

BLACK SLUICE INTERNAL DRAINAGE BOARD

MINUTES

of the proceedings of a meeting of the Executive Committee

held at the Offices of the Board on
23rd January 2020 at 2pm

Members

Chairman - * Mr K C Casswell

* Cllr P Bedford
Mr J Fowler
Mr M Rollinson

* Mr M Brookes
* Mr P Holmes

* Member Present

In attendance: Mr I Warsap (Chief Executive)
Mr D Withnall (Finance Manager)
Mr J Scott (Brewin Dolphin Divisional Director)

Mr J Scott, of Brewin Dolphin, was welcomed by the Chairman.

1560 APOLOGIES FOR ABSENCE - Agenda Item 1

Apologies of absence were received from Mr J Fowler and Mr M Rollinson.

1561 DECLARATIONS OF INTEREST - Agenda Item 2

No declarations of interest were received.

1562 MINUTES OF THE LAST MEETING - Agenda Item 3

Minutes of the last meeting held on 4th December 2019, copies of which had been circulated, were considered and it was AGREED that they should be signed as a true record with the following amendments:

- Minute 1557, paragraph two – ‘tri-annual’ should be ‘triennial’
- Minute 1557, paragraph three – change ‘...the Board is taking’ to ‘...the Board is paying’
- Minute 1558(d), title ‘Housing, Communities and Local Government Meeting’ needs amending to ‘Ministry of Housing, Communities and Local Government’
- Minute 1558(d), ‘Housing, Communities and Local Government’ needs amending to ‘Ministry of Housing, Communities and Local Government’ within the minute.

1563 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.

1564 MATTERS ARISING - Agenda Item 5

(a) FENCE AT B&M'S & DUNELMS - Minute 1554(b)

The Finance Manager informed the committee that it has been noted that there is still a lot of rubbish entering the drain from the retail park site. Photos were displayed on screen. A fence has been erected, which is doing its job, but this has only been put up around the bin store, and not around the stock yard. They have been written to and told it will be cleared by Black Sluice IDB and invoiced to them accordingly. They have responded that they are disappointed and it will be passed to their Manager. It is hoped that once they keep receiving invoices for clearing the rubbish they will erect a fence around the stock yard to avoid having to pay for the work of the Black Sluice IDB clearing it time after time.

(b) PERIOD 07 MANAGEMENT ACCOUNTS - Minute 1555

The Finance Manager made reference to recovering costs from the Environment Agency (EA) for having to move unnecessary water during the recent rainfall event. It has been concluded that it will be such a small amount that could be recovered that it would take more work to calculate than what would be recovered.

The Chairman added that there is a proposal to put a claim in as a collective from all of the local drainage boards for excessive pumping that has been required generally.

(c) PERIOD 07 MANAGEMENT ACCOUNTS - Minute 1555

The Chief Executive noted that the Network Rail flooding incident seems to have come to a halt at the moment, but it is believed the landowner is attending the NFU meeting in February to be held by the Board and so more information may be obtained then. It was felt that the Board have a responsibility to keep an eye on this matter.

(d) PERIOD 07 MANAGEMENT ACCOUNTS - Minute 1555

The Finance Manager noted that a structural engineer is being sourced to come and check on the three pumping stations that were affected by water from Environment Agency watercourse returning to our system around and under our pumping stations.

(e) MEETING WITH IRELANDS FARM MACHINERY - Minute 1558(b)

Mr P Holmes stated that he felt this meeting went well and that progress was made.

The Chief Executive added that the Operations Manager was attending Irelands Farm Machinery (IFM) because one of the Twiga's has been in their yard since before Christmas, five weeks, and is still not fixed. There is a dispute between IFM, Spearhead and Energreen about the extended warranty of the machine and whether the part in question should be replaced or re-built. Therefore, the Operations Manager is going to convey to IFM that the service is less than satisfactory and not pleasing, especially following a meeting to address this issue.

The Chairman questioned whom the warranty is paid to? The Chief Executive responded that it is paid to IFM, the dealer. The committee felt it was therefore the responsibility of IFM to resolve, they are the Board's point of contact, the Board shouldn't have to or be able to speak to Spearhead or Energreen, that should be the responsibility of IFM. IFM should get the machine running again as soon as possible.

Following the meeting, it was made known to IFM that for any further purchases, there would be purchasing conditions included as follows; 'following the third day of the machine being unusable by a factory fault at the IFM workshop, it should be replaced with a like for like machine or a £500 credit should be issued to Black Sluice per day for every day without the machine following'. IFM were not agreeable to this and so it was suggested that machines could be purchased from elsewhere in the future.

(f) STAFF TRAINING DAY - Minute 1558(c)

Mr P Holmes added that he felt the training lunch and gift of thanks presented to employees was successful. The Chairman thanked Mr P Holmes and Mr M Rollinson for their attendance.

(g) MINISTRY OF HOUSING, COMMUNITIES & LOCAL GOVERNMENT MEETING - Minute 1558(d)

The Chief Executive informed the committee that the outline submission has been accepted, with an approval project cost of £835,000.

The formal bid is currently being written which covers the smart water metering of the catchment. There will be gravity feed flow sensors, rainfall sensors, soil moisture content sensors, amongst others. These will be linked to the existing telemetry.

A letter to the Board will be received from the SLWP regarding partner contributions. The Finance Manager has suggested that the Board contributes £57,000 in addition to in kind offerings such as hosting meetings. The £57,000 is the amount that has been approved by the Board for the updates to the telemetry system and gauge boards.

(h) NFU MEETING - 11 FEBRUARY 2020 - Minute 1558(e)

The Chief Executive reminded the committee that the NFU meeting is to be held on the 11th February 2020. The hope is to focus the meeting around the Environment Agency (EA) and the implementation of the Black Sluice gravity contingency plan. The telemetry can be shown to demonstrate the successfulness of the navigation lock in comparison to when the Black Sluice Pumping Station (Boston) was active.

(i) DESILTING OF THE SOUTH FORTY FOOT DRAIN - Minute 1558(g)

The Chief Executive explained that the Environment Agency (EA) representative met with the Operations Manager last week; the EA have the funding for the next length of desilting. It is still unsure what type of desilting is to be carried out, a survey will be undertaken to decide this. It is likely that the desilting of the next 3km will take place in October 2020. It is also hoped that it will continue on from the desilting of the North Forty Foot Drain.

The Chief Executive noted that there is another new technique of desilting developing, high pressure water jet silt cutting on an outgoing fluvial tide. ADA want to demonstrate this technique and cutter suction desilting in built up areas to the industry. Therefore, next time the Royal Smals cutter suction dredger is in the area, ADA want to come and promote it nationally.

(j) CO-OPTED MEMBERS - Minute 1558(f)

It was noted that more co-opted members will be thought about closer to the time of the inspections.

1565 TO REVIEW THE TWO BREWIN DOLPHIN PORTFOLIOS WITH JAMES SCOTT - Agenda Item 6

Mr James Scott, Divisional Director at Brewin Dolphin, handed out portfolios for both investment accounts held with Brewin Dolphin, detailing the last twelve months of the investments.

A brief overview was given as follows;

The older of the two portfolios, the Bourne Fen Farm account, is at risk level 5 in comparison to the newer investment of reserve funds being at risk level 3. The initial investment of reserve funds was £500,000. Both have the same general objectives and structure in relation to income generation, with a lean towards income production as opposed to capital generation.

Mr J Scott highlighted that both investments have had a good previous twelve months, with the bench marks outperformed. The Bourne Fen Farm portfolio has achieved 15.9% in comparison to a benchmark of 14.36%, the reserve funds investment has achieved 10.74% in comparison to a bench mark of 8.55%. Mr J Scott added that the markets have been good since the last quarter of 2018, which was the worst quarter seen since the financial crisis.

Mr P Holmes questioned who sets the benchmarks? Mr J Scott responded that there is no industry wide benchmark and so they are set by Brewin Dolphin by looking at factors including risk level, which are then broken down further into smaller categories, using various indexes. These are declared at the beginning, sent out to the client and is static to ensure it cannot be changed to make the portfolio appear to be performing better. Therefore, Brewin Dolphin's competitor's benchmarks could differ. There is an organisation called ARC, Asset Risk Consultants, whose aim is to try and normalise the data across the industry. They take data from Brewin Dolphin and all of its major competitors and put these companies into quartiles based on their performance. This ARC data can be passed onto the Finance Manager to show how Brewin Dolphin compare to others in the industry, most of which shows Brewin Dolphin within the top quartile.

The Chairman questioned how long he felt the low interest rates would continue? Mr J Scott explained that, in his opinion, they will continue until inflation is 'out of control' due to the world being indebted and money being lent out with no cover behind it.

Mr J Scott added that monetary policy is crucially important, and whilst that stays loose, the likely opportunity for markets to push forward should remain.

There are also things that will be completely unexpected, such as the recent virus outbreak in China. Discussion took place around the political dynamics of the world and the possible effects different scenarios may bring.

Mr J Scott referred back to the portfolios, with the main difference between them being that there is a high fixed income content in the new reserve fund portfolio, at almost 40%, whereas this is closer to the mid 20% mark in the Bourne Fen Farm portfolio.

The Finance Manager noted that last year the yields of the two portfolios with different risk levels were looked at, which was a difference in yield of about 0.4%. This year, it shows that the difference in yield between the two portfolios is 0.03%. The Finance Manager did a further calculation to show the growth of the portfolio including the income, which was 6.34% for the newer reserve fund portfolio at risk level 3 and 11.12% for the Bourne Fen Farm portfolio at risk level 5. Therefore, there has been a lot more growth, but not income with the Bourne Fen Farm portfolio.

Mr J Scott added that the income of the portfolio will stay relatively consistent, whereas the growth will vary.

The Finance Manager considered the risk levels of the two portfolios, noting that the two portfolios are generating the same yield despite the difference in risk level.

Mr J Scott responded that risk and yield do not necessarily correspond with each other, the lower risk portfolio will not grow as quickly as the risk level 5 portfolio because the types of investments being invested in are less volatile; the peaks and troughs should be shallow, in comparison to deeper peaks and troughs in the higher risk portfolio.

Mr J Scott questioned how long the investment is expected to be invested for, as this should be considered when thinking about setting the risk level of the portfolios. If it is quite a short period of time, then the risk level should probably be lower. If the money is not going to be needed and can therefore be invested for a longer period then a higher risk may be set.

The Finance Manager noted that the 10 Year Estimates show that there will be money available in the reserves, without having to use money from the portfolios.

The Chairman felt that the newer investment was put at risk level 3 for a reason and suggested it should be kept at that.

Mr J Scott made reference to the difference in fee structure between the two portfolios; the Bourne Fen Farm portfolio is on fee and commission, with the newer reserve fund investment is on fee only. The fee and commission structure means that there is an annual management charge of 0.75% + VAT in addition to a commission charge every time something is purchased or sold, the commission charge is 1.25% on the first £15,000 and a contract charge of £20. With the fee only structure, the annual management charge is 1.3% + VAT, with the contract charge of £20 but no commission fee associated with buying and selling.

There is currently an approximate 0.2% difference because of the differing structures, with the portfolio with the fee and commission structure being the cheaper option. He added that the newer portfolio was set up initially as fee only to save with the upfront costs.

Mr J Scott also made reference to the difference in instruction and signatories between the two portfolios; the Bourne Fen Farm portfolio has the Finance Manager, Chief Executive and Chairman as signatories, with instruction being required from two out of three, whereas the newer investment there are only two signatories; the Finance Manager and Chief Executive and only one of their instruction is required. However, money can only ever be transferred back to the Board's bank account on Brewin Dolphin's system. The Finance Manager felt there was no requirement for them to be different and that the newer account could be changed to two out of three signatories required to align the two portfolios. The Chairman felt that there was no need, as it can only come back to the Board's bank account anyway.

The Finance Manager stated that the reserve fund portfolio was initially set up as fee only, with a view to change this to fee and commission after a year. All AGREED.

Mr J Scott added that it would be helpful if he could view the most recent set of accounts, March 2019. The Finance Manager noted that the audited accounts are on the website and he will send over the more detailed unaudited accounts following the meeting.

The committee thanked Mr J Scott for his presence at the meeting.

Mr J Scott left the meeting.

1566 TO CONSIDER PERIOD 09 MANAGEMENT ACCOUNTS - Agenda Item 7

The Finance Manager presented the period nine management accounts, highlighting the following to the committee:

Expenditure

- Drain schemes - the £50,000 budget with only £2,900 spent so far is for the Dowsby Lode Improvements Scheme
- Emergency works: large slips = £21,500, emergency working = £72,500
- Pumping Station Maintenance = £230,000 over budget
- Emergency works total: £324,000

The Finance Manager added that it will be approximately £373,000 overspent on budget. It was further noted that this time last year the Board had spent £76,000 on electricity, this year the Board has spent £284,000.

1567 TO CONSIDER A REPORT ON THE 2020/21 BUDGET & TEN YEAR ESTIMATES - Agenda Item 8

Rates & Levies

The Finance Manager presented a particular case, the Triton Knoll development, on screen. He questioned with the committee whether they felt it should be taken out of agricultural rates and transferred to the special levy?

The terminology usually used is that it is transferred to special levy when substantially complete.

The Finance Manager has spoken with the Finance Officer, from Boston Borough Council, who is of the opinion that this development won't complete for two years and so there won't be any income from it for another two years.

Mr P Holmes questioned when it was last under the plough? It was thought it was approximately two years since it was last agriculturally farmed. Mr P Holmes felt that if with a housing development it is transferred at 50% occupancy then this development is at about 50% if it hasn't been agricultural for two years and has another two years to go until completion. Therefore, Mr P Holmes felt it should be transferred to special levy.

Cllr P Bedford noted that there is business rates on the development at the moment, but it has been proposed that the government will take rating away from national infrastructure. Cllr P Bedford further added that their latest update has stated that the development will be completed by 2021.

All AGREED that the Triton Knoll development can no longer be classed as agricultural and should therefore be transferred to the special levy.

As a result of this decision, the agricultural rate is 50.005% and the special levy is 49.995%. This therefore means that the Board make up won't require changing until 1st April 2023. The Finance Manager displayed on screen details of each of the councils increase to the special levy due to development and rate rise.

Discussion took place around the increase in rate at different local drainage boards. Mr P Holmes added that costs, i.e. fuel, electricity, pay award, are all increasing and so is 1.9% really sustainable? The Finance Manager responded that it is only a 1.9% increase this financial year and a 2.5% increase following. The Finance Manager noted that he uses 2% inflation rate on years 2 – 10 in the ten year projections, which currently deliver the result the Board wants. The current 10 year projection, with the increase of 2.5% each year from 2021/22, can be amended, it doesn't have to be stuck to. Mr M Brookes also noted that the reserve was increased from 20% of expenditure to 25%.

Mr P Holmes responded that he appreciates all of this, but is mindful about factors that can't be budgeted for, such as the increase in pay award. The Finance Manager added that this will be addressed when compiling the following years budgets. The Chairman also noted that the guideline being used at the ADA Pay & Conditions Committee to establish the pay award would be very unlikely to get out of hand in terms of increase.

The Finance Manager concluded that the budgets and ten-year projections prove that the Board can afford to have a rate increase of 1.9% in the next financial year. He further added that the ten-year projections have not yet been updated to include the increase in special levy that will be received from the councils. The Chairman added that, at this point, it seems to work.

The Finance Manager suggested that it may be beneficial to show the detail of the increase to the special levy to the Board and councils. All AGREED.

Interest & Investment Income

The Finance Manager displayed on screen an updated summary of the Brewin Dolphin investment portfolio.

(a) BUDGET WITH 10 YEAR ESTIMATES

The Finance Manager highlighted that the ten-year estimates give a reserve of £799,874 in financial year 2029/30, a balanced budget, which is 26.43% of expenditure that year.

(b) 2020/21 SUMMARY BUDGET BY MONTH

Mr P Holmes noted that it looks like there will be a deficit of £400,741? The Finance Manager responded that this is because of factors such as grants being received in the financial year 2019/20 but spent in the following year. Therefore, the income is shown in year 2019/20 and the expenditure shown in year 2020/21.

(c) 2020/21 DETAILED BUDGET MY MONTH

The Finance Manager presented, as read.

(d) 10 YEAR CAPITAL SCHEMES

The Finance Manager noted that this has been updated to show the accurate figures and when the money will be spent, in particular in relation to the £57,000 for the upgrade to the telemetry systems, it proposed to spend £22,000 of that in the current financial year and £35,000 next financial year. It was also noted that the North Forty Foot Drain grant has been received in this financial year but £350,000 of it won't be spent until the next financial year.

(e) 2020/21 WAGES ON-COST RESERVE BUDGET

The Finance Manager noted that due to the vacancy of the Works & Engineering Manager for the previous twelve months, there appears to be a large positive figure at the end of 2020/21, however, this will hopefully breakeven once this salary is reflected within. The recharge rate will be maintained at 240%.

(f) 10 YEAR PLANT REPLACEMENT

The Finance Manager noted that the committee authorised the £112,000, currently shown in financial year 2020/21, for the replacement Unimog to be moved into the current financial year, at the meeting held on the 4th December 2019.

The Chief Executive added that the Unimog has been purchased, drawing the committees attention to the £18,000 allocated for the replacement of the low loader trailer in 2020/21. The Chief Executive proposed that if the appropriate trailer was found in today's market and could be tied in with the delivery of the new Unimog, could the allocated money be brought forward into this financial year?

It was clarified that the trailer is not used with anything other than the Unimog.

Mr P Holmes noted that it had been previously requested that the hours of each machine were included on the spreadsheet. The Chief Executive apologised, adding that he has used the old format of spreadsheet.

Mr P Holmes further noted that significance of 'Twiga / Herder?' as opposed to just 'Twiga', further adding that he felt £20,000 was not a very high trade-in value. The Chief Executive responded that he will look into it.

The Chief Executive also added that he would like to reduce the replacement age if the Board can afford to, as with age, comes more problems. Mr P Holmes also noted the possibility of contract hire basis.

It was noted that Herder, now have machines in the country and the parent company of Spearhead are also now the parent company of Herder. Discussion took place around other similar possible machines being developed, including JCB, noting that by the time the Board is ready to replace one of the Twiga's there could be a lot more competitors within the market.

All AGREED that the £18,000 allocated within 2020/21 for the replacement of the low loader trailer can be brought forward to be spent within this financial year if a suitable trailer is found.

(g) SOLAR PANEL CUMULATIVE REPORT

The Finance Manager noted that Swineshead Pumping Station Solar Installation has now paid for itself, with £809 net profit without savings from generated electricity used.

All AGREED that the above reports and budgets be recommended to the Board for approval. The Chairman also noted that once ratified at the Board meeting, it should be sent to the councils so that they are aware of the Board's intentions going forward. The Finance Manager added that it might also be worth sending the graph showing how much water has been pumped to give the council an explanation as to why the situation has changed since speaking in September 2019.

1568 TO CONSIDER ADVICE PROVIDED FROM THE ADA HEALTH, SAFETY & WELFARE SURVEY 2018 - Agenda Item 9

The Finance Manager stated that the Internal Auditor has been at the Board's Offices during the week and has awarded 'Substantial Assurance' again. However, Health & Safety will be raised as a level 3 recommendation in the report, with his concern being that it is not given the prominence it requires. More specifically, he referred to better control being exercised, health & safety documents being updated on the website, improvement to register of training and training requirements, and the proper recording of near misses including near misses from other IDBs to learn from.

The Chairman highlighted that ADA are now pushing the importance of Health & Safety and felt it should be referred to the Audit & Risk Committee to identify areas to work on.

The Chief Executive highlighted the low response rate of just under 75% for the Health, Safety & Welfare Survey. Mr P Holmes added that it would be interesting to know the makeup of the 25% that didn't respond by area coverage, stating that it would be expected that the 25% is made up of the really small IDBs. The Chairman responded that he will ask if this information is available at the next meeting.

Mr P Holmes made reference to the 'blame' culture and trying to get away from it. He also felt that results of the questionnaire should be distributed to be able to learn from others mistakes. The Chief Executive referred back to the blame culture, explaining that emphasis is put on 'no blame' with the operations team; we need to know to learn.

The Chairman added that you can have the best health and safety training, but it is still a human being who can make mistakes. Mr M Brookes responded that as long as the reasonable measures have been taken to try and prevent the incident, a case would hold in court.

Mr P Holmes made particular reference to a welfare facilities and ensuring that all employees have access to appropriate toilet and mess facilities when working away from the office / depot. He felt this would be a struggle given the nature of the industry. The Chief Executive responded that the pumping stations are used as a toilet facility. Mr P Holmes felt that it is easier for a gang, but the nature of the IDB work has individuals scattered all over the catchment working alone. The Finance Manager questioned whether there is a need for it and the only way to determine that would be to look at where employees are working and the facilities around them.

The Chairman also noted that ADA are going to be pushing the importance of environmental issues. The Chairperson of the Environment Agency (EA) has also relayed an aspiration to be carbon neutral by 2030, which will affect the work of the Board.

Mr P Holmes felt that factors such as changing to variable pumps would help the Board as the electricity bill will reduce, however, there would be a high expenditure to change to variable pumps in the first instance. The Finance Manager added that he felt, based on the recent rainfall events, that variable pumps cost more money as opposed to save money due to where there are variable pumps, it has now not stopped pumping for the last few months and therefore the electricity bill is high. However, they have run without problem.

1569 ANY OTHER BUSINESS - Agenda Item 10

(a) ADA RESERVES RECOMMENDATION

Mr P Holmes noted that he was under the impression that ADA are going to put out a directive that total reserve should match the turnover. The Finance Manager responded that the recommendation is three months of expenditure but the Internal Auditor suggested a maximum for all reserves may be introduced.

(b) UPPER CATCHMENT NATURAL FLOOD MANAGEMENT STRATEGY

The Chief Executive gave an update on the upper catchment natural flood management strategy. The upper catchment has been split into seven sub catchments, one of which is Swaton. Lesley Sharpe, of Sharpe's Ltd, has been employed. This has all been approved and so £25,000 will be received this year and £75,000 next year to employ Lesley and an agricultural advisor to walk every catchment and produce business plans specialising in natural flood management, these cases can then be used to apply for money for implementation.

(c) WITHAM 4TH IDB PURCHASE OF VANS

Cllr P Bedford noted that Witham 4th IDB are purchasing twelve vans for their machine operators, kitted out with the required tools etc.

(d) WORKS & ENGINEERING MANAGER

The Chief Executive informed the committee that the agency used to employ the hand roding gang in the summer months has been used to try and source a suitable Works & Engineering Manager. Three candidates have been selected for interview next week.

There being no further business the meeting closed at 16:09.