

**LOWER MEDWAY INTERNAL DRAINAGE BOARD**



**MINUTES OF A MEETING OF THE FINANCE COMMITTEE  
HELD AT 13 CONQUEROR COURT, SITTINGBOURNE  
ON MONDAY 9 OCTOBER 2023 AT 12PM**

**Members of the Committee Present**

Chairman: J Mair  
G Fulton (remotely)  
J Lewis  
S Mair  
P Marchington

**In attendance**

P Haselhurst - Clerk  
C Longden - Finance Officer  
L Rowland - Office Manager  
W Smith – Works Manager (part of the meeting)

**1. APOLOGIES FOR ABSENCE**

Apologies were received from G Etheridge.

**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 & 1a)** the Minutes of the Finance Committee held on 24 July and 7 September 2023.

It was **AGREED** that the Minutes of 24 July and 7 September 2023 were correctly recorded and should be considered officially approved.

These minutes will now be added to the website and circulated to all Board Members.

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

**RECEIVED (Appendix 2)** a copy of the Action List of the Board held on 24 July 2023.

**Public Works Loan** – will be covered later in the agenda under Item 10 - Harty & Leysdown Pump Replacement.

**Savings Accounts** – will be covered later in the agenda under Item 11 – Investment Proposal.

**Change of Clerks Authorisation Limits** – not actioned, still outstanding.

**Investment Policy** – Finance Committee have agreed on the draft policy, and this will be taken to the Board along with the Investment Proposal that we will be reviewing today.

**IT Policy** – due to go to the Board in the November Board meeting.

**Handelsbanken Interest Rate** - The Clerk confirmed the interest rate of 2.5%.

**Display of Historic Minutes** – outstanding.

#### 5. **BANK BALANCES**

Bank balances were confirmed as follows as of 29 September 2023:

Handelsbanken Paying In Account	£18,321
Handelsbanken Savings Account	£3,102,022
HSBC Current Account	£4.88
HSBC Deposit Account	£3.67
NatWest Special Interest Bearing Account	£9.70
<b>TOTAL</b>	<b>£3,120,361</b>

#### 6. **BUDGET MONITORING/BANK RECONCILIATION**

**RECEIVED (Appendix 3 & 3a)** Quarter 2 budget monitoring report and documents for 2023-2024.

**RECEIVED (Appendix 3b)** Quarter 2 budget forecast for 2023-2024.

**RECEIVED (Appendix 3c)** Quarter 2 bank reconciliation documents for 2023-2024.

The Clerk displayed the budget monitoring report on screen. The following current identified overspends in section 3.2 were highlighted as follows:

- Code 5004: Rushenden Pumping Station (£1233.78) This was an unbudgeted item due to lack of knowledge around energy costs following completion.
- Code 7009: Benenden Health (£929.10) due to an increase in the size of the team and under budgeted for 2023/24.

## LMIDB

- Code 7203: Security Depot (166.50) This overspend is due to a callout needed and a replacement part.
- Code 7400: Travelling (£355.19). Underbudgeted. Will increase budget for 2024/25
- Code 7407: Board Expenses and Welfare (£1821.00) No Budget this year, overspend is due to KM Retirement which will not need to be budgeted in 2024/25
- Code 7804: Premises Expenses - Depot (£425.99). This overspend was due to a leak in the depot roof.

The Clerk confirmed that a maintenance budget has now been put aside for the depot and office for next year.

The following projected budget savings were highlighted:

- Code 7102: Business Rates £31,685 – First Floor Business Rates was included in this budget as a fall back.
- Code 7006/7004 – National Insurance £10,104 – Employers Allowance of £5,000 was not included in budget.
- Code 8203 – Training £4,737.
- Code 7552 – Software and Computers £3,312.
- Code 7600 – Professional Fees £12,863.

The Clerk referred to the recommendations section of the report which listed the following:

- The Finance Committee are requested to note Q2 budget monitoring to date including projected underspends and overspends and agree in principle the projected overspends in principle to end March 2024.
- The Finance Committee are requested to note the expected budget position and balances expected at the end of the financial year.

S Mair said it would be helpful to include a summary of the overall overspends and savings in future reports.

The Clerk confirmed this would be included next time.

On a proposition by S Mair seconded by P Marchington it was **AGREED** that the Committee noted the Q2 budget monitoring to date including projected underspends and overspends and agree in principle the projected overspends in principle to end March 2024.

On a proposition by S Mair seconded by P Marchington it was **AGREED** that the Committee noted the expected budget position and balances expected at the end of the financial year and confirmed their approval of Quarter 2 bank reconciliation documents for 2023-2024.

## **7. ESTIMATES FOR 2024-2025**

**RECEIVED (Appendix 4 & 4a)** Estimates budget for 2024-2025.

The Clerk confirmed that since the reports were sent out, she has had a last minute addition to allow for a new fuel bowser and racking for the depot. She explained that £10,000 has since been added to small tools and materials to allow for this, which is not

reflected in the report and means the estimated surplus/loss figures on the Summary of Estimated Income and Expenditure documents would be down by £10,000.

The Clerk displayed on screen the estimates spreadsheet and invited any questions from Members.

The Chairman asked about the Environment Agency precept increase from £335,000 to £355,000.

The Clerk explained that herself and S Mair had recently met with the EA, and they wanted to increase the precept back to £400,000. She explained that the key reason for this is they are looking to implement the Medway Estuary and Swale Strategy (MEAS) and partnership funding is falling short. She said it was agreed to increase the precept by £20,000 each year, over 3 years instead of increasing it all in one go. She confirmed that although the precept has increased, she has ensured that we have received funds back on other internal projects that will benefit us.

S Mair noted there was nothing in for plant and driver hire.

The Clerk confirmed that in the past there were 2 separate codes for this, and it is now coded under channel maintenance.

S Mair mentioned that he couldn't see anything for the sinking fund for asset replacement.

The Clerk confirmed this was on the Future/Capital Projects section of the report and is also reflected in the Summary of Estimated Income and Expenditure sheet.

The Clerk raised office and depot maintenance which is recorded under premises expenses. She confirmed that she has currently allowed £5,000 each for the depot and office and wanted the Committee's input as to whether this should be increased.

S Mair suggested increasing this to £10,000 each, bearing in mind we still have an outstanding roof leak issue at the office.

The Clerk confirmed that this would mean an increase in budget of £20,000 taking this into account and the increased small tools budget raised earlier.

J Lewis commented that the only red flag for him was that our overheads are a third of our budget.

G Fulton asked if there was any ADA guidance of budget allocations so we could benchmark ourselves against other Boards and see how competitive we are.

The Clerk confirmed she would find out if they have collated this information.

The Clerk asked the Committee to note that ADA's White Book has not yet been released yet and will be out in November. She said with that in mind she has added a conservative 10% to staff costs so we have enough headroom and there could be some small savings there.

On a proposition by S Mair seconded by P Marchington it was **AGREED** to approve the estimates with an addition of £20,000 for small tools and premises expenses.

J Lewis raised the replacement of the d Leysdown Pump Station and said he would prefer it if we added more costs to our balances and not borrow so much. He said in the long run this would cost the councils/rate payers less.

S Mair agreed with J Lewis that it is better off to accrual an accumulation of capital as it only takes a small thing to create additional costs. He said that the Board focussed on the amount of reserves we held last time and it is crucial that we get across why we carry this, which is because of our capital expenditure risk because of the pumps. He said we need to look at what inflation rates are currently, because we were very low last year in our increase compared to other drainage boards.

G Fulton said to justify an increase we need to prove/raise the focus on cost and what we've done to try to limit costs.

The Committee discussed various penny rate increases in depth.

S Mair raised that we do not currently have anything in the budget for unforeseen items.

The Clerk suggested putting £25,000 towards Harty and Leysdown to reduce the loan amount.

P Marchington said that we also need to consider the current financial situation and it's not going to get better immediately, and we need to be prepared for that.

J Lewis said that it would be useful to include how much extra in percentage terms as well as the amount that will be for the councils, especially the 2 largest ones.

On a proposition by S Mair seconded by J Lewis it was **AGREED** to increase the reserves by £25,000 for Harty and Leysdown pump costs.

All Members present were in agreement.

On a proposition by S Mair seconded by J Lewis it was **AGREED** to make a recommendation to the Board to increase the penny rate by 5%.

All Members present were in agreement.

## **8. EXTERNAL AUDIT (COMPLETED AGAR)**

**RECEIVED (Appendix 5)** Conclusion of external audit 2022-2023.

The Clerk confirmed a few small things had come out of the audit as detailed below.

The smaller authority has not provided:

- An adequate explanation for the difference between Section 2, Boxes 7 and 8. The Finance Officer confirmed she did get this down to about £5, but if it's not zero the auditors will not accept it.
- An adequate explanation for the variance between the prior and current year values in Box 4 of Section 2. This was to do with staff costs, as we do not have access to staff costs for 2021 to 2022 as this information is with the Upper Board.

- Year end bank statements to support the bank reconciliation to Section 2, Box 8 for 3 accounts where the total balances included in Section 2, Box 8 amounted to £18.30. These were requested as part of our intermediate review procedures. This is to do to with old accounts that The Clerk does not have the authority to deal with as this was set up by the old Clerk.

The Finance Officer confirmed that we received a letter from NatWest this morning confirming that our bank account was now closed, and we can contact them regarding the funds.

S Mair suggested that Stephen Batt may be able to assist with the closure of any other old bank accounts as he may still be a signatory.

The Committee noted the completed AGAR.

## **9. IDB1 FORM**

**RECEIVED (Appendix 6)** IDB1 form for 2022-2023.

The Committee noted the IDB1 form.

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

**RECEIVED (emailed separately)** Engineering and Construction Contract for Harty and Leysdown Pump Replacement.

The Clerk explained that we are now at the point where we need to purchase the pumps and she has been working with ACE closely and they are the only supplier of these type of pumps in the UK, particularly with the fish passage element. She said that our financial regulations state that any works over £10,000 we should gain three quotes were appropriate, but on this occasion Stantec that are dealing with this for us have just approached ACE which is acceptable under these circumstances.

The Clerk requested approval from the Committee to go ahead with the purchase of the pumps at a cost of £592,850.

S Mair asked about the 17.5% contractor's contract data fee and if this was something in addition we need to budget for.

The Clerk said this was not in addition as far as she was aware, and she would confirm this outside of the meeting for clarity purposes.

**Action** – The Clerk to clarify details surrounding the 17.5% contractor's contract fee.

On a proposition by S Mair seconded by P Marchington it was **AGREED** to go ahead with the purchase of the pumps at a cost of £592,850.

All Members present were in agreement.

## **11. INVESTMENT PROPOSAL**

**RECEIVED (Appendix 7)** Initial investment proposal prior to Board review.

The Clerk said that following on from the Churches, Charities and Local Authorities Investment's (CCLA's) presentation to the committee in June she has put together this investment proposal and she would like the Committee's direction on the appropriate amount of money they consider could be prudently invested. She confirmed that her recommendation is to move £1,500,000, with £1,000,000 being invested with CCLA in their Public Sector Deposit Fund and £500,000 to be invested with another building society or high street bank.

The Committee discussed the Clerk's proposal, and they were all comfortable to invest money with the CCLA considering the low risk, instant access, and competitive rate of interest (4.79%).

On a proposition by the Chairman seconded by P Marchington it was **AGREED** to invest £1,000,000 in the Public Sector Deposit Fund with CCLA and to invest £500,000, split equally between two separate banks or building societies that can offer the best access and interest.

All Members present were in agreement.

The Clerk confirmed this will now go to the Board in the November Board meeting.

## **12. PLANT PROCUREMENT**

**RECEIVED (Appendix 8)** Works Manager's Plant Procurement Report/Quotations to purchase trucks.

The Works Manager joined the meeting and introduced his report. He confirmed that in keeping with the Board's policy to replace our trucks every 4 to 5 years, we would need to do so by next year as this will be year 5 and we will reach the end of the manufacturer's warranty. He confirmed that he has provided quotes for vehicles with similar specification to our current trucks and that the workforce would prefer to switch from manual to automatic as they prefer towing with an automatic vehicle.

The Works Manager confirmed that his recommendation was for the Board to consider the purchase of 3 x Isuzu DL40 trucks.

Members asked what the difference was between the Isuzu vehicles, the DL20 and DL40.

The Works Manager confirmed that the main difference is that the Isuzu DL40 comes with a reversing camera and sidesteps already installed by the manufacturer and the Isuzu DL20 would require those to be retrofitted.

The Committee discussed the 3 quotations at length.

On a proposition by The Chairman seconded by P Marchington it was **AGREED** to go ahead with the purchase of 3 x Isuzu DL40 trucks.

All Members were in agreement, with the exception of G Fulton who abstained.

**13. ANY OTHER BUSINESS**

There were not any other business items to discuss.

**14. DATE OF NEXT MEETING**

The date of the next/Q3 Finance meeting was confirmed for Monday 29 January 2024.

**15. PRIVATE & CONFIDENTIAL MATTERS**

Private and confidential matters were discussed and recorded separately.

**16. CLOSURE**

There being no further business the Chairman thanked Members for their attendance and declared the meeting closed at 14.40.