

BROADS AUTHORITY
STATEMENT OF ACCOUNTS

2002/2003

BROADS AUTHORITY - STATEMENT OF ACCOUNTS 2002/2003

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Explanatory Foreword

1. The Broads Authority's accounts for the year 2002/03 are set out on pages 7 to 22. They consist of:-
 - The General Account covering income and expenditure on all functions other than navigation. This includes conservation, planning, information and interpretation and recreation.
 - The Navigation Account which shows income and expenditure for the navigation function. This includes the cost of dredging, weed clearance, maintenance of moorings, notice board and channel marking, removal of obstructions, policing and income from tolls collection.
 - The Consolidated Balance Sheet which sets out the financial position of the Authority as at 31 March 2003.
 - A Statement of Total Movement in Reserves.
 - A Cash Flow Statement which focuses on the flow of resources through the Authority between 31 March 2002 and 31 March 2003.
 - A Statement of Responsibilities for the Statement of Accounts.

These accounts are supported by the Statement of Accounting Policies, which follows this foreword, and various notes to the accounts.

2. This foreword provides a brief explanation of the financial aspects of the Authority's activities, and draws attention to the main characteristics of the Authority's financial position. The three statements below show in broad terms where the Authority's money comes from, what it is spent on and what functions it performs.
3. Where the money comes from

	<u>2001/2002</u>		<u>2002/2003</u>	
	£	%	£	%
DEFRA	1,808,446	37	2,007,328	36
Constituent Local Authorities	602,811	12	669,110	12
Tolls and Work Licences	1,325,077	27	1,435,100	26
Other Income	1,193,229	24	1,393,123	26
	<u>4,929,563</u>	<u>100</u>	<u>5,504,661</u>	<u>100</u>

2002/2003

The Constituent Authority grant is based on 25% of net expenditure as agreed by the Department for Environment, Food and Rural Affairs (DEFRA).

Other income includes sales and grants from supporting organisations.

4. What the money is spent on

	<u>2001/2002</u>		<u>2002/2003</u>	
	£	%	£	%
Employees	2,432,646	50	2,529,252	47
Running Expenses	2,355,815	49	2,796,906	52
Capital Financing Costs	52,716	1	5,800	1
	<u>4,841,177</u>	<u>100</u>	<u>5,331,958</u>	<u>100</u>
Contribution to /(from) Reserves	88,386		172,703	
	<u>4,929,563</u>		<u>5,504,661</u>	

2002/2003

47% of total expenditure is incurred on employee costs. Running expenses are incurred on broads restoration, dredging, weed clearance, projects, tourist information centres, maintenance of buildings and the operation of vehicles.

5. Expenditure by function

<u>GENERAL ACCOUNT</u>	<u>2001/2002</u>		<u>2002/2003</u>	
	£	%	£	%
Conservation of Natural Environment	842,728	17	1,075,855	20
Conservation of Cultural Heritage	83,484	2	65,585	1
Recreation Management	418,923	9	406,857	8
Promoting Understanding - Information, Interpretation & Education	729,133	15	536,589	10
Rangers, Estate Services & Volunteers	412,735	9	456,963	9
Development Control	126,901	3	125,960	2
Forward Planning	61,188	1	92,493	2
Corporate & Democratic Core	288,034	6	250,971	5
Training & Staff Development	26,664	1	30,266	1
Recharged Support Costs	450,154	9	579,260	11
<u>NAVIGATION ACCOUNT</u>				
Operations and River Works	1,141,301	23	1,420,826	26
Administration & Support Services	259,932	5	290,333	5
	<u>4,841,177</u>	<u>100</u>	<u>5,331,958</u>	<u>100</u>
Contribution to /(from) Reserves	88,386		172,703	
	<u>4,929,563</u>		<u>5,504,661</u>	

These figures exclude capital charges (Depreciation and Notional Interest).

6. Revenue Expenditure - General Account 2002/03

	<u>Approved Estimate</u> £	<u>Actual</u> £	<u>Difference</u> £
Gross Expenditure	3,742,128	3,620,799	(121,329)
<u>Income</u>			
DEFRA Grant	2,007,328	2,007,328	0
Constituent Authority Precepts	669,100	669,110	(10)
Interest on Balances	1,000	12,639	(11,639)
Other	1,180,700	1,195,280	(14,580)
Contribution from/(to) Reserves	<u>(116,000)</u>	<u>(263,558)</u>	<u>(147,558)</u>

Budget lines underspent will be carried forward to the next financial year subject to members approval. A budget of £3,867,500 has been adopted for 2003/04 and reserves on 31 March 2004 are estimated to be £137,600.

7. Revenue Expenditure - Navigation Account 2002/2003

	<u>Approved Estimate</u> £	<u>Actual</u> £	<u>Difference</u> £
Gross Expenditure	1,644,100	1,711,159	67,059
<u>Income</u>			
Tolls and Work Licences	1,424,800	1,435,100	(10,300)
Interest on Balances	24,000	26,579	(2,579)
Other	146,200	158,625	(12,425)
Contribution from/(to) Reserves	<u>49,100</u>	<u>90,855</u>	<u>41,755</u>

Budget lines underspent will be carried forward to the next financial year subject to members approval. A budget of £1,704,100 has been adopted for 2003/04 and reserves on 31 March 2004 are estimated to be £203,000.

8. Accounting Policies

The accounting policies adopted by the Authority comply with relevant recommended accounting practices. The Authority's policies are explained fully in the notes to the accounts set out from page 4 onwards.

9. Further Information

Further information about the accounts is available from the Finance Officer, 18 Colegate, Norwich NR3 1BQ. This is part of the Authority's policy of providing full information about its affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

The accounts have been audited and the Auditor's report is shown on pages 25 and 26.

Broads Authority

Statement of Accounting Policies

1. General

The accounts have been prepared in accordance with the recommendations issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also with guidance notes issued by CIPFA on the application of Statement of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs).

2. Fixed Assets

Fixed Assets aged over five years are revalued following broadly the principles stated in the Public Sector Statement of Recommended Accounting Practice (SORP). The Broads Authority adopted the following valuation and accounting treatment.

An independent valuation of the following assets as at 31 March 2000 was carried out by Mr T J Beeden, FRICS of Norfolk Property Services at:

- (a) Ranworth Tourist Information Centre;
- (b) Ludham Field Base; and
- (c) How Hill Estate.

These valuations are incorporated in the financial statements and have been used as 'beacon' figures to value other assets owned by the Broads Authority.

Operating assets are valued at the lesser of:-

- (a) net current replacement cost; and
- (b) net realisable value in existing use.

The difference between the revalued amount and the historic cost of fixed assets was credited to a Fixed Asset Restatement Reserve. There is therefore, no effect on the revenue account.

An impairment review has been undertaken. As at 31 March 2003 no assets belonging to the Authority were considered to be written down due to impairment. (See note 1 to the Consolidated Balance Sheet).

Land is recorded on the Balance Sheet at historic cost. Buildings have been depreciated over a fifty year period and are included on the Balance Sheet at their revalued amount less depreciation.

Vehicles are depreciated over a seven year period and are included on the Balance Sheet at their revalued amount less depreciation.

Fixtures and fittings are depreciated over a five year period and are included on the Balance Sheet at their revalued amount (or cost if aged less than five years) less depreciation.

Receipts below £5,000 arising from the sale of fixed assets are allocated to revenue.

The notional rates of interest used are 6% for those fixed assets included in the balance sheet at current value and for community assets.

3. Debtors and Creditors

The revenue accounts of the Authority are maintained on an accruals basis in accordance with the Code of Accounting Practice and adopted in accordance with FRS18. That is, sums due to or from the Authority during the year are included whether or not the cash has actually been received or paid in the year.

4. Stocks

Stock is included in the Balance Sheet at the lower of cost or net realisable value in accordance with SSAP9.

5. Capital Expenditure

For 2002/03 the Broads Authority had a borrowing approval of £Nil. Capital transactions are therefore, fully funded via the General and Navigation revenue accounts or reserves.

6. Provisions and Reserves

Fund balances are shown on page 18 of the accounts. The fixed asset restatement and capital financing reserves do not represent cash resources available for revenue purposes.

7. Investment Interest

Surplus revenue funds are invested with Broadland District Council and interest is credited to the General, Navigation and the fund accounts based on the average level of their balances.

8. Investments

Investments are shown in the Consolidated Balance Sheet at cost.

9. DEFRA and Constituent Authority Grants

Grants are essential to enable the Broads Authority to achieve its strategic aims and objectives as defined by the Norfolk and Suffolk Broads Act 1988.

The strategic aims and objectives are:-

- (a) to conserve and enhance the natural beauty of the Broads;
- (b) to promote the enjoyment of the Broads by the public;
- (c) to protect the interests of navigation.

Grants are credited to the Authority's Revenue Account and matched with related expenditure in accordance with SSAP4, i.e. when:-

- (a) conditions for receipt have been complied with;
- (b) there is reasonable assurance that the grant will be received.

Grants received from DEFRA and constituent authorities were collected before 31 March 2003.

10. Segmental Reporting

In accordance with the Norfolk and Suffolk Broads Act 1988 and SSAP25 the Broads Authority prepares separate General and Navigation Revenue Accounts.

11. Allocation of Costs

Salary, vehicle and other revenue costs are reallocated within the General Account to major projects that are grant aided partially or wholly by sources other than DEFRA and Constituent Authority grants. The method of allocation is kept as simple as possible and is either made on usage, such as number of hours spent on a project, or estimated on a percentage basis.

Recharges between the General and Navigation Accounts are made on a percentage basis of the service or goods consumed.

12. The Euro

An Economic and Monetary Union (EMU) came into being on 1 January 1999 and a new currency, the Euro, was introduced. However, the Government has agreed that the United Kingdom should not join at present.

Whilst it is recognised that membership of the Union would have implications for the Broads Authority, no significant resources have yet been devoted to dealing with the issue, nor has any assessment been made into the likely cost to the Broads Authority in the event of UK membership. At this stage a watching brief on developments is being maintained and advice issued nationally is being monitored.

13. Leasing

	<u>2002/2003</u>	<u>Future</u> <u>Commitments</u>
	£000	£000
Operating Leases - Vehicle Contract Hire	133	251
- Telephone Equipment	26	68
- Photocopiers	12	12
- Buildings	58	165
- Land	20	133

Some building and land operating leases have conditions which will require revisions in later years. These future commitments are stated above at current value.

14. Members Allowances

The total of members allowances paid in the year was £4,836.

15. Related Party Transactions

There were no material related party transactions notified during the year.

16. Contingent Liability

The Authority has made payments since 1998/99 totalling £30,080 for conservation management's agreements which fall within the European Union's definition of "State Aid" in relation to farming support. Advice received by the Authority is that these payments require retrospective approval from the EU and that the Department for Environment, Food and Rural Affairs has submitted an application to that effect. Should this approval not be forthcoming, this may result in a liability for the Authority to repay government funding it has received in support of these payments. It is not possible to at the date of these accounts to identify the expected timing of approval for these payments nor the likely outcome of the application.

Broads Authority
General Account - Revenue Account

<u>2001/2002</u> Net <u>Expenditure</u> £		<u>2002/2003</u> Gross <u>Expenditure</u> £	<u>Income</u> £	Net <u>Expenditure/</u> <u>(Income)</u> £
	A. CONSERVATION OF NATURAL ENVIRONMENT			
360,687	Employee/Vehicle Costs	400,262	45,721	354,541
108,066	Rivers and Broads	452,086	352,159	99,927
102,137	Fen and Carr Woodland	248,335	89,310	159,025
8,146	Drained Marshland	13,069	4,000	9,069
	B. CONSERVATION OF CULTURAL HERITAGE			
33,643	Employee/Vehicle Costs	35,085	0	35,085
2,048	Buildings	10,000	0	10,000
22,103	Enhancement Schemes	11,986	33,665	(21,679)
(6,000)	Landscape	10,209	7,390	2,819
	C. RECREATION MANAGEMENT			
250,990	Employee/Vehicle Costs	326,757	45,466	281,291
22,854	Public Rights of Way/Access	12,297	1,211	11,086
73,863	Visitor Management and Facilities	71,193	328	70,865
	D. PROMOTING UNDERSTANDING - INFORMATION, INTERPRETATION & EDUCATION			
208,920	Employee/Vehicle Costs	185,396	0	185,396
119,067	Visitor Centres	192,841	64,753	128,088
18,437	Study Centres	18,677	0	18,677
82,617	Information and Interpretation Services	136,009	113,166	22,843
(18,837)	Education Services	15,325	14,078	1,247
7,837	Tourism Promotion	18,395	3,000	15,395
	F. RANGERS, ESTATE SERVICES & VOLUNTEERS			
274,154	Employee/Vehicle Costs	349,465	0	349,465
936	Volunteers	1,302	0	1,302
(116,934)	New Deal - Norfolk	31,600	139,406	(107,806)
(26,003)	New Deal - Waveney	6,871	21,264	(14,393)
20,164	Ecolink	67,725	(1,178)	68,903
	G. DEVELOPMENT CONTROL			
91,594	Employee/Vehicle Costs	117,450	22,094	95,356
12,815	Development Control	8,510	0	8,510
	H. FORWARD PLANNING			
24,731	Employee/Vehicle Costs	66,488	22,094	44,394
9,837	Strategy Management	16,005	0	16,005
(18,681)	Local Studies/Plans	10,000	0	10,000
	I. CORPORATE AND DEMOCRATIC CORE			
202,681	Employee/Vehicle Costs	161,119	0	161,119
85,353	Democratic Core	89,852	0	89,852
	J. TRAINING & STAFF DEVELOPMENT			
26,664	Staff Training	30,266	5,018	25,248
	K. RECHARGED SUPPORT COSTS			
158,951	Employee/Vehicle Costs	169,587	0	169,587
152,773	Support Services	267,428	212,335	55,093
107,112	Office Accommodation	109,440	0	109,440
28,497	Central Recharges	34,424	0	34,424
<u>2,431,222</u>		<u>3,695,454</u>	<u>1,195,280</u>	<u>2,500,174</u>
(54,359)	Transfer to/(from) Asset Management Reserve Account - Note 4			(52,871)
(9,986)	Interest			(12,639)
<u>2,366,877</u>	Net Operating Expenditure - Balance c/f			<u>2,434,664</u>

Broads Authority
General Account - Revenue Account

<u>2001/2002</u>		<u>2002/2003</u>
<u>Net</u>		<u>Net Expenditure</u>
<u>Expenditure</u>		<u>£</u>
£		
2,366,877	Net Operating Expenditure - Balance b/f	2,434,664
	K. APPROPRIATIONS	
	Contributions to/(from) Capital Reserves	
(68,200)	- Minimum Revenue Provision - Depreciation	(21,784)
52,716	- Financing of Capital Expenditure	0
<u>2,351,393</u>		<u>2,412,880</u>
	Amount to be met from Grants and Precepts	
(1,808,446)	- DEFRA Grant - Note 1	(2,007,328)
<u>(602,811)</u>	- Precepts - Note 2	<u>(669,110)</u>
(59,864)	(Surplus)/Deficit for Year	(263,558)
(88,132)	Opening Balance	(147,996)
<u>(147,996)</u>	Closing Balance	<u>(411,554)</u>

Notes to the General Account - Revenue Account

1. DEFRA Grant

This grant is based on 75% of net expenditure as agreed by the Department for Environment, Food and Rural Affairs (DEFRA).

2. Constituent Authority Precepts

These grants in total are based on 25% of net expenditure as agreed by DEFRA.

	2001/2002	2002/2003
	£	£
Norfolk County Council	180,844	200,733
Broadland District Council	60,281	66,911
Great Yarmouth Borough Council	60,281	66,911
North Norfolk District Council	60,281	66,911
Norwich City Council	60,281	66,911
South Norfolk District Council	60,281	66,911
Suffolk County Council	60,281	66,911
Waveney District Council	60,281	66,911
	<u>602,811</u>	<u>669,110</u>

3. Staff Remuneration

The remuneration of staff within the relevant bands was as follows:-

£	<u>2001/02</u>	<u>2002/03</u>
	Number of Staff	Number of Staff
40,000 – 49,999	1	1
50,000 – 59,999	1	0
60,000 – 69,999	0	1
70,000 – 79,999	1	0

4. Asset Management Reserve Account

The following notional interest on fixed assets was charged during 2002/03:-

	£
Conservation of Natural Environment	26,582
Conservation of Cultural Heritage	1,695
Recreation Management	3,390
Promoting Understanding, Information, Interpretation & Education	21,204
Total	<u>52,871</u>

Broads Authority
Navigation Account - Revenue Account

<u>2001/2002</u>		<u>2002/2003</u>
£	Expenditure	£
	A. OPERATIONS	
549,418	Employees	621,547
181,809	Other Costs	314,042
22,846	Supplies and Services	18,872
457,822	River Works/Management	519,637
	B. ADMINISTRATION AND SUPPORT SERVICES	
60,241	Employees	82,127
22,666	Supplies and Services	15,852
11,328	Support/Promotion	13,527
150,638	Central Support Services	160,614
15,059	Legal and Professional	18,213
<u>1,471,827</u>		<u>1,764,431</u>
	Transfer to/(from) Asset	
(22,641)	Management Reserve Account – Note 1	(20,877)
<u>(23,539)</u>	Interest	<u>(26,579)</u>
1,425,647	Net Operating Expenditure	1,716,975
	APPROPRIATIONS	
	Contributions to/(from) Capital Reserves	
(47,953)	- Minimum Revenue Provision - Depreciation	(38,195)
<u>0</u>	- Financing of Capital Expenditure	<u>5,800</u>
<u>1,377,694</u>		<u>1,684,580</u>
	Income	
(7,602)	- Commercial Tolls)	0
(641,270)	- Pleasure Craft - Hire)	(667,484)
(657,062)	- Pleasure Craft - Private) Note 2	(745,104)
(19,143)	- Short Visits)	(22,167)
(480)	- Works Licences)	(345)
<u>(80,659)</u>	- Other)	<u>(158,625)</u>
<u>(1,406,216)</u>	Total Income	<u>1,593,725</u>
(28,522)	(Surplus)/Deficit for year	90,855
<u>(257,960)</u>	Opening Balance	<u>(286,482)</u>
<u>(286,482)</u>	Closing Balance	<u>(195,627)</u>

Notes to the Navigation Account - Revenue Account

1. Asset Management Reserve Account

The following notional interest on fixed assets was charged during 2002/03:-

	£
Operations - Other Costs	16,576
- River Works & Management	4,301
Total	<u>20,877</u>

2. Income

The major element of income relates to pleasure craft tolls. For any craft using the rivers and broads within the Authority's Executive Area a toll is payable based on the dimensions of the vessel. Commercial tolls are received from large ships using the Broads waterways. Work licences are payable if navigation of the Broads waterways is to be restricted by the work to be performed.

**Broads Authority
Consolidated Balance Sheet**

<u>As at</u> <u>31.03.02</u> £			£	<u>As at</u> <u>31.03.03</u> £
	<u>Fixed Assets</u>			
614,180	Land and Buildings - Operational Assets	Note 1	607,720	
333,544	Land and Buildings - Community Assets	Note 1	333,544	
333,985	Vehicles and Vessels	Note 1	287,885	
1,619	Computer and Other Equipment	Note 1	<u>0</u>	
<u>1,283,328</u>				1,229,149
46,405	Long Term Debtors	Note 2		35,260
	<u>Current Assets</u>			
94,681	Stock		80,722	
327,705	Debtors	Note 3	300,405	
300,000	Investments	Note 4	1,100,000	
734,874	Cash at Bank		248,851	
1,620	Cash in Hand		<u>1,600</u>	
<u>1,458,880</u>			<u>1,731,578</u>	
	<u>Current Liabilities</u>			
<u>870,785</u>	Creditors	Note 5	<u>863,221</u>	
<u>588,095</u>	Net Current Assets			<u>868,357</u>
<u>1,917,828</u>				<u>2,132,766</u>
	<u>Represented by:-</u>			
1,314,446	Fixed Asset Restatement Reserve	Note 7		1,317,283
(31,118)	Capital Financing Reserve	Note 7		(88,134)
200,022	Other Reserves	Note 7		296,436
	<u>Fund Balances</u>			
<u>434,478</u>	Revenue Account			<u>607,181</u>
<u>1,917,828</u>				<u>2,132,766</u>

Treasurer and Financial Adviser's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Broads Authority at 31 March 2003 and its income and expenditure for the year ended 31 March 2003.

John Duvall (Treasurer and Financial Adviser)

Date

Chairman's Statement

I confirm that these accounts were approved by The Broads Authority's Strategy and Resources Committee at the meeting held on 29 September 2003.

Signed on behalf of The Broads Authority:

Chair of meeting approving the accounts.....
Professor R K Turner

Date.....

Notes to the Consolidated Balance Sheet

1. Fixed Assets

	<u>Land and Buildings</u>				
	<u>Operational</u>	<u>Community</u>	<u>Vehicles</u>	<u>Computer</u>	<u>Total</u>
	<u>Assets</u>	<u>Assets</u>	<u>and</u>	<u>and Other</u>	
	£	£	Vessels	Equipment	£
Certified valuation at 31.3.2001	646,914	333,544	578,935	41,157	1,600,550
Accumulated depreciation and impairment	(32,734)	0	(244,950)	(39,538)	(317,222)
Net book value of assets at 31.3.2002	614,180	333,544	333,985	1,619	1,283,328
Movement in 2002/03:					
Additions	0	0	5,800	0	5,800
Disposals	0	0	0	0	0
Depreciation	(6,460)	0	(54,737)	(1,619)	(62,816)
Valuation Adjustment	0	0	2,837	0	2,837
Net book value of assets at 31.3.2003	607,720	333,544	287,885	0	1,229,149

In accordance with FRS15, Fixed Assets are reviewed annually for significant impairment. During 2002/03 there has not been:-

- a significant decline in a fixed asset's market value;
- evidence of obsolescence or physical damage to a fixed asset;
- a significant adverse change in the statutory or other regulatory environment in which the Authority operates;
- a commitment by the Authority to undertake a significant reorganisation that will affect the value of Fixed Assets.

2. Long Term Debtors

<u>2001/2002</u>		<u>2002/2003</u>
£		£
29,189	Loans to Employees	19,287
17,216	Initial vehicle rental paid in advance	15,973
<u>46,405</u>		<u>35,260</u>

3. Debtors due within 1 year

<u>2001/2002</u>		<u>2002/2003</u>
£		£
299,946	Sundry debtors and prepayments	277,278
16,872	Loans to employees	15,673
10,887	Initial vehicle rental paid in advance	7,454
<u>327,705</u>		<u>300,405</u>

Consideration has been given for bad and doubtful debts but it is felt that due to the system in operation bad debts will be very small and thus no provision is required.

4. Investments

Surplus revenue funds are invested with Broadland District Council and are shown in the Balance Sheet at cost.

5. Creditors

2001/2002		2002/2003	
£		£	
208,481	Creditors and accruals	249,652	
662,304	Tolls received in advance	613,569	
<hr/>		<hr/>	
870,785		863,221	
<hr/>		<hr/>	

6. Pensions and Retirement Benefits

The Broads Authority's staff pension scheme is a defined benefit scheme administered by Norfolk County Council. In 2002/03 the Authority paid an employer's contribution of £217,262 into the Superannuation Fund representing 11.7% of superannuable employee's reckonable pay.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last full review was carried out on 1 April 2001, being effective from 1 April 2002. Under Superannuation Fund Regulations contribution rates are set to meet the overall liabilities of the Fund.

In addition the Broads Authority is responsible for all pension payments relating to added years benefits it has awarded, together with lump sums, compensation payments and related increases. In 2002/03 these amounted to £9,264.

The Broads Authority makes discretionary pension payments which totalled £152 during 2002/03.

An actuarial valuation as at 31 March 2003 was made by Hymans Robertson (actuaries to the Norfolk County Council Pension Fund) for the purpose of the disclosure requirements required by Financial Reporting Standard (FRS) 17 – Retirement Benefits and the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting. Their calculations were carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits, under FRS17 issued by the Institute and Faculty of Actuaries.

The following table shows the actuaries calculations and assumptions made for the year ended 31 March 2003 and shows a Net Pension Asset for the Broads Authority at 31 March 2003 as a liability of £1,701,000:-

Retirement Benefits
Balance Sheet disclosure as at 31 March 2003

Assumptions as at		31 March 2003	31 March 2002
		% per annum	% per annum
Price increases		2.5%	2.8%
Salary increases		4.5%	4.8%
Pension increases		2.5%	2.8%
Discount rate		6.1%	6.4%
Assets (Whole Fund)	Long Term Return	Fund Value at	Expected Return
	% per annum	31 March 2002	
		%	£(000) per annum
Equities	8.0%	63.5%	46,420
Bonds	4.8%	22.7%	9,940
Property	6.0%	12.5%	6,850
Cash	4.0%	1.3%	490
Total	7.0%	100.0%	63,700
Net Pension Asset as at		31 March 2003	31 March 2002
		£000	£000
Estimated Employer Assets (A)		4,885	5,821
Present Value of Scheme Liabilities		6,444	5,946
Present Value of Unfunded Liabilities		143	17
Total Value of Liabilities (B)		6,586	5,963
Net Pension Asset (A) – (B)		(1,701)	(142)

Note that the assets shown above are for the whole Norfolk County Council Pension Fund but the net pension asset is for the Broads Authority.

Movement in Surplus/Deficit During the Year

	Year to
	31 March 2003
	£(000)
Surplus/(deficit) at beginning of the year	(142)
Current Service Cost	(241)
Employer contributions	218
Other income	-
Other outgo (e.g. expenses, etc)	-
Past service costs	-
Impact of settlements and curtailments	-
Net return on assets	24
Actuarial gains/(losses)	(1,559)
Surplus/(deficit) at end of year	(1,701)

History of Experience Gains and Losses

	Year to 31 March 2003 £(000)
Difference between the expected and actual return on assets	(1,474)
Value of assets	4,885
Percentage of assets	(30.2%)
Experience gains/(losses) on liabilities	(86)
Present value of liabilities	6,444
Percentage of the present value of liabilities	(1.3%)

The pension fund is a long term commitment and this will be reflected in the approach taken and the assumptions used in this actuarial valuation. To smooth out some of the volatility, the actuary will normally consider average market conditions in the 12 months leading up to the report.

FRS17 is an accounting standard, which details what pension fund information needs to be included in the accounts. The method of doing these calculations is prescribed, as are some of the assumptions. No smoothing is allowed so that these figures reflect the position of the Fund only on one particular day (in this case 31 March 2003) based on a prescribed set of assumptions.

The difference in smoothing means that the relationship between assets and liabilities in the FRS17 basis is much more volatile than the triennial valuation. In simple terms, I would expect the FRS17 surplus or deficit to “jump around” much more than the triennial valuation.

Inevitably, FRS17 will produce different results from the above actuarial valuation. In particular, the surplus, or deficit, is likely to be different from that published in the triennial valuation. FRS17 valuations do not determine the contributions that employers need to pay into the fund. Actual contribution rates are set by a triennial valuation.

Further information regarding pensions and retirement benefits can be found in Norfolk County Council's Superannuation Fund's Annual Report which is available upon request from the Pension Services Manager, ITEX, County Hall, Martineau Lane, Norwich NR1 2DW.

7. Reserves

	<u>Fixed Asset Restatement Reserve</u>	<u>Capital Financing Reserve</u>	<u>Vessel Replacement Reserve</u>	<u>Mutford Lock Endowment Fund</u>	<u>Computer Replacement Fund</u>	<u>Navigation Staff Fund</u>	<u>Work Barge Fund</u>	<u>Total Reserve Movements</u>
	£	£	£	£	£	£	£	£
Balance as at 1.4.02	1,314,446	(31,118)	90,081	108,775	1,134	30	0	1,483,348
Interest Received	0	0	2,561	3,019	0	0	0	5,580
Fixed Asset Additions	0	5,800	0	0	0	0	0	5,800
Revaluation of Fixed Assets	2,837	0	0	0	0	0	0	2,837
Contribution from revenue account	0	0	30,000	12,000	0	0	50,000	92,000
Contribution to revenue account	0	0	0	0	(1,134)	(30)	0	(1,164)
Depreciation	0	(62,816)	0	0	0	0	0	(62,816)
							0	
Balance as at 31.3.03	1,317,283	(88,134)	122,642	123,794	0	0	50,000	1,525,585

Broads Authority
Statement of Total Movement in Reserves

	Capital Reserves		Revenue Reserves		
	<u>Fixed Asset Restatement Reserve</u> £	<u>Capital Financing Reserve</u> £	<u>General A/C</u> £	<u>Navigation A/C</u> £	<u>Specific Reserves</u> £
Balance at 1.4.02	(1,314,446)	31,118	(147,996)	(286,482)	(200,020)
Net (surplus)/ deficit for year	(2,837)	57,016	(263,558)	90,855	(96,416)
Balance as at 31.3.03	<u>(1,317,283)</u>	<u>88,134</u>	<u>(411,554)</u>	<u>(195,627)</u>	<u>(296,436)</u>

Broads Authority
Cash Flow Statement for the Year Ended 31 March 2003

<u>2001/2002</u> £		£	<u>2002/2003</u>
	Revenue Activities		
	<u>Cash Outflows</u>		
2,433,039	Employees	2,521,602	
<u>2,292,810</u>	Other Operating Cash Payments	<u>2,749,426</u>	5,271,028
4,725,849			
	<u>Cash Inflows</u>		
(1,808,446)	DEFRA Grant	(2,007,328)	
(602,811)	Precepts	(669,110)	
(1,369,302)	Tolls and Work Licences	(1,386,365)	
	Other Operating Cash Receipts	(1,498,721)	
<u>(1,319,194)</u>			
<u>(5,099,753)</u>			<u>(5,561,524)</u>
(373,904)	Net Cash Outflow/(Inflow) from Revenue Activities (Note 1)		(290,496)
0	Interest Paid		0
<u>(37,771)</u>	Interest Received		<u>(29,261)</u>
(411,675)			(319,757)
	Capital Activities		
	<u>Cash Outflow</u>		
<u>52,716</u>	Purchase of Fixed Assets		<u>5,800</u>
(358,959)	Net Cash Outflow Before Financing		(313,957)
	Managing of Liquid Resources		
(100,000)	Net Increase/(Decrease) in Short Term Deposits (Note 2)		800,000
<u>(458,959)</u>	Net (Increase)/Decrease in Cash (Note 2)		<u>486,043</u>

Notes to the Cash Flow Statement

1. Reconciliation Between Surplus/Deficits and Net Cashflow From Revenue Activities

<u>2001/2002</u>		<u>2002/2003</u>
£		£
(59,864)	(Surplus)/Deficit - General Account	(263,558)
<u>(28,522)</u>	(Surplus)/Deficit - Navigation Account	<u>90,855</u>
(88,386)		(172,703)
37,771	Interest Received	29,263
(31,688)	(Decrease)/Increase in Stocks	(13,959)
(222,112)	(Decrease)/Increase in Debtors	(38,445)
(75,149)	Decrease/(Increase) in Creditors	7,564
95,964	Contributions from Reserves	1,164
(37,588)	Contributions to Reserves	(97,580)
<u>(52,716)</u>	Purchase of Fixed Assets	<u>(5,800)</u>
<u><u>(373,904)</u></u>	Net Cash (Inflow)/Outflow from Revenue Activities	<u><u>(290,496)</u></u>

2. Analysis of Cash and Investments

	31 March 2002 £	31 March 2003 £	Movement £
Cash in Hand	736,494	250,451	(486,043)
Investments	<u>300,000</u>	<u>1,100,000</u>	<u>800,000</u>
	<u><u>1,036,494</u></u>	<u><u>1,350,451</u></u>	<u><u>313,957</u></u>

Broads Authority

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to :-

- (a) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer and Financial Adviser.
- (b) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (c) approve the statement of accounts.

The Treasurer and Financial Adviser's Responsibilities

The Treasurer and Financial Adviser is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').

In preparing this Statement of Accounts, the Treasurer and Financial Adviser has:-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Treasurer and Financial Adviser has also:-

- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Treasurer and Financial Adviser should sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at 31 March 2003 and its income and expenditure for the year ended 31 March 2003.

Broads Authority

Statement of Internal Financial Control

This statement is given in respect of the statement of accounts for the Broads Authority. We acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The objective of internal control is the safety of assets, making sure that management policies are adhered to and ensuring that the Authority is run in an orderly and efficient manner.

At the Broads Authority internal control is the responsibility of the Management Team and the Treasurer and Financial Adviser. This includes:-

- segregation of duties between initiation and the recording of transactions and the custody of assets;
- organisational controls with clear lines of responsibility;
- authorisation, approval and acknowledgement controls;
- physical controls such as the security of assets and restriction of access;
- supervisory controls;
- personnel controls such as training and recruitment;
- arithmetical and accounting controls such as controls accounts, trial balance and reconciliations;
- management controls such as variance analysis and internal audit.

The internal controls in place at the Broads Authority are deemed appropriate for the organisation's size and contributes to minimising the level of risk. The internal auditors are an external and independent organisation that undertakes audit work on behalf of and reports directly to the Authority's Treasurer and Financial Adviser in association with the Director of Corporate Services. For the financial year to 31 March 2003 the Broads Authority's internal auditors were PS Audit Services Limited. Their 3 year contract was terminated on 31 March 2003 and a new internal audit contract was awarded to ACIT Services Limited on 1 April 2003.

During the financial year to 31 March 2003 the internal auditors undertook a review of the systems and internal controls in key areas as directed and agreed jointly, by the Treasurer and Financial Adviser and the Director of Corporate Services. Their key results and recommendations were reported to the Treasurer and Financial Adviser, the Director of Corporate Services and the members of the Strategy and Resources Committee.

The effectiveness of the system of internal control is made by the Authority's Management Team and the Treasurer and Financial Adviser. They are informed by:-

- the work of officers within the Authority;
- the work of the internal auditors;
- the external auditors (The Audit Commission) in their annual report.

Any reported weaknesses in internal control are assessed by the Authority's Management Team and Treasurer and Financial Adviser. Either corrective action is taken or an explanation is given to explain why corrective action is not considered necessary.

.....
John Duvall (Treasurer and Financial Adviser)

Date

.....
John Packman (Chief Executive)

Date.....

Independent Auditor's Report to the Broads Authority

I have audited the financial statements on pages 7 to 21 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 4 to 6.

This report is made solely to the Broads Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditor

As described on page 22 the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority and its income and expenditure for the year.

I review whether the statement on pages 23 and 24 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. I report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the Authority's system of internal financial control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

