

Financial Performance and Direction
Report by Head of Finance

Summary: This report provides a strategic overview of current key financial issues and items for decision.

Recommendations:

Section 2

- (i) That members note the National Park Grant settlement for 2014/15 and 2015/16 and approve the process and timetable for setting the 2014/15 Budget and Financial Strategy to 2016/17 as set out in 2.6.

Section 3

- (ii) That the income and expenditure figures be noted.

1 Introduction

- 1.1 This report consolidates a number of items relating to the financial performance and direction of the Authority in order to provide members with a strategic overview of the key issues for consideration. This report covers the items set out in the table below:

Report Section	Item
2	National Park Grant Update
3	Consolidated Income and Expenditure from 1 April 2013 – 31 October 2013

2 National Park Grant Update

Overview

- 2.1 Following the Chancellor's Autumn Statement on 5 December, Defra has now given the National Park Authorities and other bodies funded by the Department, such as the Environment Agency and Natural England, their grant allocations for the next two years.

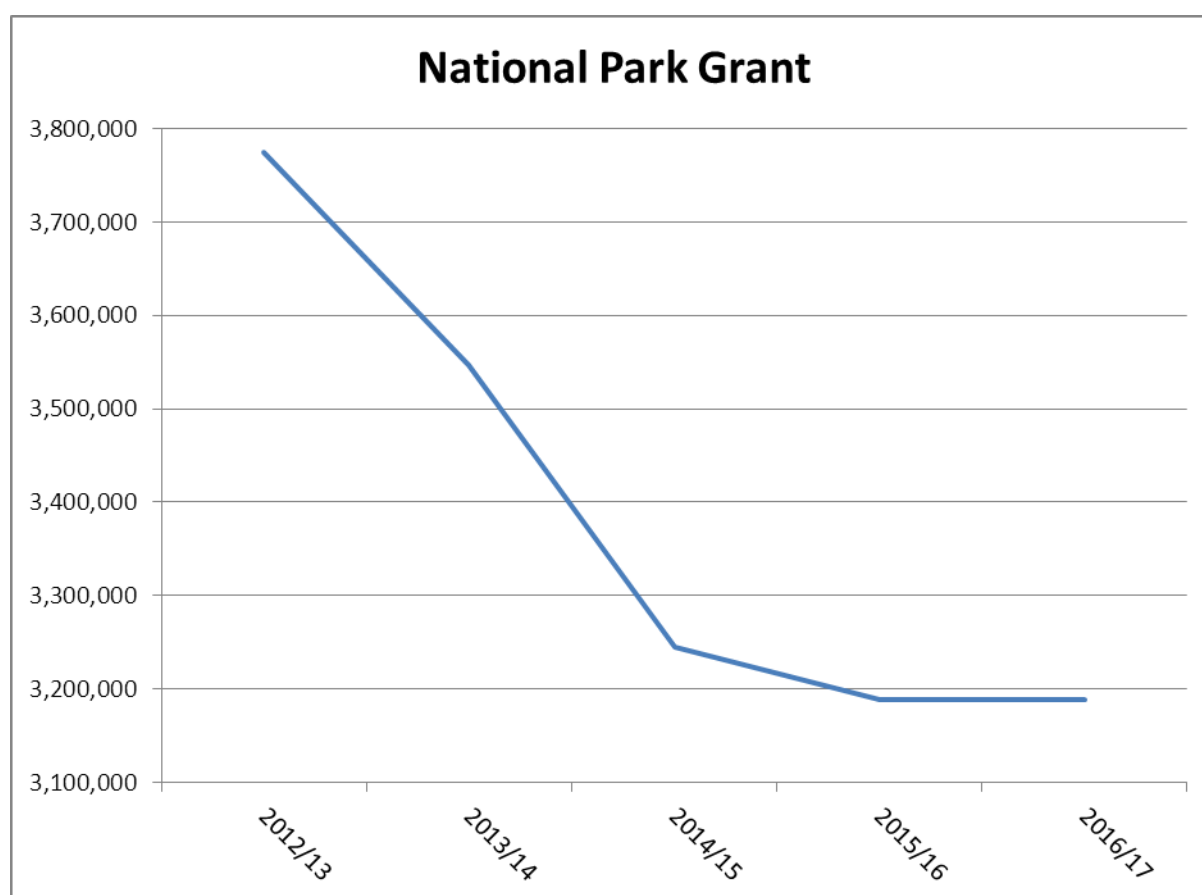
National Park Grant Allocations

- 2.2 National Park Authorities were already expecting a cut in funding of 6.4% between 2013/14 and 2014/15 following the last Spending Review (SR10). An additional 2.2% reduction for 2014/15 and a further cut of 1.7% in 2015/16

have now been announced following the latest Spending Round (SR13) and the Chancellor's Autumn Statement. Therefore in effect this means a cut of 8.5% from 2013/14 to 2014/15.

- 2.3 For the Broads Authority this means a reduction of £302,054 between this year and next – an increase of £74,702 over what had been indicated following the previous Spending Review – and a further reduction of £56,441 in 2015/16. This means that the Authority will receive National Park Grant of £3,245,393 in 2014/5 and £3,188,952 in 2015/16.
- 2.4 No announcement has been made in respect of National Park Grant allocations for 2016/17 and beyond, however it is clear that there is likely to be continuing downward pressure on public sector finances over this period. The chart below illustrates the reductions in National Park Grant since 2012/13, with a standstill position currently assumed for 2016/17.

Chart 1 – National Park Grant 2012/13 – 2016/17



Budget Setting Timetable

- 2.5 The Navigation Committee was consulted on a draft budget for 2014/15 at its meeting in December 2013. At that time it was not possible to prepare a comprehensive Financial Strategy to 2016/17 because of the uncertainties around National Park Grant allocations. Indicative figures based on the

previously advised grant allocations demonstrated a significant deficit to be addressed by 2016/17. Taking into account the recently announced grant settlement, the National Park deficit based on current budget figures would be approximately £230,000 in 2014/15, £327,000 in 2015/16 and £419,000 in 2016/17 (assuming no further grant reduction in this year). There clearly remain some difficult decisions to be made in order to address this deficit and develop a sustainable Financial Strategy for the National Park budget.

- 2.6 However, the Authority is well prepared to respond to these reductions and suggestions have been sought from across the organisation to identify how the Authority could raise income, make efficiencies and find further savings. The significant balance of the general National Park reserve means that the Authority also has some flexibility in the timing of its response to these grant reductions. As a result, it is considered that there will be no need for a major restructure of the organisation, as the new two Directorate arrangement is working well. It is also considered unlikely that any staff changes will be required until the 2015/16 financial year. Officers are now engaged in developing detailed proposals to address the grant reductions for consideration by the Financial Scrutiny and Audit Committee on 11 February and then by the Broads Authority on 21 March. It is therefore proposed that the full Budget and Financial Strategy be presented for consideration and approval by the Authority in March to allow sufficient time for this detailed planning and consultation with the FSAC in response to the grant settlement to be undertaken.

3 Consolidated Income and Expenditure from 1 April 2013 – 31 October 2013

Overview

- 3.1 This section provides the members with details of the consolidated actual income and expenditure for the seven month period to 31 October 2013, and provides a forecast of the projected expenditure at the end of the financial year (31 March 2014).

Introduction

- 3.2 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 consolidated expenditure for the whole Authority (National Park and Navigation).
- 3.3 Paragraph 3.5 of this report and Appendix 1 provide details of actual income and expenditure to 31 October 2013.
- 3.4 Paragraph 3.16 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 from paragraph 3.12 below.

Overview of Actual Income and Expenditure

- 3.5 Within this report, actual income and expenditure will be 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 Consolidated I&E by Directorate to 31 October 2013

	Profiled Latest Available Budget	Actual Income and Expenditure	Actual Variance
Income	(5,529,233)	(5,490,097)	(39,136)
Operations	1,607,796	1,660,403	(52,607)
Planning and Resources	1,938,517	1,968,894	(30,376)
Chief Executive	232,460	246,880	(14,419)
Projects, Corporate Items and Contributions from Earmarked Reserves	18,923	(116,050)	134,974
Net (Surplus) / Deficit	(1,731,537)	(1,729,972)	(1,565)

- 3.6 Core income remains slightly below the profiled budget as at the end of month seven, due to Private and Hire Tolls being slightly behind the profile, and also due to a delay in the receipt of investment interest income. A number of these variances will persist through to the end of the financial year and have been reflected in forecast outturn figures. The overall position as at 31 October 2013 is an adverse variance of £1,565 or -0.09% difference from the profiled LAB.
- 3.7 Members may wish to note that the variances within the individual directorate lines are in part offset by contributions from reserves (within the Projects, Corporate Items and Contributions from Earmarked Reserves line in Table 1).
- 3.8 The actual overspend against LAB within the Operations Directorate principally results from:
- costs of dredging at Heigham Sound for which no carry forward provision was made, which are offset by savings achieved on works on Breydon Water;
 - costs of £55,191 in 2013/14 relating to the construction of the Authority's new launch and the laying up of a second hull and superstructure (offset by the use of earmarked reserves); and
 - the £60,000 contribution to reserves from the moorings budget approved at the last Authority meeting.

3.9 The actual overspend within the Planning and Resources directorate arises from a number of smaller variances across different budget lines, but principally relates to:

- Sustainable Development Fund activity (offset by the use of earmarked reserves);
- lower than budgeted development management income (income is demand-driven);
- higher than budgeted specialist listed building and arboricultural advice demands within the Cultural Heritage budget;
- insurance costs slightly higher than budgeted for main premiums;
- lower than budgeted Yacht Station and Visitor Centre income; and
- additional costs relating to the 2012/13 NPAPA assessment.

These adverse variances are partly offset by:

- unbudgeted income for the Land and Water rental for office space at the Dockyard;
- additional income within Strategy and Projects budgets;
- underspend variances against profiled budgets within Project Funding, Communications and Premises budgets;

Additionally, it should be noted that a number of the variances relate to timing differences which will be resolved over the remainder of the year.

3.10 The adverse variance within the Chief Executive's directorate mainly relates to HR and training costs which were not included within the budget for the start of the year.

3.11 The charts at Appendix 1 provide a visual overview of actual income and expenditure compared with both the original budget and the LAB.

Latest Available Budget

3.12 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. Details of the movements from the original budget are set out in Appendix 2.

3.13 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.

3.14 There have been no changes to the consolidated LAB since the last report to the Authority as set out in Table 2 below.

Table 2 – Adjustments to Consolidated LAB

	Ref	£
Original consolidated budget 2013/14 (surplus)	Item 13 20/09/2013	(118,573)
Previously reported adjustments	Item 12 22/11/2013	192,325
LAB at 31 October 2013 (deficit)		73,752

3.15 Taking account of the budget adjustments, the LAB therefore provides for a consolidated deficit of £73,752 in 2013/14 as at 31 October 2013.

Overview of Forecast Outturn 2013/14

3.16 As in 2012/13, budget holders have been asked to comment on the expected expenditure at the end of the financial year in respect of all the budget lines for which they are responsible. It must be emphasised that these forecast outturn figures should be seen as estimates and that they will be refined and clarified through the financial year.

3.17 As at the end of October 2013, the forecast outturn indicates:

- Income is expected to be approximately £42,000 lower than originally budgeted with total forecast income of £6,457,107.
- Total expenditure is forecast to be £6,493,307.
- The resulting deficit for the year is forecast to be £36,200.

3.18 Full details of the forecast outturn are set out in Appendix 2.

3.19 The forecast outturn expenditure takes account of adjustments to the LAB and in addition reflects the key changes from the previously reported forecast outturn as shown in Table 3. The forecast outturn deficit has increased by £34,179 since the last report to the Authority, but continues to anticipate a lower deficit than the £73,752 allowed for in the LAB.

Table 3 – Adjustments to Forecast Outturn

Item	£
Forecast outturn deficit reported to Broads Authority 22 November 2013	2,021
Increase Visitor Centre income forecast in line with actuals to date	(12,360)
Decrease ICT expenditure forecast in line with actuals to date	(10,000)
Increase Planning and Resources Management and Admin income forecast for recharge to National Association of AONBs	(7,800)
Increase Other Navigation Works income forecast in line	(7,500)

with actuals to date	
Increase Electric Charging Points income forecast in line with actuals to date	(7,500)
Decrease Policy Planning expenditure forecast in line with actuals to date	(4,700)
Increase Vessels income forecast in line with actuals to date	(4,000)
Increase Site Maintenance income forecast in line with actuals to date	(3,000)
Increase Dredging income forecast for actual contractor income	(1,000)
Increase Notice Board Maintenance expenditure forecast based on recent additional replacement requirements	2,000
Decrease Boat Trips income forecast in line with actuals to date	3,750
Increase Asset Management expenditure forecast based on actuals to date	4,000
Increase Safety expenditure based on actual standby costs and actuals to date	8,000
Increase Cultural Heritage expenditure forecast for additional activity cover and actuals to date	11,000
Decrease Interest Receivable income forecast based on actuals to September and lower interest rates achieved	20,000
Decrease Development Management income in light of actual levels of applications	20,000
Increase Yacht Stations forecast (unbudgeted salary costs and reduced income actuals to date)	23,289
Forecast outturn deficit as at 31 October 2013	36,200

3.20 The main reasons for the increase in the forecast outturn relate to:

- an increase in Yacht Station expenditure to provide for previously unbudgeted holiday cover and the cessation of grant funding from Norwich City Council which was not included in the original budget (although within the overall Visitor Centre and Yacht Stations budget this increase is slightly offset by an increase in Visitor Centre income);
- a reduction in forecast income for planning applications based on the actual number and type of applications being received (in the previous two years, significant applications attracting fees of approximately £20,000 have been processed; no similar applications are anticipated in 2013/14); and
- a reduction in forecast investment interest income based on the actual rates being achieved in the market by Broadland District Council, who manage the investment of the Authority's reserves on a day-to-day basis.

Reserves

3.21 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 earmarked reserves at the end of October 2013 is shown in Table 4 below.

Table 4 – Consolidated Earmarked Reserves

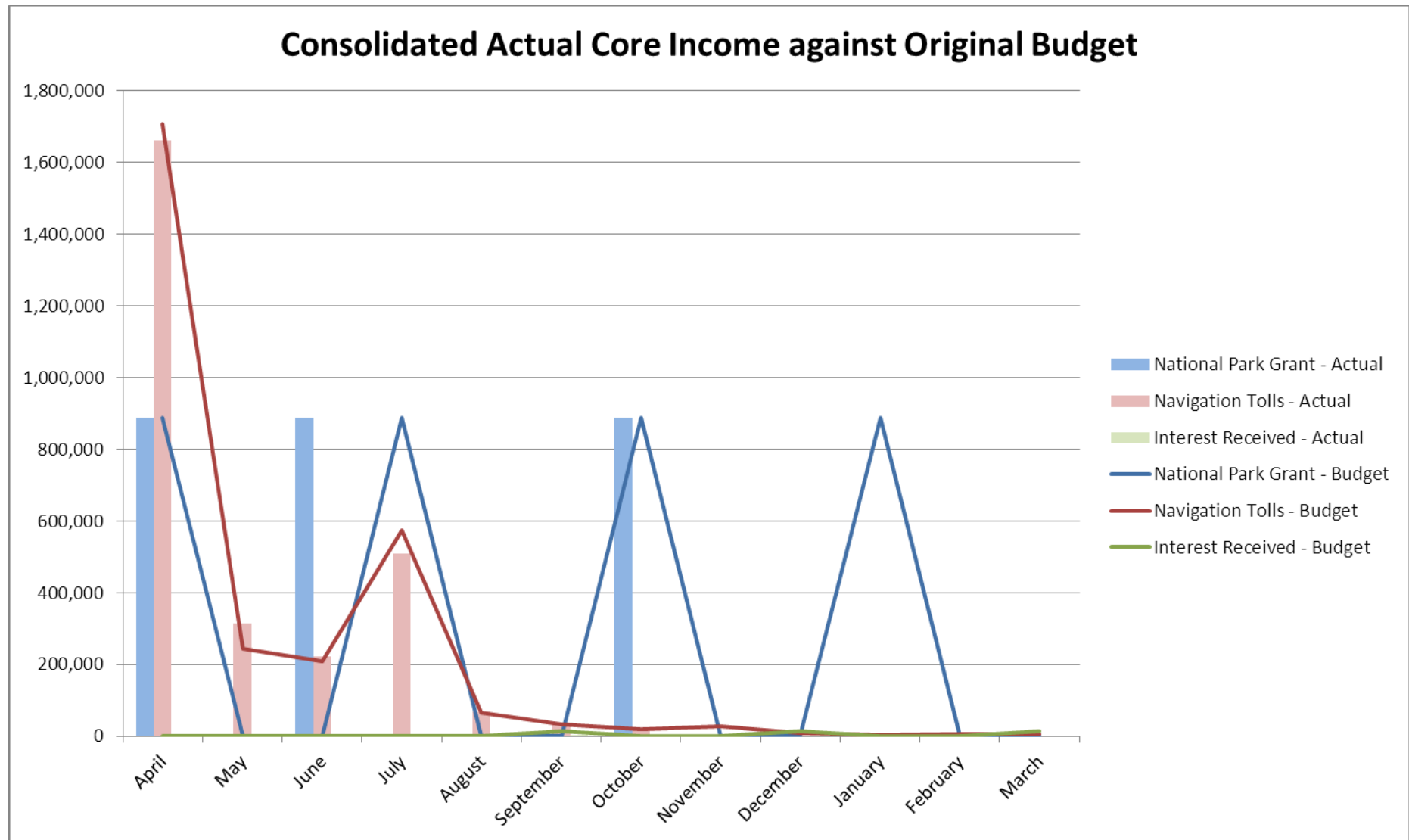
	Balance at 1 April 2013	In-year movements	Current reserve balance
	£	£	£
Property	(502,174)	(61,000)	(563,174)
Plant, Vessels and Equipment	(288,696)	45,342	(243,354)
Premises	(108,556)	(14,060)	(122,616)
Planning Delivery Grant	(504,241)	9,202	(495,040)
Sustainable Development Fund	(64,644)	(13,518)	(78,162)
Mobile Phone Upgrade	(14,919)	628	(14,291)
Upper Thurne Enhancement	(81,116)	0	(81,116)
Section 106	(8,426)	0	(8,426)
STEP	(65,720)	91,934	26,215
PRISMA	(210,246)	90,088	(120,158)
Total	(1,848,739)	148,617	(1,700,122)

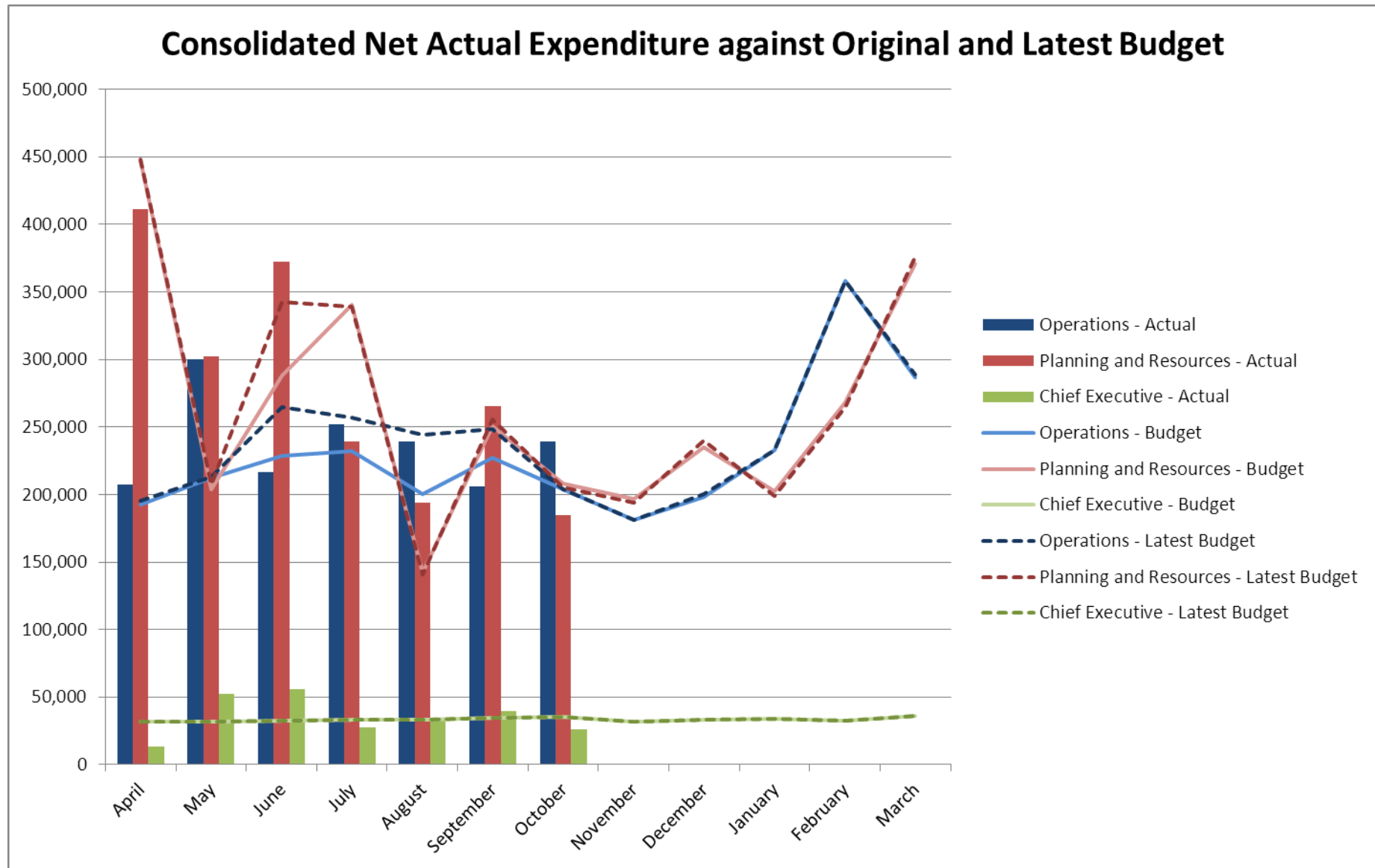
3.22 £820,949 of the current reserve balance relates to navigation reserves.

Summary

3.23 The current forecast outturn position for the year suggests a surplus of £65,928 for the national park side and a deficit of £102,128 on navigation resulting in an overall deficit of £36,201 within the consolidated budget, which would indicate a general fund reserve balance of approximately £671,000 and a navigation reserve balance of approximately £252,000 at the end of 2013/14. Although this is slightly below the recommended level of 10% of net expenditure for the navigation reserve balance, when taken alongside the significant earmarked reserve balances it is considered to be adequate in the short to medium term. The impact of both the national park and navigation reserve balances are being taken into account when preparing the budget and medium term financial strategy.

Background Papers:	None
Authors:	Titus Adam / John Packman
Date of Report:	20 December 2013
Broads Plan Objectives:	None
Appendices:	APPENDIX 1 – Consolidated Actual Income and Expenditure Charts to 31 October 2013 APPENDIX 2 – Financial Monitor: Consolidated Income and Expenditure 2013/14





To 31 October 2013

Budget Holder

(All)

Row Labels	Values				
	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Income	(6,498,931)		(6,498,931)	(6,457,107)	(41,824)
National Park Grant	(3,547,447)		(3,547,447)	(3,547,447)	0
Income	(3,547,447)		(3,547,447)	(3,547,447)	0
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	(45,000)		(45,000)	(25,000)	(20,000)
Income	(45,000)		(45,000)	(25,000)	(20,000)
Operations	2,721,085	134,145	2,855,230	2,830,825	24,405
Construction and Maintenance Salaries	1,056,460		1,056,460	1,056,460	0
Salaries	1,056,460		1,056,460	1,056,460	0
Expenditure			0		0
Equipment, Vehicles & Vessels	333,000	150	333,150	329,150	4,000
Income	(1,000)		(1,000)	(5,000)	4,000
Expenditure	334,000	150	334,150	334,150	0
Water Management	96,000	3,527	99,527	119,122	(19,595)
Income	0		0	(19,000)	19,000
Expenditure	96,000	3,527	99,527	138,122	(38,595)
Land Management	(44,500)	7,468	(37,032)	(26,032)	(11,000)
Income	(135,000)		(135,000)	(131,000)	(4,000)
Expenditure	90,500	7,468	97,968	104,968	(7,000)
Practical Maintenance	287,200	123,000	410,200	350,200	60,000
Income	(2,000)		(2,000)	(20,000)	18,000
Expenditure	289,200	123,000	412,200	370,200	42,000
Ranger Services	618,620	35,000	653,620	641,620	12,000
Income	(61,500)		(61,500)	(61,500)	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Salaries	533,120	35,000	568,120	568,120	0
Expenditure	147,000		147,000	135,000	12,000
Pension Payments			0		0
Safety	99,440	(35,000)	64,440	76,440	(12,000)
Income	(5,000)		(5,000)	(5,000)	0
Salaries	70,440	(35,000)	35,440	50,440	(15,000)
Expenditure	34,000		34,000	31,000	3,000
Asset Management	90,940		90,940	101,940	(11,000)
Income	(9,000)		(9,000)	(1,000)	(8,000)
Salaries	32,440		32,440	36,440	(4,000)
Expenditure	67,500		67,500	66,500	1,000
Volunteers	53,440	8,000	61,440	59,440	2,000
Income	(1,000)		(1,000)	(1,000)	0
Salaries	32,440	8,000	40,440	40,440	0
Expenditure	22,000		22,000	20,000	2,000
Operations Management and Administration	130,485	(8,000)	122,485	122,485	0
Income			0		0
Salaries	118,085	(8,000)	110,085	110,085	0
Expenditure	12,400		12,400	12,400	0
Planning and Resources	3,153,616	58,180	3,211,796	3,145,984	65,812
Development Management	194,770		194,770	214,770	(20,000)
Income	(85,000)		(85,000)	(65,000)	(20,000)
Salaries	252,270		252,270	252,270	0
Expenditure	27,500		27,500	27,500	0
Pension Payments			0		0
Strategy and Projects Salaries	224,410	50,849	275,259	270,559	4,700
Income	(3,500)		(3,500)	(3,500)	0
Salaries	217,910	50,849	268,759	264,059	4,700
Expenditure	10,000		10,000	10,000	0
Biodiversity Strategy	60,000		60,000	27,100	32,900
Income	0		0	(32,900)	32,900
Expenditure	60,000		60,000	60,000	0
Strategy and Projects	75,540		75,540	107,540	(32,000)
Salaries	35,540		35,540	46,540	(11,000)
Expenditure	40,000		40,000	61,000	(21,000)

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Waterways and Recreation Strategy	95,300		95,300	95,300	0
Salaries	80,300		80,300	80,300	0
Expenditure	15,000		15,000	15,000	0
Project Funding	255,056	7,331	262,387	262,387	0
Income	(19,000)		(19,000)	(19,000)	0
Salaries	44,030		44,030	44,030	0
Expenditure	230,026	7,331	237,357	237,357	0
Pension Payments			0		0
SDF	150,000		150,000	150,000	0
Expenditure	150,000		150,000	150,000	0
Finance and Insurance	329,060		329,060	329,060	0
Salaries	129,060		129,060	129,060	0
Expenditure	200,000		200,000	200,000	0
Communications	335,510		335,510	336,760	(1,250)
Income			0		0
Salaries	245,510		245,510	246,760	(1,250)
Expenditure	90,000		90,000	90,000	0
Visitor Centres and Yacht Stations	241,800		241,800	256,478	(14,678)
Income	(207,500)		(207,500)	(178,000)	(29,500)
Salaries	297,350		297,350	303,980	(6,630)
Expenditure	151,950		151,950	130,498	21,452
Collection of Tolls	108,500		108,500	108,500	0
Salaries	96,100		96,100	96,100	0
Expenditure	12,400		12,400	12,400	0
ICT	276,890		276,890	266,890	10,000
Salaries	156,290		156,290	146,290	10,000
Expenditure	120,600		120,600	120,600	0
Legal	102,500		102,500	102,500	0
Income			0		0
Expenditure	102,500		102,500	102,500	0
Premises	438,769	(4,000)	434,769	343,429	91,340
Income	(5,000)		(5,000)	(83,000)	78,000
Expenditure	443,769	(4,000)	439,769	426,429	13,340
Planning and Resources Management and Administration	265,510	4,000	269,510	274,710	(5,200)
Income	0		0	(7,800)	7,800

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Salaries	143,310		143,310	143,310	0
Expenditure	122,200	4,000	126,200	139,200	(13,000)
Chief Executive	400,217		400,217	411,057	(10,840)
Human Resources	128,560		128,560	139,400	(10,840)
Salaries	63,560		63,560	74,400	(10,840)
Expenditure	65,000		65,000	65,000	0
Governance	171,260		171,260	171,260	0
Income			0		0
Salaries	111,860		111,860	111,860	0
Expenditure	59,400		59,400	59,400	0
Chief Executive	100,397		100,397	100,397	0
Salaries	100,397		100,397	100,397	0
Expenditure			0		0
Projects and Corporate Items	105,440		105,440	105,440	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	73,000		73,000	73,000	0
Expenditure			0		0
Pension Payments	73,000		73,000	73,000	0
Contributions from Earmarked Reserves			0		0
Earmarked Reserves			0		0
Expenditure			0		0
Grand Total	(118,573)	192,325	73,752	36,200	37,552