

From: Su Martin, Financial Advisor, KEIFCA  
To: KEIFCA Committee Meeting, 22nd May 2024  
Subject: **2023/24 Final Budget Monitoring Outturn Report and Annual Return**

Classification: Unrestricted

**Summary:** This report gives the financial position for the Authority as at 31<sup>st</sup> March 2024. It includes the revenue outturn for the year, the balance sheet and the position regarding Reserves and Balances if this report's recommendations are approved.

It also contains the Annual Return for the year which is to be reviewed by external auditors, PKF Littlejohn.

**Recommendation(s):**

1. The Authority is asked to review and approve the Final Outturn for the year together with the associated financial statements.
2. The Authority is asked to review and approve the Annual Return and Governance Statement for submission to the external auditors, PKF Littlejohn; and
3. The Authority is asked to review the internal audit report and the recommended work program for 2024-2025

**1. Introduction**

1.1. This report explains the final revenue outturn for the 2023/24 financial year, while Appendix 1 details the variances against the budget.

1.2. Appendix 2 shows the Balance Sheet as at 31<sup>st</sup> March 2024.

1.3. Appendix 3 shows the balances on the Reserves, assuming recommendations are accepted.

1.4. Appendix 4 is the Annual Return that will be submitted to the external auditors, PKF Littlejohn for their review.

1.5. Appendix 5 is the End of Year Internal Audit report

## **2. Revenue Outturn 2023/24**

2.1 There is no underspend or overspend as the Revenue budget for 2023/24 closed in a breakeven position.

A transfer to the Renewals Reserve for £58,592.25 was included in budget setting. Additionally, £50,279 was earmarked to cover the cost of the purchase of the new Toyota Hilux and the quad bikes, this amount has also been transferred into the Renewal Reserve to offset the charges from the Capital Adjustment Account for these vehicles.

The main variances against the 2023/24 revenue budget are shown below, with the full detail found in Appendix 1. Where a minus symbol is used (-) this indicates an underspend or a credit to the budget, where nothing precedes the number then this is an overspend against the budget.

| <b>Budget Heading</b> | <b>Reason(s) for Variance</b>  | <b>Variance from Budget<br/>£'000</b> | <b>Variance due to Generated Revenue / Proceeds<br/>£'000</b> |
|-----------------------|--|---------------------------------------|---|
| Staffing Costs        | Salaries - the Essex IFCO was not recruited to, the underspend mainly relates to this vacancy  | -5.4                                  |   |
|                       | Recruitment - summer vessel posts plus wider advertising for Kent and Essex IFCO and the Angling Officer   | 3.4                                   |   |
|                       | Protective Clothing - purchase of dry suits  | 2.7                                   |   |
| Vessels               | Equipment, Repairs and Maintenance - the bulk of the variance to budget is the major repairs for Nerissa   | 128                                   |   |
|                       | Fuel and Oil - budget was set at a time when fuel prices were rising rapidly, subsequently they have reduced creating underspend. In addition both Nerissa and Vigilant spent time out of service which has also contributed to the underspend on fuel | -32.7                                 |   |
|                       | Insurance - lower premiums than budgeted   | -1.1                                  |   |
|                       | Harbour dues - fee increases for Tamesis, Nerissa and Vigilant   | 1                                     |   |

|                          |  |               |               |
|--------------------------|--|---------------|---------------|
|                          | Other Vessel costs - MCSS access<br>Income from hire of Vessels -<br>-3.3k Thanet District Council<br>-7.2k ZSL<br>-0.4 Training IFCO for other IFCA's   | 2.7           | -10.9         |
| Vehicles                 | Fuel and Oil - budget was set at a time when fuel prices were rising rapidly, subsequently they have reduced creating an underspend.   | -1.6          |               |
| Supplies and Services    | IT Expenditure overspend includes - internet speed upgrade and licences. Replacement Laptop for the Scientific Officer. Renewal of other IT Licences and support costs<br>General / Other - Essex Dry suit costs and MCSS access                                       | 3.4<br>1.9    |               |
| Support Charges          | Legal Fees - budget was set high in case there were legacy costs from previous year's Cockle Review  | -1.6          |               |
| Other Costs              | Subscriptions - Science Direct<br>Subscription not invoiced within the year<br>Advertising & By-Laws - Advertising for the T24 Fishery Regulating Order  | -1.5<br>1.6   |               |
| Survey and Project Costs | Cockle Surveys - quad bike replacements overall costs were less than had been forecast<br>Licences and Fees - Income from cockle licences includes fee increase and cockle permit fee not included within original budget<br>Surveys - increase in charges to DP World | -3.3          | -28.8<br>-2.3 |
| Cockle Review            | Legacy costs from 2022/23 Cockle Review  | 4.5           |               |
| Interest Income          | KCC Interest for 2023/24 (See Agenda Item B2 for breakdown)  |               | -115.6        |
| Minor Variances          | minor variances across all budgets   | 5.33          |               |
| <b>Subtotals</b>         |  | <b>107.33</b> | <b>-157.6</b> |
| Appropriations           | Transfer to Renewals Reserve (offsets the deficit to the Renewal Reserve due to the purchase of the new vehicles)  | -50.27        |               |

2.3 The largest budget pressure in 2023/24 was due to the major repairs that were required for Nerissa. It was planned to draw down these costs from the Renewals Reserve, however the annual interest income received from KCC was £117,560.05, substantially more than budgeted, therefore the underspend from the interest income has mostly offset these additional costs.

## 2.4 DEFRA FMP Grant

|                          |  | £ '000 |
|--------------------------|--|--------|
| Contributions and Grants | DEFRA FMP Grant - amount rolled over from 2022/23                | -136.5 |
|                          | FMP grant received from DEFRA Feb 2024                           | -50.0  |
|                          | Grant expenditure transferred to Survey and Project costs budget | 43.6   |
|                          | Remaining grant transferred to Reserves                          | -142.9 |

As the table shows, the amount of grant income available in 2023/24 from DEFRA for the FMPs was £186,500 including £136,500 which was received in 2022/23. During this financial year, £43,636.97 expenditure against the grant has been made. The remaining grant has now been transferred into Reserves and ringfenced for use in the coming financial year.

## 3. Capital Expenditure and Financing

3.1 Reserve transfers proposed for this financial year are two payments to the Renewal Reserve. The table below shows the charges to the Renewal Reserve for the vehicles – the proposed transfer was earmarked from Revenue to offset these costs.

|  |   |           |
|--|---|-----------|
| Renewals Reserve                       | Charges to Renewals Reserve for Vehicle Purchase  | £ 50.03k  |
|  | Transfer to Renewals Reserve (offsets the deficit to the Renewal Reserve due to the purchase of the new vehicles) | -£ 50.27k |
|  | Transfer to Renewals Reserve - amount set in the budget for 2023/24   | -£ 58.59k |
| Total Increase to the Renewals Reserve |   | -£ 58.83k |

## 4. KEIFCA Balance Sheet as at 31<sup>st</sup> March 2024

4.1 Appendix 2 shows the Authority's balance sheet as at 31<sup>st</sup> March 2024.

Movements from 2022/23 balance sheet position are outlined below:

- Fixed Asset Net Book Values have depreciated by £127k
- Current Assets have reduced by £182k mainly relating to the Pensions assets from 2022-23 now becoming pensions liabilities and increase in the current cash balances.

- The net defined pension asset in 2022/23 was £437k. In 2023-24, The Pension Fund Asset Managers have used an asset ceiling in their calculations – this is defined as the present value of any economic benefit available to the Employer in the form of refunds or reduced future employer contributions. A potential additional liability of £52k has been calculated in respect of the Employer’s obligation to pay future deficit contributions.
- In 2023/24 the balance sheet is now showing a Pension Liability of £52k in Long Term Liabilities, offset in the Pension Reserve.
- Creditors have increased by £35k
- The balance sheet shows a movement of £359k mainly due to the change in Pension Liabilities.

## **5. Balances on Reserves and their Utilisation for 2024/25**

5.1 Appendix 3 shows the position of the reserves for the Authority as at 31<sup>st</sup> March 2024, if the recommended Reserves transfers outlined in Section 3 are approved by the Authority.

5.2 No transfer to the General Reserve is proposed.

5.3 This table summarises the balances on Authority Reserve accounts at year end.

| <b>Reserves balances at 31/03/24</b>     |   | <b>£ '000</b> |
|--|---|---------------|
| Capital grants                           | - | 33.86         |
| Pensions Reserve                         |   | 52.00         |
| DEFRA FMP Grant                          | - | 142.86        |
| Capital Financing                        | - | 536.36        |
| Revenue reserve                          | - | 838.70        |
| Useable capital receipts                 | - | 81.05         |
| Renewals Reserve                         | - | 757.36        |
| Financial Administrative Penalty Reserve | - | 21.00         |

## **6. Annual Return and Governance Statement**

6.1 Appendix 4 is the Annual Return and Governance Statement for the Authority. This will be sent to the external auditors for their review. It contains all the information presented in the Final Monitoring Outturn Report and the Balance Sheet but is presented in a different format. Reviewed by Kent County Council’s Internal Audit Team this is now ready for the Authority’s review and approval.

## **7. Mid Year and End of Year Audit Report - Internal Audit**

7.1 KCC's Internal Audit Team visited on 12<sup>th</sup> January 2024 for the mid year review and carried out tests on the following areas:

- Financial Regulations and Standing Orders
- Expenditure Controls
- Purchase Cards and Online Payments
- Risk Management
- Budget Management / Monitoring
- Petty Cash
- Salaries

Much of the audit work was carried out by sample testing a sufficient number of transactions to provide assurance that the systems of financial control work effectively and provide accurate information to support the Council's activities.

No specific recommendations were made from the first review visit.

7.2 The end of year Audit report on 03<sup>rd</sup> May 2024 (Appendix 5) tested the following areas.

- Accounting records
- Income
- Assets
- Bank Reconciliation Accounting statements

No specific recommendations were made from the end of year visit.

### **8. Recommendation:**

8.1 The Authority is asked to review and approve the Final Outturn for the year together with the associated financial statements.

8.2 The Authority is asked to review and approve the Annual Return and Governance Statement for submission to the external auditors, PKF Littlejohn; and

8.3 The Authority is asked to review the internal audit report and the recommended work program for 2024-2025

### **9. Contact Details**

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