

Association of Drainage Authorities

POLICY AND FINANCE COMMITTEE

Minutes of the Meeting held on Wednesday 29 January 2014 at the The Farmers Club, London

Present: **Ian Thornton (IT) Chairman**
Lewis Baker (LB), Peter Bateson (PB), Henry Cator (HC), Karen Daft (KD), Tim Farr (TF),
Jane Froggatt (JF), David Hickman (DH), Stephen Morris (SM), Jean Venables (JV), Michael
Watson (MW)

Apologies: Craig Benson (CB), Frances Bowler (FB), Nigel Everard (NE), David Sisson (DS), Carol
Tidmarsh (CT), Phil Winrow (PW)

In Attendance: Leon Bond (LBo) DCLG, Tim Vickers (TV) ADA, Ian Russell (IR) EA/ADA

Ref	Minute	Action
1266	The Minutes of the meeting held on the 11 September 2014 were agreed as a true and fair record.	
1267	<p>Matters Arising</p> <p>a. Min 1263. IR provided an update on the Public Sector Cooperation Agreement (PSCA). He told the committee that 6 agreements were in place with work already happening. A further 7 have been agreed in principle. IR encouraged further discussions to take place to set up these agreements. The agreements are flexible and can cover a range of activity including maintenance works and incident response (e.g response to December flooding). TF asked whether the schedules proposed by the agreements in place were adaptable during the life of the agreement. IR confirmed that this was the case. HC stated that cooperation with landowners is also important. HC mentioned an example in East Anglia where a locally devised solution had been implemented to secure a breach to a sea wall. IR commented that the PSCA hinges on one risk management authority undertaking works for another risk management authority. Therefore it cannot directly cover landowners. An IDB can do the work and then the landowner can reimburse the IDB. On a related issue, the pilot study where landowners are carrying out maintenance on Main River, was discussed. IR again stated that landowners can't use the PSCA agreement directly. TF commented on 2 pilots which he is involved with. He stated that there is a good understanding of the EA's willingness to support the pilots. He said that there may be requests for funding and asked whether it is feasible for the EA to support these pilots. IR recognised this issue.</p> <p>b. JV then introduced a discussion to be had on the role of IR going forwards. Prior to the discussion IR was asked to leave the room. JV told the committee that IR was employed by the EA but had been working on ADA related assignments such as the PSCA. ADA had received a proposal from the EA asking ADA to put forward £5000 for the next 2 years as a contribution towards IR's salary based on the work he does for ADA and IDBs. JV expressed that she thought this was good value for money and that this would match the contribution of RFCCs. IT asked whether this is something ADA could afford and asked the committee to consider whether ADA should agree to provide a financial contribution for the next 2 years. HC suggested that ADA should provide finance for 1 year. HC stated that with incorporation imminent, it would not be fair to bind the new Board with a decision covering a 2 year time frame. JF highlighted the importance of a caveat so that the EA remains the employer and there is no liability on ADA in the case of the EA announcing a redundancy. PB mentioned that it was important to consider what IR's work programme for ADA would be going forwards. JV stated that a list of projects we would like him to work on could be included in proposal to the Executive Committee. The committee was all in favour of ADA funding IR for 1 year. The decision of the committee will be taken forward for the consideration of the Executive Committee.</p>	

c. Min 1264: MW stated that he had not heard any updates on the progress of the EA Southern IDBs which the EA will no longer manage in the future. LB stated that Defra could provide a written update.

Defra

d. SM enquired about National Fraud initiative and PB said the decision was made 2 years ago to leave IDBs out.

e. JV stated that ADA's Auditors were offering a tax enquiry fee protection service and sought the views of the committee. It was agreed not to proceed with the service.

1268 a. Defra Items: IDB Membership and Representation Questionnaire

TV discussed the IDB membership and representation questionnaire which ADA and Defra have been working on over the last year. One area that ADA has been concentrating on further is the extent to which Boards have access to environmental expertise. TV explained that using the answers to the questionnaire ADA is in the process of producing a best practice paper. Boards can acknowledge this so that they are aware of the different sources Boards can use to access additional expertise, if this is an area of concern. In addition to a best practice paper, ADA has been working to identify individual Boards that would particularly benefit from support to improve their access to a professional level of expertise. These would be Boards that currently do not have access to professional expertise. TV mentioned ideas generated by the Defra TAG to support these Boards could be: larger Boards sharing their resources and expertise, the coordination of an IDB conservation officer network, training days, and opportunities to discuss issues at the ADA regional branches.

KD stated that lack of environmental expertise was not necessarily an issue in the IDB community, with conservation advice plentiful.

TF agreed that there was some very good access to expertise amongst IDBs however there may be a very few Boards that are perhaps more geographically isolated for which this may be an issue and for which accessing professional level expertise may be at a disproportionate cost. These Boards could benefit from the personal contact and sense of leadership from the personnel of other Boards.

HC commented that the branch structures would provide an opportunity to bring Boards closer together, enabling support to be spread amongst the constituents of the branches.

PB said that the Lincolnshire branch has an environmental subcommittee that meets a couple of times during the year.

LB clarified that the Defra TAG had recognised that standards were high amongst IDB but there are a few Boards that do not have BAP. There may be a benefit in an approach that facilitated other Boards supporting others that need help.

MW discussed his experiences in Kent where the EA had previously delivered training, such as training about invasive species. Local wildlife trusts have also provided training. As there are numerous SSSIs in Kent, on much of the land a consent is needed to do works. An agreement has been set up here so a separate consent is not needed every time work is scheduled. The agreement is in the form of a policy document agreed between the IDBs and Natural England.

b. JV then announced to the committee that the flooding situation in Somerset had just been discussed in Prime Ministers' question. LB added that following Owen Paterson's visit to Somerset, there had been discussions to suggest that dredging would start. An action plan will be developed over the next 6 weeks. A plan on improving flood risk sustainably over the next 20 years is being developed. Dredging is likely to be part of that plan. TF asked whether the high level government discussions are so far aimed at Somerset in particular or whether they would apply nationally. LB stated that so far the discussions have had a local focus. IT added however that if there is a success story in Somerset, this may induce action elsewhere in the country. HC then stated that he wanted to make it clear that ADA and IDBs are here to help with Defra's planning going forward. ADA is here to help not criticize. Sometimes the passion of ADA and IDBs may be misinterpreted. DH mentioned a briefing paper concerned with the Parliamentary Climate Change Committee. DH stated that a figure may be quoted stating that

only half of the £36 million flood budget has been used but this is misinterpreted and based on incomplete evidence. LB stated that he would take this issue back to the Defra office for further consideration.

1269 Legislation

a. Local Audit and Accountability Bill

LBo who had been invited to the meeting to represent DCLG stated that the Local Audit and Accountability Bill was to become law and into effect in the next financial year – 2014/15. LBo invited questions and views from the committee.

JV stated that ADA had been working hard to get an amendment in the Bill. ADA got very close with an amendment proposed by Stephen Barclay, the MP for North East Cambridgeshire, however he did not attend the relevant session at the House of Commons. JV continued by saying that Clause 41 of the Bill was already having an impact.

The DCLG had already passed on queries asking ADA to investigate why a number of local authorities had significant increases to their special levy. JV stated that ADA had investigated the reasons for the increases to special levy. Reasons included the changing of boundaries to the local authorities, development in Bedfordshire, an IDB amalgamation in Yorkshire, and the need to repair a pumping station in Norfolk.

Repair costs would not only be an issue in this case but throughout the country, especially after the recent tidal surge and weather events. JV stated that there was to be concerns going forward related to how these increases in special levy will go through now IDB special levy is within the cap.

Proportions need to be carefully considered as the kinds of increases IDBs are asking will make a major difference to an IDB, but will most likely be relatively low in the context of the local authority. The business of increasing special levy will become much more difficult and time consuming.

LBo stated that the Bill doesn't actually place any restrictions on the levying body, in this case the IDB. The concern lies between the local authority and the IDB. The case will need be made to the local authority by the IDB if there is a reason for the special levy to increase.

JF suggested that the 2% cap, which itself is subject to change, does not apply to IDBs as the levying body but to the Local Authority Council Tax increase. She suggested that, whilst IDBs would wish to keep increases to a minimum (merely protecting their base against inflation and uplifting for necessary developments after efficiencies), the proportionate spend on IDBs for LAs would of itself be unlikely to take a Local Authority Council Tax increase above 2% and trigger a referendum. The principle was discussed and it was agreed that it would be helpful for IDBs to separate the 2 issues of the increase in their penny rate and the increase to their Local Authorities in the Special Levy. An example was given of how an increase to penny rate may be restricted to 2% but in that particular IDB's drainage district there may have been some in-year land transfers from agricultural to Special Levy which would mean the total Local Authority increase is 2.5%. It was felt IDBs should take care to explain this as the Local Authority would be receiving, on that transferred land, the corresponding increased CT or NNDR income from the land in question and there may even be a net gain to the Local Authority. JF agreed to produce a draft Briefing Note for JV.

JF

MW discussed the situation his Boards are experiencing with respect to this issue. He stated that his Boards had been put under pressure to keep special levy increase within 2%, shadowing the percentage threshold that applies to council tax increase as a whole. The local authorities that pay special levy to his Boards have asked for the districts to be re-valued. This would have heavy implications on special levy as the area covered by Medway Council has 2 power stations however 1 is closing down. This will significantly decrease the total land values for lower Medway. As a result the special levy for Medway will go down, but the special levy paid by the other local authority in the area, Swale Borough Council, will need to increase far beyond a 2% rise.

On the issue of the impact of the power station closing down, TF added that a way round it

would be to use a differential rating order.

JV stated that she hoped the discussion points raised by JF and MW had demonstrated the complexity of special levy. JV added that in the case of the Medway Boards, they were also in need for money for a pumping station, but had been knocked back as the council is using 2% as the limit for the IDB increase.

**DCLG/
Defra/
ADA**

LBo reiterated that there is not a limit on what the IDB wishes to set their levy at. However, a conversation is needed between the local authority and the IDB. LBo stated that he is happy to work on and distribute briefing materials for such conversations which may occur.

Action: DCLG, Defra and ADA to work together on a background paper that can be circulated to IDBs and provide some help during the discussion on levies.

PB stated that Boards often have a fund put aside which can be added to annually and can be used to pay for pumping station refurbishments when required.

MW said that his Board had been putting money aside however their current position for a number of reasons, is a very low starting point for works to be funded.

PB added that it was important to plan for the future so the resources are there. Many Boards may only be setting a rate for their immediate needs.

a. Water Bill

JV discussed the changes that would impact on IDBs under the Water Bill. JV stated that the Water Bill will simplify election procedures and advertising. More broadly speaking the Water Bill will be a vehicle for bringing in changes to flood insurance.

LB stated that Defra are not anticipating any problems getting the changes under the Water Bill through the House of Lords.

1269 ADA Incorporation, Executive Committee Membership and Branch Structure

JV stated that the incorporation of ADA is set to have gone through by 1 April 2014. JV thanked the help provided by Andy McGill along with others including PB, KD and FB from the Policy & Finance Committee. JV discussed the changes incorporation would make to the ADA Executive Committee and the branch structure. In particular there would be a change so that a south west branch and separate Wales branch would be in place. This would maintain a Wales representative on the Executive Committee. 19 March will be the last meeting of the 'old' Executive Committee with the 'new' ADA Board meeting in July.

SM stated that the Welland and Nene branch would be meeting on 20 February. SM requested details on the roles and responsibilities of directors to be sent by 19 February in time for the meeting. It was agreed that ADA would send this document by then.

HC commented that it was important that a director understood that he/she was representing ADA and not the branch's interest on ADA.

ADA

1270 Matters arising in the External Audit of IDB Annual Accounts 2012/13 relating to treatment of Fixed Assets

JF announced to the committee that she thought it would be helpful to find consistency in the approach across the industry on the treatment of Fixed Assets – box 9 of the IDB1 Return. Three IDBs (Upper Witham, Witham First District and Witham Third District) sought advice from their External Auditor in May 2013 on the correct figure to include in Box 9. The advice received from Grant Thornton's Bristol office was to include the value of fixed assets after depreciation, i.e. the current value. This approach is consistent with the 2006 ADA Practitioners' Guidance. The alternative would have been to complete Box 9 on a historic cost basis. The 3 IDBs' IDB1 Returns were submitted in June 2013 and Grant Thornton's Bristol office audited them, returning each with the Notice of Conclusion of Audit in mid- September. Section 3 of each IDB's IDB1 Return, the External Auditor's certificate and opinion 2012/13 was completed and returned with no matter to report which affected the audit opinion (a clean audit, with no qualifications). However, Grant Thornton issued to each of the 3 IDBs an "other

matters report not affecting our opinion which we wish to bring to the attention of the Board". An example of such is provided at Appendix A (for Upper Witham IDB) and, whilst acknowledging the Board(s) followed advice given, the report states that ADA and the Audit Commission confirm that IDBs are required to account for fixed assets at historic cost in the IDB1 Annual Return. This revised opinion appears contrary to the original advice given and contrary to the 2006 ADA Practitioners' Guidance. JF stated that there is need to define consistency on this matter.

KD said that they have been asked to take depreciation out of their figures and use a historic costs basis. This contradicts the advice of Grant Thornton's Bristol office and the 2006 ADA Practitioners' Guidance.

KD added that this highlights the need for standardisation.

PB commented that they only want to see cash movements. Consequently the depreciation figures should be taken out as these are non-cash items.

LB welcomed Jane's paper and added that the decrease in qualified opinions is encouraging.

MW discussed how the value of a pumping station should be recorded. He stated that he had always been told to represent the insured value.

JF stated that Grant Thornton's Bristol office says historic values should be recorded for land and pumping stations, however their advice for plant, vehicles and machinery has been to record present (depreciated) values.

SM agreed and said that at North Level IDB they use insured values for pumping stations and depreciated values for plant, vehicles and machinery.

JF concluded that given the contradictory advice, there may be need to update the relevant section of the practitioners' guide so that all auditors could be told that they are working against the industry standard laid out in the ADA Guidance.

PB suggested that an interim guidance note could be provided on this matter until the guidance is re-written. JF agreed this would be important in reducing the chances of a Board receiving a qualification.

JV stated that ADA would look into producing interim guidance but there is need for help through a steering group.

JF agreed to provide help. It was suggested that KD and FB would assist.

**JF/KD/
FB**

1271 Bellwin Formula Claims re 5/6 Dec 2013 Flooding

PB stated that Local Authorities are able to apply to the DCLG to make emergency financial assistance available to them under the Bellwin Scheme. PB stated that he is investigating this with the district council and the potential for the IDB to then invoice the council for the works done by the IDB during the emergency. Under the scheme a maximum of 85% of the costs can be reimbursed. PB added that he was not convinced that IDBs will necessarily receive financial assistance under the Bellwin scheme however recent costs in Boston to two IDBs after the coastal surge event added to £100,000.

MW added that financial assistance can only be applied for if the emergency is concerned with flooded properties. PB stated that the applicable costs are those incurred immediately during the event, for example moving staff and machines and pumping at the time of the event.

IR said that the impact on the EA on the east coast had been significant. The EA are bidding for extra funding here, for example, to repair sections of flood walls.

HC commented that every time these severe events occur, our resilience is becoming weaker as we are not fully recovering. HC stated that there is the need for ring fenced funding for long-term maintenance works.

1272 Model IDB Governance Documents: Members' Code of Conduct

TV discussed ADA's Model Members' Code of Conduct. It was stated that it had previously been said that the Code of Conduct 'lacks teeth' as there is not a provision to eject a member from a Board if they do not comply with the Code of Conduct. However, this is the same as for local authorities. Board members cannot be formally removed as they are elected officials. TV also discussed how it has been said that the Code of Conduct put too much onus on the Chairman to make decisions for the Board.

JV stated that the second of these issues was connected specifically with the declaration of interests and the Chairman having to ask members to leave the room if a member holds a particular interest. SM commented that it is up to the member to declare an interest. There is nothing forcing them to declare the interest. JF stated that from her experience in local government, it can be important before the start of the meeting for he/she to declare the interest.

Returning to the point on the inability for Board member's to be removed from the Board, LB stated that there are ways of limiting their role and involvement with the Board such as preventing them from sitting on any sub committees.

A member stated that the head of finance and head of legal from a local council are both representatives on the Board. The head of legal appointed member has rewritten the Board's Code of Conduct. Under 8.6 where it talks about the responsibilities of Board member, the text has been changed from "you should act in the interests of the Boards as a whole and not as a representative or delegate of the body by whom you are appointed" to also include that you should act in "the interest of the communities the Board represents". This contradicts the original meaning and was passed through a Board vote. This means appointed members can base their decisions on the best interest of the Council and not the Board, supported by the Code of Conduct. This change to the Code of Conduct cannot be discussed again by the Board for another 6 months due to reasoning in the Standing Orders of the Board. The rest of the T&E committee agreed this was a concern and that this contradicts with the idea of Board members making decisions with the best interests of the Board.

Date of next meetings -	Wednesday 14 May 2014	13.30 – 16.00
	Tuesday 15 October 2014	13.30 – 16.00