

MINUTES of Meeting of Finance Sub-Committee held on Tuesday 26th September 2023 at the Ouse & Derwent Offices, Crockey Hill, York

PRESENT

Cllr J Cattnach (In the Chair)
Mr R E Britton
Mr S Wragg

The Clerk – Mr W Symons
Finance Officer – Mrs F Bradley
Engineering Assistant – Mr N Culpan

APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr J Hopwood and Mr J Daniel.

DECLARATION OF INTEREST

The Chairman informed he was a council nominated Member of Selby IDB and Kyle and Ouse IDB and uses Brodericks (the company providing the Boards internal auditor), with his work as Chairman of Selby District Vision.

There were no further declarations of interest related to the items listed on the Agenda.

The Clerk informed Members that the Register of Members Interests was available for inspection and update as required.

MINUTES OF LAST MEETING

It was UNANIMOUSLY AGREED and RESOLVED that the Minutes of the meeting held on 13th June 2023, a copy of which had been sent to all Members, be taken as read and approved and that they are forthwith signed by the Chairman as a correct record.

MATTERS ARISING

Germany Beck Pumping Station Planning Response

The Clerk reported that the Board had responded to the Germany Beck Pumping Station planning application, a scheme being promoted by the City of York Council. This was in the form of a planning advice letter now published on the Council's Planning Portal in relation to the scheme. The letter includes a number of matters but confirms the Boards position regarding future maintenance as recommended and agreed at the last main meeting.

Germany Beck Development Agreement with Persimmon Homes Regarding Compromised Maintenance Access

The Clerk informed that he had reviewed the updated document that Persimmon Homes were seeking to progress. The review being related to the original agreement and had sent his response and suggested changes to the Board's Solicitor to send to Persimmon for consideration, but to date had not had a response.

Reconstitution of the Board to Reduce the Membership Numbers

The Clerk informed he had contacted the Environment Agency Solicitor who was progressing the matter. He has informed that the document was at a stage where it now requires sealing by the Environment Agency for it to come into force. In view of this it should not take very long for this to be achieved. The Board then will have to manage the administrative requirements to put the new arrangements in place. The Clerk explaining the likely process which will have to be followed.

The Clerk reported that no further matters were arising from the Minutes of the last meeting which were not covered on the Agenda.

RATES

The Clerk reported that the Board has a policy of progressing court action on accounts with sums in excess of £30.00 or accounts which had not been paid for a period of three years or more. Court action will only be taken following a final demand letter along with a Pre-Action Protocol Form and information sent as required. This also relating to the Clerks discretion in relation to matters where land transfers are in hand or the ownership or occupation of the land is uncertain.

The Clerk recommending sustaining this policy without any changes.

Sub-Committee Members **RECOMMENDED** accepting this policy as it stands.

ENGINEER'S REPORT

The Engineering Assistant had circulated a report with the Agenda of the work carried out for Members consideration. He then ran through the details contained in the report.

Newlands Pumping Station Pump Installation

Mr S Wragg believed the explanation of the work and how the difficulties encountered had been addressed was very good and interesting. He believed it further was important to present it in this way at the Board's Main Meeting.

Pumping Station Management

Mr R E Britton was unhappy about the potential position on spares being obtained from Bedford Pumps with a long delivery time and apparent increasing costs. In view of this he is in favour of moving, if possible, to replacement pumps from alternative suppliers.

The Engineering Assistant informed that several pumping stations have had electrical problems towards the end of the summer. This has largely been influenced by the weather and intermittent pump running. The Board's electricians working for other adjacent Boards informing of similar problems along with electrical storms and other outages.

(SEE APPENDIX TO MINUTES)

COMPLETION OF AUDIT 2022/23

The Clerk referred to a copy of the External Auditors certificate and opinion for the accounts for financial year 2022/23. A copy of the External Auditors Report/Certificate has been circulated to the Sub-Committee Members prior to the meeting. The report stating "*on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return (AGAR), in our opinion the information in Sections 1 and 2 of the AGAR is in accordance with Proper Practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. Other matters not affecting our opinion which we draw to your attention – None.*"

The Board have advertised the outcome in the prescribed way on the Boards website.

APPOINTMENT OF
INTERNAL
AUDITORS FOR
FINANCIAL YEAR
2023/24

The Clerk advised the Sub-Committee that the audit of the Boards accounts is reasonably complex along with the Consortium Arrangements. Any new auditor would require some time to understand the working arrangements currently in place. It also may be difficult to find an alternative firm with the relevant experience to tender for the work. It was further noted that in the Drainage Board industry, limited experienced Internal Auditors were readily available. In view of this it would appear impractical to change the Board's Auditor at this stage.

The Clerk further noted that financial year 2023/24 would continue to use External Auditors appointed under a small body contract (Parish Councils and IDBs). This following the abolition of the Audit Commission some years ago who used to organise the contract for this work. The current arrangements appearing to run smoothly. It therefore appears prudent to sustain continuity with the Internal Auditor and to remain consistent with the other Boards who are Members of the York Consortium.

The current Auditors, Brodericks (Doncaster), who have carried out audits for a number of other Boards, are familiar with the Consortium arrangements and the Audit Commission requirements.

The Chairman noted that he was using the services of Brodericks (Doncaster) for Selby District Vision. He declared this as a potential interest to make Members aware.

The Clerk asked if our existing Auditor can be retained for the 2023/24 financial year audit because of the familiarity of our current systems. The cost of last year's audit, support and production of the required reports for the Board was £1,150 plus VAT; however, the cost could increase depending on the requirements of the audit.

The Sub Committee excluding the Chairman UNANIMOUSLY AGREED for the Sub-Committee to RECOMMEND the Board APPROVES the re-appointment of the Auditors for the 2023/24 financial year.

REVIEW OF THE
EFFECTIVENESS
OF INTERNAL
CONTROL

The Clerk further referenced the historical concerns of the External Auditor regarding the review of the effectiveness of internal control. In previous years the Board had agreed for its Internal Auditor to review and report on its Effectiveness of Internal Control. The Board having the alternative option to set up a Sub-Committee to review this item and present a report to the Main Committee, this along with any other approach they may wish to take.

BOARD'S
BUSINESS RISK
ASSESSMENT

The Sub Committee Members UNANIMOUSLY AGREED to RECOMMEND that the Board should continue to review its Effectiveness of Internal Control by the Internal Auditor. This being on the basis that a report will be prepared on the findings of the review. This will then be considered and actions taken as required at a future meeting of the Board. This approach being taken as the Internal Auditor is believed to be impartial to the interests of Members and the Board's Consortium staff. This therefore aims to avoid any potential conflict of interest.

However, the Board's Clerk should review the documentation and scope of this report to ensure that the audit compliance requirements are fully covered.

The Clerk informed Members that the Association of Drainage Authorities have issued a model policy document for the Board's Risk Assessment. This has been in place a number of years. The format is in the form of a 3 x 3 matrix which evaluates the likelihood of an event happening against the consequence if it occurred. A draft updated Risk Assessment for the Board on this basis has been prepared which Members considered at the meeting. The text with changes being highlighted and underlined.

It was noted that the Risk Assessment can be updated as new risks are established and mitigated. The Risk Assessment has been updated with the comments following the report of the Board's Internal Auditors letter along with the Report on the Effectiveness of Internal Control.

The Clerk ran through the items on the assessment with a score which had been identified as 4 or higher.

The Sub-Committee Members reviewed this document and considered the higher risk matters.

Brexit. Materials. Energy Supply and Climate Change

The Clerk highlighted how the risk of Brexit with markets and supply appears to have settled down. This along with COVID pandemic and restrictions diminishing. In the time following the pandemic shortages of raw material such as steel, cement and wood were not as prevalent as initially predicted. Costs however have increased and timber used in watercourse bank works at a reasonable cost being in short supply. The energy crisis influenced by the Russian Ukraine conflict continues but it appears electricity prices are falling and the Boards usage has not been excessive due to reasonably steady rainfall and weather conditions in the year when the prices have been high.

The contracted quotes for costs appear to have reduced however the ongoing electricity supply and costs clearly remain a significant risk which requires watching and review. Climate change however remains an ongoing and developing issue.

The Sub-Committee considering these risks not only from the perspective of drainage board maintenance operations but also from the ability of our ratepayers and councils paying special levies to fund our activities. Councils have seen large payments due to recent events and financial funding restrictions. This along with landowners/occupiers potentially experiencing unfavourable market conditions for agricultural products or excessive overheads and could influence their ability to pay drainage rates.

The Clerk informed the Board that the Board's Audit required the Board to formally consider and approve its Risk Assessment for 2023/24.

The Sub Committee Members UNANIMOUSLY AGREED to RECOMMENDED the Board adopts and approves this policy approach to risk assessment and the evaluation carried out in the document for financial year 2023/24.

DERWENT HOUSE VALUATION FOR LEASE

The Clerk informed that the Board had organised for Stephenson's Estate Agents to value the Board's office and outbuildings in consideration of sustaining its occupation and usage by the York Consortium of Drainage Boards. The Agent who conducted the valuation was Mr J Reynolds a RICS Registered Valuer. A copy of the report being circulated with the Agenda for Sub Committee Members consideration. The report considers if the lease was extended from 1st April 2024 for three years for a fixed annual rate his recommendation was £17,000 for three years. The current sum being £16,500 which has been sustained for the last three years.

Mr R E Britton proposed the Board should adopt the recommendation. The Chairman informed he was no expert on this matter but happy to second the proposal. The Sub Committee Members UNANIMOUSLY RECOMMENDED the Board accepts the valuation in the report and offers the lease on this basis as per the current terms of the arrangement. Consideration then can be given for approval by the Consortium Management Committee at its February meeting. The Clerk being asked to prepare the lease document on this basis on an updated version of the original.

DERWENT HOUSE
REPAIRS AND
BROADBAND

Office Broadband and Telephones

The Clerk informed that the office broadband had been upgraded and currently appears to be reliable and running at faster speeds. A single period of downtime was experienced following an electrical storm however the service was quickly restored. The Clerk is now investigating, at the Consortiums expense, the provision of telephones to the office over the internet as the old service will eventually cease and advantages of a new system could be beneficial. The Board's existing Panasonic system may be upgradable to work but it is difficult to find a service provider with the relevant technical skills to install and sustain the system. The system also being several years old.

Office Building Damp Problems and Toilet Improvements

The Clerk informed that refurbishment work to address wall dampness and improve the toilets was still outstanding as an item to progress. This recently has not been a priority but would be good to progress soon. It was noted the problems required multi trades to progress the work and it was hard to find contractors who are able to do the work or were not excessively expensive.

The Sub Committee RECOMMENDED that the Clerk should be given delegated authority to progress the work as he believed appropriate.

ELECTRICITY
COSTS

The Clerk informed the Board had averaged electricity usage tables for each of its pumping stations which also includes the pumping stations recharged to the Coal Authority. It further has these stations organised in two contracts for both large and small stations. The large stations contract is now fixed until June 2024. The small station contact has recently had to be renewed. If the contact is not renewed the rates default to commercial tariffs which are exceedingly expensive both in unit rates and standing charges. In the past the Board has been able to obtain quotes from sometimes three suppliers. These however are all needed on the same day and the favoured one accepted before the end of that working day. The obtaining of multiple quotes is now not practical. This is because of the uncertainty caused by the Russian conflict making it not practical. At certain times all of the suppliers we consider have refused to quote on contract rates.

The situation has now stabilised and the Clerk has awarded the small pumps contract for a year because of the remaining uncertainty if electricity prices will either increase or decrease. The attached data sheet showing the costs prior to the Russian invasion, the current electricity costs and the new contract rates. These being cheaper than the current but roughly twice as much from before the conflict.

The Chairman believed that the impact of electricity costs is significant to the Board and a large risk area particularly if wet conditions occur. He therefore believed the Board had to delegate the contract award to the Clerk and to recognise at the current time it was impractical to obtain multiple quotes in the circumstances noted above.

The Sub Committee Members being entirely in support of the approach being taken by the Clerk and RECOMMENDING the Main Committee delegates the authority to the Clerk to award the contracts using the best market information he can obtain at the time.

Mr R E Britton wished it to be minuted thanking both the Clerk and Finance Officer for taking this decisive action cleanly and accurately, managing these arrangements in the required timescales.

WORKFORCE RECRUITMENT

The Clerk reported the Board had recruited a Mr M Bugg to the Board's workforce. He also reported that Mr G Parker had been recruited as the Field Works Supervisor working for the Engineering Assistant covering the three Consortium Member Boards around York.

BANKING ARRANGEMENTS

The Finance Officer informed that the Board had achieved a 12 month deposit account with the Virgin Bank of 4.3% and had increased the deposited funds by £200,000. The Board further holding a Nationwide 95 day notice account paying monthly and achieving annually 3.75% APR. The Board has further with its banker Barclays, from 5th September, transferred £200,000 from its current account to a 30 day fixed rate treasury deposit of 2.3% APR for 30 days. At present we are taking a cautious approach to see how it works but might increase funds if all runs smoothly.

The Chairman was in support of this approach but concerned if higher charges are introduced by the bank.

ACCOUNTS FOR
CONFIRMATION

The Clerk further informed NatWest Bank were unable to open accounts for Parish Council type organisations such as IDBs so are unable to hold IDB funds. The Board continues to review its investment options but is focused on its need for available cash in the event of an emergency so is keeping a contingency readily available to avoid cash flow problems.

The Sub Committee noting and accepting the approach and avoidance of risk being taken by the Clerk.

The Clerk referred to the list of accounts paid since the date of the last meeting, which had been circulated to all Members with the Agenda.

The Chairman noting how good the electronic system of signing authorisation was and how quickly authorisation can be obtained.

It was UNANIMOSLY AGREED TO RECOMMEND that these accounts are RESOLVED and that payment of these accounts be confirmed.

(SEE APPENDIX TO MINUTES)

DATE OF NEXT
MEETING

Tuesday 9th January 2024 at 1pm. This being prior to the Board Meeting on 23rd January 2024.

DATES OF FUTURE
MEETINGS

Tuesday 11th June 2024 at 1pm. This being prior to the Board Meeting on 25th June 2024.

Tuesday 24th September 2024 at 1pm. This being prior to the Board Meeting on 15th October 2024.

ANY OTHER
BUSINESS

The Chairman closed the meeting at 2.34pm as there was no other business.

(APPENDICES TO FOLLOW)