

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 (LAs).

The report identifies future funding challenges, briefly explores risks associated with a revenue budget of £740,000 and sets out some possible outcomes.

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 LAs (including NBF)
- Reserves – a reviewed Reserves policy framework is set out in Agenda Item 7
- External funding and partnership work

The purpose of this paper is to explore the level of Revenue that LAs 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 LAs' 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 LAs. Devon LAs will generate most of their contributions using local taxpayers' money.

Devon County Council (Devon CC) and Plymouth City Council (Plymouth CC) 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 £3,500 more than the amount secured in 2011/12.

The funding structure, developed by Defra for D&S IFCA, provided significant reductions in the amount of local taxpayers' money provided by the Devon LAs, and no local taxpayers' money has been used by the Severn LAs. For the last Devon Sea Fisheries Committee's (DSFC) budget, Devon CC paid £397,321, Plymouth CC paid £123,519 and Torbay Council paid £61,759. For the proposed £740,000 budget, Devon CC will pay £348,465 (inc £21,382 New Burdens), Plymouth CC will pay £34,780 and Torbay Council will pay £25,826. These three LAs have reduced their contribution by approximately £173,000 per year for the last ten years. Based on the Revenue budget of approximately £740,000, Defra's administration of

NBF has meant that the Severn LAs have not been required to forward on approximately £57,000 per year for the last ten years.

If the funding formula in 2011/12 for D&S IFCA had been the same as other IFCAs (maintain base budget of SFC +NBF) and Defra had administered the NBF more effectively it is a reasonable estimate that D&S IFCA could have received an additional £2,300,000 in funding.

After ten years, the reality is that year on year only modest increases in the Revenue budget could be achieved by raising the levy on LAs, even this unfortunately has not been achieved

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, if not worse than 2019/2020, regarding tasking set in the 2020/21 Annual Plan and the subsequent reporting.

DCC's finance team and Officers have considered how to achieve a Revenue Budget of £740,000 and this is summarised in Agenda Item 8a. Behind the headline figures there are key factors that need to be considered in more detail.

Staff

The standstill Revenue Budget is achieved by the Treasury's announcement that public sector staff (with a few exceptions) will not receive a pay rise in 2021/22 and only a small increase is forecast due to staff receiving increments as they progress through their salary scales. Table 1 below shows the increase in salaries assuming a 2% pay increase in future years.

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. Four members of staff have resigned in 2021, a third of the workforce.

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 funding 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 £107,600 in

2011/12 to £40,100 in the current Revenue Budget, a reduction of 63%. The reduction in expenditure to date has been achieved by changing the Authority's approach to enforcement. Agenda Item 8a – 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 Galampton boat yard. The limited deck cargo capacity, deck weight limit, 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 for 2019/2020 provides some details of how officers have identified alternative ways to conduct the necessary environmental work at sea. The survey of the seagrass 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 on board fishing vessels and using 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. Future Funding Options.

In the last ten years, in order to meet the Revenue budgets, the Authority has sold its main enforcement vessel, and if the Revenue budget for 2021/22 is to be achieved the Authority will need to sell its research vessel too. Staffing is the Authority's major asset, and it should also be noted that to achieve the current, 2020/21 Revenue budget the Authority made one of the Deputy Chief Officer posts redundant.

Reserves will be used to support the delivery of additional work streams that cannot be achieved within the Revenue Budget. Reserves cannot be used to directly support the shortfall in staffing resources identified in the Revenue Budget.

DCC Finance team have provided the figures in Table 1 below. It shows, based on a 2% increase in pay and using the inflation figures noted, the projected increase required in the Revenue Budget over the next five years. Even a 1% pay award increase in 2022/23 would result in an increase in £12,300.

Table 1

	2021/22 Budget £	2022/23 Budget £	2023/24 Budget £	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £
Employees	536,600	554,400	570,400	586,400	600,100	612,300
Premises	34,600	35,500	36,400	37,300	38,200	39,100
Transport	17,100	17,600	18,100	18,600	19,100	19,700
Supplies & Services	72,900	74,300	75,700	77,100	78,500	79,900
Boat Costs	25,100	25,600	26,100	26,600	27,200	27,800
Environmental Research	17,200	17,600	18,000	18,400	18,900	19,400
Support	62,200	63,700	65,200	66,800	68,400	70,000
Fees & Charges	(25,700)	(26,000)	(26,300)	(26,600)	(26,900)	(27,200)
Total	740,000	762,700	783,600	804,600	823,500	841,000

							Total increase
Increase value		22,700	20,900	21,000	18,900	17,500	101,000
Increase on prior year		3.07%	2.74%	2.68%	2.35%	2.13%	

There are three possible options to deal with the future funding issues;

Option 1 The LAs make a five-year financial commitment to increase levies at a minimum to meet future increases in staff costs (based on current staffing levels) and rises due to inflation.

The table shows what the required increase in levy would be to offset these costs. In only one of the last ten years have the LAs agreed to increase the Revenue Budget above 3% (2012/13) and increases have not been sustained for more than one year.

Option 2 To reduce other elements of the Revenue Budget. It has already been reported that all other lines of the budget, other than staff and legal fees, have been reduced as much as they can.

A reduction in legal fees is not likely to be sustainable. Legal fees do not just relate to prosecutions but all cases files and all other fisheries legislation advice the officers require to support them in carrying out their duties effectively. It is highly likely that the cost of legal advice will increase above inflation when current arrangements are renewed within the next five years.

As reported above it would not be unprecedented for the Authority to make redundancies but the consequences would be significant on a team that is currently at half the capacity that Defra identified in 2011/12 were needed. At that time Defra suggested that D&S IFCA had 25 full time Enforcement Officers for its District, not detailing its research, administration, and senior management capacity. It is not beyond possibility that any further reduction in staff would have a house of cards effect and the Organisation could collapse. It is very likely that further reductions in staff numbers would result in the Authority not being able to fulfil all its Statutory duties and the Local Authorities would not meet their Statutory duties under the Habitats Regulations.

Option 3 The Local Authority's support the Chair in seeking immediate additional financial support from Defra and to make the Secretary of State aware of the financial vulnerabilities that D&S IFCA face.

If Option 3 was supported in principle, then the GWG would work with DCC finance to provide a comprehensive, detailed analysis of the risks and financial implications to support the Chair's letter to the Secretary of State.

Recommendations

That a Revenue Budget of £740,000 is agreed for 2021/22.

That the Authority's Research Vessel 'BlackJack' is sold.

That the Authority support one or more of the future funding options set out in this paper.