BLACK SLUICE INTERNAL DRAINAGE BOARD

MINUTES

of the proceedings of a meeting of the Executive Committee

held at the Offices of the Board on
9th May 2018 at 2pm

Members

Chairman - * Mr K C Casswell

*	Cllr P Bedford		Cllr M Brookes
*	Mr J Fowler	*	Mr P Holmes
*	Mr M Rollinson		

* Member Present

In attendance: Mr I Warsap (Chief Executive)
Mr D Withnall (Finance Manager)

The Chairman welcomed Mr James Scott from Brewin Dolphin.

1270 APOLOGIES FOR ABSENCE - Agenda Item 1

Apologies were received from Cllr M Brookes.

1271 DECLARATIONS OF INTEREST - Agenda Item 2

There were no Declarations of Interest.

1272 A PRESENTATION BY JAMES SCOTT, BREWIN DOLPHIN ON BOURNE FEN FARM PORTFOLIO MANAGEMENT OPTIONS - Agenda Item 3

Mr J Scott stated that the market has had an interesting year to date, after a very strong finish to the summer last year we had a very difficult start to this year. Good for the first two/three weeks January 2018 and then inflation figures started coming through in the USA/UK – they were higher than expected. The expectation which came out of that was that interest rates would start rising faster and further than expected. As a consequence the market took a bit of fright at that, they then started to settle down a little bit and then the US President talked about various tariffs on aluminium and steel which upset the market again. January through to March was the worst quarter we have had for the last 5/6 years. The portfolio is up 3.5% in April and then we have had a positive month to date in May 2018, it means the performance of the portfolio prospective over the 12 months has produced a yield of 4.5% which is probably below average – if you look at it from a longer term perspective we would be wanting more like 6% plus. If you look at the portfolio over a 24 month period you would see very strong performance over that 24 month period, its been a bit of feast and famine.

He explained that markets are more volatile than they were, we have had very benign markets for a long period of time, what happened in the first few months of 2018 is not unusual the peek to trough fall in the USA/UK is between 10/12% but it came in hard and fast, over the past 30/40 years the average fall from peek to trough over that 12 month period is 15% so actually what has been experienced over the first quarter is within the norms of the longer term but we have not had an average fall in the market for the last 6 years so we have had a benign market for 6 years. Last time we saw this was in 2011 when everyone got very concerned over Greece on whether they would fall out of the European Union (EU) and default on their debt.

Going forward he believes there are going to be more volatile markets probably more normal markets and this is really around potentially the start of normalisation around interest rates and the ending of quantitate easing. In the USA there has been a number of interest rises in the last 12 months, all very small and all very incremental and he believes this will carry on for the next 12 months. Potentially three interest rises this year all probably about quarter percent and potentially we start to see interest rate rises in the UK, probably very small and incremental, probably about two in the UK not more than a quarter percent. Brewin Dolphin expect the first interest rate rise to be in May and this was pulled back by the Bank of England Governor, Mark Carney, when the data figures started coming through which is why sterling is weakening again and partly we have seen the UK markets do very well over the last few weeks. In terms of the portfolio set up we chose a medium/low risk mandate when we last spoke therefore the portfolio is in line with that in terms of mass allocation, in terms of fixed income or equity exposure.

The Portfolio is generating in terms of income about just shy of £13,000 per year, 3 points off 6.5% in terms of yield which is respectable in the current environment with base rates still down at 0.5%. The valuation has come back a little bit since the report on the 31st March 2018. The Finance Manager asked about the yield of 4.63% which has come back a lot since the 31st March 2018, and the absolute sum £16,023 income on £345,000. Mr J Scott responded that there have been no changes on the portfolio in that period, its potentially because some dividends are not showing in the prediction of it in the past, having said that the sum looks about correct. He will have to look at this in more detail, the Finance Manager added that this Committee will be looking to see what they are going to do in the future based on £16,000 we could consider an increase in the rate elevation but based on £13,000 income that would be reducing it rather than increasing it. Mr J Scott responded that he will look into it and come back with an answer.

Mr Fowler asked how has it performed against the FTSE 100 Index as a marker on 12 months and 24 months. Mr J Scott responded the portfolio is not necessary measured purely against FTSE 100 because it will only be a small constituent part.

Mr Rollinson asked that the portfolio is measured against a risk category five, is this an average figure? Mr Scott responded no it is not the figure it is a composite benchmark which takes risk level 5 is going to ‘X’ amount against fixed income and this is ‘Y’ and this government debt against corporate debt certain management of high yield then we look at equities and certain amount against UK equities which is the composite part will be FTSE 100 they will use the FTSE your share then worldwide equities (these are fixed) if the portfolio was exactly in line with those benchmarks that is what will be the outcome of the portfolio accumulatively over the last 12 months.

Brewin Dolphin take a view in terms of how we structure a portfolio against that and will make judgements from plus and minus potential against benchmarks depending what we view is the economic environment then we make verses stock selections as well which we think is going to be good/poor or indifferent and sometimes we will out perform and sometimes we will under perform. Brewin Dolphin have taken a timeline in the portfolio and we have margin performed that benchmark over the last 12 month period typically over the last 24 months we have out performed that over the medium to longer term.

The Chairman asked what effect do you see Brexit, if the UK walk away, is going to have on this. Mr J Scott responded that he believes there will not be a lot, on the day we could have quite significant moves particularly if something happens ie when we voted to leave the EU in June 2016 they were expecting a tight vote but expecting the outcome to ‘stay’ but it was the other way around and markets dropped 8% on the day but by close of business they were only down 2/3% then you look at a month after that vote they are then up very strongly because of the fall in sterling against the main currencies. If the outcome is fairly well signposted markets will take it in their stride because they tend to move in advance of the event happening based on what information they glean in the run up to it, if the market gets something unexpected then yes you will see a short term correction in the markets but you will see the biggest correction in sterling and probably a big fall in sterling again. The reality is that if you take the FTSE 100 is 75% of its earnings overseas even the FTSE 250 which is UK centric companies and of these 50% of their earnings are overseas – that is why the UK market did so well after the aftermath in the summer of 2016 because sterling devalued by 15/20% against most major currencies so the earnings of these companies where reporting in the UK in mostly US dollars, Euros, Yen – those earnings are brought back onto the UK and suddenly those earnings may have been the same but suddenly they were a lot higher in sterling so then arguably if you get a hard Brexit and its somewhat unexpected then it would be quite good for investment other than the short term shock. He believes from a longer term perspective its not going to change a huge deal from an investment perspective.

Mr J Scott added that currently there is a pretty weak minority government having to be supported by another party that they could get caught out with the final deal in terms of parliament getting a meaningful vote and then if they do what they then do the reality is if the vote goes against the government he believes it would think that would be the end of the government in reality. He added that the UK market is probably the least loved investment market in the World currently and there is two things which drive it are these - ‘Brexit’ and ‘Corbyn’. Arguably from a market investment ‘Corbyn’ is perceived to be potentially the bigger risk than Brexit. Within the Bourne Fen Portfolio there is a holding called HICL Infrastructure Fund this is a fund building government project, privately they build schools, hospitals, social housing – basically this is where the government have moved the costs of the government balance sheet, a private company to build all their stuff and then that private company then leases all that stuff back to the government and these type of investments have done very well, because you pretty much know they are underwritten by the government – your income is going to come in at high yield and be inflation linked and they have been very good investments in the last period particularly in a period where you control the income.

Mr Scott then outlined at the Labour Conference 2017, they talked about nationalising all these things its hit other things like SSE they are producing the UK power and National Grid, United Utilities, Seven Trent plus there are private ownerships like Thames Water and all these UK infrastructure elements to the national society. He believes the Labour party would find it ultimately impossible to re nationalise these infrastructure companies, it is grand standing, the cost to the government hundreds of billions to raise the debt who is going to take on that debt and what it would do to the UK national finances and what is the national value of these elements, companies would take the government to court. We live in an independent judiciary in terms of brexit I think you find that labour gets wrapped around and gets caught up in the court he does not believe it is viable they might get something like national rail nationalised by taking back the contracts as they each mature regarding a wholesale re nationalisation is probably impossible. Corbyn ultimately even though he had a very high vote as a percentage has had a worse outcome than Gordon Brown which is viewed as a disaster whereby Corbyn was viewed as a success. Some of the data for this has since proved that this to a certain degree overstated labour have backtracked on what they would do regarding some of their policies ie student debt, re-nationalisation.

The Finance Manager asked if there was anything Mr Scott wanted to achieve on this portfolio from the Committee, other than to review it. Mr Scott said he would be interested to know or get a sense of any income requirements or capital requirement which may have changed from the past and he should be recognisant of what he is doing for the portfolio. The Chairman responded that we still need that level of income from it to elevate the rate in the Bourne Fen but its performing well for what is required. And if the actual value of it goes up and down, then we will have to ride with that in the way we are doing it.

The Finance Manager proposed a scenario to Mr Scott, if the Board were to have £300,000 that was to be invested separate to the Bourne Fen on a lower risk basis what kind of yield could we expect, and what kind of security to the initial investment. Mr Scott responded that yield and risk are not linked so you can have a high risk investment and still have a high yield, sometimes having high risk does generate a yield to it so if you think about fixed income particularly this is the bond element – this is when we are lending out capital either government or corporate entities, the higher the credit rating of that organisation the lower the interest rate they need to pay back to you, therefore if you are lending money to the UK government or to the USA government the yield you would get on it at the moment will only be about as high as 1 to 2%. If you look at the various fixed income holdings you are getting 4-6% so actually you are taking on the higher risk but getting a better yield as a consequence. If Brewin Dolphin were to take on lower risk in terms of portfolio it tends to mean a fixed element increases within the portfolio and the challenge around fixed income is that we have had very low interest rates for a long time which means the value of the bonds has gone high and means the yields have dropped. If interest rates go up then the value of the bonds will start falling to increase the yield so the capital will not be as preserved as you think it might be we tend to be less volatile as regard the peeks and the troughs in terms of movement will be shallower but in regards to capital preservation or capital growth will not necessarily be better. If you looked at UK equities the direct holdings ie Shell, Vodaphone, SSE these are equities which are producing high income but again typically equity is viewed as high risk than fixed income so risk and yield are not necessary tied to each other.

The Finance Manager asked how does the Board best preserve the £300,000 whilst getting income from it. The Chief Executive clarified that it is risk and guarantee. Mr Fowler added that golden gilts have got to be the best guarantee you are getting most of your capital return. Mr Scott responded they are less volatile so sometimes risk is misunderstood and how risk is managed, if you are looking at a lower risk portfolio it will have a higher fixed income content to it and it would have a less volatile journey but it would have a lower reward outcome from it. You do get rewarded for taking on risk but you will have big draw downs, the next question is what is the investment time – if we are talking 1-5 years you may not be able to afford the big draw down which might happen within 2 years time, if you are investing with importunity then actually does that draw down actually matter, yes it is a painful period that 12/24 month period, but if you are investing for a 100 years then in the grand scheme of things it does not really matter because you know in time it will come back and you will be rewarded for it. Depends, on how long you are going to invest and what sort of journey you feel comfortable with, it is all very well preserving the £300,000 but we all know in 10 years time £300,000 will not buy you what £300,000 buys you today. So we need to preserve it in its real purchasing power which is over and above inflation in terms of the capital growth.

The Finance Manager proposed a further scenario if there were to be some extreme bad weather and the Board needed the capital back soon as in order to use it in an emergency situation what sort of timescales would we be able to draw it back on. Mr Scott responded that everything in the portfolio has daily liquidity so everything is highly liquid so all the holdings we could sell today or tomorrow and then it is all settled within 2 to 5 days, so realistically from a fully invested portfolio to having cash available in the bank, is a week. Mr Holmes asked would there be penalties – Mr Scott responded no there are costs for buying and selling but there is no actual penalty to it, there is no excess charge for selling at short notice. The challenge would be is this a good point in the market to be selling or is this a bad point in the market to be selling.

Mr Rollinson asked if the Board had a lower risk portfolio, you would have a small percentage of UK equities, Mr Scott responded yes.

The Chairman asked if the Members had any further questions, it is something the Board should look into with the £300,000 especially as we can get it back in a week but we might not get the same amount we put in.

The Finance Manager added that currently the best that can be done on interest is £300,000 on 0.15%, we have tried others but they are not credit rated. He added that in the last ten years, the Board has had at least £300,000 invested at all times.

Mr Scott confirmed that the banks don't want cash, they don't need it and they are losing money on it so they don't see the need to borrow it. This might change in a higher interest environment.

Mr Scott stated that on the £300,000 portfolio scenario, it is not hard to get 3-3.5% in the current environment, the Finance Manager asked if this one could be kept separate to the Bourne Fen – Mr Scott responded yes.

The Chairman confirmed that if the Board would want to put £300,000 investment then it would want to be on its own portfolio. Mr Scott responded yes it would be a separate legal entity.

Mr Rollinson asked are you investing more for Public Bodies with interest rates being so low. Mr Scott responded that he personally has not seen huge change, people have been very resistant, people who have liked cash know that high cash rates have been actually very resistant to doing it and he has seen more potential movement in the last 12 months than he has had in the preceding couple of years it's the higher inflation we have had in the recent period and the inflationary gap between what you are receiving and what it is costing you. The Finance Manager added that 12 months ago we were able to get 0.5% or 0.6% but now we are getting 0.15%.

Mr Scott stated there will always be market risk in the portfolios but all charts demonstrate that over time you will get reward for that risk but you do need that time element because there will be bad periods. There will be another 2008/09 at some point in the not so distant future when the longer it is from the last one the sooner it is to the next one.

Mr Holmes asked where do you see interest rates going, Mr Scott responded he does not see them moving very far or very fast. We might see some inflation coming back again the pound has come off again in the last month, oil has gone up quite significantly in the last month or two, it has hit 70 dollars a barrel recently so currency and oil are the two biggest impactors on the UK inflationary figures we could see a little spike in the next 2/3 months which might force the Bank of England's hand I think they always air on the under raising rather than over raising because actually what we have been seeking for is inflation because it is the best way of getting rid of debt, we are a highly debted society and the best way to secure default on your debt is have inflation it makes your debt less valuable so that is what most major Countries have been looking for – they all air on the side of letting inflation run hotter than they perhaps might say they will.

The Finance Manager asked if Brewin Dolphin were to get into trouble and go bust or whatever are these shares in the Boards name or in Brewin Dolphin's. Mr Scott responded that they are held in a nominees company they are held in a separate holding company which is not a trading company and they are held in the Boards name so if Brewin Dolphin would disappear it would not impact on the value of any of the holdings within the portfolio, they do not belong to Brewin Dolphin they belong to the Board and are held in a separate company in the Boards name.

The Chairman asked if Mr Scott and the Finance Manager could have a look at this and come back to the Board with a recommendation. He thanked him for coming to this meeting today, Mr Scott then left the meeting.

The Chief Executive asked regarding withdrawing funds do we really need it in a hurry, for what purpose. The Finance Manager responded if we could not get access to Natwest then that would be a reason, that we have money somewhere else to keep us going whilst Natwest is sorted out. The Chief Executive wanted to clarify that he understands the need for money due to an event, but the men are on monthly salary and all our creditors are on 30 days we could push them to 60 days. Its not like we want the money tomorrow.

The Finance Manager added that currently there is £1.2 million in Natwest and £300,000 with Monmouthshire and £250 in the petty cash. All the Boards monies is within those three pots.

Mr Holmes asked is there any significance in the £300,000 in Monmouthshire where was this set. The Finance Manager responded that the Financial Regulations used to say £0.5 million, in 2008/09 the Executive and Board reduced that to £300,000 because of the financial situation. Mr Holmes further asked would there be any reason if not to put £0.5 million with Brewin Dolphin. The Finance Manager responded that the Executive would have to amend the Financial Regulations whatever, if the Executive were comfortable with that. Mr Holmes further added that if that £0.5 million was to produce the Board 3/3.5% and we can access to it why don't we invest £0.5 million – we may not need to take it all out at any one time.

The Chairman believed we've asked for details on £300,000 but we could put it to the Board we really can afford to put £500,000 in if the Board is comfortable with that.

Mr Rollinson remarked that you could have a reaction from the Councillors asking why is the Board's Capital Reserve which is then not a rainy day fund. The Finance Manager interjected that you will still have access to it. We are maximising the income in order not to put the rate up. Mr Rollinson then added that if you are saying that you have not touched that £300,000 for 10 years he can see an argument coming against you that your Capital Fund is £300,000 too much. The Chairman stated that this is the Reserve which is stated that the Board will hold a 20% Reserve.

Mr Fowler pointed out that investment risk is being in cash as opposed to you cannot get any better than government gilts/bonds they are as good if not better than cash. There is a slight risk in a small capital loss potentially but they have responsible interest rates that is the lowest risk investment almost as low risk as a cash deposit in a bank. He would presume that Brewin Dolphin would come back with a very heavy gilt portfolio yielding 2.5/3%. Mr Rollinson would be happy with that rather than the Bourne Fen portfolio whereby you have 30% on the UK equity market. The Finance Manager confirmed that is why we would be looking at a lower risk.

The Chairman responded the only reason the Councils would get upset would be if the Board was going to go for a big rate rise there is just a chance that we could be doing 0% again this year. The Finance Manager added that the Reserve Account at the year-end was 57.32% of expenditure. The Chairman added that he sees no reason why there would be a rate rise but we will have a new Board by then.

Cllr Bedford responded that the Councillors argument would be what at the end of the day is going to happen to Black Sluice (Boston) Pumping Station, this would be the crutch of the matter at this moment in time.

Mr Holmes commented that the Councillors would be happy and Board Members and the public would be happy the Board investing £500,000 at 3% than we would at £300,000 at 0.15% and surely there is more chance of the Board holding the rate going forward having invested.

Cllr Bedford asked if you could have an investment manager and invest it yourselves and not pay Brewin Dolphin commission. Mr Fowler added that yes you can register yourself and these are bond funds which you can buy bonds directly from the government as an individual and you can hold government gilts yourself.

The Chairman thought that the Finance Manager and himself did not look very comfortable at this, we've used Brewin Dolphin when we have Mr M Scott and he knew a lot about it and was not prepared to take the risk. He believes that we should stay with someone who could do it for us. The Finance Manager added that it does not need to be Brewin Dolphin but he trusts them because we have experience with them.

Mr Holmes asked Cllr Bedford if they had someone on the Council who had some acronym and would they, the Council, allow that person to take on the fund like this on behalf of the Boston Borough Council rather than putting it with an independent. Cllr Bedford responded that it depends on how you could legally do it if the Section 151 Officer who is the responsible person for finance at the end of the day is going to be the person who says yes that's right and yes that's wrong, you have to be happy with the 151 Officer, Finance Officer whoever you want to call them and that person is responsible for looking after your money.

The Chairman responded that we are happy with the Finance Manager looking after our money but I don't think he would be happy to be an investment manager. It is a very specialised market.

1273 MINUTES OF THE LAST MEETING - Agenda Item 4

Minutes of the last meeting held on 5th March 2018, copies of which had been circulated, were considered and it was agreed that they should be signed as a true record.

1274 CONFIDENTIAL MINUTES OF THE LAST MEETING - Agenda Item 5

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.

1275 MATTERS ARISING - Agenda Item 6

a) The Black Sluice Pumping Station (Boston) - Minute 1237

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.

1276 TO CONSIDER PERIOD 12 MANAGEMENT ACCOUNTS - Agenda Item 7

The Finance Manager referred Members to page 12 detailing the project summary for 2017/18 period 12 management accounts;

a) Period 12 Project Summary

- Rates & Levies – an additional £20,000 which was collected because of the movement in land and penny rate calculation which was done after the budget had been set.
- Interest & Grants - £10,000 worth of grants attributed to the costs of consultants on the EA framework for Flood Defence Grant in Aid work that is going very slowly and also £27,000 Kirton Meeres culvert which monies have fallen into this year.

The Chairman asked will that FDGiA work get done this year, the Chief Executive responded reference the North Forty Foot and Sempringham Fen he did not know.

- Development Fund – spent £83,000 on works in connection with the Q1 development the developer has contributed £93,500. Therefore, there is still £10,500 put into the development reserve.
  Mr Rollinson asked why did you only budget £5,000, the Finance Manager responded this is the admin charge that is money back to the Board when we use the fund it goes through income and expenditure it is our way of showing how we spend the money.
  Cllr Bedford asked when are you digging the dyke along the new Q1 development, the Chief Executive we have no plan yet to when we will undertake that work, we have agreed the design but there is no agreed start date.
- Rechargeable Profit – there is £854,000 worth of rechargeable work been undertaken in the year, £781,000 worth of that is the EA PSCA and £33,000 from other PSCA. This has certainly made an impact this year.
  - Schemes - £116,000 was spent on Board funded schemes against budget of £210,000 this was all amended at the Joint Works Committee meeting on the 8th November 2017 due to the additional works on the PSCA works and when different work will be carried out at different periods in the year.
  - £52,500 has been reallocated as the Boards contribution to the local levy schemes.
  - £26,000 overspend on the Clay Dyke cleansing scheme, this was underspent by £21,000 in the previous financial year because the scheme overlapped the year end and with reallocated the funds from the previous year results in an actual overspend of £5,000.
- Pumping Station Maintenance – the Board is in a better positon with regard to the Electric as opposed to last year when it was reported that we were guessing what the electric bills were going to be going back 18 months. We are still work-in-progress we are working with Woldmarsh and Npower trying to get to a position we should be in following the disaster with British Gas. March 2018 was £18,000 he is expecting April 2018 over £30,000 based on the amount of pumping we did. We have purchased the two CCTV systems for the pumping stations agreed earlier in the year.
- Drain Maintenance – we over spent by £40,000 on summer cutting and by £8,000 on bushing but we underspent by £70,000 on the winter drain maintenance and £14,000 on jetting. Overall the underspend was £36,000.
- Admin & Establishment – we were £12,000 underspent on salaries, the majority of this is attributed to the time we did not have a GIS Engineer and the gap from the previous Works Supervisor leaving in May/June and us recruiting the current Works Manager in September.
  - Early last year an additional £9,000 was allocated to Admin and Establishment for the cyber security up dates and the new systems including training and the additional back up tapes the Audit & Risk Committee thought were necessary, there is an underspend on computers and office equipment of £3,700.
- Overall – currently we have £245,000 surplus over budget to charge to the General Reserve.

b) Drainage Rates & Special Levies

The Finance Manager referred Members to page 13, he reported that 100% of the drainage rates were collected for the year and at the end of the year, there is a credit balance of £0.38.

c) South Forty Foot Scheme Summary

The Finance Manager referred Members to page 14, he reported because the South Forty Foot scheme went over year end he has completed a summary for the 2017/18. The income was £668,480 so the 5% recovery on that is £33,424 the total profit within 2017/18 equates to £44,604.20.

The Chief Executive stated that the future costs that are identified will now transfer onto the next scheme to restart again. Mr Holmes asked where do you see this being this time next year, the Chief Executive responded that we will have completed works up to the A52. Mr Holmes asked what would the cost be of that do you think? The Chief Executive responded we don't know at the moment we're just putting together those final prices. The Chairman asked would you need to de-bush again, the Chief Executive responded the EA maybe undertaking with boats de-vegetation of the watercourse, we are currently in negotiation with the EA.

d) Balance Sheet

The Finance Manager referred Members to page 16, the balance sheet and reported.

- Debtors – this looked high at £85,763 but that includes an £82,000 invoice to the EA which has now been paid.
- VAT – for the first time at year end we owed £15,062 due to the level of rechargeable works we have done.
- Drawings Account – looks like a big minus this is due to un-cleared payments at year end there is still a daily sweep in place on the drawings account and call account which makes them £10,000 at the end of each day cleared funds.
- Reserve Account – the balance of the reserve account at the year end is £1,166,811 which is 57.32% of the actual expenditure which is showing on page 12.
- Monmouthshire Building Society – as well as Aldermore Bank do not subscribe to any of the credit scoring agencies such as Moodys, Fitch or S&P which are the three Mr N Scott had provided. He has telephoned and confirmed that neither subscribe to any of these ratings companies. The Finance Manager stated that if the Board does go down needing a credit agency score for anybody the Board invests with it is not going to be them. He has looked for other viable alternatives within the scope of our Financial Regulations and he has found Virgin Money Access at 0.90% however he is told it is nothing to do with R Branson's company it was bought off them a few years ago it is not particularly sound. Aldermore Bank 1 year bond at 1.5% and 5 year bond at 2%. Other Al Rayon Bank, Redwood Bank, Money Corp, United Trust Bank, B&C, The Melton, Teachers Building Society, Shawbrook Bank, there is none of the big names other than Nationwide which we have tried but they wanted every Board Members details.

1277 TO RECEIVE THE 2017/18 UNAUDITED FINANCIAL STATEMENTS - Agenda Item 8

The Finance Manager referred Members to the unaudited financial statements (under separate cover). He highlighted some items;

- Annual Governance Statement – a few red items where the annual governance statement has changed very slightly, he does not believe there is anything we need to go through.
- Balance Sheet – there is a £10,000 increase in the pensions liability which when we had been seeing the swing by £300,000/£400,000 in the previous years. £10,000 is neither here nor there.
- Notes to Accounts – item 6 there is an increase in audit fees, because we have tipped over the £3 million bracket so we have to go into the next bracket for audit this year.
- Notes to Accounts – item 12 on the plant reserve deficit has increased to £118,399.
  - The forecast for the year was £83,000 therefore we are £35,000 short on the plant account of that we are £34,321 short on the amount we generated in the year. He believes without any investigation it is because of the extra costs in the year. To get us back to where we wanted to be on the current 8 year plan it will require a 21% increase in the plant rechargeable rates which is not feasible therefore we will have to do a little more work because the surplus plant in 8 years time is only £29,000 so that is one area we will need to do some work to see how we can get the plant account back on track.

Mr Holmes asked if this was because of the extra work they are wearing out more and creating more maintenance. The Chief Executive replied this is all generated from working hours and if the machines are stood and they are not working we are not recovering on them and we have had problems with the Twigas and wondered if there were any elevated expenditure which goes against the items of plant. When we have investigated these before there are lots of incidentals which collectively become a problem. The good thing is we can tackle the smaller problems one at a time and that is what we will have to assess again. There is no major plant purchases this year other than the fitters van, pump and basket. The Finance Manager reminded that we are supposed to be in profit or in credit surplus by the end of the year.

The Chairman concluded that the Officers will do some more work on the plant account before the next Board meeting.

1278 TO RECEIVE THE ANNUAL RETURN FOR YEAR ENDED 31st MARCH 2018 - Agenda Item 9

The Finance Manager referred Members to the Annual Return, he stated on page 19 the Internal Auditor has completed the internal control objectives stating he has answered ‘yes’ to all of these statements. He has issued his report which shows the Board with ‘substantial assurance’. The internal audit report will be presented to the Board meeting on the 30th May 2018 the Audit & Risk Committee have already reviewed this and met privately with the Internal Auditor.

The Chairman stated I would just like to congratulate the Finance Manager and Chief Executive for getting the Board back to where we belong with the 'substantial assurance' and other things were said in the meeting with the Internal Auditor about the level of this IDB compared with others.

1279 TO RECEIVE THE ANNUAL INTERNAL AUDIT REPORT - Agenda Item 10

The Finance Manager stated that all the recommendations within the internal audit report have been actioned by reviewing the Financial Regulations.

The Internal Auditor has issued the Board with 'substantial assurance'.

1280 TO APPROVE THE ACCOUNTS FOR THE BOURNE FEN FARM - Agenda Item 11

The Finance Manager presented the accounts for the Bourne Fen Farm Trust stating income derived from this has improved by £2,000 from the previous year.

He stated that there has been an increase in charges by £400 because we have to have our own LEI (Legal Entity Identifier) which costs £89 per year plus dealing charges for transactions etc.

Mr Rollinson asked regarding the investment income of £16,023 this is an actual figure, Mr J Scott was saying £12,000 which is the estimated income from which is a big difference. The Finance Manager responded in the previous 12 months we have had £16,023. Mr Fowler added that it depends on the dividend timings and things compared to the year end 12 months. The Finance Manager added that it is the same 12 month period for comparison. Mr Fowler responded not necessarily, it depends when the dividends come in, if they come in on 1st April or 31st March. The Finance Manager confirmed that he has received this investment income of £16,023. The Chairman added that if the Board was to invest then we want it loaded to income. The Finance Manager responded no, we want it loaded to protection of capital, we want some income but protection of the capital will be a priority over the yield. The Chief Executive added it's the security of being able to draw down in the seven days and it's the task to obtain greater income return than Monmouthshire or Natwest which is minimal they are the two scenarios. Mr Rollinson clarified that with Monmouthshire it is a 30 day notice so with Brewin Dolphin you have more access to your money. The Finance Manager added that he can withdraw from Monmouthshire if he needed to but there will be a penalty.

The Finance Manager also added that there is a £7,000 reduction in the fund value. Mr Rollinson acknowledged but stated that it is also a snap shot in time. The Finance Manager added that compares to the previous 31st March. The Chairman concluded at some time in that 12 month period it would have been higher and possibly lower.

1281 ANY OTHER BUSINESS - Agenda Item 12

(a) Ian Russell Environment Agency Partnership Manager – Retiring after 40 years

The Chief Executive stated as a matter of interest Ian Russell (Environment Agency) is retiring after 40 years at the end of this month, he is currently working a three day week, but with holidays and other handover involvements he has actually only got three days at work this month.

On the 22nd May he is having a retiring presentation at the Lincoln office and there is an open invitation to anybody who wants to attend. If any Member of this Committee would like to attend then he will forward this email giving details of how to book a place.

He quoted from the email that if there are any good luck messages to be left with them to send them to the required email address, and anyone wishing to contribute to the retirement gift they are also requested for ease to send that contribution to a paypal account. The Chief Executive concluded that he would be attending himself and asked if this Board would be contributing to a retirement gift or not.

The Chairman felt this Board should, this gentleman has done so much to put this Board where it is with the EA in a completely different footing and the way he has put the Public Sector Cooperation Agreements, which is virtually all Ian's work he is the person who pushed it. As a Board we should send an amount to his retirement gift and a letter from the whole Board as such thanking him for what we feel he has done in the name of the EA and IDB cooperation in the years. Its not often you know of someone who makes that amount of difference. He asked if the Chief Executive agreed with this. The Chief Executive responded yes he does the EA have found a suitable replacement for Ian and he has met with him before he is from the Somerset area but he is going to concentrate on the rest of the Country and leave Lincolnshire alone because it is 'fixed' with regards to PSCA because of Ian's doing setting it all up.

Mr Holmes asked at what level contribution, the Chairman responded that is often the difficulty with these things. Cllr Bedford asked is it going into a large pot. The Chief Executive responded that it certainly looks like it is yes and made the suggestion of £50. The Chairman concurred with that – all AGREED. The Chairman concluded that if the Chief Executive drafted a letter he would sign it.

(b) Rationalising Main River Network

The Chief Executive updated Members on the main river network, the Board was asked to confirm if we would comply with an agreement in principle to continue onto the next stage which is the formal notification stage which we have done but we included some caveats in the email to Abi Jackson (EA) these caveats being;

"The EA and BSIDB will collectively carry our further 'on-site' due diligence works associated with assets of uncertain ownership in order to identify ownership and therefore remove any form of indemnity required."

The Chief Executive stated that this was because the EA have stated that there is a large number of unidentified ownership assets and they required the risk management authority taking on those de-maining projects to take out an indemnity against those assets. The Chief Executive has stated we would not.

"Further negotiations should take place relating to assets that are being maintained by the EA but ones that are not owned by the EA in relation to future (3 year) maintenance funding being transferred to the new RMA."

The Chief Executive stated that the assets they do own part of the calculation was we would receive three years maintenance money, the EA are now saying there are other assets they don't own but they maintain. The Chief Executive is saying we will continue to maintain them but we want the 3 years funding.

"Current PSCA works continue on the de-maining rivers until a time the de-maining is completed."

"To agree in the event that evidence comes to light in the future that shows that assets or freehold land which have not been transferred does belong to the EA, then consideration will be afforded to how to transfer these on a case by case basis."

The Chief Executive stated that this is word for word agreement that the EA produced and the response to those four caveats from Abi Jackson (EA) dated 4 May 2018;

"Thank you for providing the AIP below. However, it seems the caveats are much more of an issue than both myself and some of the national team realised (bar point 3 which I am working with Darren and Paul to confirm what can be done). I need to discuss the details of this internally but will be back in touch as soon as possible".

The Chief Executive concluded that the EA are not liking what the Board is saying he has sent that to ADA Ian Moodie who is fronting the RMRN technical group and copied that to other pilot scheme Chief Execs. He is awaiting a response.

(c) <u>Colin Richards Retiring</u>

The Chief Executive stated that Colin Richards is retiring on the 23rd May 2018, Colin served notice three years ago that he wanted to reduce his hours and retire in May 2018 and he may have some holidays but we have agreed with him on the 23rd May there will be a retirement presentation, we asked him if he had any requests, this is with no detriment of the current Chairman he would like Michael Scott to be there as he was the longest Chairman while Colin was the Pump Engineer. He would like a buffet, the Chief Executive suggested to inform and invite all Board Members I doubt very many will attend but the Vic Barker's of this world will probably enjoy coming and enjoy saying goodbye to Colin. The Chief Executive then asked the Committee would the Board like to contribute to his retirement present. Colin has been with the Board for 40 years at Black Sluice.

The Chief Executive explained that he can organise at the expense of the Board a buffet lunch for however many people will be there on the 23rd May 2018 at 12:30 and invite Michael Scott, he thought about inviting Stuart Hemmings. Mr Holmes and Mr Rollinson immediately agreed. He then asked if he should invite all Board Members and how much would the Board like to contribute to Colin's retirement present. He has indicated he would like some vouchers.

Mr Holmes feels it is only right to invite all Board Members and get an indication of whether they will be attending to know numbers for buffet order.

The Finance Manager asked how much was the contribution for Mick Johnson, the Chief Executive responded not sure, he was similar 50 years service, he believes it could have been £500. Mr Holmes also felt it should be around £500. The Finance Manager stated that it looks like we brought Mr Johnson a gift for £45 on his retirement and the £500 because it coincided with his 50 years service which was in the January and the gift was purchased in March. The Finance Manager added that if Mr Richards meets the 40 years he gets £400, he does not know when his 40 years period is.

Mr Rollinson stated that he would rather give him something with the Black Sluice on it, the Chief Executive responded that is the Members choice if that is what you want it to be something from Black Sluice.

Mr Holmes a glass with outline of the Board catchment on it that we could mount on a plaque, with a brass engraved plate. The Chief Executive clarified is this Committee agreeing to £500. All AGREED.

(d) <u>Fisher German (on behalf of Environment Agency) – Land Sales</u>

The Chief Executive stated reference the email received from Fisher German on behalf of the EA with regards to land sales on the Northlands dyke as part of the de-maining this land has been advertised recently as 'lots' £10,000 per lot back in November 2017 he responded to the EA property team;

"I can confirm that Black Sluice IDB are not interested in pursuing the purchase of the freehold land at Northlands dyke for the appraisal value of £20,000"

The Chief Executive stated he does not know if it is because they have not received any tenders or the tenders they have received at this moment in time are not amounting to their expected value level. There is the best offer to be received no later than 12 noon on the 11th May 2018. The Chief Executive suggested if its not sold its peppercorn rate gifted to the Board. I cannot see we would have any interest in owning any of these raised banks. We have once transferred our byelaw rights to obtain the drains to maintain them but if the Committee feel that land, it amounts to 20 + acres does have value or asset value that this Board may use in the future. Cllr Bedford stated that they have a secured tenancy on it. The Chief Executive responded – yes.

Mr Fowler asked is it normal procedure for them to sell, the Chief Executive responded – no, they have just gone through the same process he was told by Mr D Sissons there is an area of land in the Isle of Ancholme that they wanted £108,000 then after a year and a half of discussion and debate they gifted it to the IDB. Unfortunately they have found out that someone has the fishing rights to the river. The Chief Executive suggested that we are not interested in this land if it wants to be gifted to the Board they would accept it. Mr Holmes asked what is the income from it, the Chief Executive responded that it does not state the amount.

The Chairman asked if the Board was maintaining that for the EA, the Chief Executive responded – yes.

Cllr Bedford stated offer £1 for each lot, Members AGREED.

(e) Oriel Systems Contract

The Chief Executive stated he is expecting this Committee to refer this to the Board meeting on 30th May 2018 but the only problem is that this contract in theory commenced on the 1st April 2018 and because of the Chief Executive involvement with the Assistant Pump Engineer and the Operations Manager asking questions it has not been signed. There are new scenarios to consider, last year we had a contract and we have had every year with Oriel Systems for offering office support and onsite support for all of our telemetry the office support with an extra charge for any other standard daily rates for any days over and above the six days and two days onsite work and the charge for this is £5,460.

The Chief Executive has spoken to the Assistant Pump Engineer, with the Pump Engineer retiring is that enough? Of the six days we were contracted into the Board used 9.2 days and of the 2 days onsite we used 1.1 day the bill was pro-rata and was subsequently been paid. He asked the Assistant Pump Engineer what support would he be happy with, he is happy with the 2 days onsite but he would like the first year to be an unlimited head office support so he and anybody can ring at any time 7 days a week, that cost is £9,750 in comparison to £5,460 that we have paid previously. We feel the Assistant Pump Engineer should be covered for every eventuality, 7 days a week. Whether we say at first we can afford the extra £4,300 but this is the only year we look to reduce it year on year with a view to getting back down to 6 days.

Mr Holmes added that the Pump Engineer comes at a cost last year so we are not paying that this year so there is a saving to put towards the extra support. The Chief Executive clarified Mr Richards has been put on a retainer going forward which is to be reviewed every six months and clearly if we don't use Mr Richards in the first six months will we need to retain him for any longer.

Mr Holmes for peace of mind and the fact that we should offer support to Mr Methley in his new role thinks we should go with the proposal. The Chief Executive asked its whether this Committee feels it should go to the Board or not and agree that the additional support be given.

The Chairman commented that for peace of mind to go with the additional support, but it needs to be worked back down as the Assistant Pump Engineer gets more experience. Mr Fowler asked is the cost huge if you commit to 6 days then over shoot is the cost much greater. The Chief Executive responded that the Finance Manager is not sure that Oriel charges for every hour that they used – its not huge. Mr Fowler carried on stating you would not have the back up if you did not have the 12 months. The Chief Executive responded no.

Mr Holmes stated that if 6 days was £5,500 and 12 months unlimited £9,000 then clearly Oriel does not think unlimited is going to be much more usage.

The Chairman asked if this is within the money this Committee can authorise. The Finance Manager responded expenditure to the value of £25,000 can be authorised by this Committee and as this falls into unbudgeted category that is why the Finance Manager and Chief Executive cannot authorise it.

The Chairman confirmed with Members, and all AGREED to the expenditure to run the Oriel contract for a 12 month period of head office support.

(f) WRE Electronic Copy sent

The Chief Executive stated this is for information, he has sent by email to all Members of this Committee a WRE document which is well worth printing off and reading.

(g) Office Alterations

The Chief Executive stated that with the Pump Engineer retiring there is going to be some reorganisation of staff into new work places. Having spoken with the Operations Manager in all probability we will be moving the Operations Manager into the Rating Office with a new partioned office and possibly even a joint meeting room for the Operations Manager and others to use. The Assistant Pump Engineer will move into the Operations Manager office with some slight alterations downstairs. He is suggesting £10,000 - £15,000 budget and the proposal is to get three quotes to bring to the Board on 30th May 2018 for approval to go forward. The Finance Manager concluded stating that on the basis the Board has £250,000 surplus from last year.

The Chairman reminded there could be the RFCC post ending up in this office, the Chief Executive responded that as the Finance Manager pointed out there will be a work station.

(h) Tour of the Netherlands

The Chief Executive stated he has an email stating all the people that have been involved who will be speaking to the Boards group. The flights and hotels are booked for 14 people and we are finalising the detail with Beuk Travel on their email;

"can we please be advised reference the lunch on 6th/7th June in case we have to make further arrangements with Beuk Travel, he would like to invite and treat our hosts/guests from Royal Smals, Van Heck and Forester (to include any Dutch Drainage Boards we may be visiting to the final evening dinner at the Van der Valk Hotel were the dinner is commencing at 8pm on Wednesday 6th June could he have names please".

They have replied with a list of the six people, these persons are from International companies, huge turnover and hugely successful and both companies are sending their Managing Directors, the Director of Dregging and one Technical Director, Charles Moreu, Mr Frits van den Boogaard. The Chariman of the Board who is also the Chief Financial Officer of Royal Smals Mrs Resie Reijnders is attending. The Managing Director of Van Heck Mr Jeroen Van Heck. The Chief Executive felt that for these people it would be a good idea to present them with a gift, and we have looked we were first introduced to the reason the common factor is the South Forty Foot, he presented a photograph framed of the original digging out of the drain. He also showed Members a small tiepin which is Lincolnshire 'imps' and we have four of these - one for Van Heck and one for Royal Smals, the Forester gentleman and there is a spare one.

Mr Holmes wondered regarding the framed photo, what about Mr Richards.

Mr Holmes asked would this be a jacket and tie do, the Chief Executive responded yes that last evening meal should be jacket and tie and he will let Members know.

The Chief Executive stated that we have invited the newly appointed employee of ADA head office Ryan Dixon who is also their press officer with the condition of he writes up the report.

The Chief Executive stated that regarding the bus there is everything you can imagine on board, he has suggested we only need, tea/coffee, water, cold drinks, crisps/nuts. The Chairman responded yes fine.

There being no further business the meeting closed at 4:15pm.