

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
1st May 2019 at 2pm

Members

Chairman - * Cllr M Brookes

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

* Member Present

In attendance: Mr I Warsap (Chief Executive)
Mr D Withnall (Finance Manager)
Mr C Harris (Internal Auditor)

1422 APOLOGIES FOR ABSENCE - Agenda Item 1

There were no apologies for absence.

The Chairman welcomed Mr C Harris and thanked him for his attendance.

1423 DECLARATIONS OF INTEREST - Agenda Item 2

No declarations of interest were received.

1424 MINUTES OF THE LAST MEETING - Agenda Item 3

Minutes of the last meeting held on 17th October 2018, copies of which had been circulated, were considered and it was AGREED that they should be signed as a true record.

1425 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.

1426 MATTERS ARISING - Agenda Item 5

(a) INSURANCE ARRANGMENTS: CREDIT RATINGS - Minute 1335

Cllr S Waring questioned if Mr J Cooke had provided a Schedule of Credit Ratings for the committee to view, as agreed at the previous meeting? The Finance Manager noted that it has not been received and so he will chase up this matter.

(b) PROPOSED DEVELOPMENT CONTROL CHARGES & FEES POLICY - Minute 1339

Mr N Scott questioned if the reason for such a big increase had yet been identified? It was established that this would be covered in agenda item 8(h) - to review the development and control charges and fees policy.

(c) CONFIDENTIAL - REVIEW OF POLICY No. 13: THE EMERGENCY FLOOD RESPONSE PLAN - Minute 1338

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.

1427 REVIEW THE AUDIT & RISK COMMITTEE'S TERMS OF REFERENCE - Agenda Item 6

The Chief Executive presented this agenda item and invited opinions, it being suggested that in the last sentence of section one it should be 'tri-annual AGM' rather than 'annual meeting' as the Chairman is appointed after the tri-annual AGM rather than annually.

All AGREED that the Audit & Risk Committee Terms of Reference be RECOMMENDED to the Board for approval with the following amendment:
'The Chairman shall be appointed by the Committee at the tri-annual AGM.'

1428 TO RECEIVE A PRESENTATION FROM THE INTERNAL AUDITOR - Agenda Item 7

The Internal Auditor presented this agenda item, explaining that his role is to ensure that the Board is operating as it should, including sufficient audit checking of finances and governance, that allows him to provide a final assurance review of governance, risk and control, as presented in the agenda.

(a) INTERNAL AUDIT REPORT 2018/19

The Internal Auditor informed the committee that the Board have received 'Substantial Assurance' for the year ending March 2019, which is the highest level of assurance that can be achieved.

The Internal Auditor further explained that there was one routine recommendation identified that related to the procurement policy. He noted that he was pleased to see this has been brought to this committee for review in response to the recommendation. He clarified that the recommendation was identified because a mistake was not being made, but that he felt the policy wording needed clarification and certainty.

The Internal Auditor invited questions of the committee.

The Chairman thanked the Internal Auditor for his work and noted that the Board are proud to have 'substantial assurance' and want to maintain this level of assurance.

Mr V Barker questioned whether pensions are looked at by the Internal Auditor to ensure they are conducted as they should be? The Internal Auditor responded that they are not currently looked at, but that that it will be added to the 2019/20 Audit Programme.

Cllr S Waring referred to Section 10 – Release of Report, and commended staff for their quick response to the draft report issued. She further referred to Section 11.13 – Budgeting, questioning why the Board's general reserves need to be reduced to 20% of annual expenditure? The Internal Auditor explained that it is simply good practice not to hold significant reserves long term and the money collected from drainage rates should be spent in term i.e. within the year that they are collected as that is what the ratepayer would expect. He has not made a recommendation on this and so is satisfied that it is as it should be. The general reserve needs to be adequate for emergencies and unforeseen arising matters but not to be seen to be accumulating. It was further noted that the figure of 20% is nationally recognised for the industry.

Cllr S Waring noted that many organisations are phasing out petty cash because of the problems it can cause and questioned whether this is something the Board are considering? The Finance Manager responded that the petty cash is tightly controlled and felt it would be difficult to remove it all together as it is required for incidental items such as milk for meetings.

Mr V Barker made reference to the machinery pool, questioning if it is also at 20%? The Chief Executive explained that the Board work to an eight-year plant replacement budget, explaining that there was an emergency this year that resulted in a request to the Board to replace a machine early and due to the good recovery on the Board's plant, it was viable to do so. The eight-year plant budget was also displayed on screen.

The Chairman thanked the Internal Auditor.

(b) AUDIT PROGRAMME 2019/20

The Internal Auditor explained that the programme is fairly static in order to cover all of the areas required. He referred to point two, explaining that he will be conducting checks to ensure the officers salaries are in line with what the Board has agreed, further noting that pensions will be added as the fifth focus point.

The Internal Auditor added that he is happy for the committee to have his contact details so that they are able to contact him throughout the year should they think of anything else they feel they would like him to look into.

The Chairman noted that the rechargeables and processes and documentation around that could also be added.

Mr R Leggott made reference to the themes identified at the end of the programme, in particular, number three, questioning how detailed he intends to be with the assets as that could be very time consuming? The Internal Auditor responded that he will be focusing on the larger assets to ensure they do exist.

Mr V Barker questioned whether the committee should have the asset register made available to the committee so that they can accurately understand the risk and liability that comes with them? The asset register was distributed amongst the committee.

The committee felt it would be helpful to have a list of assets with the associated risks, responsibilities and liabilities presented to them. It was further noted that employees should be included as assets.

Cllr S Waring also made reference to the theme identified, in particular, number two, expressing that she is pleased to see risk management is an aspect being considered.

The committee expressed that they were satisfied with the audit programme for 2019/20.

(c) DISCUSSION WITH INTERNAL AUDITOR

The Chief Executive and Finance Manager left the meeting for the committee to talk to the Internal Auditor.

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.

1429 TO REVIEW THE FOLLOWING BOARD'S POLICIES - Agenda Item 8

The Finance Manager explained that these are policies that have been identified for review and any changes have been made in red and any additional notes made in green.

(a) POLICY No. 01: RISK MANAGEMENT STRATEGY

The Finance Manager explained that there are no proposed changes to the strategy part of the policy and moved to risk analysis, referring to the following:

(i) Section 1.1(a) – Coastal or Fluvial flooding from failure or overtopping of defences.

The Finance Manager explained that he has proposed to leave the risk level as it is as the Environment Agency still haven't provided their new operating procedures for the Sluice and Navigation Lock following the closure of Black Sluice Pumping Station (Boston). It is being requested on a regular basis and as soon as it is provided it will be brought to the committee for the re-assessment of this risk.

The committee agreed with this proposal, noting that they need operation documentation before this risk level could be reduced.

(ii) Section 1.6 – Risk of Claims from Third Parties for damage to property or injury

Mr V Barker questioned that this would be dealt with further following the Irrigation and Abstraction meeting to be held on 14th May 2019?

The Chief Executive responded that he doubts it will reduce the risk level, but it can be reviewed following that meeting.

(iii) Section 5.2 – Risk of Loss of Money invested in Building Societies & Banks

The Finance Manager noted that the Board have invested £500,000 with Brewin Dolphin in the stock market, bonds etc., questioning whether a risk should be added for this investment?

It was questioned who has access to this? The Finance Manager explained that all income and withdrawals from this investment all go into the Board's Call account and can't go anywhere else.

Mr N Scott added that he felt there are two risks here; the actual investment of £500,000 which is managed through the fact the Board have chosen a 'low risk profile' for the investment with Brewin Dolphin which consists of fixed assets, fixed income and return etc. The second risk that needs to be considered is whether somebody at Brewin Dolphin or one of the Officers of the Board can take the money. He further explained that Brewin Dolphin would have to get two counter signatures to change any instructions. If the Finance Manager tried to gain the money, for example, then the Chief Executive would also have to know about it.

The committee felt that the likelihood should remain at low and potential impact remain at medium. It was suggested that the addition of 'managed funds' be added to the title to cover the investment in this risk.

(iv) Section 8.2 – Risk of Loss of Telephone Communications
Section 8.3 – Risk of Loss of Internet Connection

The Finance Manager explained that in both of these risks, a 4G Assure system has been added which means that if the landline and broadband fails, it will switch to the 4G mobile network meaning the landlines will stay on and there will still be access to the internet.

(v) Section 8.4 – Risk of Network Failure

Mr R Leggott questioned whether the possibility of being hacked is still as high? The Chairman noted that the likelihood is at low, it is the potential impact that is high. The Finance Manager read the criteria for a high impact, the committee agreed it was relevant and agreed to leave it as it is.

The Committee RESOLVED to recommend that the Risk Management Strategy (No.1) be approved at the next Board meeting with the following amendments:

- Section 5.2 - Risk of Loss of Money invested in Building Societies & Banks: change the title to 'Risk of Loss of Money invested in Building Societies, Banks *and Managed Funds*'.

(b) POLICY No. 04: PROCUREMENT POLICY

The Finance Manager referred to Section 2.2, to reflect the changes to the staffing of the Board. He continued in reference to section 4.1(b), that this has been proposed to be added to address the issue raised by the Internal Auditor. The Internal Auditor noted that he was satisfied with the proposal.

Mr N Scott noted, in relation to items with a greater value than £10,000, that the lowest quote isn't always the best, it is more about best value rather than lowest price? His concern being that the lowest offer will not be taken and then referred to the Executive Committee frequently.

The Chairman felt that if the lowest quote isn't accepted then it should be escalated to the committee for them to evaluate the best value quotation. The Internal Auditor agreed. The Finance Manager noted that there are not many greater than £10,000 as most go through the budgets.

The Committee RESOLVED to recommend that the Procurement Policy (No. 4) be approved at the next Board meeting.

(c) POLICY No. 08: RELAXATION OF BOARD BYELAW No. 10

The Chief Executive explained that changes have been made to the policy in relation to the current specific topic of irrigation and abstraction.

He referred to section 5, noting that as well as the addition of number seven, irrigation and abstraction equipment, there will also be another type added - any other item, to ensure that everything is covered and nothing excluded.

Cllr S Waring made reference to section 5.3, specifically, the references made to the Land Drainage Act 1991, questioning if the Act deals with any cost implications? It was confirmed that it does.

The Chief Executive continued with the new proposed section of 5.7, inviting any questions. Also adding that there will also be a section 5.8 – any other items, in which it will state to contact the Board for further guidance.

He further brought the committee's attention to proposed sections 6(f), (g) and (h), explaining that these concepts will be introduced at the irrigation and abstraction public meeting to be held on 14th May 2019.

It was questioned whether the consent fee of £50 will be per applicant or per site? The Chief Executive explained that it will be per site. The twelve-month amnesty will begin June 2019 for any current unconsented equipment, the consent will then be given for a marker post to be erected adjacent to the equipment.

Mr V Barker raised his concern over how variable the placing of irrigation and abstraction equipment can be and the cost that will be associated with this for the application and consent.

It was also noted that a possible marker post has been identified that will be shown for review and opinion.

The Chief Executive added that this is all to be discussed at the meeting on 14th May in order to understand the applicant's requirements and work with them to find a way forward.

The Committee RESOLVED to recommend that the policy for the relaxation of Board Byelaw No. 10 (No. 8) be approved at the next Board meeting.

(d) POLICY No. 26: H&S YOUNG PERSONS SAFETY AT WORK

With no amendments to the policy, opinions and questions of the committee were invited.

The Committee RESOLVED to recommend that the Health & Safety Policy for Young Persons Safety at Work (No. 26) be approved at the next Board meeting.

(e) POLICY No. 30: PENSION DISCRETION LPF 2014

The Finance Manager noted that LGPS stands for Local Government Pension Scheme and will be amended to that.

He further explained that this policy has been produced by West Yorkshire Pension Fund, who administer the Lincolnshire pension fund. The policy has been completely re-written due to it being West Yorkshire's preferred way of dealing with discretions. The previous policy was circulated to committee members for comparison. The Finance Manager explained that he has highlighted in yellow the areas that are covered in the new policy. The areas that are not highlighted in yellow are not covered in the new policy, with West Yorkshire Pension focusing on the more important matters.

Cllr S Waring questioned if the Finance Manager was happy with this? The Finance Manager responded that he is satisfied with the new policy, explaining that the new policy allows for each case to be considered based on its individual merits. He further noted that it is very rare it is referred to, generally, the Board work within the Lincolnshire Pension Funds policies anyway.

It was questioned what the 85-year rule is, and was explained that the length of service is added to the age of the individual to hit 85, however it only applies to employees who commenced work with the Board before 2008.

Mr N Scott made reference to the discretions referred to within the introduction; 'five specific discretions' (paragraph one), 'two further mandatory discretions' (paragraph two) and 'two further discretions' (paragraph three). These discretions should then be further defined and explained in the policy, however, there was some confusion as to whether all of these discretions were actually included in the policy. It was felt that that the 'two further mandatory discretions' following the implementation of the LGPS Amendments Regulations 2018, referred to in paragraph two of the introduction were missing. The committee therefore felt they could not recommend this policy to the board for adoption until this matter is resolved.

The committee AGREED that the Finance Manager would complete some further investigation into this and that the policy would be presented directly to the Board for approval.

(f) POLICY No. 40: COMMERCIAL WORKS

The Chief Executive noted that there has previously been confusion around whether quotations are inclusive of VAT and so the wording has been changed to clarify this. The addition of a 'signed acknowledgement of acceptance' has also been included for clarification purposes.

Mr V Barker made reference to a previous issue encountered, it was noted that it was a fault on the Board's behalf and that the amendments to the policy should prevent these issues from occurring again.

The Committee RESOLVED to recommend that the Commercial Works Policy (No. 40) be approved at the next Board meeting.

(g) POLICY No. 41: PUBLIC SECTOR CO-OPERATION AGREEMENT

The Chief Executive noted that the amendments have been made for clarification purposes around the timing of the invoicing for the works.

Mr R Leggott questioned if it was staying at 5%? The Chief Executive responded yes, generally, the Board is recovering all of the costs inside our own recovery rates.

The Committee RESOLVED to recommend that the Public Sector Co-operation Agreement Policy (No. 41) be approved at the next Board meeting.

(h) POLICY No. 44: DEVELOPMENT CONTROL CHARGES & FEES

The Chief Executive explained that he has spent quite a lot of time with Water Level Management, who have employed varied specialised individuals to work on this policy. The policy has now been presented to the ADA Policy & Finance Committee for the proposal to be accepted on a national level. The Chief Executive felt that the policy being adopted nationally would be beneficial as if not, he felt Boards could be opening themselves up to legal challenge with developers if different Boards are using different recovery policies.

The values used within the policy will differ at different Board's due to it being based on land value, however, the formula used is the same. It was further noted that this all relates around the increases to the impermeable area that is going to be used for building. Therefore, there is typically an increase due to generally building on agricultural land which has no impermeable area.

The Chief Executive further noted that this new policy has been shown to a major local developer, who could not see a problem with it.

Reference was made to section 2.4, particularly, the figure £129,456. It was explained that this figure is calculated from the mean value of land with potential development and land with outline planning permission as follows:

- £60,000 (per ha - land with potential development price)
- £500,460 (per ha - land with outline planning permission price)
- Average value of these figures: £280,230 per ha
- The area of an attenuation facility to hold the water is 0.271 ha.
- The average value is then multiplied by 0.271.
- The cost associated with the construction of the attenuation facility and a 30-year maintenance scheme is then added, which equates to the final figure of £129,456. This will be reviewed annually.

Mr V Barker questioned if a 30-year maintenance scheme was a realistic period of time?

The Chief Executive explained that this was discussed at length, it being further explained that the development fee is to upgrade the system to attenuate water and that funds for maintenance will be collected from the land annually through drainage rate special levies.

Mr R Leggott felt that this set method of calculation should be supported.

Mr W Ash left the meeting.

Mr V Barker questioned how often the value of the land figure will be reviewed and updated? The Chief Executive noted that it will be reviewed on an annual basis, however, if there is a sudden change in land price the officers will bring it to the relevant committee for review.

A replacement document for Appendix A was distributed to the committee. The Chief Executive explained the calculations as per the cross references shown through the red lines on the document.

The Committee RESOLVED to recommend that the Development Control Charges & Fees Policy (No. 44) be approved at the next Board meeting.

(i) POLICY No. 45: MOBILE PHONES & DEVICES

The Finance Manager explained that this policy was introduced following the workforce using their work mobile phones excessively, to formally outline how they should be used.

CLlr S Waring questioned if the use of phones whilst driving should be dealt with in this policy? The Finance Manager felt that it doesn't need to be included in this policy as it would be dealt with as a disciplinary matter.

It was established that there is a separate policy for the use of the lone worker system.

The Committee RESOLVED to recommend that the Mobile Phones & Devices Policy (No. 45) be approved at the next Board meeting.

The Internal Auditor left the meeting.

1430 TO REVIEW THE PERIOD 11 MANAGEMENT ACCOUNTS - Agenda Item 9

The Finance Manager explained that these are included for the review of the structure and information provided to the Executive committee and Board, rather than the actual figures.

The Finance Manager noted that he has started to include an accompanying narrative with the management accounts, which has been received well.

Further reference was made to the financial report of the drainage rates and special levies; it being explained that this was requested to start being included from the Internal Auditor last year.

Mr V Barker commented on the Brewin Dolphin investment, questioning how long a period the income to date (£6,200) was over? It was established it is over 6 months. He further raised concern over the value being at less than what was invested. The Finance Manager explained that it is now recovering well and isn't concerned about the investment losing value, noting that they are only able to invest the money within the risk level chosen by the Board. The Brewin Dolphin investment page was displayed on screen, displayed what is being invested in. The Finance Manger also added that he is going to do a 'profit and loss' explanation of the fund in the annual accounts to show how it is performing.

Mr N Scott noted that the Brewin Dolphin fees are not displayed on the investment summary. The Finance Manager noted that it is a fixed fee for the first year.

All AGREED that the structure and format of the management accounts be accepted.

1431 TO REVIEW THE RISK REGISTER - Agenda Item 10

Having reviewed the Risk Management Strategy Policy, the committee AGREED the Risk Register be adopted.

1432 TO RECEIVE THE CATALOGUE OF BOARD POLICIES WITH RECOMMENDED APPROVAL DATES - Agenda Item 11

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

1433 ANY OTHER BUSINESS - Agenda Item 12

(a) LAST MEETING BEFORE COUNCIL ELECTIONS

The Chairman noted that this meeting is the last before the council elections, particularly noting that it will be the last meeting of Cllr B Russell who has not stood for election. The Chairman thanked him, the committee and the Officers for all the work put into the committee, noting that it has helped the Board and been received well by the Internal Auditor. The committee also returned their thanks to the Chairman.

There being no further business the meeting closed at 16:10.