

From: Su Martin, Financial Advisor, KEIFCA
To: KEIFCA Committee Meeting, 26th May 2022
Subject: **2021/22 Final Budget Monitoring Outturn Report and Annual Return**

Classification: Unrestricted

Summary: This report gives the financial position for the Authority as at 31st March 2022. It includes the revenue outturn for the year, the balance sheet, the capital spend for the year 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 and to approve the movement of the underspend of £17,247.34 to the General Reserve.
2. The Authority is also asked to review and approve the Annual Return and Governance Statement for submission to the external auditors, PKF Littlejohn.

1. Introduction

- 1.1. This report shows the final revenue outturn for the 2021/22 financial year. As well as providing a report showing the outturn against budget with variances and explanations of the £17,247.34 underspend at Appendix 1, there are also other financial statements for the year.
- 1.2. Appendix 2 shows the Capital Expenditure and funding of that expenditure for the year.
- 1.3. Appendix 3 shows the Balance Sheet as at 31st March 2022.

1.4. Appendix 4 shows the balances on the Reserves, assuming recommendations are accepted.

1.5. Appendix 5 is the Annual Return that will be submitted to the external auditors, PKF Littlejohn for their review.

2. Revenue Outturn 2021-22

2.1 The Revenue Outturn for the year is an underspend of £17,247.34 This position can be broken down into unbudgetted income of £10,158 and an underspend across all the budgets of £7,089.

The main variances against the 2021-22 revenue budget are shown below, with the full detail found in Appendix 1.

Budget Heading	Reason(s) for Variation	Amount (variation from budget) £	Amount (generated revenue and proceeds) £
Salaries	Scientific officer vacancy not filled reduced staff travel expenses reduced spend on uniforms reduced spend on PPE	-30,559	
Premises	Replacement and upgrade of damaged storage unit reduced energy costs for Brightlingsea due to less usage because of Covid increase in Essex rental costs	8,637	
Vessels	capitalisation of refit costs for Tamesis depreciation costs less than budgeted for Vigilant and Nerissa increase in fuel costs for vessels	-37,097	
Vehicles	lower than expected insurance costs Toyota Hilux not depreciated as it has exceeded lifespan	-6,325	
Support Charges	General underspend across budgets	-694	
Income	Hire of Tamesis for CEFAS survey		-3,000
Authority Support Charges	additional costs attributed to legal advice on review of cockle fishery review	3,793	
Authority Other Costs	Additional costs relating to cockle fishery review underspend on hire of rooms, members travel and subsistence	5,400	
Survey & Project Costs	increased costs for website improvement decrease in training costs due to remote training increase in income from DP World cockle surveys and also from whelk permits underspend on cockle surveys due to outside areas being closed & no overnight stays unbudgetted income for Goodwin Sands MCZ survey by Nerissa	-9,221	-7,158
Investment & Income	higher rate of interest paid than budgeted	-2,390	
Appropriations	reduction in depreciation transfers to capital financing budgeted drawdown from general reserves not needed due to underspend	61,367	
	Sub Total	-7,089	-10,158
	Total	-17,247	

2.2 The budget set for all Vessels Fuel & Oil (Appendix 1 -item 16) for 2021/22 was £30,082 which was exceeded by £6,016 due to rising costs of fuel, particularly in the latter part of the year. The budget for 2022/23 was set at £33,929 to allow for rising costs, although since this point, the costs per litre have exceeded the estimates. Therefore, if fuel costs remain as high, the potential impact on the budget is indicated below.

	budget	ppl Mar/Apr 21	avg usage per annum (l)	Cost pa at Mar/April prices	possible impact on budget
Nerissa	£ 23,655.00	£ 1.13	30,000	£ 33,900.00	£ 10,245.00
Tamesis	£ 5,644.00	£ 1.09	6,000	£ 6,664.00	£ 1,020.00
Vigilant	£ 4,620.00	£ 0.82	7,000	£ 5,740.00	£ 1,120.00
					£ 12,385.00

As it is unknown at present how the fuel costs may change over the year, this illustration is presented for members to note that fuel costs may add pressure to the 2022/23 budget.

2.3 It is recommended that the underspend of £17,247.34 is transferred to the Authority's General Reserve. The General Reserve can be used to support the operational budget in future years and is more flexible than transferring it to the Renewals Reserve or one of the Specific Reserves.

As anticipated, there was no contribution made to the Renewals Reserve during the year.

3. Capital Expenditure and Financing

3.1 Appendix 2 shows the capital expenditure for the Authority for the year and where the financing for that expenditure has come from.

3.2 £15,900.00 was spent on two quad bikes with the expenditure funded through the Renewals Reserve. Delays with the supplier has meant that at the end of the financial year, only one of the quad bikes has been received and a credit has been put through to the reserve from the 2021/22 budget to enable the costs to be recorded in the revenue budget for the correct year.

3.3 Tamesis went under a refit this year to extend her asset life for an additional ten years. The refit costs were capitalised and funded from the Renewals Reserve. The net book value for Tamesis has been increased to £101,518 as below:

Tamesis Refit costs at 31.03.22	95,494.29
Tamesis Net Book Value at refit	6,023.50
Value for depreciation	101,517.79

The new net book value may be subject to amendment in 2022/23 pending any outstanding invoices from the refit works.

4. KEIFCA Balance Sheet as at 31st March 2022

4.1 Appendix 3 shows the Authority's balance sheet as at 31st March 2022.

Headline figures are outlined below, with full summary in Appendix 3.

- Fixed Asset Net Book Values have decreased by -£49,470 mainly due to depreciation charges and the disposal of two quad bikes and write out of the Tamesis rib (sold in 2020/21). The decrease is offset by the capitalisation of Tamesis refit costs and the new quad bikes.
- Current Assets have increased by +£695,659 due to the transfer of 2020-21 levies to the Investment Account.
- Creditors increased by -£790,692, predominantly due to cash owed by KEIFCA to KCC.
- Long Term liabilities have decreased by £90,466 due to a decrease in pension liability.

The balance sheet continues to show a healthy position for the Authority.

5. Balances on Reserves and their Utilisation for 2021/22

5.1 Appendix 4 shows the position of the reserves for the Authority as at 31st March 2022 if the recommendation of transferring the full 2021/22 underspend of £17,247.34 to the General Reserve is approved.

As per the budget there has been no transfer to the Renewals Reserve this year. The total balance on the General and Specific Reserves including the transfer of the full underspend, if approved, would total £895,332.

6. Annual Return and Governance Statement

6.1 Appendix 5 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. This return has already been reviewed by Kent County Council's Internal Audit Team and is now ready for the Authority's review and approval.

7. End of Year Audit Report - Internal Audit

7.1 KCC's Internal Audit Team visited on 24th April 2022 and carried out tests on the following areas:

Progress on Previous Issues Raised, Expenditure, Risk Assessments, Budget Reporting, Income, Purchase Cards, Fuel Card, salaries and Wages, Bank Reconciliations and VAT (Appendix 6)

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.

Recommendations for improvement were as follows:

- Monthly reconciliation of the bank cash log to the control budget to be verified by the KCC Chief Accountant. This was raised as an issue on the previous audit but had not been implemented. To correct this, a procedure is in place and has been used in reconciliation of the March 2022 bank statement.
- Separation of the input and approvals process for invoices to the online banking system; processes have now been adjusted so that different members of KEIFCA staff will input and approve invoice payments.

8. Recommendation:

8.1 The Authority is asked to review the final revenue outturn and associated financial statements for the year 2021/22 and to approve the transferring of the underspend of £17,247.34 to the General Reserve.

8.2 The Authority is also asked to review and approve the Annual Return and Governance Statement for its submission to PKF Littlejohn.

9. Contact Details

Report Author: Su Martin

Job title: Financial Advisor KEIFCA

Telephone number: 03000 412165

Email address: su.martin@kent.gov.uk