

MINUTES OF THE PARRETT FINANCE AND WORKS SUB COMMITTEE MEETING HELD ON 14 June 2022

Attendance:			
Elected Members: Mr C Passmore (C) Mr T Bradford Mr P Betty	Appointed Members: Cllr A Betty Cllr M Caswell Cllr S Kingham Cllr J Pay	Officers: Mrs M Hammond Mr I Sturdy Mr M Wall Mrs K Kingston	Public:
Apologies:			
Non-Attendance:			
Mr J Winslade	Cllr I Dyer		

Agenda Item:	Detail:	Action:
1. Attendance and Apologies	1.1. Apologies as per the above Attendance List.	
2. Items Additional to the Agenda	2.1 Addendum to fuel proposal in item 7	
3. Declarations of Interest	<p>3.1. Mr C Passmore , Mr T Bradford and Mr P Betty– use of Board Contractors for private contracts. Iain Sturdy mentioned he had carried out research and it is not necessary to declare the same interest at every meeting, declarations only need to be made if there are new items that may be discussed at the meeting and the Chairman to decide whether or not the member can participate. The record of members interest should always be kept up to date with any declarations of Interest.</p> <p>3.2 Tony Bradford drew attention to the members that were not attending meetings and felt that changes need to be made to the sub committees. Iain Sturdy will check the records.</p> <p>3.3 Maggie Hammond had asked members if they would be interested in taking over from Philip Betty as he no longer wished to be included in the sub committees. No interest so far. Maggie reminded members that elections are due to take place in October and perhaps the sub committee structure could be looked at then. Mike Caswell mentioned</p>	

Each Board is a statutory public body with responsibilities for flood protection, land drainage and the environment.
All are members of the Association of Drainage Authorities.

	<p>that the 3 appointed members at this meeting will no longer be able to attend after 31 March 2023 as the Somerset councils will become one unitary authority. Colin Passmore would like to meet with Somerset County Council to maintain continuity. Tony Bradford had recently met with Bill Revins and no information was forthcoming. Tony is worried about the future of the Drainage Boards and has spoken to ADA Chairman Robert Cauldwell and President Henry Cator to meet Bill Revins and asked to have a meeting in this area. Iain Sturdy said that consecutive meetings needs to be held. Colin Passmore would like to take them out to Steart and Hinkley Point to show the work that has been complete there. Iain Sturdy felt there might be better areas to visit.</p>	
<p>4. Approval of Minutes</p>	<p>4.1. The Minutes of the Finance & Works Sub-Committee Meeting of January 2022 - Iain Sturdy asked for an amendment to item in section 7 to replace the question marks with the structure number KS023 and that page 5 needs an action number. With these amendments the minutes were approved as a true and accurate record of the Meeting held.</p> <p>Proposed: Mike Caswell, seconded: Tony Bradford “that the minutes are signed as a true and correct record of the meeting held”. All in favour</p>	<p>Resolution 1</p>
<p>5. Matters Arising</p>	<p>5.1 Stuart Kingham asked for an update regarding phosphates. Iain Sturdy had a consultation with the Planning authority but other than that the Board has not had much involvement at this point. It has been reported that the worst cause of phosphates is from domestic appliances. Mike Caswell said that farmers had supposedly caused the issue but this is not the case. Philip Betty said that where there is a large growth in the watercourse it is usually blamed on the phosphates but it is not all the ditches, it is where the water flows slower. Tony Bradford added that the maintenance is not being carried out as it should be which is causing a problem. Philip Betty agreed and added that South Lake is now covered and needs further cleaning. Iain Sturdy said that there are different types of watercourses and perhaps the way the maintenance is carried out needs to be looked into, whether it is too hard or too light. He added that de-silting would be a sensible approach. Tony Bradford asked if there should be a change in the works programme as diesel and time are being wasted with the current maintenance programme. The recent River Summit that he had attended failed</p>	

	<p>to cover the maintenance issue, the major topic was regarding ecology. Philip Betty reported that the Stathe cleaning had been started but not completed.</p> <p>Review of Actions</p> <p>Action P/20191007/2: To prepare a formal letter, to be reviewed by Ashfords Solicitors, of further justification of the Boards' claim to Somerset County Council regarding the collapsed Culvert at Admiral's Table:</p> <p>Iain Sturdy had received an offer without prejudice for half of the costs but was not happy with this response. He has asked Ashfords Solicitors for their assistance and they suggested this response – “in summary we disagree with your position and consider the culvert is the respobsibility of the highways authority for these reasons. Therefore we will accept your 50% offer without prejudice to any future liabilities”.</p> <p>The debt had been written off so any offer would be a bonus.</p> <p>Proposed: Tony Bradford, seconded: Philip Betty “that the offer from Somerset County Council without prejudice for 50% of the costs is accepted”. All in favour</p> <p>Action P/20210514-01: To liaise with Mr T Bradford and Mr C Passmore out of Meeting to ascertain problems and specific issues of concern on the Rivers Parrett and Tone :</p> <p>Iain Sturdy said this item has expired. It had been looked at with the Agency who were going to remove some trees but have since decided not to because of negative reports regarding tree removal in the Tone area. Tony Bradford asked to reinstate the regular meetings that had previously been held with the EA as there are a number of things that need to be discussed. A discussion had taken place regarding Iain Sturdy and Rob Kidson putting a proposal to the SRA for another 5 years of maintenance on the Parrett and Tone. As part of that a machine could be used on a pontoon in the river dragging material from the bank to be combined with the dredging by the WID.</p> <p>Tony Bradford asked that the report to be prepared by Rob Kidson should be presented at the next SRA meeting to enable an application for funding for the next 5 years.</p> <p>Colin Passmore asked for a meeting to be set up with the EA. Iain Sturdy reminded members the meetings ceased as a result of covid, change of CEO and management team. Now need to get</p>	<p>Action P/20191007/2:</p> <p>Resolution 2</p> <p>Action P/20210514-01: Expired</p> <p>New Action P/20220621:1</p>
--	--	---

	Rachel Burdon, Ron Curtis possibly Emma with the Chairman to hold regular meetings.	
6. Finance Report	<p>6.1 Maggie Hammond referred to the papers that had previously been circulated. Points to note:</p> <p>6.2 SDBC position Underspend of 58k 21-22 Income underachieved by 30k because staff costs not being recharged. Now corrected for this year's budget Expenditure underspent – staff 106k Contractor costs underspent Legal costs – overbudget Anthony Betty asked if the dates were correct at the top of the paper. Maggie apologised for the error and has amended the papers for the full meeting. He also asked why the salary cost had increased when there were less staff. Maggie stated that there had been an increase in pension contributions which has made a difference. It was agreed that a pension line is included in the next breakdown of costs.</p> <p>6.3 Parrett position Surplus of 187k Income over by 169k due to profit on sale of fixed assets, SRA work, share of SDBC income, other contributions such as National Grid and insurance claim for telemetry and maintenance work on the M5 motorway channels. Expenditure was underspent by 17k Maintenance was underspent by 24k Pipes and culvert contributions by 7k Board schemes underspent by 25k No spend on environmental plans 16k SRA 71k over spent which is reflected on the figures above Overheads. Overall the Parrett year end position is an underspend of 187k. Colin Passmore and Tony Bradford would prefer the sale of the machinery to be put into reserves.</p> <p>6.4 Stuart Kingham asked for more information regarding the write offs. Carrie-Anne Morgan had proposed the write offs at the October meeting which were approved by the board. Any items to be written off under £20 can be confirmed by the CEO. With regard to the Wessex Water debt no more details are available and the board agreed to write it off.</p> <p>6.5 AGAR – Maggie Hammond explained the figures on the form that had been provided.</p>	

	<p>The TIAA report had also been provided and Maggie was pleased to say that the board was given substantial assurance which is the best assurance available. 2 items to note – policies should be kept up to date (staff issues had delayed this) and the Aged Debtors report was not suitable. Maggie will ensure that policies will be updated and a better report for aged debtors report will be available.</p> <p>6.6 Reserves statement – In April 2019 the reserves were £44k. Now the reserves are at 363k – Maggie feels that it is not enough and would like to work on this. Mike Caswell agreed and Colin Passmore said that inflation and contractor costs should be considered. Tony Bradford asked how much the auditor would be happy with. Maggie will find out from ADA. More research needs to be carried out and to include the risk register. All members are happy with the current reserves. Iain Sturdy said there is less risk by selling the plant and machinery and intends to review the regulations.</p> <p>6.7 Banking – with the recent changes in staffing, on occasion there are not enough signatories to carry out any banking, electronically or signing cheques. Currently any one with access to Bankline or is a signatory has to be named on the account. Officers have suggested that the position is used instead of the name such as CEO, Director of Operations, Director of Finance and Contracts Manager. At the Axe Brue meeting it was suggested that the Chairman is included. The bank mandate states that there should be 2 signatories but the board's regulations are moot on the point. This recommendation will need full approval from the full board. Any changes made to staff/signatories are made with a mandate to the bank. Tony Bradford is not happy to use positions and Maggie is not happy to use names.</p> <p><i>A proposal was made – proposed Mike Caswell, seconded: Julie Pay “that recommendation 2.2 is approved providing there is a clear audit trail with the addition of the signature of the chairman”</i></p> <p><i>Tony Bradford entered a counter proposal to not accept the recommendation.</i></p> <p><i>Proposed: Tony Bradford, seconded: Colin Passmore that a counter proposal is put forward for named signatories.</i></p> <p><i>3 for 4 against the counter proposal.</i></p> <p><i>The original proposal was voted on :</i></p> <p><i>4 for 3 against – motion is that the original proposal to accept recommendation 2.2 with the addition of the signature of the chairman is recommended for approval to the full board.</i></p>	<p>Resolution 3</p>
--	---	---------------------

The final decision will be made at the full board meeting.

Julie Pay commented that there is no point in this committee if the full board disagrees with the decision. Maggie pointed out that having this committee is easier to go through all the details with a smaller number of people. Julie Pay still feels there is no point in the committee if the full board does not accept their recommendation.

Iain Sturdy replied that the committee gives the officers a good feel for the full board decision, it is not often that the full board will not follow the committees recommendation. An alternative would be to empower sub committees to make decisions and then report the decision to the full board.

Mike Caswell asked that the meeting move on. Iain added that he feels that it is important to clarify with the full board the status of the sub committees.

6.8 Outstanding Rates – Maggie Hammond reported that at 30 May the outstanding drainage rates from landowners were £72,667.65 which is 62.06% of this years rates and arrears. The receipts this year are not as good as last year. Reminder letter have not yet gone out.

Tony Bradford is concerned over the rate receipts in the future because of the current financial climate and with the way that maintenance is being carried out. A programme of works is needed to carry water that is efficient. Philip Betty said that the recent rainfall has had an effect. Colin Passmore said the the area supervisors should be monitoring the standard of work and the areas that he is involved with are a lot better than they used to be. Tony Bradford is concerned that some areas are in special places such as Northmoor which is owned by the RSPB.

The board maintains only 3% of all the watercourses in Somerset. Matthew Wall added that the policy with the contracts are allocated specifications from 1-5. If more is needed it can be changed. Tony Bradford would like the area supervisors to report on how the maintenance is being carried out.

Philip Betty reported that the EA are keen for the maintenance on the South Lake area to have a softer approach but the water would not be able to get through to other areas. Matthew Wall confirmed that the area supervisors are there to check the maintenance and to instruct the contractor accordingly. Maggie Hammond said that from a finance point of view, when the work is completed the contractor will provide his invoice, which has to

	<p>be signed off as being carried out to the correct specification. If they have not done the work to the boards satisfaction they will not be paid.</p> <p>Tony Bradford said the EA are also causing problems with their standard of maintenance.</p> <p>Iain Sturdy is concerned and would comment that we are in a changing world and other professional partners that we work with are looking at climate change, adaption, and different waays of doing things and we are being criticised for not engaging in those conversations effectively. Working with the EA and having stretgic meetings would be a way forward. Mike Caswell apologised but thought the discussion was regarding outstanding rates. Colin Passmore stated that landowners would not be happy to pay their rates if they feel that the work being carried out is not satisfactory.</p>	
<p>7. Update from the Maintenance Contract CPI review sub committee</p>	<p>7.1 Matthew Wall referred to the paper that had been circulated.</p> <p>The Board works under an NEC contract system which cleary states that CPI is not paid in year 1 of the contact and is paid in year 2 if it reaches over 2%. Contractually everything is as it should be.</p> <p>Matthew went through the options and recommended 2.2. The tendering process is in place for areas 3, 6 and 10 on the Parrett. Negotiations are taking place to award the work and Matthew would like to apply option 2 to the year 1 of the Parrett contract. This was raised by contractor Damien Rousell. The impact would be less as he priced later in the year. Tender submission date was 31 May but he will not be starting work until August.</p> <p>Colin Passmore asked for it to be made clear that Mr Rousell will be paid an inflation rate in year 1. Matthew confirmed that he is asking the Board to apply the CPI for his year 1 work. Since he submitted the tender price at the end of May fuel prices have increased substantially.</p> <p>Ian Sturdy said the paper was written to establish the principle that year 1 contrctacts in these unprecedented financial circumstances should be dealt with in this way. There is no contractual obligation for the board to do this. It is to try and make sure we have viable contractors that remain available to do the board work. It is a choice for the board to make. Staff and officers from the 3 boards were all in agreement that this is the right thing to do. Julie Pay is happy with option 2 as long as this does not set a precedent.</p>	

	<p>Matthew Wall confirmed that we are in unprecented times and suggested that clause 18.12 on the contract could be used if inflation increases above a certain level in year 1. Anthony Betty asked how many Parrett contractors are in year 1 of their contracts. Currently there are no contractors in year 1, only the successful tenderer for areas 3, 6 and 10 as previously stated. Anthony felt it was not fair on the other contractors who have already completed their first year. Matthew Wall said that on the tender date of 31 May 2022 the price of fuel was 100p per litre. The most recent fuel price is rising and has been 120p.</p> <p>Maggie Hammond explained how the system would work for year 1 contracts. The difference between the rate when the tender was submitted and when the work was carried out would be the the inflation they would receive. For example, if it was 15% when they put in their tender and 17% when work was carried out, they would not get the 17%, they would get the difference between the 2 indeces.</p> <p>Iain Sturdy concluded that the CPI is taking into account the cost of fuel which is extremely high and the board will use it to pay a little bit extra in year 1 to keep it very simple.</p> <p>Iain asked that a proposal is given to accept the recommendation on the report.</p> <p>Philip Betty asked what would happen if the contractor was to cease working. Iain Sturdy said that whichever party terminates the contract, depending on who terminates it, the defaulting party has to pay the additional costs. This is something that the board can decide to do. What we are trying to do with the CPI is to try and make things easier in these difficult times.</p> <p>Proposed: Mike Casswell gave his support for option 2, seconded: Stuart Kingham. Members were confused with the proposal. Anthony Betty asked if this would now occur when each new contract is agreed. Iain replied that his personal view is that a CPI allowance should be included in year 1 in future in all new contracts. (16.20 Mike Cassell left the meeting)</p> <p>Colin Passmore confirmed that Mike Casswell's proposal was that the contractors will receive CPI in year 1 based upon the time it was priced and the time the work was carried out. Tony Bradford said there were no contractors on the year 1 contract at</p>	
--	--	--

	<p>the moment. Matthew Wall replied that there will be when the areas 3, 6 and 10 are tendered. Tony Bradford was not happy that contractors now on year 2 will not have received any increase in their first year. Iain explained that the work they had carried out in the first year had not had the fuel price increases we are experiencing now. Maggie Hammond had the CPI figures for that period and showed that the increase is not contractual and does not require additional assistance from the board. Colin Passmore does not feel the contractors are being treated fairly and they should be offered a figure around 4%. (Julie Pay left the meeting at 16.25)</p> <p>Matthew Wall added that the Axe Brue board suggested a cap on the CPI at 15%.</p> <p>Members discussed the figures if 4% was added to the previous year 1 contracts. Iain Sturdy said this would set a precedent as some of the Parrett contractors also carry out work in the other boards. Matthew Wall reminded members that this year there was only 1 tender received for the work. If this clause is not included in the contract the contractor may withdraw his tender.</p> <p>Anthony Betty said that the CPI should be included for all the tenders for the first year, it should not be for just this contract. Iain Sturdy reiterated the previous comment that in year 1 and all contracts going forward that CPI is included.</p> <p>The issue now is whether the contractors going into year 2 receive backpay for year 1. He asked to conclude the original recommendation to have CPI included going forwards in anything that is year 1 now and anything going forward in year 1. He would like to be able to recommend this to the full board. The separate issue is to consider whether backpayments are made. There are concerns amongst members that in future the contractors will not wish to tender for maintenance work, this will leave the board in a difficult position. Iain again outlined the proposal to approve the recommendation and also future contracts will, until further notice, include the CPI.</p> <p>The recommendation is to accept the proposal on the paper, furthermore to add in that recommendation to all new contracts. Colin Passmore asked for approval from members. The outcome is as follows:</p> <ul style="list-style-type: none">A) To accept option 2 from the paper – for one year only, modify the existing contracts	
--	--	--

	<p>(Additional Clause 12 to enable contractors to claim an inflationary increase in year one of their new contracts. B) To be included in all future contracts.</p> <p>Everyone is in agreement.</p> <p>Colin Passmore would still like to consider backpayment for previous years work. Maggie Hammond confirmed the figures depending on when the work was carried out. For example if the contract was agreed in January and the work was carried out in August the difference between the 2 CPI indices was 1.8%. For those going into year 2 from 01 April 2022 CPI was 9% which is paid to the contractors, if it was 9% in the next year they would receive 18%. As previously discussed there would have to be a cap on the CPI. Colin Passmore suggested officers investigate further and review the situation. Iain reminded the members that officers are only able to advise the board and cannot make decisions, after a debate members decide what they wish to do which is approved, or not, by a vote.</p> <p>More discussion was held with the following points – a suggestion by Tony Bradford that all contracts start in the same year. Officers advised that there was too much risk involved. Members feel the board is in a position of weakness, Iain Sturdy disagreed. Colin Passmore asked for the new contract prices. Mathew Wall advised that Damien Rousell had put in a price of 33p per metre for Catcott (Axe Brue), 33p for RWO 6 and 42p for RWO 3. It was agreed that the prices were very reasonable. If prices rise his contract may have to be amended. Iain agreed to look at the cost to back cast all of the mechanism across all of the existing contracts including years 2 and 3 in all boards.</p> <p>Colin Passmore drew the meeting to a close.</p>	Resolution 4
8. Any Other Business	None	
9. Date of Next Meeting	Full Board - Canalside on Tuesday 15 June 2022 Finance & Works and Full Board not as per calendar - moved from October to November as elections are taking place.	
	Meeting closed at 5pm	

Annex:

A. Parrett F&W Meeting – Table of Outstanding Actions

CHAIRMAN.....DATE

**ANNEX A TO
PARRETT F&W COMMITTEE MINUTES
DATED**

PARRETT F&W MEETING – TABLE OF OUTSTANDING ACTIONS

Action Number:	Action:	Actionee:
P/20191007-02	To prepare a formal letter, to be reviewed by Ashfords Solicitors, of further justification of the Boards' claim to Somerset County Council regarding the collapsed Culvert at Admiral's Table.	completed
P/20210514-01	To liaise with Mr T Bradford and Mr C Passmore out of Meeting to ascertain problems and specific issues of concern on the Rivers Parrett and Tone.	Expired
P/20220621-01	Iain Sturdy and Rob Kidson to liaise and prepare a report to take to the SRA for further funding	