



Agenda item B1

From: Su Martin, **Financial Advisor, KEIFCA**

To: Kent and Essex Inshore Fisheries and Conservation Authority
19 May 2026.

Subject: Revenue Budget Monitoring Report 2025-26

Classification: **Unrestricted**

Summary: *This report gives the financial outturn position for the Authority. Appendix 1 includes the actual expenditure and the revenue outturn for the year with the variance to the budget. This report also includes the balances for the Reserves.*

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 the internal audit report for 2025/26*

1. Introduction

- 1.1. This report explains the final revenue outturn for the 2025/26 financial year, while Appendix 1 details the variances against the budget.
- 1.2. Appendix 2 shows the Balance Sheet as at 31st March 2026.
- 1.3. Appendix 3 shows the balances on the Reserves
- 1.4. Appendix 4 is the internal audit report for 2025-2026 (to follow)

2. **Outturn position 2025/26**

2.1 Budget Surplus: The financial year closed with a budget underspend of £11.8k, although £10.8k of this relates to an adjustment that was needed to correct the asset and depreciation balances for the building leases, so the true underspend was £1k.

2.2 DEFRA funded expenditure relating to Fisheries Management Plan, Marine Protected Areas and Sustainable Development: The actual expenditure for the year was £80.1k, the expenditure summary is listed here.

Employee Related Expenses	
Wages	£ 41,524.32
Recruitment Advertising & interviews	£ 1,249.00
Other employee expenses	£ 2,122.05
Premises Expenses	
Telephones	£ 257.66
Communications	
Website	£ 13,500.00
Research	
Cockles	£ 8,000.00
Manila Clams	£ 5,895.22
Other	£ 5,775.00
Whelks	£ 1,785.71
Total	£ 80,108.96

Table 1 – DEFRA funded expenditure

2.3 Amounts Ringfenced for use in 2025-26: At year end 2024/25, an amount of £160,492.25 was ringfenced to cover any legal cost that may arise from the T24 Regulatory order. The expenditure that was funded by the ringfenced reserve was £46,229.22. There remains a balance of £114,263.03 now released to General Reserves.

2.4 Summary by category of variances and movements in the budget
Please note that a figure in red indicates an underspend or income received.

Budget Heading	Reason(s) for Variation	Variance from Budget	Income or generated revenue	Ringfenced or Reserve transfer
		£000's	£000's	£000's
Staffing	<i>Employer NI contributions increases and NJC pay award agreement after budget was set</i>	6		
	<i>Travel & subsistence - additional costs from visits to oversee Nerissa refit & Nemo build. More in person attendance at meetings in district</i>	1.8		
	<i>Recruitment & Advertising (offset by DEFRA grant)</i>	1.3		
	<i>minor variances</i>	0.1		
Premises	<i>Buildings rent, insurance & depreciation - Essex rental increase that was set after the budget was reduced by accounting amendments to the asset value and depreciation for the buildings, leading to an overall underspend</i>	-7.3		
	<i>minor variances</i>	0.3		
	<i>New Servers and systems both offices</i>	11.7		
	<i>Ramsgate Office partitioning</i>	7.8		
Vessels	<i>Overspends on major repairs relate to repair work for Nerissa as well as upgrades for Workboat Code 3 for Nerissa</i>	70.1		
	<i>collective underspend for fuel and oil (both Nerissa and Tamesis were out of the water this year for Workboat Code 3 upgrade and maintenance plus other work, Nemo was not yet complete so the budget was unused)</i>	-17.1		
	<i>harbour fees lower than budget as Nemo not yet in service</i>	-3.1		
	<i>specialist equipment fees - liferaft servicing costs came in at less than budget</i>	-2.1		

	<i>lower than budgeted insurance charges plus delay in Nemo coming into service</i>		<i>-5.7</i>	
<i>Vehicles</i>	<i>Servicing and repairs not required to the extent anticipated at budget setting</i>		<i>-2.4</i>	
	<i>minor variances</i>		<i>1.2</i>	
<i>Administration</i>	<i>budget was set aside for the T24 Regulatory Order meetings that were not required</i>		<i>-4.6</i>	
	<i>Seaflex Safety Management System Workboat Code 3 plus Axon Radio system were not included at budget setting</i>		<i>20.1</i>	
	<i>External Audit budget no longer required</i>		<i>-2.1</i>	
	<i>minor variances</i>		<i>1.2</i>	
<i>Communications</i>	<i>Website costs of 13.5k have been offset by the DEFRA Grant</i>		<i>15</i>	
<i>Training</i>	<i>Training costs for the financial year lower than anticipated - fewer officers sent to COC and contribution to MMO trainer not required</i>		<i>-4</i>	
<i>Research</i>	<i>Much of the Research overspend is covered by the DEFRA grant (21.5k)</i>		<i>22.2</i>	
<i>Income</i>	<i>Increase in numbers of cockle permit applications greater than anticipated when setting budget</i>		<i>-8.3</i>	
	<i>KCC interest received. This was higher than budgeted due to cautious approach taken to budgeting for interest payments.</i>		<i>-81.8</i>	
	<i>minor variances</i>		<i>-0.3</i>	
<i>Appropriations</i>	<i>DEFRA grant - budgeted spend on FMP was for staffing, the rest is a variance - refer to table 1</i>			<i>-31.8</i>
	<i>Depreciation</i>	<i>169.4</i>		<i>-169.4</i>
	Total	279.8	-90.4	-201.2
	Overall Budget Variance			-11.8
	Transfer of budget surplus to Renewals Reserve			-11.8

3. Assets & Capitalisation of costs

3.1 Vehicles: 2 x quad bikes were purchased at a total cost of £17.5k. These are included in the asset register and the purchase costs have been capitalised, the 2023/24 quad bikes were part exchanged with sales proceeds of £12.5k. This has been transferred into the reserve for Usable Capital Receipts.

3.2 Vessels: The costs in 2025/26 that relate to the Nemo build are £62.3k and these have been capitalised as costs for an asset under construction and is funded from the amounts set aside in the Reserve for Replacement Vessels. There is now £85k remaining in this Reserve.

4. Right of Use Assets

From 2024/25, Local Authorities are required to implement an International Accounting Standard, IFRS16 which deals primarily with lease accounting. Under the previous accounting standards, it was only finance leases that were included in the balance sheet, which did not affect KEIFCA. IFRS16 changes this rule so that all leases that are above the low value exclusion (set by KCC as £10k) will need to be accounted for as a 'right of use' asset on the balance sheet.

The building leases for Essex and Ramsgate are relevant for the IFRS16 accounting changes. The assets will be depreciated over the life of the lease. There is also an associated lease liability recorded – a long term liability for the length of the lease and a short term liability for the current year. These were first calculated and built into the balance sheet in 2024/25. Due to an issue with the template and accounting for all of the Essex rent in the first year following rental increases, an adjustment had to be made to correct the value of the gross asset and depreciation amounts for the Essex office has caused an increase to the overall underspend in the 2025/26 budget of around £10.8k. As is the case with all underspends at year end, this additional amount has been transferred into the general reserve.

5. Balance Sheet

5.1 Appendix 2 shows the Authority's balance sheet at 31st March 2026

- Movements between 2024/25 and 2025/26 are minor
- Balance sheet movement from 24/25 is minor with £80k increase in total assets mainly the increased gross asset value of the Essex office right of use asset and for additional costs for Nemo build
- Total net worth has decreased by £56k

6. Reserves Balances

The balances in Reserves are shown in the table below, as at 31 March 2026 with descriptions of the movement in the balances for the year. Further information can be seen in Appendix 3.

Reserves	25/26 Movement	Balance 31/3/26	Movement description
Balance from AIFCA from the NLTO post	(978.68)	(34,229.76)	Brixham Training course costs and cash award
Pensions Liability	0	(28,000.00)	At the time of writing, the pension reserve and net defined liability are not known, this is subject to change pending the report from Barnett Waddingham
Pensions Reserve	0	28,000.00	At the time of writing, the pension reserve and net defined liability are not known, this is subject to change pending the report from Barnett Waddingham
DEFRA Grant	(229,147.04)	(335,274.97)	Movement of DEFRA grants from General reserve to the DEFRA reserve (177)k Receipt of 2025/26 DEFRA grants (132.3)k Drawdown of 80.1k to cover FMP/MPA/sustainable development expenditure
Capital Financing	98,010.58	(545,384.20)	Credit of (79,819.43) for capitalisation of Nemo construction costs and new quad bike purchase Debit of 177,830.01 which is the net book value of the sold quad bikes and 25/26 depreciation of all vehicles and vessels.
KESF Reserve for replacement Vessel/Vehicle	62,319.43	(85,228.39)	Transfer of funding for Nemo build costs to the Capital Financing Reserve
Revenue reserve	211,392.61	(964,801.75)	Transfer of £177k DEFRA grants from 2024/25 to the DEFRA grant reserve Drawdown of 46.2k for T24 Regulatory Order legal fees Transfer of (11.8)k underspend
Useable capital receipts	(12,500)	(130,546.67)	See section 3.1 - sales proceeds from quad bikes part exchange
Renewals Reserve	(72,500)	(820,936.14)	Budgeted credit of 90k Funding of 17.5k for purchase of 25/26 quad bikes
Financial Administrative Penalty Reserve	(1,750.00)	(24,246.00)	movement from FAP income

7. Annual statement of Accounts

In 2015 legislation was changed which no longer required joint committees to submit an Annual Governance & Accountability Statement (AGAR). Through 2015 and 2016, the Financial Advisor researched alternatives which were presented to the Authority. At that time, PKF Littlejohn who had been providing an AGAR service to the Authority offered to continue with a version of this service, which was agreed in Committee in January 2016.

PKJ Littlejohn were approached in February 2025 as part of the normal course of closing accounts for 2024/25. In late March 2025, they advised that they will no longer be providing this service for Joint Committees. The KCC Chief Accountant has formally checked the accounts and the accounting process to ensure validity of the accounts. The final step is a review by Daniel Mees from Internal Audit. At the time of writing, the accounts are still being reviewed, and will follow once available.

8. Mid Year and End of Year Audit - Internal Audit

8.1 KCC's Internal Audit Team (led by Daniel Mees) visited on 04 November 2025 for the mid year review and tested the following areas:

- Compliance with financial regs
- Risk management (insurance)
- Budget management, including precept
- Salaries

Visit 1 found the following two issues:

Issue 1: Contracts

Amendments have been made to Public Contract Regulations, which now state local authorities' contracts must be publicly advertised for values over £30,000. The new value of £30,000 needs to be consistently referred to throughout the Financial Regulations and in the Standing Orders.

Issue 2: Member Allowances Documentation

The current financial regulations and standing orders do not clearly outline procedures for members' allowances, including travel, and other payments.

The Standing Orders were amended at the January IFCA meeting to resolve these two issues.

8.2 Visit 2 took place in April 2026 with particular focus on :

- Accounting records
- Income
- Petty Cash (confirm there is none)
- Assets
- Bank Recs
- Accounting Statements
- Website Publication
- Trust funds

Visit 2 has highlighted that the KEIFCA website does not currently include an accessibility statement, which is required to support compliance with digital and data requirements. This statement will be added to the website

9. Recommendation:

- 9.1 The Authority is asked to review and approve the Final Outturn for the year together with the associated financial statements.
- 9.2 The Authority is asked to note the internal audit report.