

WITHAM FOURTH DISTRICT INTERNAL DRAINAGE BOARD

MINUTES

of the proceedings of the **Finance and General Purposes Committee** at a Meeting held at the Board's Offices, 47 Norfolk Street, Boston on **Wednesday 15 January 2020**.

Present:- P. Richardson (Chairman)

Messrs:	T. Ashton	C. Crunkhorn	N. Jones
	R. Austin	(Vice Chairman)	K. Smith
	B. Bowles	J. Grant	J. Woods
	M. Cooper	C. Hardy	

Apologies for non-attendance were received from:-

Messrs: J. Ward
R. Leggott

1. **Declaration of Interest**

P. Richardson and J. Grant – Triton Knoll and Viking Link

2. **2020/2021 ESTIMATES**

The Chief Executive presented his 9-page memorandum to the Committee, which covered the forecast for the current year, a rate history and the estimate for 2020/21 showing a suggested rate increase of 3.0%.

Page 1 showed an anticipated deficit of £190-£200k against the original estimate of a £30k deficit. The Chief Executive confirmed that it had been a bad year and that pumping hours for October/November totalled 9,700 hours against 650 hours for the same time the previous year. The pumping costs and slip repairs had totalled £278,000. The proposed rate increase of 3% would not redress this deficit but would ensure that it did not get any worse.

The Chief Executive confirmed that over the next 3 months efforts would be made to defer any discretionary costs, in so far as possible, to try and preserve the current position. However, this was obviously dependent upon a number of factors. He referred members to the blue line on the graph on page 7 of his report which showed the actual position and confirmed that up until October we had been on target.

Page 4 showed the impact of the deficit upon the General Reserve, which is at 47% of where it should be. 2% inflation and the impending 3.7% salary increase had been included in the estimate. The other estimates had all been agreed by the committees in November. The Environment Agency had confirmed the precept would remain the same.

The Chief Executive confirmed that the proposal meant a 3% rise for Boston Borough Council ("BBC") and 3.79% for East Lindsey District Council ("ELDC"), as a result of 10ha of land being transferred into developed land for which they would receive business rates.

Page 3 of the report details what the revised costs are likely to be, and these were highlighted in blue.

T. Ashton - confirmed that when the previous Engineering Manager had retired, he had wished the Board "average weather". He felt that up till now we had been lucky with average weather but we could not bank on this continuing. He had previously advocated keeping the rate as low as possible but felt that a lesson had been learned this year.

B. Bowles - confirmed the Board's budget had been "blown out of the water" this year and the farmers were in a similar position. However, the best thing that the Board has done is to spend money on pumping and he extended his thanks for that.

The Chairman reminded members that there were still costs that would be incurred in this financial year, but efforts would be made, where possible, to mitigate these.

The Chief Executive confirmed that he had looked back at the rate increases over a ten-year period and the average rate increase for this period (including the proposed 3% increase this year) was only 1.37%. The accuracy of Cost estimates has averaged at 102% over the past four years and where possible, money is returned to the reserves. The Chairman added that the General Reserve had been dropping for a period of 10 years although the other reserves had been appreciating.

J. Grant - confirmed this was correct and a sensible basis was not to build the reserves too much and retain an equal balance.

The Chief Executive confirmed that generally costs will fluctuate up and down but generally things average out. This year had been particularly harsh, and we had incurred £200k of additional costs.

C. Hardy - asked if there were any more surprises in store, any more slips? The Chief Engineer confirmed there would be more slip repairs required and the foremen were monitoring the situation whilst out in the district . In fact, there had been another on The Gride which is 20-25 metres.

J. Grant - suggested that different bank maintenance may improve the situation. The Chief Engineer confirmed a meeting with Lincs County Council has been arranged regarding maintenance of The Gride, which may hopefully result in a contribution towards costs.

The Chief Executive referred members to the estimate for 2020/2021 shown on page 5 which shows in blue the revised estimate for the current year. This showed a comparison for administration/maintenance costs.

Page 8 of his report demonstrated the land and rateable values of the 2 districts which have been split. As discussed earlier, there had been a slight movement of land for ELDC.

Page 9 of his report showed that if a 3% rate rise is applied, and we have an average year, then £2.684m will be collected which will leave a figure of £3,000 to put back into the General Reserve. A 1% increase in the rate equates to roughly £23,000.

The Chairman confirmed that it was important to note that the General Reserve figure is at 47% of the recommended 20% value of expenditure. Additional funds will be received from Triton Knoll, possibly at a later date Viking Link, and we are reviewing additional savings by way of improvements and efficiencies that can be made to our current operations. This year, it may prove sensible not to pay the £50k to the Pumping Stations Fund. These funds will not cover the £200k deficit but would certainly help.

He said it was important to understand the financial position the Board is in. The Plant Renewal Fund is self-contained and will drop over the next 3-4 years as new machinery is purchased.

However, this was a long-term investment and the Chief Engineer has details of the plans for the ageing infrastructure. The Chief Engineer displayed a spreadsheet showing the details.

The Chief Executive confirmed that the Chief Engineer had prepared the report showing what works need to be carried out. This was a £4 million spend on watercourses and £7 million spend on refurbishment to the pumping stations. Grant in Aid funding would cover most of this work, but notwithstanding this, a £1.2 million contribution would be required from the from the Board.

The Pumping Station funds currently hold £544k which should remain for emergencies.

Turning to the Development Fund which at present stands at £234k, consideration has been given to renaming it "the Capital Investment Fund" and instead of the £50k investment into the Pumping Station Fund, the Board should be investing in long term development over the next 15 years.

The Chairman added that the Chief Engineer was looking at efficiencies in the way we work and an additional £15k would need to be added each year. The Board were not envisaging replacing the pumps for another 10 years plus and we had to bear in mind any interim emergency repair costs which may be required within that timescale - the recent gearbox repairs had cost £160k. However, if this was achieved, at the end of 15 years the fund would hold £1.1 million of the £1.2 million required for the relevant improvements.

J. Grant - confirmed the ageing infrastructure and said that there would be a lot of competition for Grant in Aid Funding. He asked the Chief Engineer how confident he was that we would secure 90% funding for the works to be completed? The Chief Executive stated that the Environment Agency had confirmed that DEFRA were looking at assets in rural areas which are critical in emergencies such as we have recently seen and whether these need assistance with funding. The Chief Executive confirmed that this was a very positive indication that they were recognising these assets. ADA are pursuing this with DEFRA.

The Chief Engineer confirmed that these assets were not necessarily protecting residential areas but there are large areas of Grade A agricultural land which is being protected and this fact was used in support of the Wrangle Sea Banks project. Usually fen land had a value of £1k per hectare whereas grade A agricultural could have a value of £15-20k. He was confident that the funding application would be successful as it was straightforward and routine. The £5 million in respect of the Hobhole refurbishment had not been included.

T. Ashton - added 3 points. 1. if it were possible to deliver this programme as suggested he would seize the opportunity with both hands! 2. For a relatively small investment on the Board's part this would set up the district for the next 80 or so years. And 3. It was essential that the Board continued to build reserves and fund the assets to keep the assets going. The Board could not afford to keep "robbing Peter to pay Paul".

The Chief Executive felt that the spreadsheet showed the most conservative view.

J. Grant - confirmed the Wrangle Sea Banks project was a first for government and that because of the success of the project and the delivery of the same, this may be repeated around the whole coastline. The Chief Engineer confirmed that all the schemes the Board wants to pursue are within the next 6 years of funding. DEFRA are aware of these assets and hopefully funding will be received.

The Chairman added that he was reading some of his Father's papers from the 1980s and the then Engineer confirmed that the pumps needed replacing. This supports the need for a long- term plan and he was trying to show that other funds are earmarked for other schemes and not just the General Reserve.

The Chief Executive confirmed that the Board does have designated reserves, but some names may be changed. He asked members if they had any questions.

J. Woods - confirmed last year he and R. Leggott had supported a higher rate increase but the Board had decided to adopt a 1% increase. Looking to the future the Board needed to be careful and sustain the reserves to enable necessary expenditure.

T. Ashton - stated he had sat on this committee for the past four years and last year he had supported the lower 1% rate increase. With hindsight, had he supported a higher increase last year we may not be considering a 3% rate increase this year. He continued, it is sensible for the Board to have a consistent rate that covers the costs of operation and at 3%, this would not cause ELDC any real issues.

The Chairman added that consideration had been given to setting the rate over a 3 year period. However, the district needs work and we must continue the same levels of maintenance with efficiencies. Critical watercourses require work and this Board requires a capital replacement fund to continue moving forward.

M. Cooper - confirmed that there was no argument that the rate had to increase by 3% even though

this would be a hit to Boston Borough Council ("BBC"). In reality, a 3% rise would probably be needed for the next 2-3 years. The Chairman confirmed we could not really afford another exceptionally wet year next year.

- M. Cooper - confirmed the General Reserve would be in an even worse state next year so the Board needs to try and capture the years when there was only a 1 or 2% increase.*
- J. Woods - added that any thoughts of fixing a rate for 2-3 years would need careful consideration. What if another extreme weather event took place during that time? The Chairman confirmed that it was only an idea which would obviously require the Board's approval before it took effect.*
- J. Woods - believed that the Board should retain the flexibility to consider the rate annually dependent upon all factors.*
- T. Ashton - fully understood the issues facing local government and the precept cap and the unenviable effect that has on councils in areas with an internal drainage board. The Board has tried to help councils with the rate increases over the past few years and he believed that the best way forward would be for the cap on the precept to be lifted to assist councils in this area. Unfortunately, the Government only sits up and takes notice when there is a crisis.*
- J. Grant - supported the rate be reviewed annually. This needed consideration year by year and he believed that the Pumping Station fund should be retained and there should be a gradual build-up of funds so that the cost was spread over as many ratepayers as possible. The Chairman confirmed that the money was going into the development fund. The Pumping Station money would not be used and was required as a buffer against future costs, such as losing an engine.*

The Chief Engineer showed the Committee a slide showing pumping hours over 10 years and there was a fluctuation in the hours pumped which would impact the rates?

- N. Jones - agreed with the 3% rate increase this year but confirmed that the rate should be considered annually and not set for a 3-year period. One year we may need a 5% increase or we may need a 1% increase. He urged that the Board did not fix the rate for a longer period.*

The Chairman added that should the weather turn dry, any excess monies will be repaid to the Reserves and all options were being considered. The 3% rise had mainly been driven by 2% inflation and 3.7% wage increase. The wage increases have been capped for a while and so he felt that this was just a catch up and would hopefully not be as high next year.

- K. Smith - agreed with the 3% rate increase and agreed that the Board had to remain flexible with regard to rate increases. Who was to say that this extreme wet weather might not become the norm? The Chairman confirmed that the 3-year fixed rate plan would be dismissed and not considered further.*
- R. Austin - advised that BBC was caught between a rock and a hard place. However, this had been a particularly bad year for drainage and he had sympathy with the 3% increase. The Chairman confirmed that the Board needs to keep £50k going into the fund along with an additional £15k and hopefully the grants should be in place which will enable success. The Chief Executive confirmed that at the February Board meeting it may well be agreed not to put £50k into any fund and leave it in the General Reserve as a good start before the Capital Programme begins.*
- N. Jones - proposed a 3% increase to the rate. This was seconded by J. Woods.*

A vote was held and it was: -

RESOLVED TO RECOMMEND

i) The Chief Executive's Estimates be adopted with a 3% increase in the rate.

ii) that the resultant rate be levied in the Sub District 1 (*the former Borough Area of Boston*) to be one half of the full rate:

8.226 (7.987) pence

iii) that the resultant rate be levied in Sub District 2 (*the remainder of the Internal District*) be the full rate:

16.425 (15.973) pence

iv) that the Special Levies on Local Charging Authorities be set as follows:

Boston Borough Council **£ 1,084,978**

East Lindsey District Council **£ 381,056**

3. **ANY OTHER BUSINESS**

There was no other business and the meeting was closed at 3.05pm.

Chairman