

Agenda item B2

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

To: Kent and Essex Inshore Fisheries and Conservation Authority
18 June 2025.

Subject: Revenue Budget Monitoring Report 2024-25

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 2024-2025

1. Introduction

- 1.1. This report explains the final revenue outturn for the 2024-25 financial year, while Appendix 1 details the variances against the budget.
- 1.2. Appendix 2 shows the Balance Sheet as at 31st March 2025.
- 1.3. Appendix 3 shows the balances on the Reserves
- 1.4. Appendix 4 is detail around the new accounting standard IFRS16 and the requirement to recognised leased assets in the balance sheet.
- 1.5. Appendix 5 is the internal audit report for 2024-2025

2. Revenue Outturn 2024-25

2.1 Budget Surplus: The financial year closed with a budget surplus of £43.7k. The majority of this relates to the income received from AIFCA for Coastal Health Project work. Subject to approval by the Authority, this has been transferred to the Renewals Reserve.

2.2 Fisheries Management Plan - DEFRA funded expenditure: At budget setting, the costs for the year had been budgeted at £88.6k. The actual expenditure for the year was a little less, coming in at £86.7k, the expenditure summary is listed here.

Subjective Category	FMP Expenditure
Employee Related Expenses	£ 81,160.94
Employee related insurance and employee medical expenses	£ 115.00
KESF Officers and Crew	£ 79,925.94
Training	£ 1,120.00
Supplies and Services	£ 4,619.64
Computer equipment and software	£ 1,301.10
Printing and photocopying	£ 40.00
Protective clothing and footwear	£ 1,081.94
Specialist fees	£ 349.00
Stationery and office expenses	£ 24.91
Subsistence expenses	£ 542.65
Telephones, answering machines and fax (including mobile phones)	£ 462.12
Uniforms	£ 817.92
Vehicle Related Expenses	£ 954.52
Public transport and user allowances	£ 954.52
Grand Total	£ 86,735.10

2.3 Amounts Ringfenced for use in 2025-26: In the 2024/25 budget setting process, the legal budget was increased as a one-off to £50k as an allowance for any legal implications to the incoming T24 Regulatory Order. At the end of the financial year this has been under-utilised, however as this is an ongoing event, it is prudent to hold the surplus for the legal budget for any costs that may arise in 2025/26.

Annually, KCC pays the interest for balances they hold on behalf of KEIFCA. This was paid at the end of the financial year, the total value was £143.1k giving a budget surplus of £119.1k. It is proposed that the surplus value should be ringfenced for the same purpose as the legal budget, to mitigate any costs arising in 2025/26 due to the T24 Regulatory Order.

In the communications budget for 2024/25, additional budget was set aside for the costs for the new website. This work is not yet complete, there is a surplus amount of 4.4k ringfenced for the same purpose in 2025/26.

General Reserves Transfer:	
Ringfencing of the surplus on the KCC interest for any future T24 liability	(119,070.26)
Ringfencing of the surplus on the 2024/25 legal budget for any future T24 liability	(36,995.58)
Ringfencing the surplus in the Communications budget for 2025/26 costs for the website	(4,426.41)
	(160,492.25)

2.4 Summary by category of variances and movements in the budget

Please note that a bracketed figure in red indicates an underspend or income received

Budget Heading	Reason(s) for Variation	Variance from Budget £000's	Income or generated revenue £000's	Ringfenced or Reserve transfer £000's
Staffing	Temporary staffing contract costs additional to budget	2.75		
	minor variances	0.23		
Premises	additional costs due to the Brightlingsea office refurbishment	2.73		
	minor variances	1.22		
Vessels	collective underspends from all the vessels repair and maintenance budgets	(2.36)		
	collective underspend for fuel and oil (overspend Nerissa, underspends for both Vigilant and Tamesis)	(3.35)		
	lower than budgeted insurance charges	(2.34)		
Vehicles	Purchases to equip the new vehicles	1.56		
	fuel costs	0.62		
	minor variances	0.26		
Supplies & Services	upgrade to the internet and firewall in both offices	7.62		
	minor variances	(0.62)		
Income	Hire of Nerissa for cockle sampling for Thanet District Council		(2.19)	
	proceeds from part exchange of three vehicles and two quad bikes - transferred to Usable Capital Receipts (see Appropriations)			(37.00)
Support Charges	Surplus on legal fees budget that was set for the T24 Regulatory Order transferred and ringfenced in general reserves for any arising ongoing costs			(37.00)
	minor variances	0.14		
Other Costs	all additional costs due to the meetings for the T24 regulatory order	3.91		
	Advertising costs for the byelaws much lower than budgeted	(7.60)		
	minor variances	0.37		

Survey and Project costs	Communications, budgeted amount of 4.4k for website development that was not used in 24/25 has been ringfenced in general reserves for 25/26. 1.3k in overspend was due to late invoices from the Copy Shop and advertising costs	1.30		(4.40)
	Research Fund - income from AIFCA's for Coastal Health Project work		(38.48)	
	Training for new staff members, this is offset in part by the FMP grant	4.19		
	Overall underspend on whelks	(1.66)		
	Cockle Surveys -2.5k underspend on storage costs after closure of Rugwood farm as this was an estimated costs when budget was set. 9.2k overspend to cover an increase in costs in respect of vessel monitoring and additional costs for new in-water monitoring system	6.63		
	Licencing and Fees - unbudgeted income from cockle permit fees		(20.41)	
	minor variances	0.02		
Interest & Investment Income	KCC Interest exceeded budget. The surplus is ringfenced in general reserves to cover any potential cost that may arise from the T24 regulations			(119.10)
Appropriations	transfer of surplus to General Reserve as outlined above - KCC Interest, Legal underspend and Communications website development	160.40		
	Transfer of vehicle sale proceeds to useable capital receipts (see income)	37.00		
	Variance between FMP expenditure and budget	1.86		
	Total	214.88	(61.08)	(197.50)
	Overall Budget Variance			(43.70)
	Transfer of budget surplus to Renewals Reserve			43.70

3. Assets & Capitalisation of costs

3.1 Vehicles: In 2024/25 the Authority purchased 1 x Toyota Hilux costing £33.1k and 2 x Toyota Corolla costing £22.5k each. 2 x quad bikes were also purchased at a total cost of £17.5k. These vehicles are included in the asset register and the purchase costs have been capitalised. These vehicles were direct replacements for 1 x Toyota Hilux, 2 x VW Vans and 2 x quad bikes, the combined sales proceeds is £37k. This has been transferred into the reserve for Usable Capital Receipts.

3.2 Vessels: £300k was received from DEFRA as part funding for the new RIB, Nemo which is due for completion in 2025/26. First and second stage payments have been paid over to Ribcraft to fund the build costs. The costs in 2024/25 are

£197.9k and these have been capitalised. The forecast total build costs are £347k. To cover the costs over the DEFRA grant, £47k has been transferred from the Renewal Reserve to the Reserve for Replacement Vessel.

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. The long term liability will also reduce over the life of the lease. Background information and specific changes to the accounts are in Appendix 4.

5. Balance Sheet

5.1 Appendix 2 shows the Authority's balance sheet at 31st March 2025.

Key movements from the 2023/24 position are:

- Increase of £277k in fixed assets due to capitalisation of Nemo build costs, new vehicle purchase and recognition of Right of Use Assets (see section 4).
- Increase of £279k in current assets, £178k is due to changes in cash balances and investment account and £101k relating to the KCC debtor
- Current liabilities are lower than 2024 by £155k
- Long term liabilities have increased by £145k, this is mainly due to the change in accounting rules for right of use assets. (See section 4).
- £462k movement in net worth position, this is due to Reserve balance movements which are outlined in Section 6.

6. Reserves Balances

The balances in Reserves are shown in the table below, as at 31 March 2025 with descriptions of the movement in the balances for the year. Further information can be seen in Appendix 3.

Reserves	24/25 Movement	Balance 31/3/25	Movement description
Balance from AIFCA from the NLTO post	(1,346.40)	(35,208.44)	transfer of surplus from Revenue spend on the AICA training budget
Pensions Liability	24,000.00	(28,000.00)	Reduction in the pension liability for 24/25
Pensions	(24,000.00)	28,000.00	Reduction in the pension liability for

Reserve			24/25
DEFRA FMP Grant	36,735.10	(106,127.93)	Movement is a credit of £50k grant from DEFRA and expenditure of £86.7k as outlined in section 2.2
Capital Financing	(107,037.12)	(643,394.78)	£90k overall debit is a mix of crediting the new vehicle as assets, depreciation costs of current vehicles and removal of the sold vehicles from the asset register. £197k credit is capitalisation of the to-date costs for Nemo, see section 3.2
KESF Reserve for replacement Vessel/Vehicle	(147,547.82)	(147,547.82)	Remaining funding for Nemo build costs, see section 3.2
Revenue reserve	(337,492.25)	(1,176,194.36)	Movement of £177k was receipt of DEFRA grants for MPA's, Good Environmental Status Grant, Marine Sustainable Dev Revenue support grant and Razor Clam Capital Grants. Movement of £160.4k is referred to in section 2.3 - ringfenced amounts for 25/26
Useable capital receipts	(37,000.00)	(118,046.67)	See section 3.1 - sales proceeds from vehicle part exchange
Renewals Reserve	8,926.81	(748,436.14)	£95.6k debit of purchase costs for the new vehicles to the Capital Financing reserve. £133.7k credit of budget from the revenue reserve and the budget surplus referred to in Section 2.1 £47k debit of additional new boat build costs from Renewals Reserve to the Replacement vessel reserve, see section 3.2
Financial Administrative Penalty Reserve	(1,500.00)	(22,496.00)	movement from FAP income

7. Annual Return and Governance Statement

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. At this stage, it was too late to for 2024/25 to bring this to the Authority meeting prior to the accounts closing. For this year, we have used the same processes as normal to closing the accounts. The KCC Chief Accountant has formally checked the accounts and the accounting process to ensure validity of the accounts. The final step was a review by Daniel Mees from Internal Audit (Appendix 5).

Options for future year's end of year audit will be reviewed and presented to the Authority for the next meeting.

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

8.1 KCC's Internal Audit Team (led by Daniel Mees) visited on 14 November 2024 for the mid year review and tested the following areas:

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

The visit raised three issues relating to Expenditure Controls threshold for commissioning, BACS invoice sign off processes and publication of the annual return and governance statement. These were reviewed at visit 2. A previously raised issue relating to the publication scheme was resolved.

8.2 Visit 2 took place in March 2025 with particular focus on financial procedures.

- Accounting records
- Income
- VAT Returns
- Assets
- Bank Reconciliations
- Accounting Statements
- Publication of Information on Website

Previously raised concerns were found to have been addressed and no concerns were raised from this visit.

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.

10. Contact Details:

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