

**Navigation Income and Expenditure:
1 April to 28 February 2014 Actual and 2013/14 Forecast Outturn**
Report by Head of Finance

Summary: This report provides the Committee with details of the actual navigation income and expenditure for the eleven month period to 28 February 2014, and provides a forecast of the projected expenditure at the end of the financial year (31 March 2014).

1 Introduction

- 1.1 This financial monitoring report summarises details of the forecast outturn for the year, which provides members with a picture of expected activity for the full financial year as well as supporting proactive budget management by budget holders. This report provides details of navigation expenditure only.
- 1.2 Section 2 of this report and Appendix 1 provide details of actual navigation expenditure to 28 February 2014.
- 1.3 Section 4 and Appendix 2 provide details of the forecast 2013/14 outturn (the expected actual expenditure position at the end of the financial year), compared to the latest available budget (LAB). The LAB represents the original budget for the year agreed by the Authority in January 2013, adjusted for known and approved budget changes. Further details of the LAB are set out in section 3 below.

2 Overview of Actual Income and Expenditure

- 2.1 Within this report, actual income and expenditure are reported at summary / directorate level, providing members with an overview of the Authority's position as set out in Table 1 below.

Table 1 – Actual Navigation I&E by Directorate to 28 February 2014

	Profiled Latest Available Budget	Actual Income and Expenditure	Actual Variance
Income	(2,915,624)	(2,895,091)	(20,533)
Operations	1,741,138	1,696,645	44,493
Planning and Resources	811,000	756,781	54,219
Chief Executive	137,354	146,698	(9,344)
Projects, Corporate Items and Contributions from Earmarked Reserves	29,737	(88,397)	118,134
Net (Surplus) / Deficit	(196,395)	(383,364)	186,969

2.2 Core navigation income remains slightly below the profiled budget at the end of month eleven. The overall position as at 28 February 2014 is a favourable variance of £186,969 or 95.2% difference from the profiled LAB. This is a significant movement from the position last reported to Committee, and is principally due to:

- An underspend of £111,000 against the profiled budget within Practical Maintenance. A large element (£61,476) of this actual underspend relates to the Breydon Water budget, of which £42,000 is an anticipated underspend reflected within forecast outturn figures. There is also an underspend of £17,000 within the Other Navigation Works budget as well as various small underspends against other budget lines. Success in bringing in external income (including a contribution of £7,950 towards safety ladders at Reedham) has also contributed to the actual variance, although the income is reflected in the forecast outturn. With the exception of the Breydon Water budget, where the need to develop a bespoke solution for the capping of posts has led to a delay in expenditure, Budget Holders have reported that they anticipate that Practical Maintenance budgets will be delivered in line with the forecast outturn at the end of the year.
- An overspend within Ranger Services as a result of capital expenditure on the replacement launch has been offset by the use of reserves and a delay in the sale of the two surplus launches. Bids for these are currently being re-solicited. Within revenue budgets in this area, there is a potential small underspend at year end as a result of some slippage in launch refit activity and also the minimal expenditure required on the two newer launches this year.
- An underspend of £35,000 within the Project Funding budget. This relates to the budget for navigation projects carried forward from 2012/13. There have been a number of issues preventing projects being progressed in 2013/14, including the decision not to proceed with the development of moorings at Dove House Farm. It is likely that this budget will be the subject of a further carry-forward request into the 2014/15 budget as it will

be used to support the survey and toll payers and other navigation projects which are beginning to move forward.

- An underspend of £51,000 within Premises budgets which principally relates to the Dockyard budgets. This is mainly due to the budget profile not reflecting the additional income received in-year, although this is taken into account in the forecast outturn. This budget is expected to be delivered broadly in line with the forecast outturn at year end once payments for the PWLB loan and contributions to reserves are made in March.

- 2.3 The Water Management budget is currently slightly over the profiled budget at the end of February, however there may be a small underspend against the forecast outturn at year end as a result of the possibility of some expenditure in this area being charged against the PRISMA project following the approval of a modification to the overall project budget. The modification will allow the Authority to maximise the grant claims for the project.
- 2.4 Expenditure within the individual directorate lines is partly offset by contributions from reserves (within the *Projects, Corporate Items and Contributions from Earmarked Reserves* line in Table 1).
- 2.5 The charts at Appendix 1 provide a visual overview of actual income and expenditure compared with both the original budget and the LAB.
- 2.6 The anticipated underspends within Launch budgets and the Breydon Water budget are reflected in the changes and reductions to the 2014/15 budget.

3 Latest Available Budget

- 3.1 The Authority's income and expenditure is being monitored against a latest available budget (LAB) in 2013/14. The LAB is based on the original budget for the year, with adjustments for known and approved budget changes such as carry-forwards and budget virements. Full details of the movements from the original budget are set out in Appendix 2.
- 3.2 The use of the LAB format ensures that there is better visibility of budgets, providing members with clearer information about approved changes to the original budget and minimising the risk of distortions arising from approved in-year changes to the budget. The LAB facilitates scrutiny of budget management in that members are able to distinguish between planned budget changes and unplanned outturn variances.
- 3.3 There have been no changes to the navigation LAB since the last report to this committee as set out in Table 2 below.

Table 2 – Adjustments to Navigation LAB

	Ref	£
Original navigation budget 2013/14 (surplus)	Item 17 05/09/2013	(27,137)
Previously reported adjustments	Item 11 12/12/2013	158,995
LAB at 28 February 2014		131,858

- 3.4 The LAB therefore provides for a navigation deficit of £131,858 in 2013/14 as at 28 February 2014.

4 Overview of Forecast Outturn 2013/14

- 4.1 Budget holders have been asked to comment on the expected expenditure at the end of the financial year in respect of all budget lines for which they are responsible. It must be emphasised that these forecast outturn figures should be seen as estimates and it is anticipated that they will continue to be refined and clarified through the financial year.
- 4.2 As at the end of February 2014, the forecast outturn indicates:
- The total forecast income is unchanged from the last report at £2,897,160
 - Total expenditure is forecast to be £2,975,874
 - The resulting deficit for the year is forecast to be £78,714
- 4.3 The forecast outturn expenditure reflects the key changes from the previously reported forecast outturn as shown in Table 3. The forecast deficit has reduced by £29,570 since the last report to the committee, and represents a forecast underspend of £53,144 against the LAB.

Table 3 – Adjustments to Forecast Outturn

	£
Forecast outturn deficit reported to Navigation Committee 27 February 2014	108,284
Increase vessels income for external contributions (recharge for hire of plant and private dredging, and sale of surplus equipment / scrap)	(24,050)
Reduce telephone expenditure for renegotiated phone contract costs	(2,333)
Adjust Yare House forecast for electricity, rates, FM and furniture actual costs	(1,289)
Reduce legal expenditure based on monthly billing	(1,500)
Reduce members allowances based on claims to date	(1,020)
Increase governance printing cost forecast	622
Forecast outturn deficit as at 28 February 2014	78,714

4.4 The main differences between the forecast outturn and the LAB are due to:

- a reduction in costs for works on Breydon Water as a result of savings achieved by undertaking activity in-house and procuring materials at lower than anticipated cost;
- the additional contribution to the Dockyard development from Land and Water Services;
- unbudgeted income from the sale of surplus equipment and scrap;
- unbudgeted income from private dredging works being undertaken at Hardley Dyke and the Chet.

4.5 Members may wish to note that preparatory work for the 2013/14 audit has identified an adjustment to the accounts in respect of the treatment of the rent free period for Yare House. This relates to a requirement that the rent free benefit be recognised over the life of the lease contract, although no payments will have been made during 2013/14. This adjustment will have an impact of £46,000 on Navigation reserve balances (£114,000 National Park) carried forward in the Statement of Accounts at the end of the year, and the same amount will then be released back to the reserve over the fifteen years of the lease. The proposed accounting treatment for this adjustment has been discussed with the External Auditors.

5 Reserves

5.1 The Authority's earmarked reserves have been rationalised as at 1 April 2013 into a smaller number of reserves holding larger balances. Navigation reserve balances continue to be maintained separately from national park reserves. The balance of navigation earmarked reserves at the end of February 2014 is shown in Table 4 below.

Table 4 – Navigation Earmarked Reserves

	Balance at 1 April 2013	In-year movements	Current reserve balance
	£	£	£
Property	(426,700)	(61,500)	(488,200)
Plant, Vessels and Equipment	(215,948)	80,614	(135,334)
Premises	(30,455)	(21,560)	(52,015)
PRISMA	(210,246)	109,772	(100,474)
Total	(883,349)	107,326	(776,023)

5.2 Work is underway to undertake the repairs to Mutford Lock as outlined in the last report to the Committee in February. This contract is being undertaken by LEC Marine (Klyne).

6 Summary

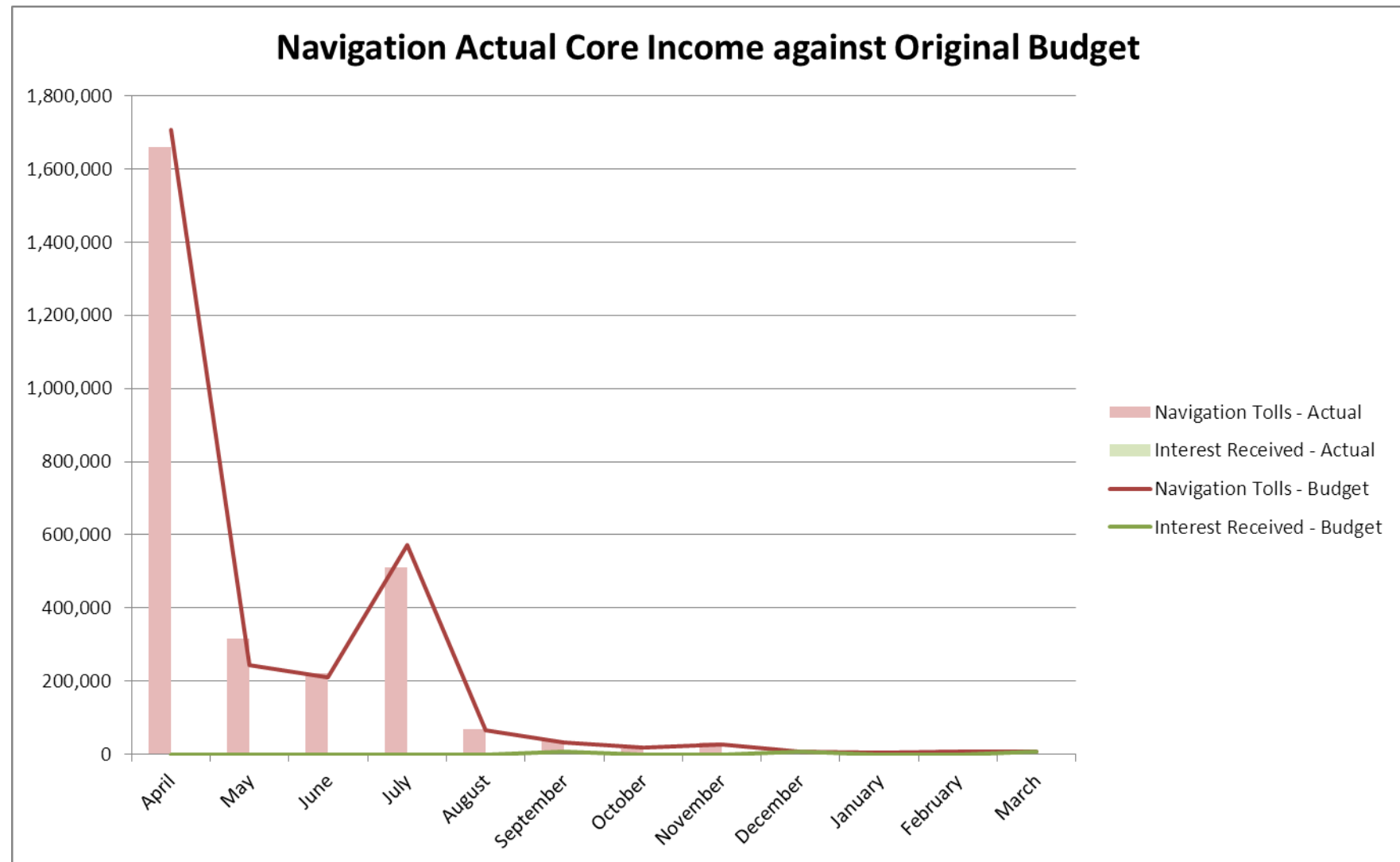
- 6.1 The forecast outturn position for the year suggests a deficit within the navigation budget which would result in a navigation reserve balance of approximately £275,000 at the end of 2013/14 (before any Statement of Accounts adjustments for the rent free period at Yare House). Although this is slightly below the recommended level of 10% of net expenditure, taken alongside the significant navigation earmarked reserve balances, it is considered to be adequate in the short to medium term. The impact of the navigation reserve balance has been taken into account within the Authority's budget for 2014/15.

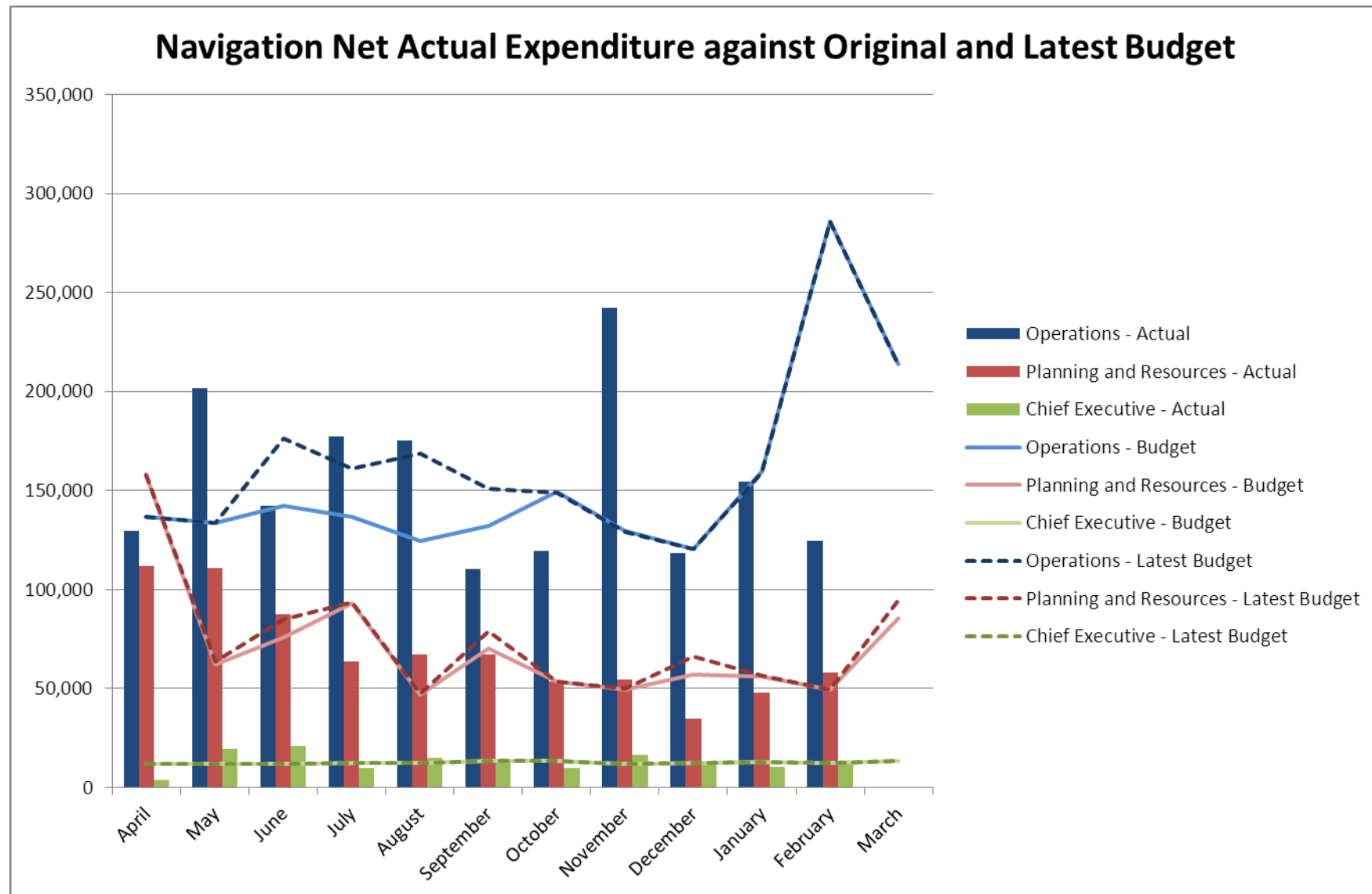
Background Papers: Nil

Author: Titus Adam
Date of Report: 04 April 2014

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Navigation Actual Income and Expenditure
Charts to 28 February 2014
APPENDIX 2 – Financial Monitor: Navigation Income and
Expenditure 2013/14





To 28 February 2014

Budget Holder

(All)

Row Labels	Values				
	Original Budget (Navigation)	Budget Adjustments (Navigation)	Latest Available Budget (Navigation)	Forecast Outturn (Navigation)	Forecast Outturn Variance (Navigation)
Income	(2,928,984)		(2,928,984)	(2,897,160)	(31,824)
Hire Craft Tolls	(1,092,830)		(1,092,830)	(1,084,172)	(8,658)
Income	(1,092,830)		(1,092,830)	(1,084,172)	(8,658)
Private Craft Tolls	(1,758,210)		(1,758,210)	(1,745,043)	(13,167)
Income	(1,758,210)		(1,758,210)	(1,745,043)	(13,167)
Short Visit Tolls	(36,694)		(36,694)	(36,694)	0
Income	(36,694)		(36,694)	(36,694)	0
Other Toll Income	(18,750)		(18,750)	(18,750)	0
Income	(18,750)		(18,750)	(18,750)	0
Interest	(22,500)		(22,500)	(12,500)	(10,000)
Income	(22,500)		(22,500)	(12,500)	(10,000)
Operations	1,832,507	119,245	1,951,752	1,889,699	62,053
Construction and Maintenance Salaries	564,552		564,552	564,552	0
Salaries	564,552		564,552	564,552	0
Expenditure			0		0
Equipment, Vehicles & Vessels	268,438	132	268,570	240,672	27,898
Income	(962)		(962)	(28,860)	27,898
Expenditure	269,400	132	269,532	269,532	0
Water Management	90,000		90,000	110,595	(20,595)
Income	0		0	(19,000)	19,000
Expenditure	90,000		90,000	129,595	(39,595)
Land Management	0		0	0	0
Income	0		0	0	0
Expenditure	0		0	0	0
Practical Maintenance	252,200	123,000	375,200	318,200	57,000
Income	(2,000)		(2,000)	(17,000)	15,000
Expenditure	254,200	123,000	377,200	335,200	42,000
Ranger Services	442,671	21,643	464,314	456,314	8,000

Row Labels	Original Budget (Navigation)	Budget Adjustments (Navigation)	Latest Available Budget (Navigation)	Forecast Outturn (Navigation)	Forecast Outturn Variance (Navigation)
Income	(8,000)		(8,000)	(8,000)	0
Salaries	329,671	21,643	351,314	351,314	0
Expenditure	121,000		121,000	113,000	8,000
Pension Payments			0		0
Safety	66,195	(23,450)	42,745	49,795	(7,050)
Income	(5,000)		(5,000)	(5,000)	0
Salaries	47,195	(23,450)	23,745	33,795	(10,050)
Expenditure	24,000		24,000	21,000	3,000
Asset Management	59,348		59,348	63,148	(3,800)
Income	(9,000)		(9,000)	(6,000)	(3,000)
Salaries	14,598		14,598	16,398	(1,800)
Expenditure	53,750		53,750	52,750	1,000
Volunteers	16,032	2,400	18,432	17,832	600
Income	(300)		(300)	(300)	0
Salaries	9,732	2,400	12,132	12,132	0
Expenditure	6,600		6,600	6,000	600
Operations Management and Administration	73,072	(4,480)	68,592	68,592	0
Income			0		0
Salaries	66,128	(4,480)	61,648	61,648	0
Expenditure	6,944		6,944	6,944	0
Planning and Resources	856,883	39,750	896,633	869,672	26,961
Strategy and Projects Salaries	19,612	4,576	24,188	23,765	423
Income	0		0	0	0
Salaries	19,612	4,576	24,188	23,765	423
Expenditure	0		0	0	0
Strategy and Projects	3,199		3,199	4,189	(990)
Salaries	3,199		3,199	4,189	(990)
Expenditure	0		0	0	0
Waterways and Recreation Strategy	53,010		53,010	55,610	(2,600)
Salaries	44,010		44,010	44,010	0
Expenditure	9,000		9,000	11,600	(2,600)
Project Funding	3,963	35,000	38,963	38,963	0

Row Labels	Original Budget (Navigation)	Budget Adjustments (Navigation)	Latest Available Budget (Navigation)	Forecast Outturn (Navigation)	Forecast Outturn Variance (Navigation)
Income	0		0	0	0
Salaries	3,963		3,963	3,963	0
Expenditure	0	35,000	35,000	35,000	0
Pension Payments			0		0
Finance and Insurance	148,077		148,077	156,582	(8,505)
Income	0		0	(495)	495
Salaries	58,077		58,077	58,077	0
Expenditure	90,000		90,000	99,000	(9,000)
Communications	84,768		84,768	82,788	1,980
Income	0		0	(1,980)	1,980
Salaries	72,768		72,768	72,768	0
Expenditure	12,000		12,000	12,000	0
Visitor Centres and Yacht Stations	47,963		47,963	65,430	(17,467)
Income	(76,875)		(76,875)	(54,188)	(22,688)
Salaries	93,938		93,938	96,743	(2,805)
Expenditure	30,900		30,900	22,875	8,025
Collection of Tolls	108,500		108,500	109,600	(1,100)
Salaries	96,100		96,100	96,100	0
Expenditure	12,400		12,400	13,500	(1,100)
ICT	91,443		91,443	85,810	5,633
Salaries	51,576		51,576	48,276	3,300
Expenditure	39,867		39,867	37,534	2,333
Legal	20,500		20,500	21,000	(500)
Income			0		0
Expenditure	20,500		20,500	21,000	(500)
Premises	199,250	(1,160)	198,090	149,250	48,840
Income	(3,000)		(3,000)	(45,614)	42,614
Expenditure	202,250	(1,160)	201,090	194,864	6,226
Planning and Resources Management and Administration	76,600	1,333	77,933	76,686	1,247
Income	0		0	(2,340)	2,340
Salaries	43,910		43,910	43,910	0
Expenditure	32,690	1,333	34,023	35,116	(1,093)

Row Labels	Original Budget (Navigation)	Budget Adjustments (Navigation)	Latest Available Budget (Navigation)	Forecast Outturn (Navigation)	Forecast Outturn Variance (Navigation)
Chief Executive	150,816		150,816	154,862	(4,046)
Human Resources	54,060		54,060	58,504	(4,444)
Salaries	26,060		26,060	30,504	(4,444)
Expenditure	28,000		28,000	28,000	0
Governance	57,030		57,030	56,632	398
Income			0		0
Salaries	36,914		36,914	36,914	0
Expenditure	20,116		20,116	19,718	398
Chief Executive	39,727		39,727	39,727	0
Salaries	39,727		39,727	39,727	0
Expenditure			0		0
Projects and Corporate Items	61,640		61,640	61,640	0
PRISMA	32,440		32,440	32,440	0
Income			0		0
Salaries	32,440		32,440	32,440	0
Expenditure			0		0
STEP			0		0
Salaries			0		0
Expenditure			0		0
Corporate Items	29,200		29,200	29,200	0
Expenditure			0		0
Pension Payments	29,200		29,200	29,200	0
Contributions from Earmarked Reserves			0		0
Earmarked Reserves			0		0
Expenditure			0		0
Grand Total	(27,137)	158,995	131,858	78,714	53,143