

**Statement of Accounts 2016/17**  
Report by Chief Financial Officer

|                        |   |
|------------------------|---|
| <b>Summary:</b>        | This report summarises the Broads Authority's Statement of Accounts for the year ended 31 March 2017.   |
| <b>Recommendation:</b> | That the Statement of Accounts for 2016/17 be recommended to the Broads Authority for approval, subject to any amendments suggested by the Committee. |

**1 Introduction**

- 1.1 Members will recall that the Financial Performance and Direction report to the Authority on 19 May 2017 provided the draft year end figures for 2016/17 which detailed a deficit of £2,341. These figures were then used to produce the Statement of Accounts.
- 1.2 There have been no subsequent changes to these figures and the draft Statement of Accounts was signed on 31 May 2017. Ernst and Young (external audit) then undertook their onsite work between 5 and 16 June 2017. Their Annual Audit Results Report is the next item on this agenda. Appended to this report is the Statement of Accounts for 2016/17 (excluding the Annual Governance Statement, under agenda item 6).

**2 Changes to the 2016/17 Accounts**

- 2.1 This year sees the introduction of the Expenditure and Funding Analysis under IAS 1, which can be found on page 13 of the Statement of Accounts. The introduction of this statement is to help users understand how the Authority is funded and how resources are allocated across the Directorates. In addition the Comprehensive Income and Expenditure Statement now reflects the internal reporting structure against Directorates; this is a change to previous years where this was reported against CIPFA SeRCOP (Service Reporting Code of Practice). As a result this has meant the 2015/16 Comprehensive Income and Expenditure Statement has been restated.
- 2.2 The departure from the SeRCOP will make future comparisons against other National Parks slightly more labour intensive, however the Authority has retained the ability to reproduce the Accounts in this format if required.
- 2.3 The introduction of the Expenditure and Funding analysis has meant that amounts reported for resource allocation decisions is no longer included

(previously note 22 in the 2015/16 Accounts). However this note has been reproduced below to help members understand the additional adjustments made at year end.

| <b>Income and Expenditure 2016/17</b> | <b>Operations<br/>£</b> | <b>Planning &amp; Resources<br/>£</b> | <b>Chief Executive<br/>£</b> | <b>Corporate Amounts<br/>£</b> | <b>Total<br/>£</b> |
|---------------------------------------|-------------------------|---------------------------------------|------------------------------|--------------------------------|--------------------|
| Fees charges and other service income | (228,441)               | (779,160)                             | (8,706)                      | (3,111,791)                    | (4,128,097)        |
| Contribution from reserves            | 0                       | 0                                     | 0                            | (417,313)                      | (417,313)          |
| Government Grants                     | 0                       | 0                                     | 0                            | (3,243,802)                    | (3,243,802)        |
| <b>Total Income</b>                   | <b>(228,441)</b>        | <b>(779,160)</b>                      | <b>(8,706)</b>               | <b>(6,772,906)</b>             | <b>(7,789,212)</b> |
| Employee expenses                     | 1,920,661               | 1,771,709                             | 272,127                      | 150,203                        | 4,114,700          |
| Other service expenses                | 1,789,947               | 1,697,790                             | 189,116                      | 0                              | 3,676,854          |
| <b>Total expenditure</b>              | <b>3,710,608</b>        | <b>3,469,499</b>                      | <b>461,243</b>               | <b>150,203</b>                 | <b>7,791,553</b>   |
| <b>Net expenditure</b>                | <b>3,482,167</b>        | <b>2,690,339</b>                      | <b>452,537</b>               | <b>(6,622,703)</b>             | <b>2,341</b>       |

|   |                  |
|---|------------------|
| 1. Net expenditure above  | 2,341            |
| 2. Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis | 781,685          |
| 3. Amounts included in analysis not in Comprehensive Income and Expenditure Statement                       | 2,775,092        |
| <b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>                               | <b>3,559,119</b> |

- 2.4 Items that are included in the amounts in the second line under Comprehensive Income and Expenditure Statement which are not reported to management include year end adjustments for the Pension scheme. The Accounts are adjusted to reflect the difference between the actual costs as assessed by the actuary and the contributions paid over during the year. Further adjustments are also made for untaken staff leave, depreciation and movements on revaluations.
- 2.5 The main adjustments in the third line which is in the analysis above but not the Comprehensive Income and Expenditure Statement is the removal of the DEFRA grant, interest and investment income, interest payable and expenditure in relation to investment properties. These items are added back in the lines under the cost of services. Further adjustments relate to the

accounting treatment of capital expenditure, reserve expenditure and finance leases.

- 2.6 The table below analyses these adjustments in more detail and agrees back to the Comprehensive Income and Expenditure Statement on page 14 in the Statement of Accounts.

|  | Service Analysis<br>£ | Not reported to<br>Management<br>£ | Not included in CIES<br>£ | Cost of Services<br>£ | Other Operating<br>Expenditure, Financing<br>& Investment Income<br>and Government grant<br>£ | Deficit on Provision of<br>Services<br>£ |
|--|-----------------------|------------------------------------|---------------------------|-----------------------|---|--|
| Fees, charges and other service income           | (4,113,326)           | 0                                  | 0                         | (4,113,326)           | 0   | (4,113,326)                              |
| Interest and Investment income                   | (14,771)              | 0                                  | 14,771                    | 0                     | (14,771)  | (14,771)                                 |
| Contributions from reserves                      | (417,313)             | 0                                  | (40,319)                  | (457,632)             | 0   | (457,632)                                |
| Government Grants                                | (3,243,802)           | 0                                  | 3,243,802                 | 0                     | (3,243,802)   | (3,243,802)                              |
| <b>Total Income</b>                              | <b>(7,789,212)</b>    | <b>0</b>                           | <b>3,218,254</b>          | <b>(4,570,958)</b>    | <b>(3,258,573)</b>  | <b>(7,829,531)</b>                       |
| Employee expenses                                | 4,114,700             | 159,193                            | 0                         | 4,273,893             | 187,000   | 4,460,893                                |
| Other service expenses                           | 3,676,854             | 0                                  | (443,161)                 | 3,233,692             | 0   | 3,233,692                                |
| Depreciation, amortisation & impairment          | 0                     | 622,492                            | 0                         | 622,492               | 0   | 622,492                                  |
| Interest payments                                | 0                     | 0                                  | 0                         | 0                     | 36,039  | 36,039                                   |
| Expenditure in relation to investment properties | 0                     | 0                                  | 0                         | 0                     | (13,435)  | (13,435)                                 |
| Loss on disposal of Fixed Assets                 | 0                     | 0                                  | 0                         | 0                     | 1,041   | 1,041                                    |
| <b>Total Operating Expenditure</b>               | <b>7,791,553</b>      | <b>781,685</b>                     | <b>(443,161)</b>          | <b>8,130,077</b>      | <b>210,645</b>  | <b>8,340,722</b>                         |
| <b>Deficit on Provision of Services</b>          | <b>2,341</b>          | <b>781,685</b>                     | <b>2,775,092</b>          | <b>3,559,119</b>      | <b>(3,047,928)</b>  | <b>511,191</b>                           |

### **3 Balance Sheet**

- 3.1 This year sees the Balance Sheet move to a net Liability position of £537,000. This is not the first time this has happened as the Broads Authority Balance Sheet had a net liability of £293,000 in 2015. The cause of this movement is due to the movement in the Pension Fund liability which has increased from £5.3m to £7.8m. These fluctuations are due to maintaining contributions at a consistent rate to minimise the impact on the Authority's cash flows. The Authority makes additional contributions to the fund to reduce the deficit over the next 20 years. Funding levels are monitored on an annual basis whilst the contributions and the annual deficit payments are recalculated as part of triennial valuation. The next valuation will take place on 31 March 2019. Additional information about the Pension Fund Assets and Liabilities can be found within the Statement of Accounts under Note 33.
- 3.2 The bottom section of the Balance Sheet on page 17 splits the reserves between useable and non useable reserves. The useable reserves can be used to fund future operating expenditure whilst the unusable reserves are kept to manage accounting processes such as unrealised gains or acquisitions of Fixed Assets and the movements on the Pension Reserve.
- 3.3 The closing position on the National Park (General), Navigation and Earmarked reserves remain at the same levels as reported on 19 May 2017. The individual balances that make up the Earmarked reserve can be found within the Statement of Accounts under note 10, page 37. The year end balances of the reserves are:
- National Park £1,041,796
  - Navigation £325,955
  - Earmarked £1,392,066 of which £589,915 relates to Navigation

### **4 Other Significant Issues**

- 4.1 There are no other significant issues arising from the preparation of the accounts which it is considered need to be drawn to the attention of the Committee.

### **5 Annual Governance Statement**

- 5.1 The Accounts and Audit (England) Regulations 2015 contain a requirement that an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control, must be approved by the relevant body and must accompany the Statement of Accounts. The draft Annual Governance Statement will be considered under agenda item number 6.

### **6 Audit of the Statement of Accounts**

- 6.1 The Authority's external auditors, Ernst & Young, have completed the audit and their Audit results can be found under agenda item number 10. The audit

timetable was set out in the Audit Plan presented at the last meeting of this Committee, 7 February 2017.

- 6.2 Upon completion of the outstanding items detailed in their report the audit report will be signed and incorporated into the Statement of Accounts.

## **7 Financial Implications**

- 7.1 The Statement of Accounts for 2016/17 shows revenue reserves of £1,367,751 (general reserves £1,041,796, navigation reserves £325,955) that are considered to be adequate. The navigation reserve at the end of 2016/17 stands at 10.5% of net expenditure. This is marginally higher than the Financial Strategy forecast for the end of 2016/17. With these taken alongside the significant earmarked reserve balances, the Authority's reserves are therefore considered to be sound. The outturn figures for 2016/17, and their implication for the overall level of reserves, will be taken into account in future budgeting proposals, and when making decisions about income and expenditure in 2017/18.

Background Papers: Nil

Author: Emma Krelle

Date of Report: 10 July 2017

Broads Plan Objectives: None

Appendices: APPENDIX 1: Statement of Accounts 2016/17 (excluding the Audit Report and Annual Governance Statement)

**BROADS AUTHORITY**

STATEMENT OF ACCOUNTS

2016/17

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Broads Authority Statement of Accounts  
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## **Narrative Report**

### Introduction

The purpose of the foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. It contains a commentary on the major influences affecting the Authority's income and expenditure and cash flow, and information on the financial needs and resources of the Authority.

### The Background to the Accounts 2016/17

The Statement of Accounts represents the financial transactions of The Broads Authority.

The Broads Authority was set up under the Norfolk and Suffolk Broads Act 1988.

Its duties, as subsequently amended by the Natural Environment and Rural Communities Act 2006, are to manage the Broads for the purpose of:

- conserving and enhancing the natural beauty, wildlife and cultural heritage of the Broads;
- promoting opportunities for the understanding and enjoyment of the special qualities of the Broads by the public; and
- protecting the interests of navigation.

This brought the first two purposes into line with those of the English National Park Authorities, as recommended in the Department for Environment, Food and Rural Affairs (Defra) report 'Review of English Park Authorities' published in July 2002.

In discharging its function, the Authority should have regard to:

- the national importance of the Broads as an area of natural beauty and one which affords opportunities for open air recreation;
- the desirability of protecting the natural resources of the Broads from damage; and
- the needs of agriculture and forestry and the economic and social interests of those who live and work in the Broads.

In respect of its navigation area the Authority is required to:

- maintain the navigation area for the purposes of navigation to such a standard as appears to it to be reasonably required; and
- take such steps to improve and develop it as it thinks fit.

The Broads Authority Act 2009 amended the 1988 Act and is primarily concerned with augmenting the Authority's powers to ensure safety on the Broads, including the application of the Boat Safety Scheme and compulsory third party insurance. It also made provision for the transfer of responsibility for the navigation in Breydon Water to the Authority which was implemented in 2012. The 2009 Act removed the need for the Authority to maintain a separate navigation account and contained provisions which require the Authority to ensure that, taking one year with another, expenditure on navigation matters is equal to navigation income.

### The Accounting Statements

The Broads Authority's accounts for the year 2016/17 are set out on pages 8 to 73. They consist of:

#### **Statement of Responsibilities for the Statement of Accounts**

#### **Statement of Corporate Governance**

**Expenditure and Funding Analysis** – This statement shows how annual expenditure is used and funded from resources (government grants and rents) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis is a note to the Financial Statements, however its position next to the Comprehensive Income and Expenditure Statement is to provide a link from the figures reported in the Review of the Year within the Narrative Report.

**Comprehensive Income & Expenditure Statement** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

**Movement in Reserves Statement** – This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable' reserves and 'other' reserves. The 'surplus / deficit on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. The 'net increase / decrease before transfers to earmarked reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

**Balance Sheet** – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. Reserves are reported in two categories. The first category of reserves are 'usable' reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement of Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

**Cash Flow Statement** – The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of tolls and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

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Broads Authority Statement of Accounts  
**Narrative Report**

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These accounts are supported by the Statement of Accounting Policies in Note 1, which follows the Accounting Statements, and various notes to the accounts.

The information included in these accounts incorporates spending relating to the Broads Navigation. The Navigation income and expenditure is separately accounted for in the records to ensure the proper control of income from toll payers and to ensure it is spent primarily to benefit the users of the navigation. Navigation income and expenditure is shown in full at note 37 on page 73.

#### Changes to the 2016/17 Accounts

This year sees the introduction of the Expenditure and Funding Analysis under IAS 1. The introduction of this statement is to help users understand how the Authority is funded and how resources are allocated across the Directorates. In addition the Comprehensive Income and Expenditure Statement now reflects the internal reporting structure against Directorates; this is a change to previous years where this was reported against CIPFA SeRCOP (Service Reporting Code of Practice). As a result this has meant the 2015/16 Comprehensive Income and Expenditure Statement has been restated.

#### Current Borrowing Facilities and Capital Borrowing

On 20 November 2007, the Authority took out a £290,000 loan from the Public Works Loan Board. The repayment period of the loan is 20 years at a fixed interest rate of 4.82%, repayable by equal instalments of principal. The Public Works Loan Board has advised that the fair value of the debt as at 31 March 2017 is £189,087.

The purpose of this loan was to finance the purchase of the Dockyard Operation from May Gurney to enable the Authority to continue to dredge the Broads in an economical and efficient manner.

#### Review of the Year

##### *General Income and Expenditure*

The Authority received National Park Grant of £3,244k from Defra (£3,189k in 2015/16). In addition to this, the income received from external grant support, sales, fees, charges and interest totalled £869k (£712k in 2015/16). Total income for 2016/17 was £4,113k (£3,901k in 2015/16).

The Authority set a budget for 2016/17 with a forecast deficit of £27k (£84k deficit for 2015/16). The Authority monitors its budget throughout the year against a forecast outturn which is updated on a monthly basis. The final forecast outturn for the year indicated an anticipated surplus of £50k. The actual outturn saw a deficit of £1k (an adverse variance of £51k). The Authority has a policy for carry forward requests in respect of underspends. These have been subsequently approved by the Authority for £22k (£26k for 2015/16) and will be added to the 2017/18 budget.

##### *Navigation Income and Expenditure*

Income from tolls was £3,075k (£2,986k in 2015/16), other income received for the year from external grant support, yacht stations charges, sales of tide tables, works licences and other miscellaneous services was £176k, (£159k in 2015/16) and interest was £7k (£11k in 2015/16). Total income for 2016/17 was £3,258k (£3,156k in 2015/16).

The Authority set a budget with a forecast surplus of £16k for 2016/17 (surplus of £56k for 2015/16). The Authority monitors its budget throughout the year against a forecast outturn

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Broads Authority Statement of Accounts  
**Narrative Report**

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which is updated on a monthly basis. The final forecast outturn for 2016/17, which took account of approved budget changes, indicated an anticipated deficit of £26k. The actual outturn saw a deficit of £1k (a favourable variance of £25k). The Authority has a policy for carry forward requests in respect of underspends. These have been subsequently approved by the Authority for £9k (£181 for 2015/16) and will be added to the 2017/18 budget

### Financial Outlook

The Authority received notification in January 2016 that its National Park Grant would be protected in real terms and received an increase of 1.72% per annum over the period 2016/17 to 2019/20. This is the first time since 2009/10 that the Authority has seen an increase to its National Park Grant. The settlement has meant that the Authority can now plan for this period with a higher degree of certainty.

Income from navigation tolls has continued to hold up reasonably well despite continued pressures on Hire Craft numbers. Despite the decline in Hire Craft, the Private Craft increase means that income is broadly in line with the projections made in the Authority's current Financial Strategy for the period up to 2020/21, which was adopted by the Broads Authority in January 2018.

The current Financial Strategy was drawn up having regard to the Authority's grant settlement and the priorities in the Broads Plan. It sets out a prudent strategy for managing the limited resources available in order to build on the work underway across the organisation and to continue to deliver the Authority's key priorities over the next three years. The focus in developing the Financial Strategy has been to deliver the maximum possible efficiencies and savings in order to minimise the impact on front-line activity. The Authority recognises that without its employees continued commitment and hard work this would not be possible. The Authority continues to focus on identifying opportunities to raise income, make efficiencies and find further savings.

2016/17 saw the continued focus on raising additional income through external funding. This was reflected in 3 of the 6 strategic priorities for the year (further details can be found at [http://www.broads-authority.gov.uk/\\_data/assets/pdf\\_file/0007/912832/Strategic-Priorities-2016-17-Update.pdf](http://www.broads-authority.gov.uk/_data/assets/pdf_file/0007/912832/Strategic-Priorities-2016-17-Update.pdf)).

Development phase work on Water Mills and Marshes – our Heritage Lottery funded Landscape Partnership Scheme is almost completed with submission of our second round application in May 2017. A successful second round application will unlock an additional £2.44 million of grant funding from the Heritage Lottery Fund, which along with cash and in-kind contributions from partners creates a scheme worth £4.01 million over the 5 year delivery phase. The HLF decision is expected in November and if successful, we will start delivery of Water, Mills and Marshes in January 2018.

An additional bid was submitted in January 2017 to the EU for the project named CANAPE (Creating a New Approach to Peatland Ecosystems). This is a joint project with Hunze en Aa's Regionaal Water Authority in the Netherlands, Regional Landschap De Voorkempen, an organisation maintaining and enhancing the natural landscape in the Netherlands, Landkreis Diepholz, Northern Institute of Thinking and the Danish Nature Agency with the Authority acting as the Lead Partner.

The Authority's focus within the project will be the continuation of delivering the Hickling vision with the opportunity to explore the potential reuse of fen materials such as composting or biofuels. The total Broads Authority bid is for €1,165,000 of this €582,000 is the Authority's match contribution made up of staff time and existing budgets. The total partnership bid totals €5,858,471.

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Broads Authority Statement of Accounts  
**Narrative Report**

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If the bid is successful it will bring additional income to the Authority of €582,000 over the 5 year project. Following the UK's decision to exit the EU it is likely to be the Authority's last bid from this funding stream. However if the Authority is successful CANAPE will be guaranteed over the life of the project regardless of the UK's progress in leaving the EU. The decision is expected in June 2017.

National Parks Partnership LLP continues to promote corporate partnerships for the UK National Parks with the aim to make a significant, sustainable and discernible contribution to the improved quality of UK National Parks and the benefits they offer for generations to come. For the Authority this has meant securing additional funding from Tesco to work in partnership on Water Sensitive Farming in the Broadland Catchment. Throughout the year NPP has also been working to secure the first major corporate sponsorship for all of the UK Parks to provide clothing for all front line staff over 5 years. This is the first major sponsorship deal and is with Columbia with the launch held on 23 May 2017.

In setting its Strategic Priorities and Financial Strategy the Authority is mindful of the risks it faces. These are monitored on a regular basis with actions being taken to mitigate any possible impacts. Reports to the Authority highlight risks on potential new areas of activity. The Financial Scrutiny and Audit Committee receive detailed reports on the current risks with details of the individual risks, risk owner and actions.

In developing the Financial Strategy, a number of assumptions have been made in respect of National Park Grant allocations, future boat numbers and the level of staff pay inflation. The Strategy follows the general principle that the Authority should seek to maintain the general reserve at a minimum of £100,000 plus 10% of net expenditure, and the navigation reserves at a minimum of 10% of net expenditure. It also expects that General and Navigation income and expenditure should be broadly in balance across the life of the Financial Strategy.

Navigation funding is currently projecting a small deficit of £8k in 2017/18 (after taking into account carry forward requests), with reserves at 9.9% of net expenditure at the end of the year. For General funding there is a projected deficit of £89k (after taking into account carry forwards requests) in 2017/18, with reserves at 28% of net expenditure.

The Strategy also covers capital expenditure with the majority being funded from Earmarked Reserves and the rest from National Park Grant and Navigation income.

There are a significant number of variables – and some unknown quantities, such as future inflation – which could impact on these figures. The Financial Strategy will therefore be reviewed and updated by the Authority, having regard to any changes in circumstances and the annual outturn figures, at its meeting in January 2018. The annual toll increase for 2017/18 was set at an overall 2.7%. A review of the new charging structure as implemented by the Tolls Working Group recommendations will need to be taken into account when setting the future strategy and will continue to be subject to consultation with the Navigation Committee and other stakeholders.

## **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 Chief Financial Officer.
- (b) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (c) Approve the statement of accounts.

### *The Chief Financial Officer's Responsibilities*

The Chief Financial Officer 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 the United Kingdom 2016/17 (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:-

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

The Chief Financial Officer has also:

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

### *Chief Financial Officer's Certificate*

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Broads Authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Emma Krelle (Chief Financial Officer)

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Broads Authority Statement of Accounts  
**Certificate of Committee Resolution**

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**Certificate of Committee Resolution**

I confirm that these accounts were approved by The Broads Authority at its meeting held 28 July 2017.

Signed on behalf of The Broads Authority:

Prof J A Burgess

(Chair of meeting approving the accounts)

28 July 2017

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Broads Authority Statement of Accounts  
**Independent Auditor's Report to the Members of the Broads Authority**

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**Independent Auditor's Report to the Members of the Broads Authority**



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Broads Authority Statement of Accounts  
**Independent Auditor's Report to the Members of the Broads Authority**

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Broads Authority Statement of Accounts  
**Expenditure and Funding Analysis**

**Expenditure and Funding Analysis**

This statement shows how funding available to the Authority for the year has been used in providing services in accordance with generally accepted accounting practices.

| 2015/16   |   |  |  | 2016/17   |   |  |
|---|---|--|--|---|---|--|
| Net Expenditure Chargeable to the General and Navigation Fund Balances £000 | Adjustments between the Funding and Accounting Basis * £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 |  | Net Expenditure Chargeable to the General and Navigation Fund Balances £000 | Adjustments between the Funding and Accounting Basis * £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 |
| 945   | 53  | 998  | Operations   | 982   | 65  | 1,047  |
| 1,694   | 111   | 1,805  | Planning and Resources   | 1,814   | 26  | 1,840  |
| 329   | 12  | 341  | Chief Executive  | 284   | 6   | 290  |
| 67  | 0   | 67   | Corporate Amounts  | 95  | 0   | 95   |
| 229   | (61)  | 168  | Broads Navigation Account  | 22  | 265   | 287  |
| <b>3,264</b>  | <b>115</b>  | <b>3,379</b>   | <b>Net Cost of services</b>  | <b>3,197</b>  | <b>362</b>  | <b>3,559</b>   |
| (3,161)   | 241   | (2,920)  | Other Income and Expenditure   | (3,235)   | 187   | (3,048)  |
| <b>103</b>  | <b>356</b>  | <b>459</b>   | <b>Surplus or (Deficit)</b>  | <b>(38)</b>   | <b>549</b>  | <b>511</b>   |
| (1,232)   |   |  | Opening General and Navigation Fund Balance                              | (1,378)   |   |  |
| 103   |   |  | Less/Plus Surplus or (Deficit) on General and Navigation Balance in Year | (38)  |   |  |
| (249)   |   |  | Transfer (to)/from Earmarked Reserves                                    | 48  |   |  |
| <b>(1,378)</b>  |   |  | <b>Closing General and Navigation Fund Balance at 31 March</b>           | <b>(1,368)</b>  |   |  |

\* Further details on the adjustments between Funding and Accounting Basis can be found in Note 7.

The Expenditure and Funding Analysis is a note to the Financial Statements, however it is positioned here as it provides a link from the figures reported in the Review of the Year within the Narrative Report to the Comprehensive Income and Expenditure Statement.

Broads Authority Statement of Accounts  
**Comprehensive Income and Expenditure Statement**

**Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

| 2015/16 Restated          |                |                                    |  | Note | 2016/17                   |                |                                   |
|---------------------------|----------------|------------------------------------|--|------|---------------------------|----------------|-----------------------------------|
| Gross Expenditure<br>£000 | Income<br>£000 | Net Expenditure / (Income)<br>£000 |  |      | Gross Expenditure<br>£000 | Income<br>£000 | Net Expenditure/ (Income)<br>£000 |
| 1,147                     | (149)          | 998                                | Operations   | 37   | 1,177                     | (130)          | 1,047                             |
| 2,336                     | (531)          | 1,805                              | Planning and Resources                                     |      | 2,568                     | (728)          | 1,840                             |
| 359                       | (18)           | 341                                | Chief Executive  |      | 294                       | (4)            | 290                               |
| 67                        | 0              | 67                                 | Corporate Items  |      | 95                        | 0              | 95                                |
| 3,310                     | (3,142)        | 168                                | Broads Navigation Account                                  |      | 3,525                     | (3,238)        | 287                               |
| <b>7,219</b>              | <b>(3,840)</b> | <b>3,379</b>                       | <b>Cost of services</b>                                    |      | <b>7,659</b>              | <b>(4,100)</b> | <b>3,559</b>                      |
|                           |                | 15                                 | (Gains)/Losses on the disposal of non-current assets       | 11   |                           |                | 1                                 |
|                           |                | 254                                | Financing and investment income and expenditure            |      |                           |                | 195                               |
|                           |                | (3,189)                            | DEFRA National Park grant income                           |      |                           |                | (3,244)                           |
|                           |                | 459                                | (Surplus) or deficit on provision of services              |      |                           |                | 511                               |
|                           |                | (21)                               | (Surplus) or deficit on revaluation of fixed assets        |      |                           |                | (230)                             |
|                           |                | (2,641)                            | Actuarial (gains) / losses on pension assets / liabilities |      |                           |                | 2,166                             |
|                           |                | (2,662)                            | Other comprehensive income and expenditure                 |      |                           |                | 1,936                             |
|                           |                | <b>(2,203)</b>                     | <b>Total comprehensive income and expenditure</b>          |      |                           |                | <b>2,447</b>                      |

Broads Authority Statement of Accounts  
**Movement in Reserves Statement**

**Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure) and 'other' reserves. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

| 2015/16   | General Fund<br>and Navigation<br>Fund Balance<br>£000 | Earmarked<br>Reserves<br>£000 | Total Useable<br>Reserves<br>£000 | Unusable<br>Reserves<br>£000 | Total Authority<br>Reserves<br>£000 |
|---|--|-------------------------------|-----------------------------------|------------------------------|-------------------------------------|
| Balance at 31 March 2015 (A)  | 1,232  | 1,593                         | 2,825                             | (3,118)                      | (293)                               |
| Total comprehensive income and expenditure  | (459)  | 0                             | (459)                             | 2,662                        | 2,203                               |
| Adjustments between accounting basis and funding basis under regulations (Note 9) | 356  | 0                             | 356                               | (356)                        | 0                                   |
| Transfers to or from Earmarked Reserves (Note 10)                                 | 249  | (249)                         | 0                                 | 0                            | 0                                   |
| Increase or (decrease) in 2015/16 (B)   | 146  | (249)                         | (103)                             | 2,306                        | 2,203                               |
| <b>Balance at 31 March 2016 (=A+B)</b>  | <b>1,378</b>   | <b>1,344</b>                  | <b>2,722</b>                      | <b>(812)</b>                 | <b>1,910</b>                        |

Broads Authority Statement of Accounts  
**Movement in Reserves Statement**

| 2016/17   | General Fund<br>and Navigation<br>Fund Balance<br>£000 | Earmarked<br>Reserves<br>£000 | Total Useable<br>Reserves<br>£000 | Unusable<br>Reserves<br>£000 | Total Authority<br>Reserves<br>£000 |
|---|--|-------------------------------|-----------------------------------|------------------------------|-------------------------------------|
| Balance at 31 March 2016 (A)  | 1,378  | 1,344                         | 2,722                             | (812)                        | 1,910                               |
| Total comprehensive income<br>and expenditure   | (511)  | 0                             | (511)                             | (1,936)                      | (2,447)                             |
| Adjustments between<br>accounting basis and funding<br>basis under regulations (Note 9) | 549  | 0                             | 549                               | (549)                        | 0                                   |
| Transfers to or from Earmarked<br>Reserves (Note 10)                                    | (48)   | 48                            | 0                                 | 0                            | 0                                   |
| Increase or (decrease) in<br>2016/17 (B)  | (10)   | 48                            | 38                                | (2,485)                      | (2,447)                             |
| <b>Balance at 31 March 2017<br/>(=A+B)</b>  | <b>1,368</b>   | <b>1,392</b>                  | <b>2,760</b>                      | <b>(3,297)</b>               | <b>(537)</b>                        |

Broads Authority Statement of Accounts  
**Balance Sheet**

**Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

| As at<br>31 Mar 16<br>£000 |                                   | Note | As at<br>31 Mar 17<br>£000 |
|----------------------------|-----------------------------------|------|----------------------------|
| 4,453                      | Property, Plant & Equipment       | 12   | 4,439                      |
| 340                        | Investment Property Held for Sale | 13   | 275                        |
| 0                          | Intangible Assets                 | 14   | 43                         |
| 10                         | Long term debtors                 |      | 3                          |
| 4,803                      | Long term assets                  |      | 4,760                      |
| 10                         | Short term investments            |      | 2,001                      |
| 104                        | Inventories                       | 15   | 88                         |
| 494                        | Short term debtors                | 16   | 549                        |
| 4,137                      | Cash and cash equivalents         | 17   | 1,981                      |
| 4,745                      | Current assets                    |      | 4,619                      |
| (15)                       | Short term borrowing              |      | (15)                       |
| (1,944)                    | Short term creditors              | 18   | (1,761)                    |
| (43)                       | Provisions                        | 19   | (63)                       |
| (2,002)                    | Current liabilities               |      | (1,839)                    |
| (152)                      | Long term borrowing               |      | (137)                      |
| (5,484)                    | Other long term liabilities       |      | (7,940)                    |
| (5,636)                    | Long term liabilities             |      | (8,077)                    |
| <b>1,910</b>               | <b>Net assets/(liabilities)</b>   |      | <b>(537)</b>               |
|                            | <u>Useable reserves</u>           |      |                            |
| 1,045                      | General Account fund balance      |      | 1,042                      |
| 333                        | Navigation Account fund balance   |      | 326                        |
| 1,344                      | Earmarked Reserves                | 10   | 1,392                      |
|                            | <u>Unusable reserves</u>          | 21   |                            |
| 1,426                      | Revaluation Reserve               |      | 1,641                      |
| 3,079                      | Capital Adjustment Account        |      | 2,892                      |
| (5,274)                    | Pension Reserve                   |      | (7,780)                    |
| (43)                       | Accumulated Absence Reserve       |      | (50)                       |
| <b>1,910</b>               | <b>Total reserves</b>             |      | <b>(537)</b>               |

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017. These financial statements replace the unaudited statements certified by the Chief Financial Officer on 31 May 2017.

Emma Krelle (Chief Financial Officer)

28 July 2017

Broads Authority Statement of Accounts  
**Cash Flow Statement**

**Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

| 2015/16<br>£000 | Revenue Activities  | Note      | 2016/17<br>£000 |
|-----------------|---|-----------|-----------------|
| (459)           | Net surplus or (deficit) on the provision of services   |           | (511)           |
| 833             | Adjustments to net surplus or deficit on the provision of services for non-cash movements                               |           | 815             |
| (5)             | Adjust for items in the net surplus or deficit on the provision of services that are Investing and Financing Activities |           | (14)            |
| 369             | Net cash flows from Operating Activities  | 22        | 290             |
| (478)           | Investing Activities  | 23        | (2,383)         |
| (66)            | Financing Activities  | 24        | (63)            |
| (175)           | Net increase or (decrease) in cash and cash equivalents   |           | (2,156)         |
| 4,312           | Cash and cash equivalents at the beginning of the reporting period  |           | 4,137           |
| <b>4,137</b>    | <b>Cash and cash equivalents at the end of the reporting period</b>   | <b>17</b> | <b>1,981</b>    |

## Notes to the Statement of Accounts

### 1. Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amounts is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Specific bad debt provisions are reviewed annually.

#### iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 7 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

vii. Employee Benefits

*Benefits payable during employment*

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### *Termination Benefits*

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### *Post-Employment Benefits*

Employees of the Broads Authority are members of Norfolk Pension Fund for civilian employees (the Local Government Pension Scheme), administered by Norfolk County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

#### viii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### ix. Fair Value Measurement

The Authority measures some of its non-financial assets such as investment properties and some of its financial instruments such as borrowings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quotes prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

x. Financial Instruments

Financial instruments are defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term financial instrument covers both financial assets and financial liabilities and includes the most straightforward financial assets and liabilities such as trade receivables and trade payables and the complex ones such as derivatives.

Financial liabilities are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Long term loans are shown in the balance sheet as the capital element outstanding at the year end, split between amounts due within the current year and amounts due outside the year. Any interest paid is taken directly to the income and expenditure account. The 'fair value' of any loans is disclosed in the notes to the accounts with accompanying explanations.

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments, but are not quoted on an active market.
- Available for Sale Assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

The Authority has not made any material loans.

xi. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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xii. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xiii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Investment Property

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the general reserve balances. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general reserve balances. The gains and losses are therefore reversed out of the general reserve balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xv. Inventories

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the FIFO (first-in, first-out) costing formula.

xvi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

*Finance Leases*

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

#### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

#### The Authority as Lessor

##### *Operating Leases*

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### xvii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

##### *Recognition*

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de minimis limit of £5,000 is used to recognise fixed assets.

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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*Measurement*

Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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Broads Authority Statement of Accounts  
**Notes to the Statement of Accounts**

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### *Impairment*

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### *Depreciation*

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation between 5 and 50 years, as advised by a professional valuer;
- vehicles, plant, furniture and equipment – straight-line allocation between 5 and 10 years, as advised by a suitably qualified officer; and
- infrastructure – straight-line allocation between 20 and 25 years, as advised by a suitably qualified officer.

Where an asset has been acquired under a finance lease arrangement, and the lease term is shorter than the asset's estimated useful life, the asset is depreciated over the lease term.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Receipts below £5,000 arising from the sale of fixed assets are allocated to revenue. The Broads Authority has a policy of not depreciating assets in the first year of ownership.

### *Disposals and Non-current Assets*

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant or Equipment) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the

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Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement) (England and Wales). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the general fund, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xviii. Provisions, Contingent Liabilities and Contingent Assets

*Provisions*

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

*Contingent Liabilities*

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note (note 34) to the accounts.

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*Contingent Assets*

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xix. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent useable resources for the Authority – these reserves are explained in the relevant policies.

xx. Operating Segments

In accordance with IFRS 8 and the Code, the Broads Authority keeps the general fund and navigation fund separately. Under the Code, the Authority has prepared a single income and expenditure account for 2016/17, however in note 37 to the accounts the navigation income and expenditure is shown.

xxi. Allocation of Costs

Salary, vehicle and other revenue costs are reallocated within the general expenditure to major projects that are grant aided partially or wholly by sources other than Defra grant. 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 funds are based on staff time and usage.

xxii. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

xxiii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**2. Accounting Standards that have been issued but have not yet been adopted**

The 2017/18 Code of Practice on Local Authority Accounting adopts the following amendments to International Accounting Standards and International Financial Reporting Standards, which will be required from 1 April 2017:

- IAS 26 Accounting and Reporting by Retirement Benefit Plans requires the amendment to the reporting of pension fund scheme transactions costs and of the investment concentration. Both of these are minor and are not expected to have a material effect on the Authority's Statement of Accounts.

### 3. Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Despite the remaining three years of the original four year settlement from DEFRA there remains a degree of uncertainty about the longer term levels of funding for National Parks. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority is a member of Whitlingham Charitable Trust of which there are four members. The Authority can appoint up to four trustees and there shall be no more than nine in total. The Trust is limited by guarantee in which each member agrees to contribute £1 in the event of it being wound up. Whitlingham Charitable Trust was established to manage and maintain Whitlingham Country Park for public benefit. Whilst the Authority does have significant influence in the management of the Trust, it does not have a controlling influence, and it does not have any share equity, or any share in profits or losses. It is considered therefore that International Public Sector Accounting Standard (IPSAS) 7 – Accounting for Investments in Associates - does not apply as the charity has no formal equity structure, and the Authority does not derive any financial benefit from the Trust.

### 4. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

| Item                         | Uncertainties  | Effect if actual results differ from assumptions  |
|------------------------------|--|---|
| Property Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall.</p> <p>It is estimated that the annual depreciation charge would increase by £44,000 for every year that useful lives had to be reduced.</p> |

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| Item               | Uncertainties   | Effect if actual results differ from assumptions  |
|--------------------|---|---|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. | The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £3,319,000. Further details are set out in the sensitivity analysis in note 33. |

## 5. Material Items of Income and Expense

There are no material items of expense in relation to 2016/17 which are not disclosed elsewhere within the Statement of Accounts.

## 6. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 28 July 2017. Events that occur after this date are not reflected in the financial statements or notes.

Subsequent to the approval of the draft accounts, the Authority has received further information regarding the contingent liabilities disclosed in note 34 on page 68.

### *Appeal against Adjacent tolls decision*

The Defendant's application for Judicial Review was refused on 24 May 2017 which concluded the matter. The Authority did not receive notice of this decision until 13 June 2017. The High Court ordered the Defendant to pay a contribution towards the Authority's costs.

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**7. Note to the Expenditure and Funding Analysis**

Adjustments from General and Navigation Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts

| 2015/16                                   |  |                            |                   |   | 2016/17                                   |  |                            |                   |
|---|--|----------------------------|-------------------|---|---|--|----------------------------|-------------------|
| Adjustments for Capital Purposes (Note 1) | Net change for the Pensions Adjustments (Note 2) | Other Differences (Note 3) | Total Adjustments |   | Adjustments for Capital Purposes (Note 1) | Net change for the Pensions Adjustments (Note 2) | Other Differences (Note 3) | Total Adjustments |
| £000                                      | £000   | £000                       | £000              |   | £000                                      | £000   | £000                       | £000              |
| (9)                                       | 62   | 0                          | 53                | Operations  | 38  | 28   | (1)                        | 65                |
| 19  | 96   | (4)                        | 111               | Planning and Resources  | (29)                                      | 49   | 6                          | 26                |
| 0   | 13   | (1)                        | 12                | Chief Executive   | 0   | 7  | (1)                        | 6                 |
| 0   | 0  | 0                          | 0                 | Corporate Items   | 0   | 0  | 0                          | 0                 |
| (193)                                     | 131  | 1                          | (61)              | Broads Navigation Account   | 194                                       | 69   | 2                          | 265               |
| (183)                                     | 302  | (4)                        | 115               | <b>Net Cost of Services</b>   | 203                                       | 153  | 6                          | 362               |
|   |  |                            |                   | Other income and expenditure from the   |   |  |                            |                   |
| 0   | 241  | 0                          | 241               | Expenditure and Funding Analysis  | 0   | 187  | 0                          | 187               |
|   |  |                            |                   | <b>Difference between General and Navigation Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> |   |  |                            |                   |
| (183)                                     | 543  | (4)                        | 356               |   | 203                                       | 340  | 6                          | 549               |

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Note

1. Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
  - Other operating expenditure – adjusts for capital disposal with a transfer of income on disposal of assets and the amounts written off for those assets.
  - Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
2. Net change for the removal of pension contribution and the addition of IAS 19 Employee Benefits pension related expenditure and income:
  - For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
  - For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.
3. Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute including accumulated absences.

Income received on a segmental basis is analysed below:

| Service   | 2015/16<br>Income from<br>Services<br>£000 | 2016/17<br>Income from<br>Services<br>£000 |
|---|--|--|
| Operations  | (149)                                      | (130)                                      |
| Planning and Resources                            | (531)                                      | (728)                                      |
| Chief Executive                                   | (18)                                       | (4)  |
| Corporate Items                                   | 0  | 0  |
| Specialist Ringfenced Account (Navigation)        | (3,142)                                    | (3,238)                                    |
| <b>Total income analysed on a segmental basis</b> | <b>(3,840)</b>                             | <b>(4,100)</b>                             |

## 8. Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

| Expenditure/Income                                     | 2015/16<br>£000 | 2016/17<br>£000 |
|--|-----------------|-----------------|
| Expenditure  |                 |                 |
| Employee benefits expenses                             | 4,425           | 4,310           |
| Other services expenses                                | 2,974           | 3,384           |
| Depreciation, amortisation, impairment                 | 329             | 623             |
| Interest payments                                      | 40              | 36              |
| Expenditure in relation to investment properties       | (4)             | (13)            |
| Loss on the disposal of assets                         | 16              | 1               |
| <b>Total expenditure</b>                               | <b>7,780</b>    | <b>8,341</b>    |
| Income   |                 |                 |
| Fees, charges and other service income                 | (3,845)         | (4,113)         |
| Interest and investment income                         | (23)            | (15)            |
| Contributions from reserves                            | (264)           | (458)           |
| Government grants and contributions                    | (3,189)         | (3,244)         |
| <b>Total income</b>                                    | <b>(7,321)</b>  | <b>(7,830)</b>  |
| <b>Surplus or Deficit on the Provision of Services</b> | <b>459</b>      | <b>511</b>      |

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**9. Adjustments between accounting basis and funding basis under regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

| General Fund & Navigation Fund<br>2015/16<br>£000 | Movement in Unusable Reserves<br>2015/16<br>£000 |  | General Fund & Navigation Fund<br>2016/17<br>£000 | Movement in Unusable Reserves<br>2016/17<br>£000 |
|---|--|--|---|--|
|   |  | <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |   |  |
|   |  | <b>Reversal of items debited or credited to the Comprehensive Expenditure and Income Statement:</b>  |   |  |
| 330   | (330)  | Charges for depreciation and impairment of non-current assets  | 315   | (315)  |
| 0   | 0  | Revaluation losses on property, plant and equipment  | 307   | (307)  |
| 0   | 0  | Amortisation of intangible assets  | 0   | 0  |
| (1)   | 1  | Movements in the fair value of investment properties   | 6   | (6)  |
| 22  | (22)   | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 15  | (15)   |
|   |  | <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>   |   |  |
| (67)  | 67   | Statutory provision for the financing of capital investment  | (63)  | 63   |
| (467)   | 467  | Capital expenditure charged against the General Fund   | (378)   | 378  |

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| General Fund & Navigation Fund<br>2015/16<br>£000 | Movement in Unusable Reserves<br>2015/16<br>£000 |   | General Fund & Navigation Fund<br>2016/17<br>£000 | Movement in Unusable Reserves<br>2016/17<br>£000 |
|---|--|---|---|--|
| 1,117   | (1,117)  | <b>Adjustments involving the Pensions Reserve:</b><br>Reversal of items relating to post-employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 33) | 937   | (937)  |
| (574)   | 574  | Employer's pension contributions and direct payments to pensioners payable in the year  | (597)   | 597  |
| (4)   | 4  | <b>Adjustments involving the accumulated Absences Account:</b><br>Adjustments in relation to short-term compensated absences  | 7   | (7)  |
| 0   | 0  | <b>Adjustments involving the Capital Grant Unapplied Account:</b><br>Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement  | 0   | 0  |
| <b>356</b>  | <b>(356)</b>                                     | <b>Total Adjustments</b>  | <b>549</b>  | <b>(549)</b>                                     |

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**10. Transfers to / from earmarked reserves**

This note presents details of the amounts set aside in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet expenditure in 2016/17. A description of each of the earmarked reserves follows in the table below.

|                                 | Balance at 31<br>March 2015<br>£000 | Transfers in<br>2015/16<br>£000 | Transfers out<br>2015/16<br>£000 | Balance at 31<br>March 2016<br>£000 | Transfers in<br>2016/17<br>£000 | Transfers out<br>2016/17<br>£000 | Balance at 31<br>March 2017<br>£000 |
|---------------------------------|-------------------------------------|---------------------------------|----------------------------------|-------------------------------------|---------------------------------|----------------------------------|-------------------------------------|
| Property                        | (587)                               | (30)                            | 256                              | (361)                               | (75)                            | 7                                | (429)                               |
| Plant, Vessels and Equipment    | (240)                               | (320)                           | 259                              | (301)                               | (175)                           | 262                              | (214)                               |
| Premises                        | (170)                               | (32)                            | 0                                | (202)                               | (31)                            | 54                               | (179)                               |
| Planning Delivery Grant         | (354)                               | (3)                             | 65                               | (292)                               | (54)                            | 151                              | (195)                               |
| Upper Thurne Enhancement Scheme | (53)                                | (3)                             | 0                                | (56)                                | (22)                            | 0                                | (78)                                |
| Section 106 Agreements          | (16)                                | (64)                            | 4                                | (76)                                | (33)                            | 0                                | (109)                               |
| Heritage Lottery Fund           | 0                                   | (77)                            | 21                               | (56)                                | (217)                           | 180                              | (93)                                |
| Catchment Partnership           | 0                                   | 0                               | 0                                | 0                                   | (95)                            | 0                                | (95)                                |
| Mobile Phone Upgrade/IT reserve | (1)                                 | 0                               | 1                                | 0                                   | 0                               | 0                                | 0                                   |
| PRISMA                          | (172)                               | (1)                             | 173                              | 0                                   | 0                               | 0                                | 0                                   |
| <b>Total</b>                    | <b>(1,593)</b>                      | <b>(530)</b>                    | <b>779</b>                       | <b>(1,344)</b>                      | <b>(702)</b>                    | <b>654</b>                       | <b>(1,392)</b>                      |

Earmarked reserves

*Property*

A reserve account set up to provide for the ongoing maintenance of the Authority's major assets, moorings and operational property assets, including Mutford Lock.

*Plant, Vessels and Equipment*

Reserve established to provide for the maintenance and replacement of the Authority's plant and equipment, including launches, construction and maintenance vessels and equipment, pool vehicles and fen management equipment.

*Premises*

A reserve account established to provide for the maintenance and development of the Authority's Dockyard facility and other buildings throughout the Broads.

*Planning Delivery Grant*

Balance of Defra and OPDM grants awarded to deliver the planning service.

*Upper Thurne Enhancement Scheme*

Reserve established to hold the balance of ring-fenced Environment Agency funding for enhancement works in the Upper Thurne.

*Section 106 Agreements*

A reserve account established to hold ring-fenced developers' contributions relating to planning application conditions.

*Heritage Lottery Fund*

A reserve account established for the Landscape Partnership project funded by the Heritage Lottery Fund.

*Catchment Partnership*

A reserve account set up to hold ring-fenced income from various partners within the Catchment Partnership.

*Mobile Phone Upgrade / IT Reserve*

A reserve set up for holding the balance of ring-fenced Defra "INSPIRE" grant funding provided to support the Authority in meeting regulatory requirements for publishing geospatial information related to the environment under the European INSPIRE Directive. At the end of 2015/16 this grant funded project was finished.

*PRISMA*

A reserve account set up for European grant part funded projects and trials relating to the development of sustainable techniques and methods for the dredging, treatment and reuse of sediment. At the end of 2015/16 this grant funded project was finished and transferred to the Plant, Vessels and Equipment Reserve which helped initially set up the reserve.

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## 11. Financing and Investment Income and Expenditure

| 2015/16<br>£000 |   | 2016/17<br>£000 |
|-----------------|---|-----------------|
| 40              | Interest payable and similar charges  | 36              |
| 241             | Net interest on the net defined benefit liability (asset)                                   | 187             |
| (23)            | Interest receivable and similar income  | (15)            |
| (4)             | Income and expenditure in relation to investment properties and changes in their fair value | (13)            |
| <b>254</b>      | <b>Total</b>  | <b>195</b>      |

## 12. Property, Plant and Equipment

### Movements on balances 2015/16

| Cost or valuation  | Land and Buildings<br>£000 | Vehicles, Plant, Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Assets Under Construction<br>£000 | Total Property, Plant and Equipment<br>£000 |
|--|----------------------------|--|-------------------------------|--------------------------|-----------------------------------|---|
| At 1 April 2015  | 2,690                      | 2,504  | 302                           | 323                      | 19                                | 5,838                                       |
| additions  | 123                        | 194  | 0                             | 0                        | 150                               | 467   |
| revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services | 22                         | 0  | 0                             | 0                        | 0                                 | 22  |
| derecognition – disposals  | 0                          | (66)   | 0                             | 0                        | 0                                 | (66)  |
| <b>At 31 March 2016</b>  | <b>2,835</b>               | <b>2,632</b>                                   | <b>302</b>                    | <b>323</b>               | <b>169</b>                        | <b>6,261</b>                                |

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| Accumulated depreciation and impairment | Land and Buildings<br>£000 | Vehicles, Plant, Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Assets Under Construction<br>£000 | Total Property, Plant and Equipment<br>£000 |
|---|----------------------------|--|-------------------------------|--------------------------|-----------------------------------|---|
| At 1 April 2015                         | 62                         | 1,286  | 178                           | 0                        | 0                                 | 1,526                                       |
| depreciation charge                     | 17                         | 298  | 15                            | 0                        | 0                                 | 330   |
| derecognition – disposals               | 0                          | (48)   | 0                             | 0                        | 0                                 | (48)  |
| <b>At 31 March 2016</b>                 | <b>79</b>                  | <b>1,536</b>                                   | <b>193</b>                    | <b>0</b>                 | <b>0</b>                          | <b>1,808</b>                                |

| Net Book Value          | Land and Buildings<br>£000 | Vehicles, Plant, Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Assets Under Construction<br>£000 | Total Property, Plant and Equipment<br>£000 |
|-------------------------|----------------------------|--|-------------------------------|--------------------------|-----------------------------------|---|
| <b>At 31 March 2016</b> | <b>2,756</b>               | <b>1,096</b>                                   | <b>109</b>                    | <b>323</b>               | <b>169</b>                        | <b>4,453</b>                                |
| At 31 March 2015        | 2,628                      | 1,218  | 124                           | 323                      | 19                                | 4,312                                       |

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Movements on balances 2016/17

| Cost or valuation  | Land and Buildings<br>£000 | Vehicles, Plant,<br>Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Assets Under Construction<br>£000 | Total Property, Plant and Equipment<br>£000 |
|--|----------------------------|---|-------------------------------|--------------------------|-----------------------------------|---|
| At 1 April 2016  | 2,835                      | 2,632   | 302                           | 323                      | 169                               | 6,261                                       |
| additions  | 0                          | 304   | 0                             | 0                        | 30                                | 334   |
| revaluation increases / (decreases) recognised in the Revaluation Reserve                            | 213                        | (58)  | 0                             | 0                        | 0                                 | 155   |
| revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services | (303)                      | (6)   | 0                             | 0                        | 0                                 | (309)                                       |
| derecognition – disposals  | (13)                       | (99)  | 0                             | 0                        | 0                                 | (112)                                       |
| asset reclassification (to)/from Assets Under Construction   | 0                          | 169   | 0                             | 0                        | (169)                             | 0   |
| <b>At 31 March 2017</b>  | <b>2,732</b>               | <b>2,942</b>                                      | <b>302</b>                    | <b>323</b>               | <b>30</b>                         | <b>6,329</b>                                |

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| Accumulated depreciation and impairment                                      | Land and Buildings<br>£000 | Vehicles, Plant, Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Assets Under Construction<br>£000 | Total Property, Plant and Equipment<br>£000 |
|--|----------------------------|--|-------------------------------|--------------------------|-----------------------------------|---|
| At 1 April 2016  | 79                         | 1,536  | 193                           | 0                        | 0                                 | 1,808                                       |
| depreciation charge  | 4                          | 296  | 15                            | 0                        | 0                                 | 315   |
| derecognition – disposals  | (13)                       | (84)   | 0                             | 0                        | 0                                 | (97)  |
| depreciation written out to the Revaluation Reserve                          | (55)                       | (76)   | 0                             | 0                        | 0                                 | (131)                                       |
| depreciation written out to the Surplus/Deficit on the Provision of Services | (2)                        | (3)  | 0                             | 0                        | 0                                 | (5)   |
| <b>At 31 March 2017</b>  | <b>13</b>                  | <b>1,669</b>                                   | <b>208</b>                    | <b>0</b>                 | <b>0</b>                          | <b>1,890</b>                                |

| Net Book Value          | Land and Buildings<br>£000 | Vehicles, Plant, Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Assets Under Construction<br>£000 | Total Property, Plant and Equipment<br>£000 |
|-------------------------|----------------------------|--|-------------------------------|--------------------------|-----------------------------------|---|
| <b>At 31 March 2017</b> | <b>2,719</b>               | <b>1,273</b>                                   | <b>94</b>                     | <b>323</b>               | <b>30</b>                         | <b>4,439</b>                                |
| At 31 March 2016        | 2,756                      | 1,096  | 109                           | 323                      | 169                               | 4,453                                       |

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Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

| Category of Asset               | Depreciation method   | Depreciation period                              |
|---------------------------------|---|--|
| Operational Land and Buildings  | Straight line. (20% assumed land value, where no split available) | Between 5 to 50 years as per professional advice |
| Community Land                  | Not depreciated   | Not depreciated                                  |
| Infrastructure Asset            | Straight line   | Between 20 to 25 years                           |
| Vehicles, Vessels and Equipment | Straight line   | Between 5 to 10 Years                            |
| Computer and Office Equipment   | Straight line   | 5 years  |

Capital Commitments

The Authority was committed to one significant capital contract as at the balance sheet date. Details of the amounts outstanding under this contract are set out in the table below.

| Contract           | Total contract value<br>£000 | Payments made to<br>31 March 2017<br>£000 | Outstanding commitments<br>£000 |
|--------------------|------------------------------|---|---------------------------------|
| Linkflote Pontoons | 223                          | 112                                       | 111                             |
| <b>Total</b>       | <b>223</b>                   | <b>112</b>                                | <b>111</b>                      |

Impairments

In accordance with IAS 36 and the Code, Directors have undertaken an annual impairment review. No assets were considered to be impaired.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued every five years. Valuations were carried out internally and externally. Valuations of land and buildings were carried out externally by Concertus Design and Property Consultants, in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Significant assumptions applied in estimating the current values are:

Property, Plant and Equipment of a specialised nature were valued on the basis of what it would cost to reinstate the service, suitably adjusted to reflect for age, wear

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and tear and obsolescence of the existing asset (Current Value less depreciated replacement cost).

Infrastructure Assets and Community Assets have been valued at historic cost rather than fair value.

Property leases have been split between finance and operating leases and valued accordingly depending upon whether the Authority is lessor or lessee.

|                                | Land and<br>Buildings<br>£000 | Vehicles,<br>Plant,<br>Furniture &<br>Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | Assets Under<br>Construction<br>£000 | Total<br>£000 |
|--------------------------------|-------------------------------|---|----------------------------------|-----------------------------|--------------------------------------|---------------|
| Carried at historical cost     | 0                             | 0   | 94                               | 323                         | 0                                    | 417           |
| Valued at current value as at: |                               |   |                                  |                             |                                      |               |
| 31 March 2017                  | 2,218                         | 353   | 0                                | 0                           | 30                                   | 2,601         |
| 31 March 2016                  | 336                           | 265   | 0                                | 0                           | 0                                    | 601           |
| 31 March 2015                  | 27                            | 234   | 0                                | 0                           | 0                                    | 261           |
| 31 March 2014                  | 138                           | 190   | 0                                | 0                           | 0                                    | 328           |
| 31 March 2013                  | 0                             | 231   | 0                                | 0                           | 0                                    | 231           |
| <b>Total cost or valuation</b> | <b>2,719</b>                  | <b>1,273</b>  | <b>94</b>                        | <b>323</b>                  | <b>30</b>                            | <b>4,439</b>  |

### 13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
| 14<br>(10)      | Rental income from investment property<br>Direct operating expenses arising from investment property | 20<br>(7)       |
| <b>4</b>        | <b>Net gain / (loss)</b>   | <b>13</b>       |

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There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
| 339             | Balance at start of the year                   | 340             |
| 1               | Net gains / losses from fair value adjustments | (65)            |
| <b>340</b>      | <b>Balance at end of the year</b>              | <b>275</b>      |

Fair Value Hierarchy

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2016 and 2017 are as follows:

|                           | Significant<br>observable<br>inputs (Level<br>2)<br>£000s | Fair Value<br>31 March<br>2016<br>£000s | Significant<br>observable<br>inputs (Level<br>2)<br>£000s | Fair Value<br>31 March<br>2017<br>£000s |
|---------------------------|---|---|---|---|
| Fieldbase (Held for Sale) | 340   | 340                                     | 275   | 275                                     |
|                           | <b>340</b>  | <b>340</b>                              | <b>275</b>  | <b>275</b>                              |

Valuation techniques used to determine Level 2 fair values for Investment Properties

The fair value of investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that information for similar properties are actively purchased and sold and the level of observable inputs are significant, leading to properties being categorised at Level 2 in the fair value hierarchy.

There has been no change in valuation techniques used during the year for investment properties.

Highest and best use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is their current use.

### Valuation Process for Investment Properties

The investment property has been valued by Concertus Design and Property Consultants in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.

### **14. Intangible Assets**

The Authority internally generated a website [www.visitthebroads.co.uk](http://www.visitthebroads.co.uk) which would be classified as an intangible asset as it meets strict IAS 38 requirements to be recognised on the balance sheet. The useful life of the website is 5 years and the carrying amount is amortised on a straight line basis.

The movement on Intangible Assets balances during the year is as follows:

|   | Internally<br>Generated<br>Assets<br>£000 | Other<br>Assets<br>£000 | 2016/17<br>Total<br>£000 |
|---|---|-------------------------|--------------------------|
| Balance at start of year:                         |   |                         |                          |
| Gross carrying amounts                            | 0   | 0                       | 0                        |
| Accumulated amortisation                          | 0   | 0                       | 0                        |
| Net carrying amount at start of year              | 0   | 0                       | 0                        |
| Additions:  |   |                         |                          |
| Internal development                              | 13  | 0                       | 13                       |
| Purchases   | 30  | 0                       | 30                       |
| Amortisation for the period                       | 0   | 0                       | 0                        |
| <b>Net Carrying Amount at the end of the year</b> | <b>43</b>                                 | <b>0</b>                | <b>43</b>                |
| Comprising:                                       |   |                         |                          |
| Gross carrying amounts                            | 43  | 0                       | 43                       |
| Accumulated amortisation                          | 0   | 0                       | 0                        |
|   | <b>43</b>                                 | <b>0</b>                | <b>43</b>                |

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**15. Inventories**

|  | Consumable Stores |                 | Maintenance Materials |                 | Total           |                 |
|--|-------------------|-----------------|-----------------------|-----------------|-----------------|-----------------|
|  | 2015/16<br>£000   | 2016/17<br>£000 | 2015/16<br>£000       | 2016/17<br>£000 | 2015/16<br>£000 | 2016/17<br>£000 |
| Balance outstanding at start of year   | 44                | 34              | 68                    | 70              | 112             | 104             |
| Purchases                              | 27                | 26              | 80                    | 85              | 107             | 111             |
| Recognised as an expense in year       | (28)              | (29)            | (78)                  | (98)            | (106)           | (127)           |
| Written off balances                   | (9)               | 0               | 0                     | 0               | (9)             | 0               |
| <b>Balance outstanding at year-end</b> | <b>34</b>         | <b>31</b>       | <b>70</b>             | <b>57</b>       | <b>104</b>      | <b>88</b>       |

**16. Debtors**

| 31 March<br>2016<br>£000 |                                | 31 March<br>2017<br>£000 |
|--------------------------|--------------------------------|--------------------------|
| 95                       | Central government bodies      | 134                      |
| 0                        | Other local authorities        | 3                        |
| 326                      | Prepayments                    | 327                      |
| 73                       | Other entities and individuals | 85                       |
| <b>494</b>               | <b>Total</b>                   | <b>549</b>               |

**17. Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

| 31 March 2016<br>£000 |   | 31 March 2017<br>£000 |
|-----------------------|---|-----------------------|
| 2                     | Cash held by the Broads Authority           | 2                     |
| 2,750                 | Investments with Broadland District Council | 0                     |
| 1,385                 | Bank current accounts                       | 1,979                 |
| <b>4,137</b>          | <b>Total Cash and Cash Equivalents</b>      | <b>1,981</b>          |

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## 18. Creditors

| 31 March<br>2016<br>£000 |                                       | 31 March<br>2017<br>£000 |
|--------------------------|---------------------------------------|--------------------------|
| 65                       | Central government bodies             | 69                       |
| 6                        | Other local authorities               | 15                       |
| 1                        | NHS bodies                            | 1                        |
| 1,586                    | Accruals                              | 1,337                    |
| 0                        | Public corporations and trading funds | 0                        |
| 286                      | Other entities and individuals        | 339                      |
| <b>1,944</b>             | <b>Total</b>                          | <b>1,761</b>             |

## 19. Provisions

| 2015/16                                      |               |   | 2016/17                                      |                                 |               |
|--|---------------|---|--|---------------------------------|---------------|
| Accumulated<br>Absences<br>Provision<br>£000 | Total<br>£000 |   | Accumulated<br>Absences<br>Provision<br>£000 | Redundancy<br>Provision<br>£000 | Total<br>£000 |
| 47   | 47            | Balance at 1 April  | 43   | 0                               | 43            |
| 43   | 43            | Additional provisions<br>made in year   | 50   | 13                              | 63            |
| (47)   | (47)          | Settlements or<br>cancellation of<br>provision made at<br>end of preceding year | (43)   | 0                               | (43)          |
| <b>43</b>                                    | <b>43</b>     | <b>Balance at 31 March</b>  | <b>50</b>                                    | <b>13</b>                       | <b>63</b>     |

The redundancy provision made in 2016/17 was for the costs of organisational restructuring. The provision relates to a redundancy payment for a post leaving the Authority in April 2017. The post effected was notified in January 2017 and the payment was made during 2017/18.

For more information on the Accumulated Absence Account, see note 21.

## 20. Usable reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

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## 21. Unusable reserves

| 31 March 2016<br>£000 |                                | 31 March 2017<br>£000 |
|-----------------------|--------------------------------|-----------------------|
| 1,426                 | Revaluation reserve            | 1,641                 |
| 3,079                 | Capital Adjustment Account     | 2,892                 |
| (5,274)               | Pensions Reserve               | (7,780)               |
| (43)                  | Accumulated Absences Account   | (50)                  |
| <b>(812)</b>          | <b>Total unusable reserves</b> | <b>(3,297)</b>        |

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2015/16<br>£000 |   |      | 2016/17<br>£000 |
|-----------------|---|------|-----------------|
| 1,426           | Balance at 1 April  |      | 1,426           |
| 22              | Upward revaluation of assets  | 234  |                 |
| 0               | Downward revaluation of assets  | (3)  |                 |
| 22              | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services |      | 231             |
| (15)            | Difference between current value depreciation and historical cost depreciation  | (16) |                 |
| (7)             | Asset disposed of 2014/15, balance still on reserve   | 0    |                 |
| (22)            | Amount written off to the Capital Adjustment Account  |      | (16)            |
| <b>1,426</b>    | <b>Balance at 31 March</b>  |      | <b>1,641</b>    |

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Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2015/16<br>£000 |  |       | 2016/17<br>£000 |
|-----------------|--|-------|-----------------|
| 2,875           | Balance at 1 April   |       | 3,079           |
|                 | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                               |       |                 |
| (330)           | Charges for depreciation and impairment of non current assets  | (315) |                 |
| 0               | Revaluation losses on Property Plant & Equipment   | (307) |                 |
| 1               | Movements in the market value of investment properties   | (6)   |                 |
| 0               | Amortisation of intangible assets  | 0     |                 |
| (22)            | Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement | (15)  |                 |
| (351)           |  | (643) |                 |
| 21              | Adjusting amounts written out of the revaluation reserve   | 16    |                 |
| (330)           | Net written out amount of the cost of non-current assets consumed in the year  |       | (627)           |
|                 | Capital financing applied in the year:   |       |                 |
| 67              | Statutory provision for the financing of capital investment charged against the General Fund   | 63    |                 |
| 467             | Removal of Finance Lease Liability for assets returned in year   |       |                 |
|                 | Capital expenditure charged against the General Fund   | 377   |                 |
| 534             |  |       | 440             |
| <b>3,079</b>    | <b>Balance at 31 March</b>   |       | <b>2,892</b>    |

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
| (7,372)         | Balance at 1 April   | (5,274)         |
| 2,641           | Remeasurements of the net defined benefit liability / (asset)  | (2,166)         |
| (1,117)         | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (937)           |
| 574             | Employer's pension contributions and direct payments to pensioners payable in the year   | 597             |
| <b>(5,274)</b>  | <b>Balance at 31 March</b>   | <b>(7,780)</b>  |

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Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

| 2015/16<br>£000 |   | 2016/17<br>£000 |
|-----------------|---|-----------------|
| (47)            | Balance at 1 April  | (43)            |
| 47              | Settlement or cancellation of accrual made at the end of the preceding year   | 43              |
| (43)            | Amounts accrued at the end of the current year  | (50)            |
| 4               | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (7)             |
| <b>(43)</b>     | <b>Balance at 31 March</b>  | <b>(50)</b>     |

## 22. Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

| 2015/16<br>£000 |   | 2016/17<br>£000 |
|-----------------|---|-----------------|
| (23)            | Interest received                               | (24)            |
| 40              | Interest paid                                   | 36              |
| <b>17</b>       | <b>Net cash flows from operating activities</b> | <b>12</b>       |

### 23. Cash Flow Statement – Investing Activities

| 2015/16<br>£000 |   | 2016/17<br>£000 |
|-----------------|---|-----------------|
| (467)           | Purchase of property, plant and equipment, investment property and intangible assets              | (378)           |
| 0               | Purchase of short term investments  | (2,000)         |
| (6)             | Other payments from investing activities  | 9               |
| (5)             | Proceeds from the sale of property plant and equipment, investment property and intangible assets | (14)            |
| <b>(478)</b>    | <b>Net cash flows from investing activities</b>   | <b>(2,383)</b>  |

### 24. Cash Flow Statement – Financing Activities

| 2015/16<br>£000 |   | 2016/17<br>£000 |
|-----------------|---|-----------------|
| (52)            | Cash payments for the reduction of the outstanding liabilities relating to finance leases | (49)            |
| (14)            | Repayments of short and long term borrowing   | (14)            |
| <b>(66)</b>     | <b>Net cash flows from financing activities</b>   | <b>(63)</b>     |

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## 25. Members' Allowances

The Authority paid the following amounts to Members of the Authority during the year:

| 2015/16<br>£000 |              | 2016/17<br>£000 |
|-----------------|--------------|-----------------|
| 40              | Allowances   | 37              |
| 5               | Expenses     | 9               |
| <b>45</b>       | <b>Total</b> | <b>46</b>       |

## 26. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

|                                     |         | Salary, Fees and<br>Allowances<br>£000 | Bonuses<br>£000 | Expenses<br>Allowances<br>£000 | Pension<br>Contribution<br>£000 | Total<br>£000 |
|-------------------------------------|---------|--|-----------------|--------------------------------|---------------------------------|---------------|
| Chief Executive                     | 2015/16 | 83                                     | 0               | 0                              | 13                              | <b>96</b>     |
|                                     | 2016/17 | 84                                     | 0               | 0                              | 13                              | <b>97</b>     |
| Director of Planning &<br>Resources | 2015/16 | 58                                     | 0               | 0                              | 9                               | <b>67</b>     |
|                                     | 2016/17 | 59                                     | 0               | 0                              | 9                               | <b>68</b>     |
| Director of Operations              | 2015/16 | 58                                     | 0               | 0                              | 9                               | <b>67</b>     |
|                                     | 2016/17 | 51                                     | 0               | 0                              | 7                               | <b>58</b>     |

The Director of Operations resigned with effect from 5 February 2017.

The number of employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown below:

| 2015/16<br>Number of<br>Employees |                   | 2016/17<br>Number of<br>Employees |
|-----------------------------------|-------------------|-----------------------------------|
| 0                                 | £50,000 - £54,999 | 1                                 |
| 2                                 | £55,000 - £59,999 | 1                                 |
| 0                                 | £60,000 - £64,999 | 0                                 |
| 0                                 | £65,000 - £69,999 | 0                                 |
| 0                                 | £70,000 - £74,999 | 0                                 |
| 0                                 | £75,000 - £79,999 | 0                                 |
| 1                                 | £80,000 - £84,999 | 1                                 |

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Exit Packages

The number and cost of exit packages agreed, analysed between compulsory redundancies and other departures, are disclosed in the table below:

| Exit package cost band | Number of compulsory redundancies |          | Number of other departures agreed |          | Total number of exit packages by cost band |          | Total cost of exit packages in each band |                 |
|------------------------|-----------------------------------|----------|-----------------------------------|----------|--|----------|--|-----------------|
|                        | 2015/16                           | 2016/17  | 2015/16                           | 2016/17  | 2015/16                                    | 2016/17  | 2015/16<br>£000                          | 2016/17<br>£000 |
| £0 - £20,000           | 0                                 | 1        | 0                                 | 0        | 0  | 1        | 0  | 13              |
| £20,001 - £40,000      | 0                                 | 0        | 0                                 | 0        | 0  | 0        | 0  | 0               |
| <b>Total</b>           | <b>0</b>                          | <b>1</b> | <b>0</b>                          | <b>0</b> | <b>0</b>                                   | <b>1</b> | <b>0</b>                                 | <b>13</b>       |

The total cost in the table above for exit packages have been charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

## 27. External Audit Costs

The Broads Authority has incurred the following fees relating to audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
| 13              | Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year | 13              |
| <b>13</b>       | <b>Total</b>   | <b>13</b>       |

## 28. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
| 3,189           | Credited to taxation and non-specific grant income:<br>Defra National Park Grant | 3,244           |
| 19              | Credited to services:<br>Heritage Lottery Fund – Landscape Partnership Scheme    | 166             |
| <b>3,208</b>    | <b>Total</b>   | <b>3,410</b>    |

## 29. Related Parties

The Broads Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

### Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties.

### Members

Members of the Broads Authority have direct control over the Authority's financial and operating policies. Members of the Navigation Committee have a consultative role in respect of navigation matters. The Authority wrote to all Members requesting details of any related party transactions. Details of Members' expenses are included in note 25.

A number of members of the Broads Authority are appointed by Local Authorities within the Broads area. The Authority transacts with these other Local Authorities for items such as rates in the normal course of business. There were no material transactions with Local Authorities which are not disclosed elsewhere within the Statement of Accounts.

Mr Alan Goodchild is a member of the Navigation Committee and is a Director of 'Goodchild Marine' which was contracted by the Authority to build a new launch and complete refits along with supplying diesel fuel and mooring facilities. The Authority paid £55,851 for the new launch, £347 for refits and £5,653 for fuel and moorings during 2016/17 (£53,183 for the launch, £3,267 for dredging, £3,023 for refits, and £6,770 for fuel and moorings in 2015/16). £192 was outstanding at 31 March 2017. Goodchild Marine paid £565 in navigation tolls to the Broads Authority in 2016/17. Mr Goodchild took no part in the decision-making process associated with these contracts.

Mr James Knight is a member of the Navigation Committee and is a Director of 'Waveney River Centre (2003) Ltd' which paid £8,628 navigation tolls to the Broads Authority in 2016/17 (£6,643 in 2015/16). The Authority also made fuel purchases of £1,256 (£1,217 in 2015/16) and used mooring facilities of £2,300 (£2,250 in 2015/16) during 2016/17. £71 was outstanding at 31 March 2017. Mr Knight took no part in the decision-making process associated with these contracts.

Mr Greg Munford is a member of the Broads Authority and Navigation Committee and is Chief Executive of 'Richardson's Leisure Ltd' which also wholly owns 'Moonfleet Marine Ltd'. Richardson's Leisure paid £360,631 and Moonfleet Marine Ltd paid £4,315 navigation tolls to the Broads Authority in 2016/17. The Authority paid £432 to Richardson's Leisure Ltd for lifting a boat during the year 2016/17 and Richardson's Holiday Group provided £5,700 to the Authority for tourism event sponsorship. The Authority made purchases from Moonfleet Marine Ltd of £8,516 in respect of refits and £1,282 fuel. No amounts were outstanding at 31 March 2017. Mr Munford took no part in the decision-making process associated with these contracts.

Mr Michael Whitaker is a member of the Broads Authority and Navigation Committee and is a partner of 'Herbert Woods LLP' which paid £170,128 navigation tolls to the Broads Authority in 2016/17 (£172,446 in 2015/16). The Authority also made fuel purchases of

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£1,661 (£1,488 in 2015/16) and paid £400 for a boat hire in 2016/17. No amounts were outstanding at 31 March 2017. Mr Whitaker took no part in the decision-making process associated with these contracts.

Mr Brian Wilkins is a member of the Navigation Committee and is a contractor via 'Windwood Solutions Ltd' to 'Canham Consulting Ltd', which was contracted for engineering design services. The Authority paid £3,144 during 2016/17 (£2,550 in 2015/16). No amounts were outstanding at 31 March 2017. Mr Wilkins took no part in the decision-making process associated with this contract.

#### Officers

The Chief Executive represents the Broads Authority on the board of the Whitlingham Charitable Trust. Officer remuneration is detailed in note 26.

#### Whitlingham Charitable Trust

During the year the Authority provided administration services for Whitlingham Charitable Trust of £43,294 (£41,549 in 2015/16). The balance outstanding at 31 March 2017 was £7,646 (£21,590 at 31 March 2016).

The Broads Authority also provides a recharge service for purchase invoices and salaries of £48,803 (£30,995 in 2015/16). The balance outstanding at 31 March 2017 was £4,466 (£4,196 at 31 March 2016).

The Whitlingham Charitable Trust also invoiced the Authority £15,264 (£15,264 in 2015/16) for rental income for the lease of the visitor centre and moorings. The balance outstanding at 31 March 2017 was £864 (£864 in 2015/16).

#### Other Public Bodies

Broadland District Council provided financial services for the Broads Authority until 31 March 2017. The Broads Authority was charged £3,062 in 2016/17 for the provision of this service (£3,546 in 2015/16). The balance outstanding at 31 March 2017 was £281 (£954 in 2015/16).

The Council also provided treasury management of the Authority's investments until 31 March 2017. No investments were placed with the Council as at 31 March 2017 (£2,750,000 as at 31 March 2016).

The Authority also recharged the Council for staff time of £10,797 during 2016/17 (£13,667 in 2015/16). The balance outstanding at 31 March 2017 was £2,541 (No amounts were outstanding at 31 March 2016).

The Head of Finance and Revenue Services for Broadland District Council served until 31 March 2017 as the Treasurer and Financial Adviser (Section 17 Officer) for the Broads Authority.

Norfolk County Council provides legal services to the Broads Authority via its legal practice, NPLaw. The Authority paid £179,462 for legal services in 2016/17 (£83,968 in 2015/16). The Practice Director of NPLaw served as the Solicitor and Monitoring Officer to the Broads Authority until end of May 2016. The balance outstanding at 31 March 2017 was £3,378.

Norfolk County Council also provides payroll services to the Broads Authority. The Authority paid £7,168 for this in 2016/17 (£6,954 in 2015/16). The balance outstanding at 31 March 2017 was £2,411 (No amounts were outstanding at 31 March 2016).

### 30. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

| 2015/16<br>£000 |   | 2016/17<br>£000 |
|-----------------|---|-----------------|
| 347             | Opening Capital Finance Requirement   | 280             |
|                 | <u>Capital Investment</u>   |                 |
| 467             | Property, Plant and Equipment   | 377             |
|                 | <u>Sources of Finance</u>   |                 |
|                 | Sums set aside from revenue:  |                 |
| (467)           | Direct revenue contributions  | (377)           |
| (67)            | MRP   | (63)            |
| <b>280</b>      | <b>Closing Capital Finance Requirement</b>  | <b>217</b>      |
|                 | <u>Explanation of movements in year</u>   |                 |
| (67)            | Increase / (decrease) in underlying need to borrow (unsupported by government financial assistance) | (63)            |
| 0               | Assets acquired under finance leases  | 0               |
| <b>(67)</b>     | <b>Increase / (decrease) in Capital Financing Requirement</b>                                       | <b>(63)</b>     |

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### 31. Leases

#### Authority as Lessee

##### *Finance Leases*

The Authority has a number of vehicles, plant and office equipment acquired under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
| 0               | Other Land and Buildings                 | 0               |
| 136             | Vehicles, Plant, Furniture and Equipment | 85              |
| <b>136</b>      | <b>Total</b>                             | <b>85</b>       |

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
| 48              | Finance lease liabilities (net present value of minimum lease payments): | 37              |
| 74              | • Current  | 37              |
| 6               | • Non-current  | 3               |
|                 | Finance costs payable in future years                                    |                 |
| <b>128</b>      | <b>Minimum lease payments</b>  | <b>77</b>       |

The minimum lease payments will be payable over the following periods:

|  | Minimum Lease Payments |                       | Finance Lease Liabilities |                       |
|--|------------------------|-----------------------|---------------------------|-----------------------|
|  | 31 March 2016<br>£000  | 31 March 2017<br>£000 | 31 March 2016<br>£000     | 31 March 2017<br>£000 |
| Not later than one year                        | 51                     | 39                    | 48                        | 37                    |
| Later than one year and not later than 5 years | 77                     | 38                    | 74                        | 37                    |
| Later than 5 years                             | 0                      | 0                     | 0                         | 0                     |
|  | <b>128</b>             | <b>77</b>             | <b>122</b>                | <b>74</b>             |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17, no (£nil) contingent rents were payable by the Authority (2015/16 £nil).

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*Operating Leases*

The Authority has acquired vehicles by entering into operating leases, with typical lives of 7 years. The Authority has also established operating leases in relation to land and buildings with typical lives between 10 and 20 years. The future minimum lease payments due under non-cancellable leases in future years are:

| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
| 148             | Not later than one year                        | 150             |
| 281             | Later than one year and not later than 5 years | 513             |
| 453             | Later than 5 years                             | 128             |
| <b>882</b>      | <b>Total</b>                                   | <b>791</b>      |

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

| 2015/16<br>£000 |                        | 2016/17<br>£000 |
|-----------------|------------------------|-----------------|
| 175             | Minimum lease payments | 175             |
| <b>175</b>      | <b>Total</b>           | <b>175</b>      |

Authority as Lessor

*Finance Leases*

The Authority has no leased out property on a finance lease.

*Operating Leases*

The Authority leases out land and property under operating leases for the following purposes:

- For the provision of community services, such as tourism services; and
- For an outdoor education and study centre.

The future minimum lease payments receivable under non-cancellable operating leases in future years are:

| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
| 55              | Not later than one year                        | 53              |
| 191             | Later than one year and not later than 5 years | 191             |
| 7               | Later than 5 years                             | 8               |
| <b>253</b>      | <b>Total</b>                                   | <b>252</b>      |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

### **32. Termination Benefits**

The Authority terminated the contract of one employee who was made redundant at the beginning of 2017/18 as part of the Broads Authority's organisational restructuring. In terminating these contracts the Authority incurred liabilities of £13,203, of which £nil related to enhanced pension benefits. This liability was recognised within the Provision Account in 2016/17. No liabilities relating to termination benefits were incurred during 2015/16 and no provision for any future redundancy payments was established in the year.

### **33. Defined Benefit Pension Schemes**

#### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Broads Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make future payments and thus these need to be disclosed as a future entitlement. The Authority participates in one pension scheme:

- The Norfolk Pension Fund for civilian employees (the Local Government Pension Scheme), administered locally by Norfolk County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

#### Transactions Relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against tolls and Defra grant is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and via the Movement in Reserves Statement during the year:

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| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
|                 | Comprehensive Income and Expenditure Statement   |                 |
| 876             | Cost of services: <ul style="list-style-type: none"> <li>• current service cost</li> </ul>   | 750             |
| 241             | Financing and investment income and expenditure <ul style="list-style-type: none"> <li>• net interest expense</li> </ul>   | 187             |
| <b>1,117</b>    | <b>Total post-employment benefits charged to the surplus or deficit on the provision of services</b>   | <b>937</b>      |
|                 | Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:  |                 |
| 150             | <ul style="list-style-type: none"> <li>• return on plan assets (excluding the amount included in the net interest expense)</li> </ul>  | (2,709)         |
| 0               | <ul style="list-style-type: none"> <li>• actuarial gains and losses arising on changes in demographic assumptions</li> </ul>   | (223)           |
| (2,687)         | <ul style="list-style-type: none"> <li>• actuarial gains and losses arising on changes in financial assumptions</li> </ul>   | 5,676           |
| (104)           | <ul style="list-style-type: none"> <li>• other experience</li> </ul>   | (578)           |
| <b>(2,641)</b>  | <b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>  | <b>2,166</b>    |
|                 | Movement in Reserves Statement   |                 |
| 1,117           | <ul style="list-style-type: none"> <li>• reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code</li> </ul> | 937             |
|                 | Actual amount charged against the General Fund balance for pensions in the year:   |                 |
| (574)           | <ul style="list-style-type: none"> <li>• employers' contributions payable to scheme</li> </ul>   | (597)           |

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Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan is as follows:

| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
| (25,845)        | Present value of the defined benefit obligation              | (31,888)        |
| 20,571          | Fair value of plan assets                                    | 24,108          |
| <b>(5,274)</b>  | <b>Net liability arising from defined benefit obligation</b> | <b>(7,780)</b>  |

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

| 2015/16<br>£000 |   | 2016/17<br>£000 |
|-----------------|---|-----------------|
| 20,011          | Opening fair value of scheme assets   | 20,571          |
| 641             | Interest income   | 721             |
| (150)           | Remeasurement gain / (loss): <ul style="list-style-type: none"> <li>The return on plan assets, excluding the amount included in the net interest expense</li> </ul> | 2,709           |
| 574             | Contributions from employer   | 597             |
| 204             | Contributions from employees into the scheme  | 198             |
| (709)           | Benefits paid   | (688)           |
| <b>20,571</b>   | <b>Closing fair value of scheme assets</b>  | <b>24,108</b>   |

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Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
| 27,383          | Balance at 1 April   | 25,845          |
| 876             | Current service cost   | 750             |
| 882             | Interest cost  | 908             |
| 204             | Contributions from scheme participants                                   | 198             |
| 0               | Remeasurement (gains) and losses:  |                 |
|                 | • Actuarial gains / losses from changes in demographic assumptions       | (223)           |
| (2,687)         | • Actuarial gains / losses arising from changes in financial assumptions | 5,676           |
| (104)           | • Other  | (578)           |
| (709)           | Benefits paid  | (688)           |
| <b>25,845</b>   | <b>Balance at 31 March</b>   | <b>31,888</b>   |

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Local Government Pension Scheme Assets

Local Government Pension Scheme assets comprised:

| Fair value of scheme assets<br>2015/16<br>£000 |   |                 |  | Fair value of scheme assets<br>2016/17<br>£000 |   |                 |
|--|---|-----------------|--|--|---|-----------------|
| Quoted<br>prices in<br>active<br>markets       | Quoted<br>prices<br>not in<br>active<br>markets | Total           |  | Quoted<br>prices in<br>active<br>markets       | Quoted<br>prices<br>not in<br>active<br>markets | Total           |
| -  | 443.9   | 443.9           | Cash and cash equivalents:               | -  | 694.5   | 694.5           |
|  |   |                 | • All cash and cash equivalents          |  |   |                 |
|  |   |                 | Equity instruments:                      |  |   |                 |
| 1,476.2  | -   | 1,476.2         | • Consumer                               | 1,795.4  | -   | 1,795.4         |
| 1,072.0  | -   | 1,072.0         | • Manufacturing                          | 1,401.0  | -   | 1,401.0         |
| 462.0  | -   | 462.0           | • Energy and utilities                   | 669.7  | -   | 669.7           |
| 1,346.0  | -   | 1,346.0         | • Financial institutions                 | 1,549.5  | -   | 1,549.5         |
| 657.0  | -   | 657.0           | • Health and care                        | 728.9  | -   | 728.9           |
| 618.7  | -   | 618.7           | • Information technology                 | 689.1  | -   | 689.1           |
| -  | -   | -               | • Other                                  | -  | -   | -               |
|  |   |                 | Bonds (Debt securities):                 |  |   |                 |
| -  | -   | -               | • Corporate bonds (investment grade)     | -  | -   | -               |
| -  | -   | -               | • Corporate bonds (non-investment grade) | -  | -   | -               |
|  |   |                 | Private equity:                          |  |   |                 |
| -  | 1,322.6   | 1,322.6         | • All private equity                     | -  | 1,506.7   | 1,506.7         |
|  |   |                 | Property:                                |  |   |                 |
| -  | 2,344.6   | 2,344.6         | • UK property                            | -  | 2,250.3   | 2,250.3         |
| -  | 317.0   | 317.0           | • Overseas property                      | -  | 376.3   | 376.3           |
|  |   |                 | Other investment funds and unit trusts:  |  |   |                 |
| 5,282.4  | -   | 5,282.4         | • Equities                               | 6,403.0  | -   | 6,403.0         |
| 5,292.2  | -   | 5,292.2         | • Bonds                                  | 6,093.5  | -   | 6,093.5         |
|  |   |                 | Derivatives:                             |  |   |                 |
| -  | -   | -               | • Other derivatives                      | -  | -   | -               |
| (63.6)   | -   | (63.6)          | • Foreign exchange                       | (49.9)   | -   | (49.9)          |
| <b>16,142.9</b>                                | <b>4,428.1</b>                                  | <b>20,571.0</b> |  | <b>19,280.2</b>                                | <b>4,827.8</b>                                  | <b>24,108.0</b> |

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Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

| 31 March 2016 |   | 31 March 2017 |
|---------------|---|---------------|
|               | Long term expected rate of return on assets in the scheme:            |               |
| 3.5%          | • Equity investments*   | 2.6%          |
| 3.5%          | • Bonds*  | 2.6%          |
| 3.5%          | • Property*   | 2.6%          |
| 3.5%          | • Cash*   | 2.6%          |
|               | Mortality assumptions:  |               |
|               | Longevity at 65 for current pensioners:                               |               |
| 22.1 years    | • Men   | 22.1 years    |
| 24.3 years    | • Women   | 24.4 years    |
|               | Longevity at 65 for future pensioners:                                |               |
| 24.5          | • Men   | 24.1          |
| 26.9          | • Women   | 26.4          |
| 2.2%          | Rate of inflation   | 2.4%          |
| 3.2%          | Rate of increase in salaries  | 2.7%          |
| 2.2%          | Rate of increase in pensions  | 2.4%          |
| 3.5%          | Rate for discounting scheme liabilities                               | 2.6%          |
|               | Take up of option to convert annual pension into retirement lump sum: |               |
| 50%           | Pre- April 2008 service   | 50%           |
| 75%           | Post- April 2008 service  | 75%           |

\*The expected rates of return are set equal to the discount rate (per the revised version of IAS19).

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions at the end of the reporting period and assumes for each other change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below are consistent with those adopted in the previous period.

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Sensitivity analysis – impact on the defined benefit obligation in the scheme

| Change in assumptions at 31 March 2017     | Approximate % increase to employer liability | Approximate monetary amount £000 |
|--|--|----------------------------------|
| 0.5% decrease in real discount rate        | 10%  | 3,319                            |
| 1 year increase in member life expectancy  | 3-5%   | Dependent on revised assumption  |
| 0.5% increase in the salary increase rate  | 1%   | 429                              |
| 0.5% increase in the pension increase rate | 9%   | 2,848                            |

Techniques used to manage risk

The Pensions Committee of Norfolk County Council considers long term liabilities when setting its investment strategy but does not follow a specific liability matching investment approach having taken appropriate professional advice. The Committee has agreed an asset allocation benchmark, a performance target and various controls on the Fund's investments. These reflect their views on the appropriate balance between maximising the long-term return on investments and minimising short-term volatility and risk. The Committee monitors and reviews the performance of investments and the overall strategy on a regular basis, supported by advice from professional advisers as required. A large proportion of the Fund's assets relate to equities (61% of scheme assets) and bonds (25%). These percentages are materially the same as the previous year. The scheme also invests in properties as part of the diversification of the scheme's investments.

Further details of the Fund's investment approach are outlined in the Statement of Investment Principles and Funding Strategy Statement that are published on the Fund's website [www.norfolkpensionfund.org](http://www.norfolkpensionfund.org).

Impact on the Authority's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Administering Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation will take place on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipates paying contributions of approximately £603,000 to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is as follows:

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|                   | Liability split | Weighted average duration |
|-------------------|-----------------|---------------------------|
| Active members    | 47.1%           | 21.7                      |
| Deferred members  | 26.4%           | 23.4                      |
| Pensioner members | 26.5%           | 12.0                      |
| <b>Total</b>      | <b>100.0%</b>   | <b>19.0</b>               |

### 34. Contingent Liabilities

The Authority has identified two material contingent liabilities:

#### *Postwick Tip*

The Authority uses a site "Postwick Tip," which is included in the Authority's Fixed Asset Register, for the treatment of sediment material from dredging operations. This natural treatment process involves the drying of sediment so that mercury content is absorbed. As such there would be no clean-up costs at the end of the site's life. However, if the Authority were to stop using the site, there would be a cost of £33,000 to surrender the license. There is currently no expectation that the Authority will cease using the site. The Authority's use of the site is the subject of a bond / financial provision to the Environment Agency in the amount of £6.4m. This covers the estimated cost of restoration which could arise if there were to be a catastrophic event at the site. Defra are the guarantors for this bond and the Authority would not itself anticipate making any payment under the terms of this agreement.

#### *Appeal against Adjacent tolls decision*

In 2015/16 the Authority applied to the High Court to appeal against a Crown Court decision which overturned a conviction against an individual for failing to pay the appropriate toll for mooring. This was subsequently overturned by the High Court and referred back to the Crown Court to determine the reasonableness of the charge. The Defendant's appeal was heard by the Crown Court on 15 July 2016 who held that the Authority's toll was reasonable, thereby concluding the appeal in the Authority's favour. The Court ordered the Defendant to pay a contribution towards the Authority's costs. The Defendant is now seeking a Judicial Review of the Crown Court itself in relation to this decision. Currently the costs of such action cannot be determined.

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|  | Long-term             |                       | Current               |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 31 March 2016<br>£000 | 31 March 2017<br>£000 | 31 March 2016<br>£000 | 31 March 2017<br>£000 |
| Investments                                      |                       |                       |                       |                       |
| Loans and receivables                            | 0                     | 0                     | 2,760                 | 2,001                 |
| <b>Total investments</b>                         | <b>0</b>              | <b>0</b>              | <b>2,760</b>          | <b>2,001</b>          |
| Debtors  |                       |                       |                       |                       |
| Loans and receivables                            | 10                    | 3                     | 168                   | 222                   |
| <b>Total debtors</b>                             | <b>10</b>             | <b>3</b>              | <b>168</b>            | <b>222</b>            |
| Borrowings                                       |                       |                       |                       |                       |
| Financial liabilities at amortised cost          | 152                   | 138                   | 15                    | 15                    |
| <b>Total borrowings</b>                          | <b>152</b>            | <b>138</b>            | <b>15</b>             | <b>15</b>             |
| Other Long Term Liabilities                      |                       |                       |                       |                       |
| Finance lease liabilities                        | 74                    | 37                    | 48                    | 37                    |
| <b>Total other long term liabilities</b>         | <b>74</b>             | <b>37</b>             | <b>48</b>             | <b>37</b>             |
| Creditors  |                       |                       |                       |                       |
| Financial liabilities carried at contract amount | 0                     | 0                     | 1,896                 | 1,724                 |
| <b>Total Creditors</b>                           | <b>0</b>              | <b>0</b>              | <b>1,896</b>          | <b>1,724</b>          |

### 35. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

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Income, Expense Gains and Losses

| 2015/16   |   |            |  | 2016/17   |   |            |
|---|---|------------|--|---|---|------------|
| Financial Liabilities measured at amortised cost £000 | Assets and Liabilities at Fair Value through Profit and Loss £000 | Total £000 |  | Financial Liabilities measured at amortised cost £000 | Assets and Liabilities at Fair Value through Profit and Loss £000 | Total £000 |
| 40  | 0   | 40         | Interest Expense   | 36  | 0   | 36         |
| 40  | 0   | 40         | Total expense in Surplus or Deficit on the Provision of Services | 36  | 0   | 36         |
| 0   | (23)  | (23)       | Interest Income  | 0   | (15)  | (15)       |
| 0   | (23)  | (23)       | Total Income in Surplus or Deficit on the Provision of Services  | 0   | (15)  | (15)       |
| <b>40</b>   | <b>(23)</b>   | <b>17</b>  | <b>Net (gain) / loss for the year</b>                            | <b>36</b>   | <b>(15)</b>   | <b>21</b>  |

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Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. These valuations are all classified as Level 2, where market prices are not available, with valuation techniques using inputs based significantly on observable market data. The following assumptions should be noted:

- Fixed interest rate of 4.82% over the 20 year PWLB loan;
- No early repayment or impairment is recognised; and
- The fair value of trade and other receivables is taken to be invoices or billed amount.

The fair values calculated are as follows:

|                       | 31 March 2016   |            | 31 March 2017   |            |
|-----------------------|-----------------|------------|-----------------|------------|
|                       | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|                       | £000            | £000       | £000            | £000       |
| Financial Liabilities | 227             | 280        | 175             | 226        |

|                   | 31 March 2016   |            | 31 March 2017   |            |
|-------------------|-----------------|------------|-----------------|------------|
|                   | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|                   | £000            | £000       | £000            | £000       |
| Long term Debtors | 10              | 10         | 3               | 3          |

Available for sale assets and assets and liabilities at fair value through profit and loss are carried in the balance sheet at their fair value. These fair values are based on public quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

### 36. Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

Credit Risk                      The possibility that other parties might fail to pay amounts due to the Authority.

Liquidity Risk                      The possibility that the Authority might not have funds available to meet its commitments to make payments.

Market Risk                      The possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market investments.

Foreign Exchange Risk      The possibility that financial loss might arise for the Authority as a result of changes in the exchange rate (GBP and Euro).

The Broads Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers. Deposits are only made in line with the Treasury Management Strategy which requires that deposits are not made with banks and financial institutions unless they are highly rated. Therefore the Broads Authority does not consider there to be any quantifiable risk in relation to investments.

The Authority's standard terms and conditions for payment of invoices are 30 days from invoice date. The Authority does not allow credit for customers, and only a small proportion of invoices were overdue and outstanding as at 31 March 2017 for which a bad debt provision had not been put in place.

#### Liquidity Risk

The current three year agreement from DEFRA means the Broads Authority has some certainty over the next few years. Longer term uncertainty still remains and future changes in government brings further uncertainty whether future three-year funding will be available. Given the significant cash balances there is no significant risk that it will be unable to meet its commitments under financial instruments. All financial liabilities are due to be repaid within one year with the exception of the 20 year PWLB loan. Therefore there is no risk of having to borrow at unfavourable rates in future to replenish borrowings.

#### Market Risk

With the exception of the PWLB loan, the Broads Authority is debt free. Excess cash is invested at variable or fixed money market rates depending on forecasts for interest rates under the period of review.

#### Foreign Exchange Risk

The Authority's Annual Investment and Capital Financing Strategy for 2016/17 states that if the Authority enters into any contractual arrangements above £100,000 which involve foreign currency, the advice of the Chief Financial Officer will be sought on the advisability of hedging the exchange risk before entering into the contract.

Broads Authority Statement of Accounts  
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**37. Navigation Income and Expenditure Account**

| 2015/16                   |                |                                    |  | 2016/17                   |                |                                    |
|---------------------------|----------------|------------------------------------|--|---------------------------|----------------|------------------------------------|
| Gross Expenditure<br>£000 | Income<br>£000 | Net Expenditure / (Income)<br>£000 |  | Gross Expenditure<br>£000 | Income<br>£000 | Net Expenditure / (Income)<br>£000 |
| 3,310                     | (3,142)        | 168                                | Navigation Fund  | 3,525                     | (3,238)        | 287                                |
| <b>3,310</b>              | <b>(3,142)</b> | <b>168</b>                         | <b>Net cost of services</b>                                | <b>3,525</b>              | <b>(3,238)</b> | <b>287</b>                         |
|                           |                | (1)<br>122                         | Other operating expenditure                                |                           |                | (2)<br>101                         |
|                           |                | 289                                | Financing and investment income and expenditure            |                           |                | 386                                |
|                           |                |                                    | <b>(Surplus) or deficit on the provision of services</b>   |                           |                |                                    |
|                           |                | (22)<br>(1,151)                    | (Surplus) or deficit on revaluation of fixed assets        |                           |                | (242)                              |
|                           |                |                                    | Actuarial (gains) / losses on pension assets / liabilities |                           |                | 981                                |
|                           |                | <b>(884)</b>                       | <b>Total comprehensive income and expenditure</b>          |                           |                | <b>1,125</b>                       |

## **Glossary of Terms**

### **ACCOUNTING PERIOD**

The period of time covered by the accounts, a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **ACCOUNTING POLICIES**

The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.

### **ACCRUALS**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **ACTUARIAL GAINS AND LOSSES**

These may arise on both defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated). A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

### **AMORTISATION**

The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible long term asset.

### **AMORTISED COST**

This is cost that has been adjusted for amortisation.

### **ASSET**

An item owned by the Authority which has a value, for example, premises, vehicles, equipment, cash.

### **BUDGET**

The statement of the Authority's policy expressed in financial terms usually for the current or forthcoming financial year. The Revenue Budget covers running expenses (see also: revenue income and expenditure), and the Capital Budget plans for asset acquisitions and replacements (see also: capital income and expenditure).

### **CAPITAL INCOME AND EXPENDITURE**

Expenditure on the acquisition of a long term asset, which lasts normally for more than one year, or expenditure which adds to the life or value of an existing long term asset.

### **CAPITAL FINANCING**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **CASH EQUIVALENTS**

These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes.

**CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)**

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional accountancy institute that sets the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

**CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING (the Code)**

Based on International Financial Reporting Standards, the Code aims to achieve consistent financial reporting between all English local authorities and National Park Authorities. It is based on generally accepted accounting standards and practices.

**COMMUNITY ASSETS**

Community assets are assets that the Authority intends to hold for an unlimited period of time, have no determinable finite useful life and may have restrictions on their disposal.

**CONTINGENT LIABILITIES**

Potential costs that the Authority may incur in the future because of something that happened in the past.

**CREDITORS**

Amounts owed by the Authority for goods and services provided for which payment has not been made at the end of the financial year.

**CURRENT VALUE**

This is the cost of an asset if bought in the current year.

**DEBTORS**

Sums of money due to the Authority but not received at the end of the financial year.

**DEFICIT**

Arises when expenditure exceeds income or when expenditure exceeds available budget.

**DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a long term asset.

**EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

**FAIR VALUE**

The price at which the Authority could buy or sell an asset in a transaction with another organisation, less any grants received towards buying or using that asset.

**FINANCIAL ASSET**

A right to future economic benefits.

**FINANCIAL INSTRUMENT**

Any contract that gives rise to a financial asset in one organisation and a financial liability in another.

**FINANCIAL LIABILITY**

An obligation to transfer economic benefits.

**FINANCE LEASE**

A lease which transfers all of the risks and rewards of ownership of a long term asset to the lessee. Where these leases are entered into, the assets acquired have to be included with the Authority's long term assets in the balance sheet at the market value of the asset involved (see also: operating lease).

**LONG TERM ASSETS**

Assets that yield benefits to the Authority and the services it provides for a period of more than one year.

**GOVERNMENT GRANTS**

Grants paid by the Government. These can be for general expenditure or a particular service or initiative.

**HISTORIC COST**

The cost of an asset when originally bought.

**IAS19 RETIREMENT BENEFITS**

An International Financial Reporting Standard which requires local authorities to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements.

**IMPAIRMENT**

A reduction in the value of a long term asset to below its carrying amount in the Balance Sheet. Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (fire at a building) or a deterioration in the quality of the service provided by the asset, or by a general fall in prices of that particular asset or type of asset.

**INFRASTRUCTURE ASSETS**

Long term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

**INTANGIBLE ASSETS**

Intangible assets are non-financial long term assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

International Financial Reporting Standards (IFRS) are issued by the International Accounting Standards Board. All local authorities apply international accounting regulations when preparing accounts. The Authority's accounts follow these standards where they apply to local authorities.

**INVESTMENT PROPERTIES**

Assets that the Authority owns but which are not used in the direct delivery of services.

**LIABILITY**

An obligation to transfer economic benefits. Current liabilities are usually payable within one year.

**MARKET PRICE**

This is the price at which another organisation is prepared to buy or sell an asset.

**MINIMUM REVENUE PROVISION (MRP)**

The minimum sum charged to the Authority's revenue account each year to provide for the repayment of loans.

**NET BOOK VALUE**

The amount at which long term assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

**NON DISTRIBUTED COSTS**

These are specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the in-year cost of providing the service.

**OPERATING LEASE**

A lease whereby the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service. The assets involved are not included within the Authority's long term assets in the balance sheet (see also: finance lease).

**OUTTURN**

The actual amount spent in the financial year.

**PENSION FUND**

A fund which makes pension payments on retirement of its participants.

**PROVISION**

An amount set aside to provide for a liability, which is likely to be incurred, but where the exact amount and the date on which it will arise are uncertain.

**RESERVES**

An amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

**REVENUE INCOME AND EXPENDITURE**

Expenditure which relates to day to day expenses, such as salaries and wages, general running expenses and the minimum revenue provision. Revenue income includes charges made for goods and services.

**SURPLUS**

Arises when income exceeds expenditure or when expenditure is less than available budget.

**VALUE ADDED TAX (VAT)**

A tax on consumer expenditure, collected on business transactions at each stage in the supply, but ultimately borne by the final customer.

**VARIANCE / VARIATION**

A difference between budgeted income or expenditure and actual outturn, also referred to as an 'over-' or 'underspend'.