

BLACK SLUICE INTERNAL DRAINAGE BOARD

MINUTES

of the proceedings of a meeting of the Audit & Risk Committee

held at the offices` of the Board on
17th October 2018 at 2pm

Members

Chairman - * Cllr M Brookes

* Mr W Ash	* Mr V Barker
* Mr R Leggott	* Mr N Scott
* Cllr B Russell	

* Member Present

In attendance: Mr I Warsap (Chief Executive)
Mr D Withnall (Finance Manager)
Mr J Cooke (Insurance Advisor)

The Chairman welcomed Mr J Cooke to the meeting and thanked him for his attendance.

1330 APOLOGIES FOR ABSENCE - Agenda Item 1

There were no apologies.

1331 DECLARATIONS OF INTEREST - Agenda Item 2

There were no declarations of interest.

1332 MINUTES OF THE LAST MEETING - Agenda Item 3

Minutes of the last meeting held on 25th April 2018, copies of which had been circulated, were considered and it was AGREED that they should be signed as a true record.

Mr W Ash entered the meeting.

1333 CONFIDENTIAL MINUTES OF THE LAST MEETING - Agenda Item 4

It was agreed and thereby RESOLVED to exclude the public from the next part of the meeting due to the confidential nature of the business to be transacted, in accordance with section 2 of the Public Bodies (Admission to Meetings) Act 1960.

1334 MATTERS ARISING - Agenda Item 5

(a) WOLDMARSH CONTRACT - Minute 1265(c)

Mr V Barker made reference to the Woldmarsh contract mentioned on page seventeen, stating that he is pleased with how efficient the Woldmarsh process is.

(b) BOARD'S RENTED PROPERTY - Minute 1269

Mr R Leggott made reference to the Board's rented property. It was clarified that the only time there would be an increase in risk would be a change in tenant, it has previously been agreed that if this were to happen the property would possibly be sold.

Mr N Scott felt that the Minutes were quite lengthy and suggested a more summarised approach.

1335 TO RECEIVE A REPORT ON INSURANCE ARRANGEMENTS - Agenda Item 6

The Chief Executive informed the Committee that this level of cover has already been purchased and so this Agenda Item is for the Committee to assess whether they feel the level of cover needs adjusting.

Mr J Cooke presented the report to the Committee and highlighted a feature that is new this year; a Low Claims Rebate, explaining that where there is a good claims experience this rebate will be awarded. It was noted that it is similar to a 'no claims discount'. At current for Black Sluice IDB, all the property insurances are good, the only thing that could alter it would be a late notified liability claim. This will be paid in November 2018.

Mr J Cooke continued by explaining that the policies have to be adapted accordingly for different organisations and their various risks and requirements so that there are no 'loop holes'. This process was carried out for Black Sluice IDB three years ago, explaining that at the moment everything remains the same.

Mr J Cooke went through the insurance documents, giving the following information and explanations:

Commercial Combined Insurance – Material Damage

The Commercial Combined Insurance covers for material damage to the Board's buildings and constructions, highlighting the importance of keeping up to date with the values of the property and machines in order to get a reasonable sum back in the event of a claim. The sums insured on the buildings and contents of the pumping stations have increased again this year by 5%. The Chairman clarified that this is based on full reinstatement. The Finance Manager also clarified that the revaluations were completed with the new pump regulations in mind and so the new fish / eel friendly pumps have been allowed for. There is also a clause within the policy that states if there are new regulations in place that require replacement with something different then the altered replacement will be completed.

Mr R Leggott raised a query around the different theft covers - 'Full Theft' and 'Theft involving Forcible & Violent Entry or Exit'. Mr J Cooke explained that the 'Theft involving Forcible & Violent Entry or Exit' aspect is actually covered within 'Full Theft'. With 'Full Theft', Black Sluice IDB is additionally covered if, for example, something was stolen whilst the door was left open – with no forcible entry.

Commercial Combined Insurance – Business Interruption

Mr J Cooke highlighted that if a disaster were to happen to the Swineshead site or Pumping Stations then the policy would pay for items known as 'Increased Costs of Working'. Therefore, if an alternative office was required, i.e. a porta cabin, then the Increased Costs of Working would cover that.

Commercial Combined Insurance – Goods in Transit & Contractors Plant

With reference to stock, Mr J Cooke noted that it is also covered when it has left the Depot and is in transit to other sites. Mr V Barker raised the query of whether this covered machinery attachments out on site that are not physically attached to the machine? Mr J Cooke explained that this would be covered under the Motor Policy – whether the equipment is attached or detached. Mr J Cooke also noted the Contractors Plant policy on page 32, which covers all Contractor's equipment and any equipment hired by Black Sluice IDB.

Commercial Combined Insurance – Money

Mr J Cooke continued, focusing on the Money cover, explaining that this is designed to cover physical cash rather than bank assets.

Commercial Combined Insurance – Fidelity Guarantee

The Fidelity Guarantee has been developed to cover both dishonesty of Employees and Board members. Mr R Leggott made reference to an instance where at another Drainage Board a cheque had been altered significantly – asking whether Black Sluice IDB is covered for such instances? The Finance Manager felt that it would be covered by the bank on the basis of Illegal Practice and Fraud.

Mr V Barker made reference to an instance where the accountant of an organisation had altered cheques without the appropriate signatures. The bank did correct it, but refused to give facilities to trade with and caused bankruptcy. Mr J Cooke responded that if it was a third party alteration then it would come under a third party Crime Policy that was deemed not necessary for Black Sluice IDB. If it was altered by an Employee or Board Member, then it would be covered under the Fidelity Guarantee policy.

Mr N Scott asked for the difference between the Fidelity cover under the Commercial Combined Insurance as opposed to the Fidelity cover under Professional Indemnity Insurance? Mr J Cooke explained that under the Commercial Combined Insurance it is for losses of the IDB whereas under Professional Indemnity it is more of a liability policy, covering financial losses of third parties.

Commercial Combined Insurance – Employers Liability

Mr J Cooke continued with Employers liability, explaining that this policy is for injury to Employees, noting that IDBs don't seem to have claims as frequently as you see in other business sectors. The basis of the wage roles has been increased to reflect the IDB's current situation and the Limit of Indemnity has also been increased from the standard figure of £10,000,000 to £15,000,000.

Cllr B Russell raised the point around Contractors and Sub-Contractors, clarifying that Black Sluice IDB have a process in which Contractors are asked to provide evidence of Employer's Liability Insurance – asking if this policy is just to 'sit-upon' in case anything goes wrong as opposed to actually needing it?

Mr J Cooke explained that the main Contractors will be covered under the Public Liability Policy. If temporary labour is brought in, then this will also be covered, it being clarified that Black Sluice IDB hire temporary labour every year. Mr J Cooke also added that if something were to happen then it would be likely that the Contractors insurance would pay out, but if that wasn't enough or they went bankrupt then there is an indemnity for that within the policy.

Commercial Combined Insurance – Public & Products Liability

Mr J Cooke noted that the Public Liability figure was increased to £10,000,000 for the SFFD works last year. He also highlighted the contamination and pollution cover up to £1,000,000.

Group Personal Accident

The Group Personal Accident and Business Travel Policy has some cross over with the Employers Liability Policy to a certain extent, however, it excludes any instances that arise in an area where the Road Traffic Act (RTA) applies. The Group Personal Accident and Business Travel Policy will cover that area.

Mr J Cooke also clarified that it will be paid to the IDB because the Policy is in the IDB's name. It is then up to the IDB what they decide to do with that money – i.e. it may cover the cost of temporary labour to cover an Employee being off.

Further clarification was made around who the amount would be paid out to. If the Employee is making the claim, then it would be made to the Employee under the Employers Liability Policy. If it was the Employer making a claim under the Personal Accident Policy, then it would be paid to the Employer, i.e. the IDB, to then decide what to do with the funds.

Professional Indemnity Insurance

Mr J Cooke continued with the Professional Indemnity Insurance. Mr R Leggott voiced his concern around the Pollution Exclusion under Endorsements. It was identified that pollution and contamination is covered within the Public and Products Liability, as previously mentioned.

It was further explained that this policy covers for advisory work rather than actually creating the pollution. For example, providing advice on planning applications etc.

Cllr B Russel noted that there is a move for Local Authorities to involve IDBs in major planning developments. The Finance Manager stated that currently Black Sluice IDB are consulted on planning. Further discussion took place around whether the pollution arising from advice given aspect needed to be included, with the Chief Executive stating that the IDB don't give advice directly but instead confirm acceptance of the designer's proposals.

Mr V Barker raised the point of Triton Knoll conferring with the IDB with regards to their building work – clarifying that the IDB wouldn't be liable if it flooded? The Chief Executive stated that we have not recommended that they build there, they have brought a proposal and we have simply given them the factual information about it.

Mr N Scott raised the point of the Retroactive date (01.05.09) on the policy. Mr J Cooke explained that any claim made from that date onwards would be recorded within the policy that's in place at that time.

Board Members & Officers Liability Insurance

The Board Members and Officers Liability Insurance Policy protects Employees and Officers of the IDB against any action against them as an individual. For instance, if an Employee / Officer / Board Member was to commit a wrongful act then legal defence fees would be covered by this policy. There is also some Employment Practices Liability which is for if an Employee was to take action for compensation against the IDB for unfair or constructive dismissal for example. There is also an element of fraud cover within this policy.

Engineering Inspection & Insurance

Mr J Cooke directed the Committee to the Engineering Inspection and Insurance, explaining that the inspection side is to ensure legislation is complied with. Mr R Leggott identified 'Damage to Own Surrounding Property' cover. It was clarified that if somebody's else's property got damaged from an instance that occurred it would be covered by the Public Liability Policy.

Commercial Legal Protection Cover

Mr J Cooke referred to the Commercial Legal Protection Cover, explaining that it provides a variety of cover. He continued by explaining the difficulties with administrating it, highlighting that there are more exclusions than inclusions, but for the small cost of £112 it's there if required.

Motor Fleet Insurance

Mr J Cooke concluded with the Motor Insurance, confirming that it covers all the IDBs vehicles, machinery, attachments etc. It also covers third party working risks. This refers to when working on the roadside and the vehicle may be half on the road and half off. Therefore, half in the Road Traffic Act area and half not and so falls between the Motor Policy and Public Liability Policy. It has therefore been added as an extension to the Motor Policy.

Mr J Cooke invited any questions.

The Chairman brought the Committee's attention back to the Third Party Crime Cover that had been mentioned previously, asking whether the Committee felt that it is something that should be added?

Mr N Scott noted that it was deemed not necessary at the previous meeting on the basis of looking at the risk to the IDB, which is most likely going to be cyber theft from the bank as opposed to taking physical cash to the bank which rarely happens now.

Further discussion took place around the matter, with it being noted that it is about assessing the risks and whether sufficient preventative action can be taken in house. The Finance Manager added that this policy would concern offences that are reportable to the Police; in the ten years he has been at Black Sluice IDB he has never had to report anything.

The Finance Manager also noted that he would hope that the Board would be assured that the governance is in place and so actually the insurance is not required.

Mr W Ash asked what the cost would likely be? Last year it was £600.

The Chairman concluded that after consideration the Committee were of the opinion that a Third Party Full Crime Policy was not required as the risk to the IDB is not that great.

Cllr B Russell referred back to the 'no claims discount'. Mr J Cooke responded that they are currently looking into and putting further pressure on regarding this.

Mr R Leggott asked what the definition of 'carried out during the period of insurance' is? Mr J Cooke explained that it refers to which policy a claim is logged to. For instance, somebody may injure themselves but the claim may not arise until six months later. It would therefore be logged against the policy that was in place at the time of the incident (six months previous).

It was further clarified that the prices in the summary sheet includes Insurance Premium Tax, with Mr J Cooke voicing that he expects that this will rise up towards 20%.

Mr N Scott asked Mr J Cooke to include brokerage rates within the report in the future. He continued by asking if Credit Rating is considered? Mr J Cooke explained that nothing below B+ is used and that he is given a panel of insurers he can and can't use that is monitored continuously by a dedicated team.

Cllr B Russell made reference to the syndicates, which it was clarified that they are Lloyds and they are A rated.

Conversation reverted back to Credit Rating, the Chairman emphasising Mr N Scott's point that the IDB may want to pay a little bit more for a better rating, it being decided that Mr J Cooke will send through a Schedule of Credit Ratings so that the Committee can look at this. It was also noted that the client would be notified if there were concerns over the rating of an insurer. Mr W Ash questioned whether you could move providers if an insurers rating dropped half way through a period of insurance? It was clarified that, generally speaking, you wouldn't be able to 'move' as such but you would be able to purchase the insurance again.

The Chairman thanked Mr J Cooke for his time.

1336 TO RECEIVE THE ANNUAL RETURN INCLUDING EXTERNAL AUDITORS
OPINION 2017/18 - Agenda Item 7

The Finance Manager stated that this has already been presented to the Executive Committee on the 12th September 2018. He apologised for his mistake, shown in Figure Box One on page 50, which was transposed.

1337 TO RECEIVE THE AUDIT PROGRAMME 2018/19 - Agenda Item 8

The Finance Manager explained that this is the work Chris Harris, the Internal Auditor, is planning to undertake over the twelve-month period, noting that he won't attend the IDB now until the final quarter of the year.

1338 TO REVIEW THE FOLLOWING BOARD'S POLICIES - Agenda Item 9

The Chief Executive explained that these are policies that have been identified for review and any changes have been made in red.

(a) POLICY No. 27: CONTROL OF RAGWORT

The Chief Executive stated that there are no proposed changes to this policy – so the only thing that will change will be the reviewed date.

The Committee RESOLVED to recommend that the Control of Ragwort Policy (No. 27) be approved at the next board meeting.

(b) POLICY No. 28: LAND DRAINS DISCHARGING INTO BOARD MAINTAINED
WATERCOURSES

The Chief Executive presented this policy, again, stating that there are no proposed changes to this policy.

The Committee RESOLVED to recommend that the Policy for Land Drains Discharging into Board Maintained Watercourses (No. 28) be approved at the next board meeting.

(c) POLICY No. 29: CONTROL OF RABBITS, RATS AND OTHER RODENTS

The Chief Executive explained that the only changes to this policy are a change in position from the Operations Supervisor to Works Manager and an additional sentence to the last paragraph.

Mr W Ash asked about the situation around badgers? The Chief Executive responded that badgers are a protected species and so there are detailed guidelines for working around badgers that must be followed. The Chief Executive continued by explaining that the IDB has recently been reported to the Police by a member of the public for working near badgers. The Police attended the site and it was concluded that the IDB are abiding by the guidelines for badgers.

It was also noted that records are kept in regards to where the badgers are located and that the number of them is increasing. The Chief Executive highlighted the problems they can cause such as machines being tipped over when collapsing into badger setts. He also made reference to a new movement from the Environment Agency regarding some of their raised main river banks which entails enticing the badgers to relocate.

Mr N Scott clarified the two risks brought about by badgers – legislative and a Health & Safety risk. It was further clarified that there is not a Black Sluice IDB policy for badgers as the legislation around it is within the documents of Natural England.

The Committee RESOLVED to recommend that the Policy for the Control of Rabbits, Rats and Other Rodents (No. 29) be approved at the next board meeting.

(d) POLICY No. 31: PUBLICATION SCHEME

The Chief Executive presented the Publication Scheme, explaining that the only change is to the website address'.

The Committee RESOLVED to recommend that the Publication Scheme (No. 31) be approved at the next board meeting.

(e) POLICY No. 34: GIFTS AND HOSPITALITY

The Chief Executive explained that in a quick review of the Agenda with the Chairman prior to the meeting it was identified that an additional sentence was required. The updated document, with the additional sentence highlighted in red, was distributed to the Committee. The amended paragraph was as below:

'Employees and members should treat with extreme caution any offer of a gift in excess of £25, favour or hospitality that is made to them personally. Any gift, favour, tokens of goodwill or hospitality in excess of £25 will be brought to the attention of the Chief Executive for further discussion and if approved registered in the Gifts & Hospitality Register held by the Chief Executive.'

The person or organisation making the offer may be doing or seeking to do business with the

Board or may be applying to the Board for some decision to be taken in his favour or someone with whom he is connected.'

The Chief Executive continued that the old Gifts & Hospitality Register has no entries. Once this policy has been approved by the Board it will be issued to all staff so that they are all aware of the procedure.

The information that will be documented in the new Gifts & Hospitality Register is as follows; Registration Number, date, Officer's name, hospitality provider, hospitality type, estimated value, approval – yes/no and the Chief Executive's signature.

Cllr B Russell raised the critical point that the offer being made needs to be recorded whether accepted or not. Discussion took place around suitable wording to ensure this is incorporated. It was concluded that the beginning of the additional sentence should read 'Any offer of a gift...'. The phrase 'if approved' in the additional sentence should also be removed.

Mr R Leggott voiced his opinion that he would be happy for the £25 limit to be removed. The Committee felt that £25 was an acceptable figure – it then allows for items such as pens, calendars, diaries etc. without the need to record it.

Mr V Barker questioned whether trips, where attendees are entertained, such as the Holland Trip in June 2018, should be recorded? The Finance Manager responded that it is exempt in accordance with paragraph two – 'attending such functions or events as part of an official Board delegation'. However, it was also noted that there are no geographical limits to the policy.

The Committee RESOLVED to recommend that the Gifts and Hospitality Policy (No. 34) be approved at the next board meeting.

(f) CONFIDENTIAL POLICY No. 13: EMERGENCY FLOOD RESPONSE PLAN

It was agreed and thereby RESOLVED to exclude the public from the next part of the meeting due to the confidential nature of the business to be transacted, in accordance with section 2 of the Public Bodies (Admission to Meetings) Act 1960.

1339 TO RECEIVE & REVIEW A PROPOSED DEVELOPMENT CONTROL CHARGES AND FEES POLICY - Agenda Item 10

The Chief Executive presented the new proposed policy. He explained that the IDB currently have development control charges and fees built into the byelaw consenting process. The IDB are starting to be questioned by some developers on how these figures are calculated and so it was felt a policy was required.

The Chief Executive continued by explaining that all of the information within this policy is actually already implemented through the consenting process. Therefore, there is no change being applied other than the information is now in a separate policy.

In the past, the IDB have followed the Water Management Alliance (WMA) guidelines. The Chief Executive further explained that between producing the document and this meeting, the WMA have reviewed their own guidelines. The 'Current Rate of Application per Impermeable Hectare' has been significantly changed.

A table was presented on screen showing the increase over the past eleven years in this rate. The rate originally proposed, as on the policy within the Agenda, is £77,800 per impermeable hectare. The new WMA adopted rate after review is now £117,131 per impermeable hectare which is a 51% increase. The Chief Executive highlighted that the IDB does state that our rate is subject to review and change at the Board's discretion.

The Chief Executive asked the Committee whether in light of the new WMA Figure of £117,131, who we usually follow, does the proposed figure of £77,800 need reviewing? He additionally noted that he is unsure why we follow the WMA guidelines, other than they probably spent more time working on developing their Planning and Byelaw Policy than other IDBs.

The Chairman questioned the reason behind such a significant increase? The Chief Executive explained that he has tried to find this out, and at current none of the WMA Officers have this reason.

The Committee felt that until the reasoning behind the increase is found out, it would be difficult to review the figure. It was felt that it should be left for the Board to consider. The Chief Executive will try and find the answer for the increase for the Board Meeting.

Mr N Scott questioned whether Black Sluice IDB want to use the rate as a disincentive – would the IDB prefer other methods of catching water used, i.e. soakaways? The Chief Executive responded that the IDB would prefer Greenfield Runoff Rate (below 1.4 litres per second per hectare). Mr V Barker voiced his concerns over methods such as SuDS when there is exceptional rainfall. The Chief Executive stated that the designs are tested and inspected and so, in theory, they shouldn't cause problems.

The Committee RESOLVED to recommend that the new Development Control Charges and Fees Policy (No. 44) be approved at the next Board Meeting following review of the Rate of Application per Impermeable Hectare.

1340 REVIEW OF THE ANNUAL ACCOUNTS - Agenda Item 11

The Chairman reminded the Committee that they are looking at the structure and format of the Annual Accounts rather than the figures.

The Chairman proposed that it is reviewed by this Committee every three years (in-line with elections) as opposed to every year. The Finance Manager proposed that the Management Accounts are reviewed three yearly also.

The Committee AGREED to review the format of the Annual Accounts and Management Accounts every election year, every three years, as opposed to annually.

1341 TO RECEIVE THE CATALOGUE OF BOARD POLICIES WITH RECOMMENDED APPROVAL DATES - Agenda Item 12

The Chief Executive stated that in addition to the already programmed policies he is going to bring two policies forward to the next Audit and Risk Meeting; Policy No. 41 Public Sector Cooperation Agreement (PSCA) and Policy No. 40 Commercial Works Policy. This is because the Environment Agency are sending out their new PSCA soon.

The Chief Executive also noted that there will be a new Policy (No.45) for Mobile Phones and Devices that will be presented at the next meeting, which is being issued to the Workforce next week.

The Committee AGREED that the Catalogue of Board Policies be adopted with the above amendments.

1342 TO REVIEW THE RISK REGISTER - Agenda Item 13

The Chairman referred the Committee to any scores higher than four – the only one being 1.1. The Finance Manager suggested that in light of the uncertainty around the Black Sluice Pumping Station (Boston) it be left as it is until the next full strategy review, by which time the Environment Agency's Operations Plan will hopefully be available.

The Committee AGREED that the Risk Register is to remain the same until the next full strategy review.

1343 ANY OTHER BUSINESS - Agenda Item 14

(a) CALCULATING CONTRACT PRICES

Mr V Barker made reference to the way in which Contracts and prices are calculated and drawn up in light of a recent situation. The Chief Executive explained that this process is within Policy No. 40, Commercial Works, which is currently under review to be presented at the next meeting of the Audit and Risk Committee.

There being no further business the meeting closed at 16:06.