a presentation on Protect our Coastline in the future.

Action – Clerk to include in our next Members Day.

14. DATE OF NEXT MEETING

The date of the next/Q1 Finance meeting was confirmed for Monday 22 July 2024 at 12pm.

15. PRIVATE & CONFIDENTIAL MATTERS

There were no private and confidential matters to discuss.

16. CLOSURE

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