

WITHAM FOURTH DISTRICT INTERNAL DRAINAGE BOARD

MINUTES

of the proceedings of the Governance and Risk Committee at a Meeting held at 47 Norfolk Street on
Wednesday, 16th November 2022

Present: - C. Crunkhorn (Committee Chairman)
P. Richardson
J.E Grant
M. Leggott
P. Skinner
K. Smith
J. Welbourn

1. **APOLOGIES**

Apologies had been received from J. Woods and T. Ashton. No apology had been received from N. Hastie.

2. **INTERNAL & EXTERNAL AUDIT REPORTS -31 MARCH 2022**

The Chief Executive Referred Committee Members to the last page of the landscape pages which showed the Internal Auditor's required action points highlighted in red. The Financial Regulations would be dealt with later in the meeting.

With regard to the External Audit there was "one other matter" noted as previously advised, this was the 30-day period that electors have to look at the accounts. It had been advertised 2 days before it was approved by the Board. This had been marked as a note and not a qualification. The Committee Members agreed this was a minor point.

3. **REVIEW OF GOVERNANCE POLICIES**

The Chief Executive reported that the Risk Register and Financial Regulation policies were subject to an annual review.

3.1 **Risk Register**

The Risk Register was made up of 5 main areas which were covered in the report.

Risk Area 4 was in relation to the Boards IT Networks and the risk of cyber-attacks. Insurance in respect of cyber-attacks was costly and had not been purchased this year. However, this was something for Board referral.

P. Skinner - asked if the systems could be attacked? He confirmed that the County Council had experienced an outage approximately 3 weeks ago which was as a result of BT failing to update their systems. It appeared that old software was specially being targeted so it may be worth considering. The Chief Executive confirmed that our service provider, Quiss, monitor the system each day and all staff had received training on the risks.

The Chairman asked what the costs of this monitoring was and the Chief Executive confirmed it was part of a service support agreement costing approximately £800 per month, although he did not have the exact figure to hand. The Chief Executive confirmed Quiss provide the Board with a good service but appreciated that there was always risk.

M. Leggott - felt it would be prudent to consider insurance. The Chief Executive would obtain a quote which he would bring to the February Board meeting.

The Chief Executive wanted to confirm that in relation Risk Area 5 the security gates at Hobhole had now been completed. There were no main changes aside from that. The Board had recently had a visit from HSE and they were satisfied with the Health & Safety systems in place.

3.2 **Finance Regulations**

The Chief Executive confirmed that there were a few items to amend.

The Chief Executive referred Committee Members to Page 2, paragraph 4.6 refers to the retention of 20% of the Board's expenditure however this will be discussed later and may require amendment.

Page 3, paragraph 7.7 states any payments in excess of £50 made by the Board's credit card required the approval of 2 signatories before any purchase was made. However, this was often not practical. Both the Chief Executive and the Chief Engineer have credit cards which are often used to make online payments (i.e. PPE, vehicle tax etc). It was suggested that the level be increased to £500 with verbal/written authorisation.

Page 5 relates to the Audit. Paragraph 11.2 has been updated and paragraph 11.3 was no longer relevant.

Page 8 – Internal Controls – paragraph 20 referred to David Gowing, who was the previous Internal Auditor and required amending. The reference to Caldicott & Wentlooge PIR is no longer relevant and should be removed. Likewise, in paragraph 20 the date has changed.

Paragraph 20.4 on page 9 refers to external audit and should read internal audit.

The Committee Chairman asked if the members were prepared to approve the changes to the policy and to recommend to the Board to adopt the changes. There was a show of hands and it was:

RESOLVED TO RECOMMEND That the updated Risk Register and other policies as discussed by the Committee is recommended for approval by the Board at the December 2022 Board Meeting.

The Committee Chairman referred Members to page 1 of the Financial Regulations paragraph 2. dealing with Contracts. The Committee Chairman confirmed contracts in excess of £10k required written approval but anything over £20k would require Board's approval. However, in some circumstances, the Chairman and the Vice Chairman would have delegated powers to agree the purchase in the first instance and then ask the Board to sign the item off. This would be, for example, where there was a good deal to be obtained such as purchasing an ex-demonstration machine or in the event of a major flood the expense would be incurred before seeking approval.

P. Skinner - confirmed it was quite usual for the Chairman/Vice-Chairman to sign off such purchases.

4. **REVIEW OF GENERAL RESERVE LEVEL**

The Committee Chairman confirmed that the level of the General Reserve needed to be discussed.

The Chief Executive confirmed that at present the level of the General Reserve was £570k. If at the start of the year £40k had been added to the General Reserve the Board would still be £40k short although this figure was very close.

M. Leggott - believed that having reviewed the figures that 20% was probably inadequate and the Board needed to be aiming more towards 30% bearing in mind the current economic situation and inflation. The Chief Engineer confirmed that there had

already been a 50% increase in red diesel costs so a major weather event would be extremely expensive.

J. Grant- added at present the electricity costs were not an issue but come April 2024 they would be.

The Chief Executive confirmed that over the past 15 years the rate had managed to be held at 2%.

P. Skinner - added that the Council were holding their reserves and as everyone was aware, 52% of the monies collected by the Council were passed to Internal Drainage Boards ("IDBs").

The Chief Executive added that at the ADA conference it had been discussed how unfair it was for Councils in IDB areas having to pay high sums to IDBs and this was gathering momentum. In fact, Councillor Ashton was in the House of Commons today to discuss this very issue.

The Chief Engineer added that IDBs would have to face some very difficult decisions in extreme weather events as to whether they could afford to run the pumps. The Chief Executive added that the average costs of an extreme weather event was £250k. So if there were 2 weather events, which was quite possible, the General Reserve would be wiped out. The Chief Executive confirmed that it had been asked if the Bellwin payments could be issued when the IDBs need them rather than when the county needs them. The Chief Engineer added that at a recent ADA meeting, the Chief Executive of the Environment Agency had confirmed that there was no money available nationally to bail out IDBs in an extreme weather event.

M. Leggott - added on that basis it was even more crucial that the Board covered itself.

The Committee Chairman confirmed that whilst Councillor Ashton had not been able to attend the meeting today, he had written a statement for the Board:-

"My views should they be helpful on Item 4 (reserves) is that we should have as ambition to increase our general reserves, over time, to something in the order of 30-35%. There may be an opportunity to make a small start on this in view of our currently fixed electricity costs this year, where this pressure is in effect delayed by a year as against most Boards where this is impacting now. This is of course appreciating that ongoing pressures on our Budget and Rate will constrain our ambition until our efforts crack the link between Special Levy and Council Tax Referendum Cap.

I am happy to be guided as to percentages, however the position I would like us to get to is the ability to cover two '2019s' in a row and know we could get through a third. Given the likely increased frequency of these events and the likelihood that our Reserves will once again earn some interest, it is a position which I believe has merit. "

A further discussion ensued and the Committee Chairman confirmed that whilst everybody agreed that the General Reserve needed to increase it needed to be achievable and suggested a 1% increase every year over 5 years, to get to 25%.

The Chairman added that Councillor Ashton's suggestion of 30-35% was where the Board needed to be but realistically this was just not achievable at the moment. The Chief Executive confirmed that the rate would need to increase plus an additional 1% to add another £25k to the General Reserve. Further discussions followed and it was suggested to set the budget and then add an additional 1% plus inflation to the rate.

This was proposed by J. Grant and seconded by M. Leggott. There was a show of hands and it was unanimously:

RESOLVED TO RECOMMEND That when the budget is set an additional 1% be added to the rate as discussed by the Committee. For approval by the Board at the December 2022 Board Meeting.

J. Grant- warned that this was ratepayers' money and the Board should proceed with caution.

M. Leggott - added the Board should be mindful that the goals are achievable to minimise any conflict of interest. The Chief Executive suggested that 1% per year should be added until the 25% target is reached, and the matter be reviewed again.

J. Grant- asked for an update of Grant in Aid funding. The Chief Executive confirmed they were struggling to spend £5.2 billion over the next 5 years and this had been increased to 7 years. The Chief Engineer added that the Capital Project was more important now than ever. Once the pumping stations had been refurbished, less staff would be required so this would be an efficiency saving. The Chief Executive added that by the end of 2023, the Board will have drawn down over £6 million, over the last ten years which would have had a massive effect on the rates.

5. **ANY OTHER BUSINESS**

There was no other business and the meeting closed at 12.45pm

Chairman