

BROADS AUTHORITY
STATEMENT OF ACCOUNTS

2006/2007

BROADS AUTHORITY - STATEMENT OF ACCOUNTS 2006/2007

Contents

Explanatory Foreword	2
Statement of Accounting Policies	5
Statement of Responsibilities for the Statement of Accounts	8
General and Navigation Fund Income and Expenditure Account & Statement of Movement on the General Fund Balance	9
Statement of Total Recognised Gains and Losses	11
Balance Sheet	12
Cash Flow Statement	13
Notes to the Accounts	14
Statement of Internal Control	33
Chairman's Statement	42
Auditors Report	43

Explanatory Foreword

1. The Broads Authority's accounts for the year 2006/07 are set out on pages 9 to 42. They consist of:-

- A Statement of Responsibilities for the Statement of Accounts.
- The Income and Expenditure Account covering income and expenditure on all functions including navigation. This includes conservation, planning, information, interpretation and recreation and navigation.
- Statement of Movement on the General Fund Balance – this reconciliation summarises the differences between the outturn on the income and expenditure account and the general fund balance.
- The Balance Sheet which sets out the financial position of the Authority as at 31 March 2007.
- A Statement of Total Recognised Gains and Losses, which considers all gains and losses recognised for year ending 31 March 2007.
- A Cash Flow Statement which focuses on the flow of cash through the Authority between 1 April 2006 and 31 March 2007.
- A Statement on Internal Control

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

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

3. Income Sources

	<u>2005/2006</u>		<u>2006/2007</u>	
	£'000	%	£'000	%
Defra	3,708	56	3,800	55
Tolls	1,723	26	1,897	28
Other Income (see note)	1,172	18	1,187	17
	<u>6,603</u>	<u>100</u>	<u>6,884</u>	<u>100</u>

Note

Other income includes sales and grants from supporting organisations.

4. Main Spend Headings

	<u>2005/06</u>		<u>2006/07</u>	
	£'000	%	£'000	%
Employees	3,054	48	3,422	49
Running Expenses (see note)	3,367	52	3,310	48
Capital Financing Costs	0	0	206	3
	<u>6,421</u>	<u>100</u>	<u>6,938</u>	<u>100</u>
Contribution to /(from) Reserves	182		(54)	
	<u>6,603</u>		<u>6,884</u>	

Note

49% of total expenditure is incurred on employee costs. Running expenses are incurred on broad's restoration, dredging, weed clearance, projects, tourist information centres, maintenance of buildings and the operation of vehicles.

5. Expenditure by Service Function

	<u>2005/06</u>		<u>2006/07</u>	
General Account	£'000	%	£'000	%
Corporate Services	1,715	27	1,552	22
Countryside Management	2,035	32	2,104	30
Planning and Strategy	360	5	553	8
Waterways	373	6	522	7
Navigation Account				
Corporate Services	305	5	357	5
Waterways	1,630	25	1,936	28
	<u>6,418</u>	<u>100</u>	<u>7,024</u>	<u>100</u>
Accounting Adjustments (to reconcile annual accounts prepared under SORP to management accounts)	3		(86)	
	<u>6,421</u>		<u>6,938</u>	
Contribution to/(from) Reserves	<u>182</u>		<u>(54)</u>	
	<u>6,603</u>		<u>6,884</u>	

6. For ease of explanation the revenue income and expenditure is shown split between the general and navigation accounts. The authority is required to keep a separate navigation account fund and as such operates two separate budgets.

Revenue Expenditure - General Account 2006/07

	<u>Approved</u>	<u>Actual</u>	<u>Difference</u>
	<u>Estimate</u>		
	£	£	£
Gross Expenditure	4,990,700	4,765,846	224,854
<u>Income</u>			
Defra Grant	3,800,000	3,800,018	18
Interest on Balances	65,000	60,262	(4,738)
Other	1,061,050	934,684	(126,366)
Contribution from/(to) Reserves	<u>64,650</u>	<u>(29,118)</u>	<u>93,768</u>

Budget lines underspent will be carried forward to the next financial year subject to member's approval. Total underspends on the General Account are estimated to be £49,500. A budget of £5,260,800 has been adopted for 2007/08 and requires a draw on revenue of £305,700.

7. Revenue Expenditure - Navigation Account 2006/07

	<u>Approved Estimate</u> £	<u>Actual</u> £	<u>Difference</u> £
Gross Expenditure	2,168,100	2,172,310	(4,210)
<u>Income</u>			
Tolls	1,885,500	1,897,088	11,588
Interest on Balances	45,000	43,278	(1,722)
Other	116,600	149,202	32,602
Contribution from/(to) Reserves	<u>121,000</u>	<u>82,742</u>	<u>38,258</u>

A budget of £2,252,100 has been adopted for 2007/08 and requires a draw on revenue of £115,200.

8. During the year to 31/03/2007 the Authority purchased £205,895 new assets. The most significant of these was the computerised planning and tolls systems.
9. Pension Liabilities are valued on an actuarial basis using the projected unit method which assesses the future payments that will be made in relation to retirement benefits earned to date by employees discounted to their present value. The Liability of £1,930,000 is included in the Balance Sheet.

11. Accounting Policies and Pensions

The accounting policies adopted by the Authority comply with relevant recommended accounting practices. The Authority's policies are explained fully in the notes to the accounts set out from page 5 onwards. Pages 25 - 30 contain information relating to pensions and retirement benefits.

12. Further Information

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

Broads Authority

Statement of Accounting Policies

1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006 Statement of Recommended practice, the recommendations issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also with guidance notes issued by CIPFA on the application of Statement of Standard Accounting Practices (SSAPs) and Financial Reporting Standards (FRSs) and Urgent Issues Task Force (UITF's).

2. Fixed Assets

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

Operating assets are valued at the lesser of:-

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

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

A de minimus limit of £5,000 is used to recognise fixed assets.

Revaluation and Impairment reviews are conducted in accordance with FRS15 Tangible fixed assets. Land and Buildings are revalued by Norfolk Property Services every 5 years, with annual impairment reviews performed by Broads Authority Directors in the intervening years.

Depreciation is charged in accordance with FRS15 and each class of asset is considered separately. Assets (excluding land) are depreciated at cost or revalued amount less estimated residual value. The depreciable amount (i.e. cost, or revalued amount, less residual value) of a tangible fixed asset is recognised in the Income and Expenditure Accounts, on a systematic basis that reflects as fairly as possible the pattern in which the assets economic benefits are consumed by the entity, over its useful economic life.

3. Debtors and Creditors

The Income and Expenditure Accounts of the Authority are maintained on an accruals basis in accordance with the Code of Accounting Practice and adopted in accordance with FRS18. That is, sums due to or from the Authority during the year are included whether or not the cash has actually been received or paid in the year. Specific bad debts are provided for when it becomes evident that funds are unlikely to be received. Specific bad debt provision are reviewed annually.

4. Stocks

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

5. Reserves

Reserves can be cash or non-cash backed, and can be used to meet general or earmarked future expenditure. Non cash backed reserves are the Fixed Asset Restatement Account, the Capital Financing Account, the Government Grants Deferred Account and the Pension Reserve. Earmarked reserves are held for fulfilling specific projects, see balance sheet note 23, at page 30.

6. Investment Interest

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

7. Investments

Investments are shown in the Consolidated Balance Sheet at cost.

8. Defra Grant

Grants are essential to enable the Broads Authority to achieve its strategic aims and objectives as defined by the Norfolk and Suffolk Broads Act 1988 (as amended by the Natural Environment and Rural Communities Act 2006).

The strategic aims and objectives are:-

- (a) To conserve and enhance the natural beauty, wildlife and cultural heritage of the Broads;
- (b) To promote opportunities for the understanding and enjoyment of the special qualities of the Broads by the public; and
- (c) To protect the interests of navigation.

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

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

9. Segmental Reporting

In accordance with the Norfolk and Suffolk Broads Act 1988 and SSAP25 the Broads Authority keeps the General account funds and Navigation Account funds separately. Under the Local authorities SORP 2006/2007 the authority has prepared a single income and expenditure account for 2006/07, however in note 13 to the accounts the navigation accounts is shown in full.

10. Allocation of Costs

Salary, vehicle and other revenue costs are reallocated within the General Account to major projects that are grant aided partially or wholly by sources other than Defra 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 Accounts are made on a percentage basis of the service or goods consumed.

11. The Euro

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

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

12. Leasing

Leases are classified in accordance with SSAP21 "Accounting for Leases and Hire Purchase Contracts". Leases are appropriately classified as finance leases or operating leases. Finance leases are recorded in the balance sheet as an asset and as an obligation to pay future rentals. Operating lease obligations are not recorded in the balance sheet, but information of the obligation is disclosed by way of note to the financial statements. Operating lease rental are charged on a straight-line basis over the lease term to the revenue account.

13. Retirement Benefits

Retirement benefits are included in the financial statement in accordance with Financial Reporting Standard 17 (FRS17). The objectives of FRS17 are:

- the assets and liabilities arising from the employer's retirement benefit obligations are to be reflected at fair value;
- the operating costs of providing retirement benefits are to be recognised in the accounting periods in which the benefits are earned by the employees;
- the related financing costs and other charges in the value of assets and liabilities are to be recognised in the accounting period in which they arise;
- there is adequate disclosure in respect of the above.

14. Capital Grants

Government grants and other contributions of a capital nature are accounted for on an accruals basis and recognised in the Consolidated Balance Sheet when conditions for their receipt have been complied with, and there is reasonable assurance that the grant or contribution will be received. Capital grants when received in the future, will be initially credited to the Capital Grants and Contributions Account, from where they are transferred to the Government Grants Deferred Account when used to finance capital expenditure. Grants are then released to the Income and Expenditure Account so as to offset the appropriate amount of depreciation on the assets to which they refer.

Broads Authority

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:-

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

The Treasurer and Financial Adviser's Responsibilities

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

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

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

The Treasurer and Financial Adviser have also:-

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

The Treasurer and Financial Adviser should sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at 31 March 2007 and its income and expenditure for the year ended 31 March 2007.

Broads Authority
General and Navigation Fund Income and Expenditure Account

<u>2005/06</u> <u>Restated</u> <u>Net</u> <u>Expenditure</u> £		<u>Gross</u> <u>Expenditure</u> £	<u>2006/07</u> <u>Income</u> £	<u>Net</u> <u>Expenditure/</u> <u>(Income)</u> £
	Corporate Services			
226,732	Management and Admin Support	284,762	(13,226)	271,536
175,245	Finance	152,854	0	152,854
99,879	Human Resources and Staff Training	77,150	0	77,150
168,575	Information and Design	200,524	(6,000)	194,524
290,942	Information and Technology	207,131	0	207,131
90,596	Legal Services	214,813	0	214,813
113,560	Member Services	131,293	(2,521)	128,772
127,033	Premises and Property Matters	164,085	0	164,085
25,118	Sustainable Development Fund	95,321	(200,000)	(104,679)
	Countryside Management			
190,949	Management and Admin Support	152,443	(10,000)	142,443
358,471	Fen and Grazing Marshes	491,826	(134,218)	357,608
87,102	Events	87,492	(8,006)	79,486
270,251	Visitor Facilities and Volunteer Management	244,915	0	244,915
96,642	Public Rights of Way	129,783	(32,448)	97,335
330,544	Landscape and Projects	327,195	(3,065)	324,130
94,942	Tourism Development	72,203	(1,990)	70,213
219,285	Visitors Services	285,670	(69,653)	216,017
(5,399)	Partnerships	309,784	(304,106)	5,678
	Planning and Strategy			
63,424	Management and Admin Support	116,640	0	116,640
80,350	Broads Plan	42,351	0	42,351
55,348	Cultural Heritage	45,284	0	45,284
64,838	Development Control	292,832	(41,151)	251,681
32,778	Forward Planning	56,446	(53,674)	2,772
	Waterways			
1,158	Management and Admin Support	17,609	0	17,609
1,439	Broadland Flood Alleviation Project	38,612	(44,000)	(5,388)
123,131	Conservation of Water Bodies	155,329	(2,500)	152,829
155,000	Dredging	250,000	0	250,000
15,711	Navigation Safety and Policy	49,359	0	49,359
7,457	Patrolling	11,312	(8,126)	3,186
65,600	Navigation Revenue Account –Note 13	2,290,811	(2,048,290)	242,521
<u>3,626,701</u>	Net Cost of Services	<u>6,995,829</u>	<u>(2,982,974)</u>	<u>4,012,855</u>
0	Gains or loss on disposal – Note 14			2,236
10,444	Interest payable and similar charges			9,148
(128,174)	Interest and investment income – Note 18			(145,210)
30,000	Pensions interest cost and expected return on pensions assets – Note 20			(41,000)
<u>3,538,971</u>	Net Operating Expenditure			<u>3,838,029</u>
(3,708,182)	Defra Grant			(3,800,018)
<u>(169,211)</u>	(Surplus)/Deficit for the year			<u>38,011</u>

Broads Authority

2005/06 £	<u>Statement of Movement of the General Fund Balance</u>	2006/07 £
(169,211)	(Surplus)/Deficit on General Fund I&E a/c	38,011
<u>(14,983)</u>	Net Additional amount required by statute and non-statutory proper practice to be debited or credited to the General Fund balance for the year	<u>(67,130)</u>
(184,194)	Increase in General Fund Balance for the year	(29,119)
<u>(643,906)</u>	General Fund Balance b/f	<u>(828,099)</u>
<u>(828,100)</u>	General Fund Balance c/f	<u>(857,218)</u>

Note of Reconciling Items for the Statement of Movement on the General Fund Balance

	<u>Items included in the Income and Expenditure account but excluded from the movement on the General Revenue Fund balance for the year</u>	
0	Gains or (losses) on disposal of assets	(2,236)
(83,110)	Depreciation and impairment of fixed assets	(136,991)
0	Amortisation of government grants deferred	31,631
(408,000)	Net charge made for retirement benefits in accordance with FRS17	(466,000)
	<u>Items not included in the Income and Expenditure account but included in the movement on the General Fund balance for the year</u>	
324,000	Employers contributions to the Norfolk Pension Fund & benefits payable direct	363,000
0	Capital financed from Revenue	123,192
	<u>Transfers to or from the General Fund balance that are required to be taken into account when determining the movement on the General Fund balance</u>	
(2,333)	Navigation Fund Movement for the year	(82,742)
154,460	Net transfer to or (from) earmarked reserves	103,016
<u>(14,983)</u>	Net additional amount required to be debited/(credited) to the General Fund for the year	<u>(67,130)</u>

The income and expenditure account shows the authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to account for the general fund on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- The General Fund Balance compares the authority's spending against the DEFRA grant for the year, taking into account the use of reserves built up in the past and reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Broads Authority
Statement of Total Recognised Gains and Losses

<u>2005/06</u>		<u>2006/07</u>
£		£
(169,211)	Surplus for the year on the General and Navigation Fund Income and Expenditure Account	38,011
(116,028)	Surplus arising on the revaluation of fixed assets	(24,443)
216,000	Actuarial (gains)/losses on the pension fund assets and liabilities	(1,003,000)
	Other Movements – see note below	82,705
<u>(69,239)</u>	Total recognised gains for the year	<u>(906,727)</u>
874,262	Balance sheet as at 31/03/2006	943,501
<u>943,501</u>	Balance sheet as at 31/03/2007	<u>1,850,228</u>
<u>(69,239)</u>		<u>(906,727)</u>

Note:

Other movement relate to the transfer from the Implementing Electronic Government Earmarked Reserve to the Government Grants Deferred Account. This is shown separately because it is a movement between the top and bottom half of the balance sheet.

**Broads Authority
Balance Sheet**

As at 31.03.06 £			£	As at 31.03.07 £
<u>Fixed Assets</u>				
912,960	Land and Buildings - Operational Assets	Note 14	907,203	
322,846	Land and Buildings - Community Assets	Note 14	322,846	
259,052	Infrastructure Assets	Note 14	243,962	
396,399	Vehicles and Vessels	Note 14	399,942	
0	Computer Equipment		108,414	
<u>1,891,257</u>				1,982,367
7,441	Long Term Debtors	Note 16		8,507
<u>Current Assets</u>				
151,719	Stock		108,429	
513,647	Debtors	Note 17	692,626	
0	Provision for bad debt	Note 17	(141,346)	
2,090,000	Investments	Note 18	2,490,000	
2,144,238	Cash at Bank		512,881	
1,930	Cash in Hand		2,020	
<u>4,901,534</u>			<u>3,664,610</u>	
<u>Current Liabilities</u>				
(2,830,000)	Pension Liability	Note 20	(1,930,000)	
<u>(2,767,679)</u>	Creditors	Note 19	<u>(1,565,131)</u>	
5,597,679			(3,495,131)	
(696,145)	Net Current Assets/(Liabilities)			169,479
(259,052)	Long Term Creditors – Government Grants Deferred – Note 15			(310,125)
<u>943,501</u>				<u>1,850,228</u>
<u>Represented by:-</u>				
1,732,101	Fixed Asset Restatement Account	Note 23a		1,754,300
(99,882)	Capital Financing Account	Note 23b		(82,058)
(2,830,000)	Pension Reserve	Note 23c		(1,930,000)
834,614	Earmarked Reserves	Note 23d		854,942
<u>Fund Balances</u>				
828,100	General Account Fund Balance	Note 23		857,218
478,568	Navigation Account Fund Balance	Note 23		395,826
<u>943,501</u>				<u>1,850,228</u>

Treasurer and Financial Adviser's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Broads Authority at 31 March 2007 and its income and expenditure for the year ended 31 March 2007.

John Duvall (Treasurer and Financial Adviser)

Date

Broads Authority
Cash Flow Statement

<u>2005/06</u> £		£	<u>2006/07</u> £
	Revenue Activities		
	Cash Outflows		
3,045,809	Employees	3,433,339	
<u>3,049,307</u>	Other Operating Cash Payments	<u>3,317,036</u>	6,750,375
6,095,116			
	Cash Inflows		
(4,996,182)	Defra Grant	(2,512,018)	
(1,651,088)	Tolls and Work Licences	(2,053,093)	
<u>(951,558)</u>	Other Operating Cash Receipts	<u>(1,010,952)</u>	(5,576,063)
<u>(7,598,828)</u>			
(1,514,156)	Net Cash Outflow/(Inflow) from Revenue Activities (Note 2)		1,174,312
	Returns on Investments & Servicing of Finance		
(115,055)	Interest Received		(158,087)
<u>10,444</u>	Interest Paid		<u>9,148</u>
<u>(1,618,767)</u>			1,025,373
	Capital Activities		
0	Purchase of Fixed Assets		205,896
<u>(1,618,767)</u>	Net Cash Outflow/(Inflow) Before Financing		<u>1,231,269</u>
	Managing of Liquid Resources		
100,000	Net Increase/(Decrease) in Short Term Deposits (Note 3)		400,000
<u>(1,518,767)</u>	Net Decrease/(Increase) in Cash		<u>1,631,269</u>

Notes to the Statement of Accounts

1. Prior Period Adjustments:

In the 2006/07 Statement of Accounts, the Authority has adopted three significant accounting policies that impact on the comparative figures for 2005/06 in the income and expenditure account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts.
- Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item.
- Gains and losses on the disposal of fixed assets are recognised in the I&E Account.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in 2005/06 Statement of Accounts. In addition the Authority has restructured and renamed its Directorates, changed the way it presents movement of earmarked reserves, interest payable and interest receivable.

Prior Period Adjustments:

Old Directorates	Consolidate Revenue Account in 2005/06 Statement of Accounts	Internal Restructuring	Movement on Earmarked Reserves	Capital Charges Removed	Interest Payable	Interest Receivable	2005/06 Comparatives in Income and Expenditure Account	New Directorates
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Research and strategy	831,439	(507,520)	0	(20,023)	0	0	303,896	Waterways
Field Services	1,199,077	451,368	0	(7,658)	0	0	1,642,787	Countryside Management
Planning and Development	334,258	61,877	(99,397)	0	0	0	296,738	Planning and Development
Corporate Services	1,310,915	1,293	4,820	0	(8,094)	8,746	1,317,680	Corporate Services
Navigation Account	160,518	(7,018)	(59,883)	(30,999)	(2,350)	5,332	65,600	Navigation Account
Impact on Net Cost of Services	3,836,207	0	(154,460)	(58,680)	(10,444)	14,078	3,626,701	
Loss on disposal of fixed assets	0	0	0	0	0	0	0	
Interest Payable & similar charges	0	0	0	0	10,444	0	10,444	
Interest & investment income	(114,096)	0	0	0	0	(14,078)	(128,174)	
Pension interest costs and expected return on pension assets	30,000	0	0	0	0	0	30,000	

Old Directorates	Consolidate Revenue Account in 2005/06 Statement of Accounts	Internal Restructuring	Movement on Earmarked Reserves	Capital Charges Removed	Interest Payable	Interest Receivable	2005/06 Comparatives in Income and Expenditure Account	New Directorates
Transfer to/(from) Asset Management Reserve Account	(58,680)	0	0	58,680	0	0	0	
Minimum Revenue Provision	(83,110)	0	0	83,110	0	0	0	
Movement on Pensions Reserve	(84,000)	0	84,000	0	0	0	0	
Impact on Net Operation Expenditure	3,526,321	0	(70,460)	83,110	0	0	3,538,971	

2. Reconciliation of operating surplus to net cash inflow from revenue activities.

<u>2005/06</u>		<u>2006/07</u>
£		£
(169,211)	(Surplus)/Deficit – General and Navigation Fund income and expenditure account	38,011
42,385	(Decrease)/Increase in Stocks	(43,290)
259,748	(Decrease)/Increase in Debtors	180,045
(1,584,583)	Decrease/(Increase) in Creditors	1,202,548
0	Increase in Provision for Bad Debts	(141,346)
115,055	Interest Received	158,087
(10,444)	Interest Paid	(9,148)
(83,110)	Depreciation and impairment of Fixed Assets	(136,991)
0	Profit/Loss on disposal of Fixed Assets	(2,236)
0	Amortisation of Government Grants Deferred	31,631
(408,000)	Net Charges made for retirement benefits in accordance with FRS17	(466,000)
324,000	Employers contributions to the Norfolk Pension Fund and Benefits payable direct	363,000
<u>(1,514,160)</u>	Net Cash (Inflow)/Outflow from Revenue Activities	<u>1,174,311</u>

3. Analysis of Cash and Investments

	31 March 2006 £	31 March 2007 £	Movement £
Cash in Hand	2,146,168	514,901	(1,631,267)
Investments	<u>2,090,000</u>	<u>2,490,000</u>	400,000
	<u>4,236,168</u>	<u>3,004,901</u>	<u>(1,231,267)</u>

4. Staff Remuneration

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

	<u>2005/06</u>	<u>2006/07</u>
	Number of Staff	Number of Staff
50,000 – 59,999	0	0
60,000 – 69,999	0	0
70,000 – 79,999	1	1

5. Revenue Account

The Broads Authority is a special statutory authority created under the provisions of the Norfolk and Suffolk Broads Act 1988. Due to the exceptional nature of the organisation, the Broads Authority has departed from the service expenditure analysis prescribed in the Best Value Accounting Code of Practice. However note 12 presents the accounts in the Best Value Accounting Code of Practice format is provided, to comply with the 2006 SORP requirement.

The Broads Authority is also required to maintain and separate navigation account. Due to this requirement note 12 contains a navigation only income and expenditure account for information.

6. Disclosure of Audit Costs

The Broads Authority has incurred the following fees relating to external audit:

	2005/06 £	2006/07 £
• Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	16,600	19,900

7. Movement in Pension Reserve

The Broads Authority staff pension scheme is a defined benefit scheme administered by Norfolk County Council. Further information on this scheme can be found on page 20, note 7.

	2005/06 £000	2006/07 £000
Service Cost	(378)	(507)
Interest Cost	(526)	(588)
Expected Return on Assets	496	629
Pension Costs	324	363
Total	<u>(84)</u>	<u>(103)</u>

8. Financing of Capital Expenditure

	2005/06 £000	2006/07 £000
Vehicles and Vessels	0.0	70.3
Computer Equipment	0.0	135.5
Total	<u>0.0</u>	<u>205.8</u>

This capital expenditure is financed directly from revenue, and is capitalised in accordance with FRS15 and FRS10.

9. Leasing

	Paid 2006/07 £	<u>Future Commitments</u>		
		Year 1 £	Year 2-5 £	>5 years £
Operating Leases - Vehicle Contract Hire	99,895	26,455	36,931	0
- Telephone Equipment	11,936	2,500	1,936	0
- Photocopiers	9,851	0	9,989	0
- Franking Machine	2,238	0	2,238	0
- Buildings	74,801	42,750	14,455	6,000
- Land	11,972	2,450	550	5,363

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

10. Members Allowances
The total of members allowances paid in the year was £14,057 (2005/06 - £9,274).
11. Related Party Transactions
Mr Paul Greasley is a member of the Broads Authority and Owner/Director of Norfolk Broads Direct Ltd. During the year Norfolk Broads Direct paid £147,887 in river tolls to the authority (2005/06 £133,273).

12. Consolidated Income and Expenditure Account in Best Value Account Code of Practice Format

<u>2005/06</u>		<u>2006/07</u>		
<u>Net Expenditure</u>		<u>Gross Expenditure</u>	<u>Income</u>	<u>Net Expenditure/ (Income)</u>
£		£	£	£
2,374,823	Open Spaces	3,069,842	(538,342)	2,531,500
475,502	Tourism	527,325	(79,769)	447,556
161,897	Development Control	480,584	(93,651)	386,933
273,576	Planning Policy	304,046	(1,174)	302,872
250,185	Corporate and Democratic Core	206,152	0	206,152
25,118	Environmental Initiatives	95,321	(200,000)	(104,679)
65,600	Navigation Revenue Account	2,290,811	(2,048,290)	242,521
<u>3,626,701</u>	Net cost of Services	<u>6,974,081</u>	<u>(2,961,226)</u>	<u>4,012,855</u>
	Profit/Loss on disposal of Fixed Assets			2,236
10,444	Interest payable and similar charges			9,148
(128,174)	Interest and investment income			(145,210)
30,000	Pensions interest cost and expected return on pensions assets			(41,000)
<u>3,538,971</u>	Net Operating Expenditure			<u>3,838,029</u>
(3,708,182)	Defra Grant			(3,800,018)
<u>(169,211)</u>	(Surplus)/deficit for the year			<u>38,011</u>

13. Navigation Fund Income and Expenditure Account

<u>2005/06</u> <u>restated</u>		<u>2006/07</u>		
<u>Net</u> <u>Expenditure</u> £		<u>Gross</u> <u>Expenditure</u> £	<u>Income</u> £	<u>Net</u> <u>Expenditure/</u> <u>(Income)</u> £
	Corporate Services			
56,874	Management and Admin Support	45,675	0	45,675
65,937	Finance	74,768	0	74,768
19,113	Human Resources and Staff Training	30,159	0	30,159
26,644	Information and Design	29,110	0	29,110
32,168	Information and Technology	32,563	0	32,563
24,255	Legal Services	11,798	0	11,798
16,353	Member Services	13,733	0	13,733
23,680	Navigation Tolls	78,926	(2,255)	76,671
32,817	Premises and Property Matters	37,754	0	37,754
	Waterways			
98,321	Management and Admin Support	101,569	0	101,569
480,550	Dredging	462,813	(4,630)	458,183
165,370	Moorings and Yacht Stations	212,891	(53,286)	159,605
87,015	Navigation Safety and Policy	121,491	(4,435)	117,056
212,335	Navigation Works and Maintenance	418,215	(24,763)	393,452
454,812	Patrolling	619,346	(50,142)	569,204
<u>1,799,244</u>	Net cost of Services	<u>2,290,811</u>	<u>(139,511)</u>	<u>2,151,300</u>
2,350	Interest payable and similar charges			2,058
(58,238)	Interest and investment income			(54,155)
9,690	Pensions interest cost and expected return on pensions assets			(13,243)
<u>1,753,046</u>	Net Operating Expenditure			<u>2,085,960</u>
(1,733,644)	Tolls income			(1,908,778)
<u>19,402</u>	(Surplus)/Deficit for the year			<u>177,182</u>
	<u>Statement of Movement of the Navigation Fund Balance</u>			
19,402	(Surplus)/Deficit on Navigation I&E a/c			177,182
(17,069)	Net Additional amount required by statute and non-statutory proper practice to be debited or credited to the Navigation Fund balance for the year.			(94,440)
<u>2,333</u>	Decrease in Navigation Fund balance for the year			<u>82,742</u>
(480,901)	Navigation Fund Balance b/f			(478,568)
(478,568)	Navigation Fund Balance c/f			(395,826)

Broads Authority
Navigation Fund Income and Expenditure Account (continued)

Note of Reconciling Items for the Statement of Movement on the Navigation Fund Balance

2005/06		2006/07
£	<u>Items included in the Income and Expenditure account but excluded from the movement on the Navigation Fund balance for the year</u>	£
(49,820)	Depreciation and impairment of fixed assets	(51,802)
(131,832)	Net charge made for retirement benefits in accordance with FRS17	(150,518)
<u>Items not included in the Income and Expenditure account but included in the movement on the Navigation Fund balance for the year</u>		
104,700	Employers contributions to the Norfolk Pension Fund & benefits payable direct	117,249
0	Capital Financed From Revenue	5,760
<u>Transfers to or from the Navigation Fund balance that are required to be taken into account when determining the movement on the Navigation Fund balance</u>		
59,883	Net transfer to/(from) earmarked reserves	(15,129)
<u>(17,069)</u>	Net additional amount required to be debited/(credited) to the Navigation Fund for the year	<u>(94,440)</u>

14. Fixed Assets

The code of practice on Local Authority accounting required fixed assets be recorded in the balance sheet at current value. The basis of valuation for the various categories of assets is set out below

Category of Asset	Basis of valuation
Operational Land and Buildings	Existing use value or depreciated replacement cost. Professionally revalued every 5 years.
Community Land	Historical Cost
Infrastructure Asset	Historical Cost
Vehicle and Vessels	Purchase price or net realisable value Directors valuation every 5 years.
Computer Equipment	Purchase price

An independent valuation of the following assets as at 31 March 2006 (and 31 March 2007 values estimated) was carried out by Mr R L Arnett FRICS of NPS Property Consultants Limited at

- (a) Boathouse and land at Wroxham
- (b) Boathouse and land at Irstead
- (c) Public Conveniences at East Neatishead
- (d) Car Park at East Neatishead

An independent valuation of the following assets as at 31 March 2005 was carried out by Mr R L Arnett FRICS of NPS Property Consultants Limited at:

- (a) Ranworth Tourist Information Centre;
- (b) Ludham Field Base; and

(c) How Hill Estate

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

During the year the Directors reviewed the net realisable value of the vehicles and vessels, in accordance with the Authorities policy of revaluing all assets every 5 years. This resulted in the Ra Solar boat being revalued to a net realisable value of £30,000 from a carrying value of £7,565.

An annual impairment review has been undertaken by the Directors in accordance with FRS15. As at 31 March 2007 no assets belonging to the Authority were considered to be written down due to impairment

In accordance with the Code of Practice on Capital Accounting in Local Authorities, depreciation has been charged to the Income and Expenditure Accounts to represent the cost of using assets. Depreciation has been charged on the following basis:

Category of Asset	Depreciation method	Depreciation Period
Operational Land and Buildings	Straight line, (20% assumed land value)	Between 8 to 55 years as per professional advice
Community Land	Not depreciated	Not depreciated
Infrastructure Asset	Straight line	20 years
Vehicles and Vessels	Straight line	7 years
Computer Equipment	Straight line	5 years

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

**Broads Authority
Fixed Asset Schedule**

	Land and Buildings Operational Assets	Land and Buildings Community Assets	Infrastructure Asset	Vehicles and Vessels	Computer Equipment	Total
	£	£	£	£	£	£
Gross Book Value as at 01/04/2006	918,500	322,846	301,808	542,851	-	2,086,005
Additions	-	-	-	70,377	135,518	205,895
Disposals	-	-	-	(4,000)	-	(4,000)
Impairments	-	-	-	-	-	-
Gross book value eliminated on revaluation	-	-	-	(52,716)	-	(52,716)
Revaluations	2,000	-	-	30,000	-	32,000
Gross Book Value as at 31/03/2007	920,500	322,846	301,808	586,512	135,518	2,267,184
Accumulated Depreciation at 01/04/2006	5,540	-	42,756	146,457	-	194,753
Depreciation for the year	7,757	-	15,090	87,028	27,104	136,979
Depreciation eliminated on disposal.	-	-	-	(1,764)	-	(1,764)
Depreciation eliminated on revaluation	-	-	-	(45,151)	-	(45,151)
Accumulated Depreciation as at 31/03/2007	13,297	0	57,846	186,570	27,104	284,817
Net Book Value 31/03/2006	912,960	322,846	259,052	396,394	-	1,891,252
Net Book Value 31/03/2007	907,203	322,846	243,962	399,942	108,414	1,982,367

15. Government Grants Deferred

All capital grants received are amortised over the same period as the asset they finance. The Government Grants Deferred Account represents the balance of grants received not yet amortised.

During 2006/07 the Tolls system was capitalised at the purchase cost. This project was funded by the IEG (implementing electronic government funding), and therefore Government Grants Deferred Account was created. This is amortised in line with the depreciation on the Tolls system.

During 2005/06 the Barton Boardwalk was capitalised at the cost of construction. This project was primarily funded by The Millennium Commission and therefore a Government Grants Deferred Account was created. This is amortised in line with the depreciation on the Boardwalk.

16. Long Term Debtors

2005/06		2006/07
£		£
7,441	Initial vehicle rental paid in advance	8,507
<u>7,441</u>		<u>8,507</u>

17. Debtors due within 1 year

2005/06		2006/07
£		£
500,355	Sundry debtors and prepayments	681,301
0	Provision for bad debts	(141,346)
2,143	Loans to employees	4,217
11,149	Initial vehicle rental paid in advance	7,108
<u>513,647</u>		<u>551,280</u>

Consideration has been given for bad and doubtful debts. A provision has been made for a specific debt; the authority is pursuing the amount outstanding through the courts.

18. Investments

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

19. Creditors and Receipts in Advance

2005/06		2006/07
£		£
677,054	Creditors and accruals	606,501
802,625	Tolls received in advance	958,630
1,288,000	Defra grant received in advance	0
<u>2,767,679</u>		<u>1,565,131</u>

Creditors have decreased in 2006/07 mainly because Defra grant for 2006/07 was received in advance in 2005/06.

20. Pensions and Retirement Benefits

The Broads Authority's staff pension scheme is a defined benefit scheme administered by Norfolk County Council. In 2006/07 the Authority paid an employer's contribution of £331,975 (2005/06 £293,400) into the Superannuation Fund representing 14.7% (2005/06 – 14%) of superannuable employee's reckonable pay.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The last full review was carried out on 1 April 2004, being effective from 1 April 2005. Under Superannuation Fund Regulations contribution rates are set to meet the overall liabilities of the Fund.

In addition the Broads Authority is responsible for all pension payments relating to added years benefits it has awarded, together with lump sums, compensation payments and related increases. In 2006/07 these amounted to £30,797 (2006/07 - £30,518).

An actuarial valuation as at 31 March 2007 was made by Hymans Robertson (actuaries to the Norfolk County Council Pension Fund) for the purpose of Financial Reporting Standard (FRS) 17 – Retirement Benefits. Their calculations were carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits, under FRS17 issued by the Institute and Faculty of Actuaries.

Changes in the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that 25% members will take tax-free cash up to the HMRC limits

The following tables show the actuaries calculations and assumptions made for the year ended 31 March 2007 and shows a Net Pension Liability for the Broads Authority at 31 March 2007 of £1,930,000 (2005/06 - £2,830,000).

Financial Assumptions

The financial assumptions used for the purposes of the FRS17 calculations as at 31 March 2005, 31 March 2006 and 31 March 2007 are as follows:

Assumptions as at	31 Mar 2007	Real	31 Mar 2006	Real	31 Mar 2005	Real
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Price Increases	3.2%	-	3.1%	-	2.9%	-
Salary Increases	4.7%	1.5%	4.6%	1.5%	4.4%	1.5%
Pension Increases	3.2%	-	3.1%	-	2.9%	-
Discount Rate	5.4%	2.1%	4.9%	1.7%	5.4%	2.4%

The inflation assumption has been derived by considering the difference in gross redemption yields of traditional and index-linked gilt-edged securities as at 31 March 2007. Salary increases are assumed to be 1.5% more than price increases, in line with the assumption used in the latest formal valuation of the Fund.

The discount rate employed for the 2006/07 financial year is the yield available on long-dated, high quality corporate bonds (as measured by the yield on iboxx Sterling Corporates Index, AA over 15 years), at the FRS17 valuation date

Norfolk Pension Fund Assets

An estimate of the assets of the whole Fund as at 31 March 2007 is shown in the table below:

Assets Whole Fund	Value at 31 Mar 2007	Asset Distribution	Value at 31 Mar 2006	Asset Distribution	Value at 31 Mar 2005	Asset Distribution
	£000	%	£000	%	£000	%
Equities	1,250,900	67%	1,223,448	71%	908,350	69%
Bonds	271,500	15%	244,936	14%	211,536	16%
Property	292,500	16%	209,106	12%	146,347	11%
Cash	44,500	2%	40,882	2%	46,360	4%
Total	1,859,400	100%	1,718,372	100%	1,312,593	100%

Please note that the actual total value of the Fund assets as at 31 March 2007 may be different from that shown. The figure in the table is only used to determine the asset distribution and does not allow for cashflows into/out of the Fund since 1st February 2007. This does not affect the assets attributed to each employer, which do allow for cashflows since 1st February 2007. Similarly, the value of the Fund assets shown as at 31 March 2006 may not match that shown in the 2006 FRS17 disclosures, which were based on estimated assets.

The actuary has calculated the value of assets by estimating the return on the fund for the year to 31 March 2007 to be 6.1%; this was based on actual fund returns of 4.3% for the period 1 April 2006 to 31 January 2007 and index returns for the period from 31 January 2007 to 31 March 2007.

The actual fund return for the year to 31 March 2007 was 7.1%, and the total fund value including all employers as at 31 March 2007 was £1,889,435,000. This total includes the assets attributable to the Broads Authority

Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2007).

FRS17 requires that the expected return on assets is to be set by the Employer having taken actuarial advice. The expected returns as at 31 March 2005, 31 March 2006 and 31 March 2007 are shown in the table below:

Asset Class	Expected Return at 31 March 2007 (% per annum)	Expected Return at 31 March 2006 (% per annum)	Expected Return at 31 March 2005 (% per annum)
Equities	7.9%	7.4%	7.7%
Bonds	4.9%	4.6%	4.8%
Property	5.9%	5.5%	5.7%
Cash	4.9%	4.6%	4.8%

Retirement Benefits Balance Sheet disclosure as at 31 March 2007

Analysis of amount charged to operating profit

Amount Charged to Operating Profit	Year to 31 March 2007		Year to 31 March 2006	
	£(000)	(% of Payroll)	£(000)	(% of Payroll)
Service Cost	507	22.4%	378	17.7%
Past Service Costs	-	-	-	-
Curtailement and Settlements	-	-	-	-
Decrease in Irrecoverable Surplus	-	-	-	-
Total Operating Charge (A)	507	22.4%	378	17.7%
Amount Credited to Other Finance Income	Year to 31 March 2007		Year to 31 March 2006	
	£(000)	(% of Payroll)	£(000)	(% of Payroll)
Expected Return on Employer Assets	629	27.9%	496	23.2%
Interest on Pension Scheme Liabilities	(588)	(26.0%)	(526)	(24.6%)
Net Return (B)	41	1.8%	(30)	(1.4%)
Net Revenue Account Cost (A)-(B)	466	20.6%	408	19.1%

The service cost takes no account of the removal of the Rule of 85 for new members from 1 October 2006. An allowance has been made for exchanging (commuting) part of the LGPS pension for additional cash for retirements with effect from 6 April 2006 and for life expectancy improvements. The service cost figure includes an allowance for administration expenses of 0.4%.

Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)

	Year to 31 March 2007 £000s	Year to 31 March 2006 £000s
Actual Return Less Expected Return on Pension Scheme Assets	(53)	1,276
Experience Gains and Losses Arising on the Scheme Liabilities	278	(7)
Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	778	(1,485)
Actuarial (Loss) in Pension Plan	1,003	(216)
Increase/(Decrease) in Irrecoverable Surplus from Membership Fall and Other Factors	-	-
Actuarial (Loss)/Gain Recognised in STRGL	1,003	(216)

Movement in Surplus/Deficit during the Year

	Year to 31 March 2007 £(000)	Year to 31 March 2006 £(000)
Surplus/ (Deficit) at beginning of the year	(2,830)	(2,530)
Current Service Cost	(507)	(378)
Employer Contributions	350	311
Contributions in respect of Unfunded Benefits	13	13
Other Income	-	-
Other Outgo (e.g. expenses, etc)	-	-
Past service costs	-	-
Impact of Settlements and Curtailments	-	-
Net Return on Assets	41	(30)
Actuarial Gains/(Losses)	1,003	(216)
Surplus/ (Deficit) at End of Year	(1,930)	(2,830)

History of Experience Gains and Losses

	Year to 31 March 2007 £(000)	Year to 31 March 2006 £(000)	Year to 31 March 2005 £(000)	Year to 31 March 2004 £(000)	Year to 31 March 2003 £(000)
Difference Between the Expected and Actual Return on Assets	(53)	1,276	272	753	(1,474)
Value of Assets	10,050	9,020	7,124	6,210	4,885
Percentage of Assets	(0.5%)	14.1%	3.8%	12.1%	(30.2%)
Experience Gains/(Losses) on Liabilities	278	(7)	(276)	(61)	(87)
Total Present Value of Liabilities	11,980	11,850	9,657	7,256	6,444
Percentage of the Total Present Value of Liabilities	2.3%	(0.1%)	(2.9%)	(0.8%)	(1.4%)
Actuarial Gains/Losses Recognised in STRGL	1,003	(216)	(1,474)	692	(1,561)
Total Present Value of Liabilities	11,980	11,850	9,657	7,256	6,444
Percentage of the Total Present Value of Liabilities	8.4%	(1.8%)	(15.3%)	9.5%	(24.2%)

The pension fund is a long term commitment and this will be reflected in the approach taken and the assumptions used in this actuarial valuation. To smooth out

some of the volatility, the actuary will normally consider average market conditions in the 12 months leading up to the report.

FRS17 is an accounting standard, which details what pension fund information needs to be included in the accounts. The method of doing these calculations is prescribed, as are some of the assumptions. No smoothing is allowed so that these figures reflect the position of the Fund only on one particular day (in this case 31 March 2007) based on a prescribed set of assumptions.

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

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

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

21. Contingent Liability

The Authority has made payments since 1998/99 totalling £30,080 for conservation management's agreements which fall within the European Union's definition of “State Aid” in relation to farming support.

The Authority has also made payments since the year 2000 amounting to £1,453 per annum for public access agreements which also fall within the European Unions definition of “State Aid”. These access agreements are continuing but need to be terminated and renegotiated under the terms of the new scheme that has EU approval.

Advice received by the Authority is that these “State Aid” payments require retrospective approval from the EU and that the Department for Environment, Food and Rural Affairs has submitted an application to that effect. Should this approval not be forthcoming, this may result in a liability for the Authority to repay government funding it has received in support of these payments. It is not possible to at the date of these accounts to identify neither the expected timing of approval for these payments nor the likely outcome of the application.

22. Post Balance Sheet Events

In October 2007 The Authority purchased the dredging operation of May Gurney Ltd, to enable it to more effectively preserve the navigable waters. This costs the Authority £255,000, and 11 new members of staff were transferred across under TUPE and a manager employed. To finance this purchase the authority has taken out a loan for £290,000 from the public works loan board.

23. Reserves

Reserve	Balance as at 1 April 2006	Net Movement in the Year	Balance as at 31 March 2007	Purpose of Reserve	Further Details of Movements
	£	£	£		
Fixed Asset Restatement Account	1,732,101	22,199	1,754,300	Provides the matching entry when fixed assets are restated, upon revaluation or disposal	(a) below
Capital Financing Account	(99,882)	17,824	(82,058)	Represents the amount of capital expenditure financed from revenue, capital receipts or other capital resources	(b) below
Pension Reserve	(2,830,000)	900,000	(1,930,000)	Represents overall liability of the authority for pension payments to employees who are or have been members of the Norfolk Pension Fund	(c) below
Earmarked Reserves					
New Office Accommodation	136,003	141,498	277,501	Unused Defra grant awarded to enable the authority to make the move to its new premises	(d) below
Vessel Replacement Fund	140,590	5,642	146,232	Navigation Fund reserve for the purchase of water borne vessels	(d) below
Mutford Lock Endowment Fund	134,982	(20,772)	114,210	Navigation Fund reserve for the future repair of Mutford Lock	(d) below
Planning Delivery Grant	272,232	(112,309)	159,923	Unused Defra and OPDM grants awarded to deliver the planning service	(d) below
Implementing Electronic Government	123,032	(104,740)	18,292	Unused grant supplied by ODPM for the purpose of improving IT systems	(d) below
Sustainable Development Fund	27,775	111,009	138,784	Unused sustainable development fund grant supplied by Defra	(d) below
General Fund	828,100	29,118	857,218	General fund – to be spent on general fund activities	
Navigation Fund	478,568	(82,742)	395,826	Navigation fund – to be spent on navigation activities	
	943,501	906,727	1,850,228		

a) Fixed Asset Restatement Account

2005/06		2006/07	
£		£	
1,616,087	Balance brought forward	1,732,101	
116,014	Revaluations re 04/05, 05/06 & 06/07	24,435	
0	Value of disposals of fixed assets	(2,236)	
<u>1,732,101</u>		<u>1,754,300</u>	

b) Capital Financing Reserve

2005/06		2006/07	
£		£	
(16,786)	Balance brought forward	(99,882)	
(83,096)	Depreciation	(136,998)	
0	Amortisation Government Grants Deferred	31,631	
0	Capital Financed from Revenue	123,192	
<u>(99,882)</u>		<u>(82,057)</u>	

c) Movements on the Pension Reserve

The movement on the pension reserve has two elements, the appropriations to/from revenue as shown in notes 4 to the income and expenditure accounts of £103,000, and the actuarial gain as explained below. The net effect is a movement on the pension fund reserve of £900,000.

The actuarial gains identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007.

	2003/04		2004/05		2005/06		2006/07	
	£000s	%	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on assets	753	12.1	272	3.8	1,276	14.1	(53)	(0.5)
Differences between actuarial assumptions about liabilities and actual experience	(61)	(0.8)	(276)	(2.9)	(7)	(0.1)	278	2.3
Changes in the demographic assumptions used to estimate liabilities	0	0	0	0	0	0	0	0
Changes in the financial assumptions used to estimate liabilities	Nil		(1,470)		(1485)		778	
	<u>692</u>		<u>(1,474)</u>		<u>(216)</u>		<u>1003</u>	

d) Earmarked Reserves

<u>Reserves</u>	<u>New Office Accommodation</u>	<u>Vessel Replacement Fund</u>	<u>Mutford Lock Endowment Fund</u>	<u>Planning Delivery Grant</u>	<u>Implementing Electronic Government</u>	<u>Sustainable Development Fund</u>	<u>Total</u>
	£	£	£	£	£	£	£
Balance b/f	136,003	140,590	134,982	272,232	123,032	27,775	834,614
Income	0	0	2,000	227,558	0	200,000	429,558
Transferred from General Fund	150,000	0	0	120,000	0	0	270,000
Interest Received	10,637	5,642	5,234	12,116	1,710	6,330	41,669
Expenditure	(19,139)	0	(28,006)	(330,637)	(23,745)	(95,321)	(496,848)
Movement on Government Grants Deferred					(82,705)		(82,705)
Provision for Bad Debt	0	0	0	(141,346)	0	0	(141,346)
Balance c/f	277,501	146,232	114,210	159,923	18,292	138,784	854,942

Broads Authority

Statement of Internal Control

1. Scope and Responsibility

The Broads Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Broads Authority for the year ended 31 March 2007 and up to the date of approval of the accounts.

3. The Internal Control Elements

The key elements of the internal control environment include the following:

(i) The Authority's Objectives

- The Authority has established 20 year aims and 5 year priority objectives in its strategy and management plan, the Broads Plan 2004.
- The Management Plan is supported by a 5-Year Action Plan which sets out the actions which need to be taken by the Authority and its partner organisations to implement the Broads Plan.
- The Authority's medium term strategy, including key priority objectives and financial planning over a three year timescale, is set out in the Annual Business Plan.
- An Annual Action Plan is developed from the 5-Year Action Plan.
- The Best Value Performance Plan, produced alongside the Business Plan, sets out annual objectives, priorities and measures of achievement, as well as recording progress with previously targeted objectives.

- Directorate and individual work programmes and targets are produced by managers, based on the Annual Action Plan, to link service priorities to the overall objectives of the Authority.
- Members of staff receive an annual Individual Performance Review (appraisal) and regular 1:1 discussions with managers as part of the Authority's Performance Management Framework, to monitor progress and ensure that priority objectives are being satisfactorily progressed.

(ii) Facilitation of Policy and Decision Making

- Members and officers have clearly defined roles, including a job description for members which is communicated to them at the time of their appointment, with clear channels of reporting.
- The principles of decision making and conduct at meetings are governed by the Authority's Standing Orders.
- The Terms of Reference of Committees sets out the powers reserved to the Broads Authority and its committees.
- A formally adopted Scheme of Delegation sets out the powers delegated to named officers, and is supported by internal arrangements which specify those officers who are authorised to exercise the powers delegated to the Chief Executive on his behalf.
- Members of the Authority, in their individual capacity, have no executive powers and cannot individually make decisions. They have a role to play in contributing to the decision making process of the Authority by:
 - determining the Authority's policies, and approving and monitoring programmes to implement these policies;
 - participating in the development of policy development, strategic thinking and innovation within the Authority, including through the development and maintenance of good working relations with officers; and
 - representing the Authority, individually and corporately.
- Members are appointed to the Authority's service committees, Navigation, Planning and Standards, and on occasion to represent the Authority on outside bodies.
- Members of the public have full access to the business of the Authority, and are able to attend meetings of the Broads Authority and its committees, other than on those occasions where the business is deemed to be of a sensitive or confidential nature.
- The Authority has a Public Question Time Scheme of Operation whereby members of the public are able to ask formal questions, make a statement or present a petition at meetings of the Broads Authority and its committees.

(iii) Ethical Standards

- The Authority has adopted a Code of Conduct for Members, and a Code of Conduct for Members on the Planning Committee and Officers.
- A Register of Members Interests is maintained, and regularly reviewed and updated.
- The Authority has appointed a Standards Committee to oversee its ethical standards including a majority of independent members, one of whom Chairs the Committee.
- The Authority has appointed a Monitoring Officer under the Local Government and Housing Act 1989, with specific responsibilities which are set out in a job description.
- A Code of Conduct for Employees has been adopted, which forms part of the Authority's Scheme of Local Conditions of Service and is communicated to all members of staff on appointment.

(iv) Ensuring the Economical, Efficient and Effective Use of Resources

- The Authority is carrying out a series of service reviews to assess value for money and challenge service provision and delivery.
- Performance is measured against that of other service providers through a series of performance indicators.

(v) Effective Communication and Engagement

- Regular consultation is carried out with Broads stakeholders and users.

(vi) Financial Management and Reporting

- Financial regulations have been adopted which set out the overall framework which governs the management of the Authority's finances.
- Standing Orders relating to Contracts have been adopted which set out procedures for the letting and management of contracts and which ensure competition for all contracts over a specific value.
- The Business Plan includes a three year financial plan covering both revenue and capital spend.
- The annual budget setting process involves officers and members, enabling priorities and ambitions to be assessed through a bidding and reduction approach.
- Comprehensive budgeting systems enable financial performance to be monitored.
- Monthly reports are given to managers of income and expenditure against profiled targets, with explanations for any variances.

- Financial performance is considered on a regular basis by the Management Team and reported to the Broads Authority.
- The Authority has appointed an officer who has responsibility for the proper administration of its financial affairs, in accordance with Section 17 of the Norfolk and Suffolk Broads Act 1988.
- The Authority has a Procurement Policy, which is available to all members of staff.
- An Anti-Fraud and Corruption Strategy is in place, and available to all staff.
- The Authority has adopted an Annual Investment Strategy, in accordance with the Prudential Code, to guide its capital finance and accounting policy.

(vii) Performance Management and Reporting

- Progress against key priority objectives is monitored regularly by the Management Team and reported to the Broads Authority using a traffic light system.
- The Business Plan measures performance against key objectives and targets on an annual basis.
- Performance is measured through a series of performance indicators.
- The Authority reports to Defra in accordance with the Financial Grant Memorandum and otherwise as required with regard to achieving its purposes and objectives.

(viii) Training

- Training is provided to all members of the Authority on the Code of Conduct.

(ix) Other Corporate Controls and Policies

- An annual Internal Audit Plan is developed using a risk based approach.
- An independent assessment of the internal control framework is carried out by Internal Audit and the findings reported to and considered by senior members and the Broads Authority.
- A Strategic Risk Register has been established, which is regularly updated and annually reviewed by the Management Forum and Broads Authority.
- A corporate Health and Safety at Work Policy is in place, which is subject to regular review by the Safety Committee and Management Team, and supplemented by Codes of Practice.
- IT security and user policies are in place, including an Electronic Communications Policy.

- A formal complaints process is in place, and is available on the Authority's website.

4. **Review of Effectiveness**

The Broads Authority has responsibility for conducting, at least annually, a review of the effectiveness of its system of internal control. The review of effectiveness of the system is informed by the work of the internal auditors (Bentley Jennison Risk Management Ltd) and that of officers within the Authority who have responsibility for the development and maintenance of the internal audit environment, and also for responding to comments and recommendations made by external auditors and inspectors in their annual audit report and other reports.

The Authority does not operate through an Executive. All matters are dealt with by the full Authority, which is the prime decision maker, and its service committees. The Authority monitors the effectiveness of internal control systems through the consideration of regular performance management and budget monitoring reports, and through the receipt of reports from the Audit Commission and internal auditors.

The Chief Executive is responsible for day to day management and maintenance of internal controls within the Authority, with advice and support from the Treasurer and Financial Adviser, Monitoring Officer and other senior officers. The Treasurer and Financial Adviser and Monitoring Officer have provided an assurance that the Authority's governance arrangements are adequate and are operating effectively and that there have been no significant control issues that have required the need for formal action in their respective roles, significant additional funding, had a material impact on the accounts or resulted in significant public interest, damaging the reputation of the Authority. Any issues which have been identified by the Treasurer and Financial Adviser and Monitoring Officer for improvement are set out in the Action Plan.

Internal audit reports are considered by the Director of Corporate Services, Head of Finance and other officers where appropriate, and action plans are drawn up to implement the recommendations of the internal auditors where appropriate. Each audit report contains an independent assurance of opinion on the adequacy and effectiveness of the controls in place to mitigate risks. The agreed actions are followed up subsequently to ensure implementation, thus ensuring that the Authority's risks are properly managed. A summary report of the internal audit work carried out during the year, together with the agreed action plans is received by the Broads Authority.

In future the Authority proposes to develop a strategic three year audit plan for the Authority, using a risk based approach, to replace the existing annual programme.

The Authority's Standards Committee has been asked to provide an annual ethical assessment of the activities of the Authority and what, if necessary, the Authority could do to improve its ethical standards. At its meeting on 6 June 2007 the Committee concluded that the ethical standards of the Authority were very high and that no problems had been encountered in this respect.

The 2006 Audit and Accounts Regulations require that a review of the effectiveness of internal audit be carried out by either a committee of the audited body (in this case the Broads Authority) or by that body meeting as a whole. The aim is not only to make the Authority more aware of the work of Internal Audit and their key role in governance but also to make those charged with governance more able to understand the connection between, and Authority's responsibility for, risk

management, internal control and the function of internal audit. The result of this review will help to inform the Statement of Internal Control.

This review was carried out by the Broads Authority at its meeting on 29 June 2007.

Additionally the Authority is informed of the work of Audit Commission appointed auditors and inspectors, including receipt of the annual Governance Report, annual audit and inspection letter and Audit Plan for the forthcoming year. In its annual Governance Report the Audit Commission qualified its value for money conclusion on the grounds that:

- the Authority had not put in place some of the necessary arrangements to maintain a sound system of internal control by 31 March 2006; and
- the Authority's arrangements for the management of its asset base were inadequate as at 31 March 2006.

The annual report on risk management will be presented to the Authority at its September meeting. The Strategic Risk Register is reviewed annually by the Management Forum so that the Management Team can provide assurance that key strategic and operational risks have been identified, monitored and reviewed during the year and that key controls to mitigate the identified risks have operated effectively throughout the year.

Internal Audit has been asked to provide an opinion on whether this Statement of Control is complete, whether it represents a true reflection of the control environment present within the Authority and whether the control environment is appropriate. In carrying out this review the following points were checked:

- that the format and content of the document complied with guidance issued by CIPFA as 'The CIPFA Finance Advisory Network: The Statement on Internal Control: Meeting the Requirements of the Accounts and Audit Regulations 2003: A Rough Guide for Practitioners';
- that the document was also consistent with the approach adopted by other local bodies;
- that each of the key documents listed in the brief were available and published to the appropriate audience; and
- that the review of effectiveness reflected the control environment as found during Internal Audit work performed during 2006/07.

Based on a review of the Statement of Internal Control in relation to CIPFA guidelines, statements by other local bodies and copies of key documents, Internal Audit has confirmed that the Statement is complete and that it does provide a true reflection of the control environment up to and including the main internal audit conducted in December/January 2006/07. At that time the control environment was found to be appropriate in those areas reviewed (ie electronic authorisation of invoices, debtors and tolls).

5. **Significant Internal Control Issues**

It is proposed that the following work will be carried out during the 2007/08 financial year in order to address any significant internal control issues and to secure the continuous improvement of the Authority's system of internal control.

- **Statement of Internal Control**

Ensure that improvements are made to the process for collating the information which supports the Statement of Internal Control, and in presenting that information to members considering the Statement of Internal Control for approval. The Statement of Internal Control should appear as a separate agenda item to the financial statements to ensure that it has sufficient prominence.

Responsibility: Director of Corporate Services
Target date: report to Broads Authority on 29 June 2007

- **Corporate Capital Strategy**

Prepare an up to date Corporate Capital Strategy which is linked to the Authority's corporate objectives and medium term financial strategy.

Responsibility: Director of Corporate Services/Head of Finance
Target date: 31 December 2007

- **Asset Management Plan**

Continue to develop an Asset Management Plan, identifying future costs of maintenance and replacement for all Broads Authority assets using GIS to map all structure.

Responsibility: Director of Countryside Management/Director of Waterways
Target date: 31 March 2008

- **Internal Audit**

Develop a strategic three year audit plan for the Authority, using a risk based approach, and arrange for a review of the effectiveness of internal audit to be carried out by the full Authority.

Responsibility: Director of Corporate Services/Head of Finance
Target date: 31 March 2008

- **IT Disaster Recovery Plan**

Develop an IT Disaster Recover Plan.

Responsibility: Head of Information Technology and Collector of Tolls
Target date: 31 March 2008

- **Code of Conduct for Members**

Adopt new Code of Conduct for Members in accordance with the Local Authorities (Model Code of Conduct) Order 2007 and provide training for all members.

Responsibility: Solicitor
Target date: 31 October 2007

- **Terms of Reference and Scheme of Powers Delegated to Officers**

Review Terms of Reference and Delegated Powers for formal consideration and adoption by the Broads Authority.

Responsibility: Director of Corporate Services
Target date: report to Broads Authority on 29 June 2007

- **Financial Regulations and Standing Orders Relating to Contracts**

Review Financial Regulations and Standing Orders Relating to Contracts for formal consideration and adoption by the Broads Authority.

Responsibility: Director of Corporate Services/Head of Finance
Target date: report to Broads Authority on 28 September 2007

- **Strategic Risk Management**

Update Risk Register for formal consideration by the Broads Authority.

Responsibility: Director of Corporate Services
Target date: report to Broads Authority on 28 September 2007

- **National Park Authorities Performance Assessment (NPAPA)**

Continue to implement NPAPA Action Plan and monitor progress.

Responsibility: Director of Corporate Services
Target date: 31 March 2007

- **Work Programming**

Introduce MS Project throughout the Authority as a means of planning and programming work.

Responsibility: Management Team
Target date: 31 October 2007

- **Retention and Disposal Policy**

Develop a Retention and Disposal Policy to provide guidance to officers in the retention and disposal of documentation.

Responsibility: Head of Administration and Committee Services
Target date: 31 October 2007

- **Private Bill Powers**

Provide training to staff in the implementation and exercise of powers set out in the Private Bill.

Responsibility: Solicitor
Target date: 31 March 2008

Signed	_____	Signed	_____
	Prof R K Turner Chairman		Dr J Packman Chief Executive
Date	_____	Date	_____

**Broads Authority
Chairman's Statement**

I confirm that these accounts were approved by The Broads Authority at the meeting held on 29 June 2007.

Signed on behalf of The Broads Authority:

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

Date.....

Independent auditor's report to the Members of the Broads Authority

Opinion on the financial statements

I have audited the financial statements of the Broads Authority for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the Broads Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

Andy Perrin
District Auditor

The Audit Commission
Regus House
1010 Business Park
Cambourne
Cambridge
CB23 6DP

April 2008

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, the Broads Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007 except that it did not put in place:

- arrangements to maintain a sound system of internal control; and
- arrangements for the management of its asset base..

Best value performance plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 20 December 2006. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Perrin
District Auditor

The Audit Commission
Regus House
1010 Business Park
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CB23 6DP

April 2008