

BROADS AUTHORITY
STATEMENT OF ACCOUNTS

2007/2008

BROADS AUTHORITY - STATEMENT OF ACCOUNTS 2007/2008

Contents

Explanatory Foreword 2	
Statement of Accounting Policies	7
Statement of Responsibilities for the Statement of Accounts	11
General and Navigation Fund Income and Expenditure Account & Statement of Movement on the General Fund Balance	12
Statement of Total Recognised Gains and Losses	14
Balance Sheet 15	
Cash Flow Statement	16
Notes to the Accounts	17
Chairman's Statement	37
Annual Governance Statement	38
Auditors Opinion	42

Explanatory Foreword

1. 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.

2. The background to the Accounts 2007/08:

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 were to manage the Broads for the purpose of:

- Conserving and enhancing the natural beauty of the Broads
- Promoting the environment of the Broads by the public; and
- Protecting the interest of navigation

The duties were amended by the Natural Environment and Rural Communities Act, which was enacted on 30 March 2006. The Authority's amended duties 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 interest of navigation.

The changes were to bring the first two purposes into line with those of the English National Park Authorities, as recommended in the Defra report 'Review of English Park Authorities' published in July 2002.

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

- Maintain the navigation area for the purpose 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.

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 interest of those who live and work in the Broads.

3. The Accounting Statements:

The Broads Authority's accounts for the year 2007/08 are set out on pages 12 to 37. 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.
- 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 2008.
- A Statement of Total Recognised Gains and Losses, which considers all gains and losses recognised for year ending 31 March 2008.
- A Cash Flow Statement which focuses on the flow of cash through the Authority between 1 April 2007 and 31 March 2008.
- A Statement of Corporate Governance.

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

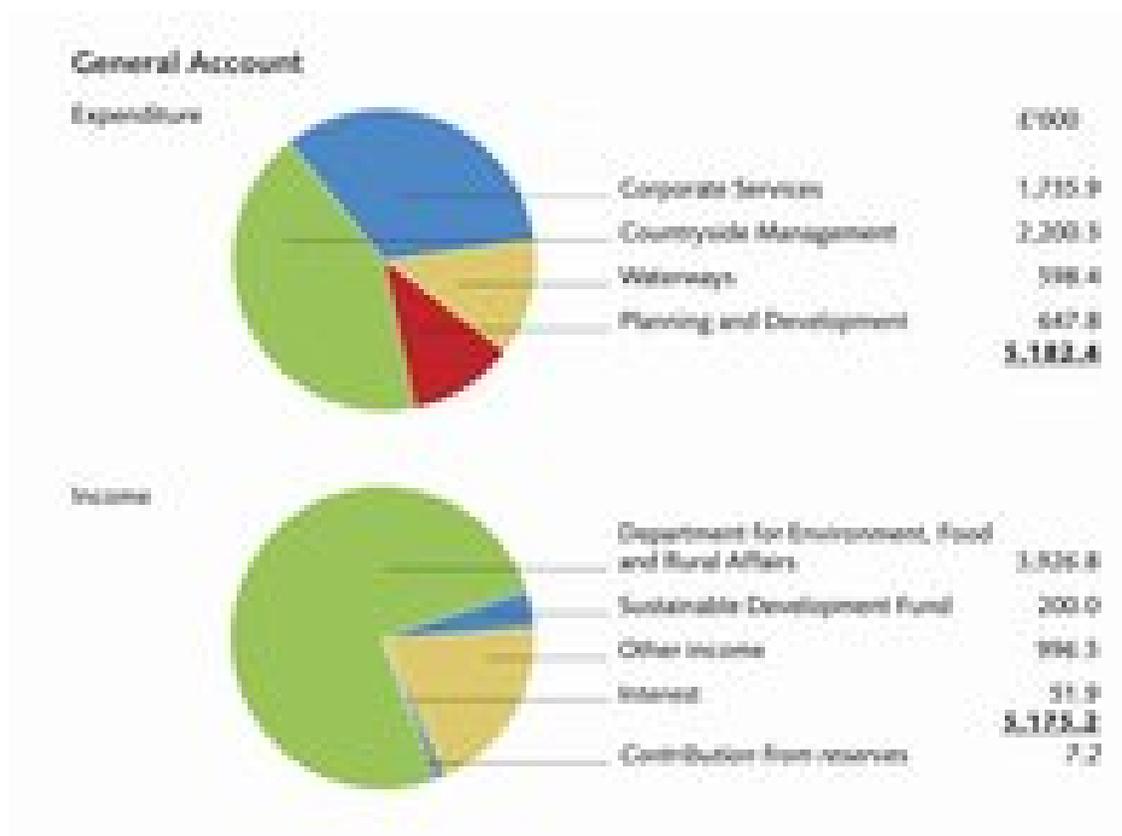
The information included in these accounts incorporates spending relating to the Broads Navigation Account. The Navigation Account has separate accounting records to ensure the proper control of income from Tolls Payers and to ensure it is spent primarily to benefit the users of the navigation. The Navigation Account income and expenditure account is shown in full at note 13.

4. Review of the Year:

General Account:

In addition to the National Park Grant of £3,926,763 (2006/07 £3,825,018) income received for the year from external grants support, sales, fees and charges and interest totalled £1,048,430 (£769,946 2006/07). Specific purpose grant of £200,000 (£200,000 2006/07) was also received from Defra for the continuation of the Sustainable Development Fund (SDF). Total income for 2007/08 was £5,175,193 (£4,794,964 2006/07).

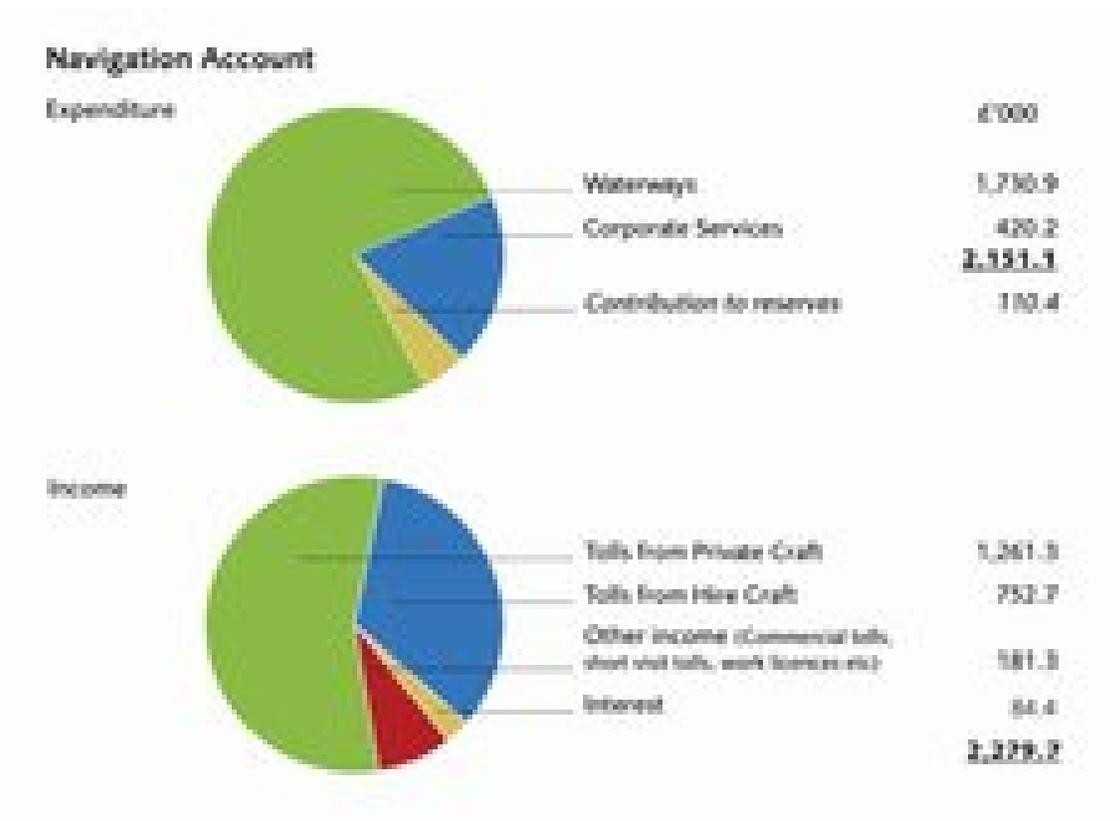
The Authority initially set a budget with a forecast deficit of £305,700 for 2007/08 (£1,500 for 2006/07). The actual outturn was a deficit of £7,206 (a favourable variance of £107,395 against the revised budget deficit of £114,600). After applying the Authority's carry forward policy, the net under-spend against the revised budget was £34,117 for 2007/08.



Navigation Account:

Income from tolls was £2,055,772 (£1,908,778 2006/07), other income received for the year from yacht stations charges, sales of tide tables, works licences, sales of dredging services, provision escort services, and interest was £223,998 (£182,789 2006/07). Total income for 2007/08 was £2,279,770

The Authority initially set a budget with a forecast deficit of £115,200 (£131,700 2006/07). The actual outturn was a surplus of £110,455. (a favourable variance of £147,955 against the revised budget deficit of £37,500). After applying the Authority's carry forward policy the net under-spend against the revised budget was £41,902 for 2007/08.



5. Significant Matters reported in the 2007/08 Accounts:

During 2007/08 the Authority purchased the dockyard and dredging operation from May Gurney. This consisted of the purchase of land, buildings and equipment at the Griffin lane site, and the transfer under TUPE of 11 staff. A Head of Construction and Facilities Manager was appointed to manage the operation. The Authority took out a loan with the Public Works Loan Board to facilitate the purchase. The assets acquired are valued at £424,286 as at 31 March 2008, and the loan outstanding is £282,750 and is repayable over 20 years at a fixed interest rate of 4.82%, on an equal instalment of principal basis (EIP).

6. Explanation of the Pension liability:

The Broads Authority is a member of the Norfolk Pension Fund. The Norfolk Pension fund has had a triennial valuation as at the 31 March 2007. The pension reserve and corresponding liability shown in the Authority's balance sheet are prepared on a FRS17 basis. For the first time the FRS17 calculations are based on the triennial valuation at March 2007, hence they reflect more accurate and up to date information than in previous years. Recent Actuarial advice has indicated that a long-term potential pension fund shortfall of £623,000 (£1,930,000 2006/07) should all pensions liabilities arise. This is not an uncommon position in local government. The pension liability is being actively managed by the Norfolk Pension Fund and should be viewed as a long term commitment. The Authority has taken the advice of the Norfolk Pension fund when setting the level of employer's contributions over the next three years, hence the level of general reserves has not been set to cover any potential shortfall in the pension provision. It is believed that the level of employer's contribution is sufficient to cover 100% of the perceived liability over the long term.

7. Financial Outlook:

General Account:

The Authority has received a three year grant settlement for 2008/09 to 2010/11; this guarantees an inflation increase and additional grant funding of £400,000 per annum (reduced from £500,000 in 2008/09) over the next two financial years. This provides the Authority with some financial stability and enables it to plan medium term expenditure over that period with a degree of certainty.

Navigation Account:

The level of toll increase is set on an annual basis. The key issues regarding the Navigation Account are the need to balance the income and expenditure and to maintain reserves at an acceptable level. The Authority will need to build up a financial cushion in the event that the additional national park grant is discontinued after 2010/11, as part of the additional grant is spent on dredging for the benefit of the Broad's ecosystem.

8. 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 2007 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 $\text{\textcircled{a}}$).

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 the Revaluation Reserve. 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 provisions 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 Revaluation Reserve, Capital Adjustment Account, the Government Grants Deferred Account and the Pension Reserve. Earmarked reserves are held for fulfilling specific projects, see note 23, at page 29.

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).

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 2007/2008 the authority has prepared a single income and expenditure account for 2007/08, however in note 13 to the accounts the Navigation Account 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 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.

15. Long Term Loans

Long term loans are shown in the balance sheet as the capital element outstanding at the year end, split between amounts due within a year and amounts due outside a 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.

16. Financial Instruments

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Financial assets are classified into two types, Loans and Receivables and Available-for-Sale assets. Loans and Receivables have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost. The Authority has no Available-for-sale assets which are assets that have a quoted market price and/or do not have fixed or determinable payments.

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 2008 and its income and expenditure for the year ended 31 March 2008.

Broads Authority
General and Navigation Fund Income and Expenditure Account

<u>2006/07</u> <u>Restated</u> <u>Net</u> <u>Expenditure</u> £		<u>Gross</u> <u>Expenditure</u> £	<u>2007/08</u> <u>Income</u> £	<u>Net</u> <u>Expenditure/</u> <u>(Income)</u> £
Corporate Services				
271,536	Management and Admin Support	296,389	(5,115)	291,274
152,854	Finance	185,354	0	185,354
77,150	Human Resources and Staff Training	83,484	(1,085)	82,399
194,524	Information and Design	183,643	(108)	183,535
207,131	Information and Technology	229,464	0	229,464
214,813	Legal Services	185,353	0	185,353
128,772	Member Services	142,024	(3,671)	138,353
164,085	Premises and Property Matters	195,717	0	195,717
(104,679)	Sustainable Development Fund	142,310	(200,000)	(57,690)
Countryside Management				
142,443	Management and Admin Support	113,770	(12,877)	100,893
357,608	Fen and Grazing Marshes	487,315	(113,320)	373,995
79,486	Events	78,980	(2,314)	76,666
244,915	Visitor Facilities and Volunteer Management	259,594	0	259,594
97,335	Public Rights of Way	106,576	(2,990)	103,586
324,130	Landscape and Projects	356,829	(22,020)	334,809
70,213	Tourism Development	74,107	(1,874)	72,233
216,017	Visitors Services	249,897	(79,782)	170,115
5,678	Partnerships	515,674	(445,273)	70,401
Planning and Strategy				
116,640	Management and Admin Support	115,801	0	115,801
42,351	Broads Plan	41,731	0	41,731
45,284	Cultural Heritage	91,659	0	91,659
251,681	Development Control	203,183	(184,823)	18,360
2,772	Forward Planning	83,633	(56,926)	26,707
Waterways				
17,609	Management and Admin Support	19,816	0	19,816
(5,388)	Broadland Flood Alleviation Project	48,622	(43,752)	4,870
152,829	Conservation of Water Bodies	184,491	(11,157)	173,334
250,000	Dredging(Acquired during year)	250,000	0	250,000
0	Moorings and Yacht	21,854	0	21,854
49,359	Navigation Safety and Policy	30,273	0	30,273
3,186	Patrolling	53,767	(9,458)	44,309
242,521	Navigation Revenue Account . Note 13	2,224,339	(2,197,358)	26,981
<u>4,012,855</u>	Net Cost of Services	<u>7,255,649</u>	<u>(3,393,903)</u>	<u>3,861,746</u>
2,236	Gains or loss on disposal			0
9,148	Interest payable and similar charges			15,738
(145,210)	Interest and investment income . Note 18			(176,423)
(41,000)	Pensions interest cost and expected return on pensions assets . Note 21			(64,000)
<u>3,838,029</u>	Net Operating Expenditure			<u>3,637,061</u>
(3,800,018)	Defra Grant			(3,926,763)
<u>38,011</u>	(Surplus)/Deficit for the year			<u>(289,702)</u>

Unless otherwise noted, all operations are ongoing.

Broads Authority

2006/07	<u>Statement of Movement of the General Fund Balance</u>	2007/08
£		£
38,011	(Surplus)/Deficit on General Fund I&E a/c	(289,702)
	Net Additional amount required by statute and non-statutory proper practice to be debited or credited to the General Fund balance for the year	296,908
(67,130)		
(29,119)	Decrease/(Increase) in General Fund Balance for the year	7,205
(828,099)	General Fund Balance b/f	(857,218)
(857,218)	General Fund Balance c/f	(850,013)

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>	
(2,236)	Gains or (losses) on disposal of assets	0
(136,991)	Depreciation and impairment of fixed assets	(227,574)
31,631	Amortisation of government grants deferred	63,812
(466,000)	Net charge made for retirement benefits in accordance with FRS17	(400,000)
	<u>Items not included in the Income and Expenditure account but included in the movement on the General Fund balance for the year</u>	
363,000	Employers contributions to the Norfolk Pension Fund & benefits payable direct	402,000
123,192	Capital financed from Revenue	48,413
	<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>	
(82,742)	Navigation Fund Movement for the year	110,455
103,016	Net transfer to or (from) earmarked reserves	299,802
(67,130)	Net additional amount required to be debited/(credited) to the General Fund for the year	296,908

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>2006/07</u>		<u>2007/08</u>
£		£
	Surplus for the year on the General and Navigation Fund Income and Expenditure Account	(289,702)
38,011		
(24,443)	Surplus arising on the revaluation of fixed assets	(144,473)
(1,003,000)	Actuarial (gains)/losses on the pension fund assets and liabilities	(1,305,000)
82,705	Other Movements . see note below	3,765
<u>(906,727)</u>	Total recognised gains for the year	<u>(1,735,410)</u>
943,501	Balance sheet as at 31/03/2007	1,850,228
<u>1,850,228</u>	Balance sheet as at 31/03/2008	<u>3,585,638</u>
<u>906,727</u>		<u>1,735,410</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 31.03.07 £			£	As at 31.03.08 £
<u>Fixed Assets</u>				
907,203	Land and Buildings - Operational Assets	Note 14	1,134,822	
322,846	Land and Buildings - Community Assets	Note 14	322,846	
243,962	Infrastructure Assets	Note 14	228,872	
399,942	Vehicles and Vessels	Note 14	682,466	
108,414	Computer Equipment		92,041	2,461,047
1,982,367				
8,507	Long Term Debtors	Note 16	12,369	12,369
<u>Current Assets</u>				
108,429	Stock		150,796	
692,626	Debtors	Note 17	797,371	
(141,346)	Provision for bad debt	Note 17	(141,346)	
2,490,000	Investments	Note 18	2,664,430	
512,881	Cash at Bank		308,484	
2,020	Cash in Hand		4,626	
3,664,610			3,784,361	
<u>Current Liabilities</u>				
(1,930,000)	Pension Liability	Note 21	(623,000)	
(1,565,131)	Creditors	Note 19	(1,296,311)	
0	Public Works Loan		(14,500)	
(3,495,131)			(1,933,811)	
169,479	Net Current Assets/(Liabilities)			1,850,550
<u>Long term Creditors</u>				
(310,125)	Government Grants Deferred	Note 15	(470,078)	
	Public Works Loan	Note 20	(268,250)	
				(738,328)
1,850,228				3,585,638
<u>Represented by:-</u>				
1,754,300	Fixed Asset Restatement Account	Note 23a		0
(82,058)	Capital Financing Account	Note 23b		0
0	Capital Adjustment Account	Note 23d		1,619,600
0	Revaluation Reserve	Note 23c		78,000
(1,930,000)	Pension Reserve	Note 23e		(623,000)
854,942	Earmarked Reserves	Note 23f		1,154,744
<u>Fund Balances</u>				
857,218	General Account Fund Balance	Note 23		850,013
395,826	Navigation Account Fund Balance	Note 23		506,281
1,850,228				3,585,638

Treasurer and Financial Advisers Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Broads Authority at 31 March 2008 and its income and expenditure for the year ended 31 March 2008.

Date

John Duvall (Treasurer and Financial Adviser)

Broads Authority
Cash Flow Statement

<u>2006/07</u> £		£	<u>2007/08</u> £
	Revenue Activities		
	Cash Outflows		
3,433,339	Employees	3,544,750	
3,317,036	Other Operating Cash Payments	3,803,354	
			7,348,104
6,750,375			
	Cash Inflows		
(2,512,018)	Defra Grant	(3,926,763)	
(2,053,093)	Tolls and Work Licences	(1,823,369)	
(1,010,952)	Other Operating Cash Receipts	(1,465,509)	
(5,576,063)			(7,215,641)
1,174,312	Net Cash Outflow/(Inflow) from Revenue Activities		132,463
	(Note 2)		
	Returns on Investments & Servicing of Finance		
(158,087)	Interest Received		(179,869)
	Interest Paid		
9,148			15,736
1,025,373			(31,670)
	Capital Activities		
	Purchase of Fixed Assets		
205,896			341,782
1,231,269	Net Cash Outflow/(Inflow) Before Financing		310,112
	Managing of Liquid Resources		
	Net Increase/(Decrease) in Short Term Deposits		
400,000			174,430
	(Note 3)		
	Financing		
0	Repayment of amounts borrowed		7,250
0	New Long-term loans raised.		(290,000)
			282,750
1,631,269	Net Decrease/(Increase) in Cash		201,792
1,631,269			201,792

Notes to the Statement of Accounts

1. Prior Period Adjustments:

In the 2007/08 Statement of Accounts there are no prior period adjustments. The 2007 Local Government SORP has replaced the Fixed Asset Restatement Account and the Capital Financing Account with a Revaluation Reserve and a Capital Adjustments Account respectively. The Revaluation Reserve will only formally come into existence at midnight at the start of 1 April 2007. Prior period adjustments to the 2006/07 comparatives in the 2007/08 Statement of Accounts will therefore not be required.

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

<u>2006/07</u>		<u>2007/08</u>
£		£
38,011	(Surplus)/Deficit . General and Navigation Fund income and expenditure account	(289,702)
(43,290)	(Decrease)/Increase in Stocks	42,367
180,045	(Decrease)/Increase in Debtors	108,607
1,202,548	Decrease/(Increase) in Creditors	268,820
(141,346)	Increase in Provision for Bad Debts	0
158,087	Interest Received	179,869
(9,148)	Interest Paid	(15,736)
(136,991)	Depreciation and impairment of Fixed Assets	(227,574)
(2,236)	Profit/Loss on disposal of Fixed Assets	0
31,631	Amortisation of Government Grants Deferred	63,812
(466,000)	Net Charges made for retirement benefits in accordance with FRS17	(400,000)
	Employers contributions to the Norfolk Pension Fund and Benefits payable direct	
<u>363,000</u>		<u>402,000</u>
1,174,311	Net Cash (Inflow)/Outflow from Revenue Activities	<u>132,463</u>

3. Analysis of Cash and Investments

	31 March 2007 £	31 March 2008 £	Movement £
Cash in Hand	514,901	313,110	(201,791)
Investments	2,490,000	2,664,430	174,430
	<u>3,004,901</u>	<u>2,977,540</u>	<u>(27,361)</u>

4. Staff Remuneration

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

	<u>2006/07</u>	<u>2007/08</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 for National Parks, to comply with the 2007 SORP requirement and to enable comparison between the Authority and other National Parks.

The Broads Authority is also required to maintain and separate navigation account. Due to this requirement note 13 contains a Navigation Account income and expenditure account for information.

6. Disclosure of Audit Costs

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

	2006/07	2007/08
	£	£
• Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	19,900	23,342

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 note 21.

	2006/07	2007/08
	£000	£000
Service Cost	(507)	(464)
Interest Cost	(588)	(655)
Expected Return on Assets	629	719
Pension Costs	363	402
Total	<u>(103)</u>	<u>2</u>

8. Financing of Capital Expenditure

	2006/07	2007/08
	£000	£000
Vehicles and Vessels	70.3	65.0

Computer Equipment	135.5	13.4
Total	205.8	78.4

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

9. Leasing

	Paid 2007/08 £	Future Annual Commitments (which expire within)		
		Year 1 £	Year 2-5 £	>5 years £
Operating Leases - Vehicle Contract Hire	95,683	6,194	71,601	0
- Telephone Equipment	6,078	1,875	1,936	0
- Photocopiers	10,094	0	9,883	0
- Franking Machine	2,238	0	2,238	0
- Buildings	72,660	33,625	9,314	6,000
- Land	12,166	4,869	550	5,046

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 £23,799 (2006/07 - £14,057).

11. Related Party Transactions

Mr Paul Greasley is a member of the Broads Authority Navigation Committee, and Owner/Director of Norfolk Broads Direct Ltd. During the year Norfolk Broads Direct paid £160,424 in river tolls to the authority (2006/07 £147,887). Professor Kerry Turner is the chairman of the Broads Authority and Director of CSERGE and Professor in the School of Environmental Sciences at the University of East Anglia. During the year the Broads Authority paid £5,000 the University of East Anglia for ecosystem services.

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

<u>2006/07</u>		<u>2007/08</u>	<u>Net</u>	
<u>Net</u>	<u>Gross</u>	<u>Income</u>	<u>Expenditure/</u>	
<u>Expenditure</u>	<u>Expenditure</u>	<u>£</u>	<u>(Income)</u>	
£	£	£	£	
913,732	Conservation of the Natural Environment	1,629,023	(449,166)	1,179,857
201,269	Conservation of Cultural Heritage	505,772	(229,303)	276,469
736,753	Recreation Management and Transport	788,874	(161,916)	626,958
651,018	Promoting Understanding	758,351	(91,663)	666,688
431,780	Rangers Estates and Volunteers	419,731	(377)	419,354
350,447	Development Control	360,937	(184,823)	176,114
158,334	Forward Planning and Communities	192,831	(56,926)	135,905
327,001	Corporate and Democratic Core	362,761	(22,371)	340,390
242,521	Broads Navigation Account	2,237,368	(2,197,358)	40,010
0	Non Distributed Costs	0	0	0

4,012,855	Net cost of Services	7,255,649	(3,393,903)	3,861,746
2,236	Profit/Loss on disposal of Fixed Assets			0
9,148	Interest payable and similar charges			15,738
(145,210)	Interest and investment income			(176,423)
(41,000)	Pensions interest cost and expected return on pensions assets			(64,000)
3,838,029	Net Operating Expenditure			3,637,061
(3,800,018)	Defra Grant			(3,926,763)
38,011	(Surplus)/deficit for the year			(289,702)

13. Navigation Fund Income and Expenditure Account

2006/07
restated

2007/08

<u>Net Expenditure</u>		<u>Gross Expenditure</u>	<u>Income</u>	<u>Net Expenditure/ (Income)</u>
£		£	£	£
	Corporate Services			
45,675	Management and Admin Support	45,216	0	45,216
74,768	Finance	87,197	0	87,197
30,159	Human Resources and Staff Training	21,253	0	21,253
29,110	Information and Design	28,756	0	28,756
32,563	Information and Technology	33,626	0	33,626
11,798	Legal Services	61,212	0	61,212
13,733	Member Services	12,455	0	12,455
76,671	Navigation Tolls	83,394	(2,257)	81,137
37,754	Premises and Property Matters	47,657	0	47,657
	Waterways			
101,569	Management and Admin Support	107,679	0	107,679
458,183	Dredging	100,394	0	100,394
0	Dockyard Operation	344,938	(13,945)	330,993
159,605	Moorings and Yacht Stations	197,430	(67,581)	129,849
117,056	Navigation Safety and Policy	113,123	(5,037)	108,086
393,452	Navigation Works and Maintenance	357,209	(6,703)	350,506
569,204	Patrolling	582,800	(46,065)	536,735
2,151,300	Net cost of Services	2,224,339	(141,588)	2,082,751
2,058	Interest payable and similar charges			7,538
(54,155)	Interest and investment income			(82,410)
(13,243)	Pensions interest costs and expected return on pensions assets			(20,672)
2,085,960	Net Operating Expenditure			1,987,207
(1,908,778)	Tolls Income			(2,055,772)
177,182	(Surplus)/Deficit for the year			(68,565)

Statement of Movement of the Navigation Fund Balance

177,182	(Surplus)/Deficit on Navigation I&E a/c	(68,565)
(94,440)	Net Additional amount required by statute and non-statutory proper practice to be debited or credited to the Navigation Fund balance for the year.	(41,890)

82,742	(Increase)/Decrease in Navigation Fund balance for the year	(110,455)
(478,568)	Navigation Fund Balance b/f	(395,826)
(395,826)	Navigation Fund Balance c/f	(506,281)

Broads Authority
Navigation Fund Income and Expenditure Account (continued)

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

2006/07		2007/08
£	<u>Items included in the Income and Expenditure account but excluded from the movement on the Navigation Fund balance for the year</u>	£
(51,802)	Depreciation and impairment of fixed assets	(152,194)
	Amortisation of Government Grants Deferred	31,430
(150,518)	Net charge made for retirement benefits in accordance with FRS17	(129,200)
	<u>Items not included in the Income and Expenditure account but included in the movement on the Navigation Fund balance for the year</u>	
117,249	Employers contributions to the Norfolk Pension Fund & benefits payable direct	129,846
5,760	Capital Financed From Revenue	35,000
	<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>	
(15,129)	Net transfer to/(from) earmarked reserves	43,228
(94,440)	Net additional amount required to be debited/(credited) to the Navigation Fund for the year	(41,890)

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 2008 was carried out by Mr R L Arnett FRICS of NPS Property Consultants Limited at

- a) Griffin Lane Boatyard, Thorpe St Andrews . (main workshop, John Cobb Cottage, Boatshed, Portakabins, Storage Land)
- b) Broads Information Centre Hoveton.

The Broads Information Center at Hoveton was revalued upwards by £38,000, and the Griffin Lane Boatyard devalued by £25,000 (previous valuation at 1 October 2007).

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

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 following assets being revalued upwards by £215,000, the wetland harvester, the weed harvester and equipment at the dockyard. The revaluation was taken to the new revaluation reserve in the balance sheet.

An annual impairment review has been undertaken by the Directors in accordance with FRS15. As at 31 March 2008 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, where no split available)	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 01/04/2007	920,500	322,846	301,808	586,512	135,518	2,267,184
Additions	263,369	0	0	65,000	13,413	341,782
Donated Assets	0	0	0	220,000	0	220,000
Disposals	0	0	0	0	0	0
Impairments	(63,369)	0	0	0	0	(63,369)
Revaluations	38,000	0	0	40,000	0	78,000
Gross Book Value as at 31/03/2008	1,158,500	322,846	301,808	911,512	148,931	2,843,597
Accumulated Depreciation at 01/04/2007	13,297	0	57,846	186,570	27,104	284,817
Depreciation for the year	10,799	0	15,090	108,530	29,786	164,206
Depreciation eliminated on disposal.	0	0	0	0	0	0
Depreciation eliminated on revaluation	(418)	0	0	(66,055)	0	(66,473)
Accumulated Depreciation as at 31/03/2008	23,678	0	72,936	229,045	56,890	382,554
Net Book Value 31/03/2007	907,203	322,846	243,962	399,942	108,414	1,982,367
Net Book Value 31/03/2008	1,134,822	322,846	228,872	682,467	92,041	2,461,043

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 and can be explained as follows:

Asset	Funding	Balance at 31/03/2008
Tolls System	Implementing Electronic Government Funding	£52,635
Barton Board Walk	Millennium Commission	£228,872
Dockyard Equipment	Donated Assets	£188,571
	Total	£470,078

During 2007/08 the £220,000 of donated assets from May Gurney were credited to the Government Grants Deferred Account to comply with the Local Government SORP. A further £3,766 was also capitalised on the Tolls system.

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

2006/07		2007/08
£		£
8,507	Initial vehicle rental paid in advance	12,369
<u>8,507</u>		<u>12,369</u>

17. Debtors due within 1 year

2006/07		2007/08
£		£
681,301	Sundry debtors and prepayments	792,951
(141,346)	Provision for bad debts	(141,346)
4,217	Loans to employees	0
7,108	Initial vehicle rental paid in advance	4,420
<u>551,280</u>		<u>656,025</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

2006/07		2007/08	
£		£	
606,501	Creditors and accruals	570,100	
958,630	Tolls received in advance	726,211	
<u>1,565,131</u>		<u>1,296,311</u>	

20. Long Term Liabilities . Public Works Loan

On the 20 November 2007 the Authority took out a £290,000 loan from the Public Works Loan Board. The purpose of the 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. 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 the 31 March 2008 is £293,952.67. The fair value has been calculated by reference to the premature repayment set of rates in force on 31 March 2008. No adjustment has been made in the accounts to reflect the fair value of the loan, as the Authority does not anticipate early repayment of the debt.

21. Pensions and Retirement Benefits

The Broads Authority's staff pension scheme is a defined benefit scheme administered by Norfolk County Council. In 2007/08 the Authority paid an employer's contribution of £370,293 (2006/07 £331,975) into the Superannuation Fund representing 15.4% (2006/07 . 14.7%) of superannuable employee's reckonable pay.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The last full review was carried out on 31 March 2007. 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 2007/08 these amounted to £31,339 (2006/07 - £30,797).

An actuarial valuation as at 31 March 2008 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.

The following tables show the actuaries calculations and assumptions made for the year ended 31 March 2008 and shows a Net Pension Liability for the Broads Authority at 31 March 2008 of £623,000 (2006/07 - £1,930,000).

Financial Assumptions

The financial assumptions used for the purposes of the FRS17 calculations as at 31 March 2006, 31 March 2007 and 31 March 2008 are as follows:

Assumptions as at	31 Mar 2008	Real	31 Mar 2007	Real	31 Mar 2006	Real
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Price Increases	3.6%	-	3.2%	-	3.1%	-
Salary Increases	5.1%	1.5%	4.7%	1.5%	4.6%	1.5%
Pension Increases	3.6%	-	3.2%	-	3.1%	-
Discount Rate	6.9%	3.2%	5.4%	2.1%	4.9%	1.7%

The price inflation (RPI) has been derived by considering market expectation of long term inflation as measured by the difference between yields on fixed and index-linked Government bonds as at the valuation date. 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 2007/08 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

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 2008).

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 2006, 31 March 2007 and 31 March 2008 are shown in the table below:

Asset Class	Expected Return at 31 March 2008 (% per annum)	Expected Return at 31 March 2007 (% per annum)	Expected Return at 31 March 2006 (% per annum)
Equities	7.7%	7.9%	7.4%
Bonds	5.7%	4.9%	4.6%
Property	5.7%	5.9%	5.5%
Cash	4.8%	4.9%	4.6%

Mortality . life expectancy is based on the PFA92 and PMA92 tables, projected calendar year 2033 for non pensioners and 2017 for pensioners.

Commutation . an allowance is included for 50% of future retirements to elect additional tax-free cash up to the HMRC limits.

Retirement Benefits Balance Sheet disclosure as at 31 March 2008

Analysis of amount charged to operating profit

Amount Charged to Operating Profit	Year to 31 March 2008		Year to 31 March 2007	
	£(000)	(% of Payroll)	£(000)	(% of Payroll)
Service Cost	464	19.3%	507	22.4%
Past Service Costs	-	-	-	-
Curtailment and Settlements	-	-	-	-
Decrease in Irrecoverable Surplus	-	-	-	-
Total Operating Charge (A)	464	19.3%	507	22.4%
Amount Credited to Other Finance Income	Year to 31 March 2008		Year to 31 March 2007	
	£(000)	(% of Payroll)	£(000)	(% of Payroll)
Expected Return on Employer Assets	719	29.9%	629	27.9%
Interest on Pension Scheme Liabilities	(655)	(27.3%)	(588)	(26.0%)
Net Return (B)	64	2.6%	41	1.8%
Net Revenue Account Cost (A)-(B)	400	16.7%	466	20.6%

The service cost figure includes an allowance for administration expenses of 0.5%.

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

	Year to 31 March 2008 £000s	Year to 31 March 2007 £000s
Actual Return Less Expected Return on Pension Scheme Assets	(1080)	(53)
Experience Gains and Losses Arising on the Scheme Liabilities	(47)	278
Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	2,432	778
Actuarial (Loss) in Pension Plan	1,305	1,003
Increase/(Decrease) in Irrecoverable Surplus from Membership Fall and Other Factors	-	-
Actuarial (Loss)/Gain Recognised in STRGL	1,305	1,003

Movement in Surplus/Deficit during the Year

	Year to 31 March 2008 £(000)	Year to 31 March 2007 £(000)
Surplus/ (Deficit) at beginning of the year	(1,930)	(2,830)
Current Service Cost	(464)	(507)
Employer Contributions	388	350
Contributions in respect of Unfunded Benefits	14	13
Other Income	-	-
Other Outgo (e.g. expenses, etc)	-	-
Past service costs	-	-
Impact of Settlements and Curtailments	-	-
Net Return on Assets	64	41
Actuarial Gains/(Losses)	1,305	1,003
Surplus/ (Deficit) at End of Year	(623)	(1,930)

History of Experience Gains and Losses

	Year to 31 March 2008 £(000)	Year to 31 March 2007 £(000)	Year to 31 March 2006 £(000)	Year to 31 March 2005 £(000)	Year to 31 March 2004 £(000)
Difference Between the Expected and Actual Return on Assets	(1,080)	(53)	1,276	272	753
Value of Assets	10,767	10,050	9,020	7,124	6,210
Percentage of Assets	(10.0%)	(0.5%)	14.1%	3.8%	12.1%
Experience Gains/(Losses) on Liabilities	(47)	278	(7)	(276)	(61)
Total Present Value of Liabilities	11,390	11,980	11,850	9,657	7,256
Percentage of the Total Present Value of Liabilities	(0.4%)	2.3%	(0.1%)	(2.9%)	(0.8%)
Actuarial Gains/Losses Recognised in STRGL	1,305	1,003	(216)	(1,474)	692
Total Present Value of Liabilities	11,390	11,980	11,850	9,657	7,256
Percentage of the Total Present Value of Liabilities	11.5%	8.4%	(1.8%)	(15.3%)	9.5%

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 2008) 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.

22. Contingent Liability

The Authority has made payments since 1998/99 totalling £30,080 for conservation management 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 Union's 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.

23. Reserves

<u>Reserve</u>	<u>Balance as at 1 April 2007</u>	<u>Net Movement in the Year</u>	<u>Balance as at 31 March 2008</u>	<u>Purpose of Reserve</u>	<u>Further Details of Movements</u>
	£	£	£		
Fixed Asset Restatement Account	1,754,300	(1,754,300)	0	Provides the matching entry when fixed assets are restated, upon revaluation or disposal	(a) below
Capital Financing Account	(82,058)	82,058	0	Represents the amount of capital expenditure financed from revenue, capital receipts or other capital resources	(b) below
Revaluation Reserve	0	78,000	78,000	A revaluation reserve compliant with FRS15 (financial reporting standard 15 on Tangible Fixed Assets)	(æ) below
Capital Adjustment Account	0	1,619,600	1,619,600	The balance on the fixed asset restatement account when it was converted to the revaluation reserve with an opening balance of nil. The balance on the Capital financing account when it was converted to the Capital Adjustment account. Represents the amount of capital expenditure finance from revenue, depreciation charged, and impairments not taken to the revaluation reserve.	(d) below
Pension Reserve	(1,930,000)	1,307,000	(623,000)	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	277,501	103,153	380,654	Unused Defra grant awarded to enable the authority to make the move to its new premises	(d) below
Vessel Replacement Fund	146,232	8,291	154,523	Navigation Fund reserve for the purchase of water borne vessels	(d) below
Mutford Lock Endowment Fund	114,210	34,937	149,147	Navigation Fund reserve for the future repair of Mutford Lock	(d) below
Planning Delivery Grant	159,923	87,663	247,586	Unused Defra and OPDM grants awarded to deliver the planning service	(d) below

Implementing Electronic Government	18,292	(2,787)	15,505	Unused grant supplied by ODPM for the purpose of improving IT systems	(d) below
Sustainable Development Fund	138,784	68,544	207,328	Unused sustainable development fund grant supplied by Defra	(d) below
General Fund	857,218	(7,205)	850,013	General fund . to be spent on general fund activities	
Navigation Fund	395,826	110,455	506,281	Navigation fund . to be spent on navigation activities	
	1,850,228	1,735,408	3,585,636		

a) Fixed Asset Restatement Account

2006/07		2007/08
£		£
1,732,101	Balance brought forward	1,754,300
24,435	Revaluations re 04/05, 05/06 & 06/07	
(2,236)	Value of disposals of fixed assets	
0	Transferred to the Capital Adjustment Account	(1,754,300)
<u>1,754,300</u>		<u>0</u>

b) Capital Financing Reserve

2006/07		2007/08
£		£
(99,882)	Balance brought forward	(82,057)
(136,998)	Depreciation	
31,631	Amortisation Government Grants Deferred	
123,192	Capital Financed from Revenue	
0	Transferred to the Capital Adjustment Account	82,057
<u>(82,057)</u>		<u>0</u>

c) Revaluation Reserve

2006/07		2007/08
£		£
0	Balance brought forward	0
0	Land and Buildings Revaluations	38,000
0	Vehicles and Vessels Revaluations	40,000
<u>0</u>		<u>78,000</u>

d) Capital Adjustment Account

2006/07		2007/08
£		£
0	Balance brought forward	0
0	Transfer from the Fixed Asset Restatement Account	1,754,300
0	Transfer from the Capital Financing Account	(82,057)
0	Depreciation for the year	(164,206)
0	Amortisation of Government Grants Deferred	63,812
0	Capital Financed from Revenue	48,413
0	Government Grants Deferred additions	(3,766)
0	Impairment of Fixed Assets	(63,369)
0	Accumulated Depreciation written out on Revaluation	66,473
<u>0</u>		<u>1,619,600</u>

e) 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 £2,000, and the actuarial gain as explained below. The net effect is a movement on the pension fund reserve of £1,307,000.

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008.

	2004/05		2005/06		2006/07		2007/08	
	£000s	%	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on assets	272	3.8	1,276	14.1	(53)	(0.5)	(1,080)	(10.0)
Differences between actuarial assumptions about liabilities and actual experience	(276)	(2.9)	(7)	(0.1)	278	2.3	(47)	(0.4)
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	(1,470)		(1485)		778		2,432	
	<u>(1,474)</u>		<u>(216)</u>		<u>1003</u>		<u>1,305</u>	

f) 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	277,501	146,232	114,210	159,923	18,292	138,784	854,942
Income	0	0	2,000	176,579	0	200,000	378,579
Transferred from General Fund	150,000	0	25,000	0	0	0	175,000
Interest Received	21,248	8,291	7,937	9,046	979	10,854	58,355
Expenditure	(68,095)	0	0	(97,962)	(3,766)	(142,310)	(312,133)
Balance c/f	380,654	154,523	149,147	247,586	15,505	207,328	1,154,743

24. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. This includes borrowing, investment and loans.

Long term borrowing is with PWLB and is held at amortised cost, as is all short term borrowing. Investments are held at carrying value as there is deemed to be no risk of loss for these investments.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories:-

	Long Term		Short Term	
	31.3.07	31.3.08	31.3.07	31.3.08
	£,000	£,000	£,000	£,000
Financial Liabilities at amortised cost	-	268	1,565	1,311
Total Borrowings	0	268	1,565	1,311
Loans and Receivables	0	0	3,695	3,769
Total Investments	0	0	3,695	3,769

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to the financial instruments are made up as follows:-

	Financial Liabilities Liabilities at Amortised cost £,000	Financial Assets Loans and Receivables £,000
Interest Income/(Payable)	(16)	176
Interest & Investment Income	(16)	176

Financial liabilities and financial assets represented by borrowings and receivables 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, using the following assumptions.

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

25. Nature and extent of risks arising from Financial Instruments

The Authorities 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.

The 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 via Broadland District Council under their Treasury Management Strategy which requires that deposits are not made with banks and financial institutions unless they are highly rated. Therefore the Authority does not consider there to be any quantifiable risk in relation to its 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 31st March 2008(4%) for which a bad debt provision had not been put in place.

Liquidity Risk

As the Authority has access to three year funding from DEFRA, 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 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 has no financial assets or liabilities denominated in foreign currencies, therefore it has no exposure to loss arising from movements in exchange rates.

26. Stock Market Performance

The most recent pension scheme formal funding valuation was completed as at 31 March 2007. Since March 2008, stock market values around the world have fallen sharply, and this will have an effect on pensions scheme funding valuations in future years. As there is no change of conditions at the balance sheet date, no amendment to the financial statements is required.

**Broads Authority
Chairman's Statement**

I confirm that these accounts were approved by The Broads Authority at the meeting held on 27 June 2008.

Signed on behalf of The Broads Authority:

Chair of meeting approving the
accountsõ ...
Dr J S Johnson

Dateõ õ õ õ õ õ õ õ õ õ õ õ õ .

Broads Authority

Annual Governance Statement 2007/08

1. **Scope of Responsibility**

- 1.1 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 make arrangements 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 responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.2 The Authority has approved and adopted a framework of measures to ensure strong and effective corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*
- 1.3 This statement explains how the Authority has implemented that framework of measures, and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. **The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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.
- 2.3 The governance framework has been in place at the Broads Authority for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

3. **Key Elements of the Governance Framework**

3.1 Key elements of the system and processes that comprise the Authority's governance arrangements are set out in Appendix 1.

4. **Review of Effectiveness**

- 4.1 The Broads Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 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.
- 4.3 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, subject to the weaknesses already identified and addressed in the Action Plan, 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.
- 4.4 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. In its annual report to the Broads Authority on 28 September 2007 the Committee concluded that the ethical standards of the Authority were very high and the Standards Committee had not encountered any problems in this respect.
- 4.5 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 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.
- 4.6 The Authority has developed a strategic five year audit plan for the Authority, using a risk based approach, supplemented by an annual audit plan.
- 4.7 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 the Authority's responsibility for, risk

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

(NOTE: Consideration of this Statement constitutes the review of effectiveness).

- 4.8 Additionally the Authority is informed of the work of Audit Commission appointed auditors and inspectors, including receipt of the annual Governance Report and annual audit and inspection letter. In its annual Governance Report for 2006/07 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 (namely to identify its significant partnerships and ensure that it had appropriate arrangements in place for each of these); and
 - the Authority had not put in place appropriate arrangements for the management of its asset base.
- 4.9 The annual report on risk management will be presented to the Authority at its November 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.
- 4.10 The Head of Internal Control has been asked to provide an opinion on whether this annual Governance Statement is complete, whether it represents a true reflection of the control environment present in the Authority and whether the control environment is appropriate.
- 4.11 The Head of Internal Audit has stated in her report that:
- on the basis of internal audit work relating to 2007/08, it is my opinion that a substantial assurance level can be applied to standards of internal control at the Broads Authority for the year ended 31 March 2008 and hence, systems of internal control accord with proper practice and
 - on the basis of internal audit work undertaken to support preparation of the Annual Governance Statement for 2007/08, it is my opinion that a substantial assurance level can be given to the corporate governance framework and operating arrangements within the Authority for 2007/08q

5. **Significant Governance Issues**

- 5.1 An Action Plan has been developed in order to address any significant governance issues which have been identified and to secure the continuous improvement in the Authority's governance arrangements. This is set out at Appendix 2.
- 5.2 This Action Plan has been informed by the results of a self assessment assurance statement which has been circulated to all senior managers, inviting them to assess the Authority's performance across a range of governance issues, in order to identify any gaps and weaknesses in the Authority's governance arrangements.
- 5.3 The Authority is satisfied that the steps identified in the Action Plan will further enhance its governance arrangements and will address the need for improvements which were identified in the review of effectiveness. The implementation and

operation of these arrangements will be reviewed as part of the Authority's next annual review.

Signed _____
Profess R K Turner, Chairman

Signed _____
Dr J Packman, Chief Executive

Date _____

Date _____

