

## D&S IFCA 2021/2022 Budget Report

### **1. Purpose of the report**

This report is intended to provide a summary of the background to the D&S IFCA budget setting.

The report considers setting the revenue element of the 2021/220 budget at £740,000 and identifies changes to current spending to achieve the standstill levy on Local Authorities.

The report also considers how reserves will be used to provide a sufficient budget to cover the activities set out in the 2021/22 Annual Plan.

### **2. Background**

For the purpose of this report and future funding discussions it will be beneficial to consider the budget as comprising of three elements;

- Revenue – generated by levying the Local Authorities (including NBF)
- Reserves – a reviewed reserves policy will be provided to the Full Authority at the December meeting.
- External funding and partnership work

The purpose of this paper is to explore the level of revenue that Local Authorities are able to provide D&S IFCA for 2021/22 and what level of service can be achieved.

It is clear to everyone that 2021/22 is going to be particularly tough on Central Government and Local Authorities' finances due to the unprecedented strain caused by the Covid-19 pandemic. The key presumption in this paper is that Defra will be able to provide the same level of central funding (NBF) following the 2020 Spending Review announcements.

If central funding is available at historic levels, then the proposed budget will be of particular interest to the Devon Local Authorities. Devon Local Authorities will generate most of their contributions using local taxpayers' money.

Devon County Council and Plymouth City Council have both indicated that a standstill budget of £740,000 could be supported but an increase would not. Previous increase in levies have been modest at around 2-3% and there have been reductions in other years meaning that the current levy is only £4,000 more than the amount secured in 2011/12.

The reality is that only a modest increase in the revenue budget could be achieved by raising the levy on Local Authorities and risks losing the support of the Local Authorities in seeking real change to the D&S IFCA finances through engagement with Defra in the medium term. The Chair was given assurance by the elected members at the November 2019 F&GPSC meeting that they would provide to him full written support in correspondence he would submit to Defra and all the new MPs concerning the funding model and principles of the D&S IFCA.

### **3. Proposed revenue budget £740,000**

It must be noted that there is very little more than can be taken away from the revenue budget and that the proposed figure of £740,000 continues to place a considerable expectation on a small team of staff to deliver a significant amount of work.

The Annual Reports also identify that the current resourcing is not achieving all the work set out in the Annual Plans. The Annual Plans set out the minimum amount of work that Officers believe is necessary to meet the Authority's statutory duties. The Annual Report for 2019/20 clearly demonstrated that several key tasks highlighted in the 2019/20 Annual Plan were not achieved as expected and the projection, at this time, is that this outcome will be similar regarding tasking set in the 2020/21 Annual Plan and the subsequent reporting. Considerations regarding the availability of reserves, to provide a much needed increase to total funds available for potential use, are highlighted later in this report.

DCC's finance team and Officers have considered how to achieve a revenue budget of £740,000 and this is summarised in Agenda Item 6b. Behind the headline figures there are key factors that need to be considered in more detail.

#### Staff

The standstill budget is achieved by assuming that staff will not receive a pay rise in 2021/22. Every 1% pay award will increase the staff costs by £5,360 or 0.7% increase in the levy. Regarding staffing, it should be noted that the resignation of staff and subsequent recruitment, evident in recent years, has a significant impact on the delivery of workstreams and this distorts revenue budget reporting. A decision to maintain the revenue budget at £740,000 creates an immediate staffing issue. Discussions at previous Authority meetings have highlighted the mental health risks associated with placing considerable expectation on officers to deliver the work programmes. The Defra assessment determined that D&S IFCA should have at least twice the amount of staff that are currently employed. The Defra commissioned IFCA evaluation report will show that the D&S IFCA remains a significant outlier in terms of its funding and workforce compared to all other IFCAs. The Members had agreed, in principle, to undertake a Job Evaluation of all staff. However it was also accepted that no money was available to support any potential increases in salaries. The resignation of staff is the most significant factor in any reported underspend against revenue budget in any year. The lack of resilience in staff resources and the Authority's continued inability to accept and deal with the issue creates one of the biggest risks to the viability of the organisation.

#### Asset reduction

The operational element in the revenue budget is the area which has seen the greatest reduction. Operational costs (boats and research) have been reduced from £294,829 in 2011/12 to £40,100 in the current revenue budget, a reduction of 86%. The reduction in expenditure to date has been achieved by changing the Authority's approach to enforcement. Agenda Item 6b – Revenue Budget 2021/22 identifies that it will be necessary to change the Authority's approach to research. The total cost of operating the Authority's vessels in 2021/22 would be £25,100. The boat operating costs were £35,400 in 2019/20 and were reduced to £25,100 to reflect the Officers' forecast that the Authority's survey vessel, SV Black Jack would not be used in the current year.

Not using SV Black Jack will reduce costs but money is still required to insure the vessel, store it and some maintenance is also necessary. Officers believe that the Authority should

consider selling the vessel to remove these costs and realise as much money as possible for the vessel by selling at the earliest opportunity.

SV Black Jack has not been used in the last two years and remains in a compound at Galmpton boat yard. The limited deck cargo capacity and slow speed (8 knot cruising speed) means that the vessel has had very limited use in its service to date. The use of SV Black Jack incurs other costs including fuel, additional maintenance, and mooring fees. Enforcement Officers and the PPO are qualified to act as master of the vessel but to crew the vessel takes the officers away from their other duties. The reality of the situation is that D&S IFCA has insufficient staff to operate this or any other research vessel at this time.

The current Annual Plan provides some details of how officers have identified alternative ways to conduct the necessary environmental work at sea. The survey of the eelgrass beds in Torbay was originally planned to be undertaken by a private company but was undertaken by Cornwall IFCA's survey vessel when she became available later in the year. Survey work has been undertaken from on board fishing vessels and EA vessels during the year and in previous years. This partnership work has many additional benefits and costs are comparable to running an Authority owned vessel. The main disadvantage of not having its own vessel is that the planning of survey work is far less flexible and poor weather becomes an increasing factor in whether the survey is completed. Hiring of private companies to undertake the work is more expensive but may be necessary to ensure time critical surveys are completed

Officers are in agreement that SV Black Jack does not provide a suitable platform to conduct the Authority's survey work and should be sold regardless of what research vessel capacity the members feel the Authority needs in the future.

#### **4. Reserves**

The revenue budget, in real terms, has been reduced to such an extent that even costs associated with increases in inflation in future years cannot be met.

Using Reserves is not a long-term solution to D&S IFCA's funding difficulties but provides the Authority and its Officers with the opportunity to:

- Demonstrate that the revenue budget is inadequate to deliver the immediate needs of the Authority
- Complete workstreams already identified in previous Annual Plans
- Enable a Five-Year Strategy to be developed and delivered
- Evidence the need to review the D&S IFCA funding model
- Adapt to emerging national fisheries and conservation issues

The Authority's Governance Working Group (GWG) has been working with DCC's finance officers to review the Authority's current Reserves Policy. The GWG will present the reviewed Reserves Policy to the Full Authority in December 2020. The Reserves Policy will identify how much of the current reserves can be made available to support the revenue budget.

The GWG has identified that in the absence of a reviewed Reserves Policy and agreed Schemes of Delegation, only a limited use of Reserves can be achieved. Next year's Annual Plan will identify the need to use Reserves to reflect the real-term decrease in revenue and to undertake the outstanding work identified in this year's Annual Report.

The Authority has not had a clear strategy to determine its work. A Vision for the Authority was presented at the AGM and it has been agreed that the GWG should start work to create a Five-Year Strategy based on the Vision. The Annual Plans based on the Strategy will identify where Reserves will be spent.

#### **5. External Funding and Partnership Work**

Officer will continue to seek additional sources of external funding to deliver aspect of the Authority's work. The Authority has been successful in working with other organisations in both a research and enforcement capacity to deliver workstreams in the Annual Plan.

#### **Recommendations**

**That a revenue budget of £740,000 is recommended to the Full Authority.**

**That the sale of SV Black Jack is recommended to the Full Authority.**

**That the F&GPSC support the work of the Governance Working Group set out in this report.**