

Financial Performance and Direction
Report by Head of Finance

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

Recommendations:

- (i) That the income and expenditure figures to 31 October 2014 be noted.
- (ii) That the two additions to the Standing List for Fen Management contractors.

1 Introduction

- 1.1 This report consolidates a number of items relating to the financial performance and direction of the Authority. The report covers:

| Report Section | Item |
|----------------|--|
| 2 | Consolidated Income and Expenditure from 1 April – 31 October 2014 |
| 3 | Amendment to Standing Tender List – Fen Management Contractors |

2 Consolidated Income and Expenditure from 1 April – 31 October 2014

Summary

- 2.1 This report provides the Committee with details of the actual income and expenditure for the seven month period to 31 October 2014, and provides a forecast of the projected expenditure at the end of the financial year (31 March 2015).

Introduction

- 2.2 This financial monitoring report summarises details of the forecast outturn for the year, which provides members with a picture of expected activity for the full financial year as well as supporting proactive budget management by budget holders. This report provides details of consolidated expenditure for the whole Authority (National Park and Navigation).
- 2.3 Paragraph 2.5 of this report and Appendix 1 provide details of actual income and expenditure to 31 October 2014.
- 2.4 Paragraph 2.16 and Appendix 2 provide details of the forecast 2014/15 outturn (the expected actual expenditure position at the end of the financial year), compared to the latest available budget (LAB). The LAB represents the original budget for the year

agreed by the Authority in March 2014, adjusted for known and approved budget changes. Further details of the LAB are set out in paragraph 2.11 below.

Overview of Actual Income and Expenditure

- 2.5 Within this report, actual income and expenditure is reported at summary / Directorate level, providing members with an overview of the Authority's position as set out in Table 1 below.

Table 1 – Actual Consolidated I&E by Directorate to 31 October 2014

| | Profiled Latest Available Budget | Actual Income and Expenditure | Actual Variance |
|---|---|--------------------------------------|------------------------|
| Income | (5,354,479) | (5,355,272) | 793 |
| Operations | 1,666,608 | 1,842,664 | (176,056) |
| Planning and Resources | 1,818,642 | 1,655,903 | 162,740 |
| Chief Executive | 237,523 | 242,970 | (5,447) |
| Projects, Corporate Items and Contributions from Earmarked Reserves | 0 | (162,689) | 162,689 |
| Net (Surplus) / Deficit | (1,631,706) | (1,776,424) | 144,718 |

- 2.6 Core income is in line with the profiled budget as at the end of month seven. The variances within Private Tolls and Hire Tolls continue to offset one another. At the end of the financial year it is currently anticipated that the net position on Tolls will be broadly in line with the total budget (with Private Tolls up and Hire Tolls down), and this position has been reflected in forecast outturn figures.
- 2.7 Net of contributions into reserves, £162,689 of expenditure within Directorate budgets has been funded from reserves at the end of October, including the Authority's new Fen Harvester, the second replacement wherry, the Planning Inspectorate Site Specific Policy inspection activity, works to Mutford Lock, and SDF grant payments. Once this expenditure has been accounted for, the Operations revenue budget has now moved into a slight overspend position when compared with the profiled budget. There is in particular now an overspend of approximately £25,000 in the Equipment, Vehicles and Vessels budget due mainly to timing differences in repairs and maintenance expenditure. A replacement pool vehicle for Construction and Maintenance, budgeted for in July, has been received in September. Excluding the use of reserves for the purchase of the Fen Harvester, there is an overspend of approximately £25,000 in Land Management at this point due to delays in the receipt of budgeted income. Expenditure is also slightly over profile in Practical Maintenance and Operational Premises budgets. There is a small underspend on Water Management due to low levels of contractor spend to date.

2.8 By contrast, an underspend against profile within Planning and Resources directorate budgets persists due to:

- Project expenditure behind profile, including within the main project budget and also Biodiversity Strategy. Some of these will relate to timing differences;
- The cancellation of the Whitlingham development project;
- Salary underspends in respect of vacancies earlier in the year (Waterways and Recreation Strategy);
- An underspend within Finance budgets in respect of outstanding insurance billing and the £10,000 contribution to joint National Park sponsorship work which has not yet been made;
- Delays in legal billing;
- Underspends in office expenses budgets in respect of posting and photocopying which are expected to be largely removed by the end of the year; and
- Significant success in securing additional income including planning fee income, strategy and projects grant and partnership income, and additional Visitor Centre / Yacht Station income.

2.9 There is also a small overspend within Communications budgets arising from the timing of some payments for events work, and outstanding tourism income. Some of these Planning and Resources variances will persist to the end of the year and have been reflected in forecast outturns as set out in Table 3. As a result of the above variances, the overall position as at 31 October 2014 is a favourable variance of £144,718 or 8.87% difference from the profiled LAB, a reduction when compared to the September position.

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

Latest Available Budget

2.11 The Authority's income and expenditure is monitored against a latest available budget (LAB) in 2014/15. The LAB is based on the original budget for the year, with adjustments for known and approved budget changes such as carry-forwards and budget virements. Details of the movements from the original budget are set out in Appendix 2.

2.12 The use of the LAB format ensures that there is better visibility of budgets, providing members with clearer information about approved changes to the original budget and minimising the risk of distortions arising from approved in-year changes to the budget. The LAB facilitates scrutiny of budget management in that members are able to distinguish between planned budget changes and unplanned outturn variances.

2.13 Changes to the original consolidated budget for the year are set out in Table 2 below.

Table 2 – Adjustments to Consolidated LAB

| | Ref | £ |
|---|-----------------------------|----------------|
| Original budget 2014/15 – deficit | 21/03/14 Item 17 (BA) | 15,495 |
| Approved budget carry-forwards | 11/07/14 Item 14 (BA) | 94,237 |
| Additional budget approved in-year for Stakeholder surveys | 11/07/14 Item 13 (BA) | 37,355 |
| Additional budget approved in-year for National Park sponsorship work | 11/07/14 Item 18 (BA) | 10,000 |
| LAB at 31 October 2014 – deficit | | 157,087 |

2.14 Taking account of the budget adjustments, the LAB therefore provides for a consolidated deficit of £157,087 in 2014/15 as at 31 October 2014.

Overview of Forecast Outturn 2014/15

2.15 Budget holders have been asked to comment on the expected expenditure at the end of the financial year in respect of all the budget lines for which they are responsible. These forecast outturn figures should be seen as estimates and they will be refined and clarified through the financial year.

2.16 As at the end of October 2014, the forecast outturn indicates:

- Income is unchanged and expected to be broadly in line with budget, with total forecast income of £6,233,961.
- Total expenditure is forecast to be £6,357,290.
- The resulting deficit for the year is forecast to be £123,330.

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

2.18 The forecast outturn expenditure takes account of adjustments to the LAB and reflects the changes shown in Table 3. The forecast outturn anticipates a lower deficit than the £157,087 allowed for in the LAB.

Table 3 – Adjustments to Forecast Outturn

| Item | £ |
|---|----------------|
| Latest Available Budget – deficit | 157,087 |
| | |
| Adjustments to forecast outturn reported 21/11/14 | (21,274) |
| | |
| Planning costs in respect of Whitlingham Barn development | 800 |

| | |
|--|----------------|
| Increased support contract costs at Mutford Lock for additional manual openings | 2,600 |
| Increase income forecast for Practical Maintenance budget for PIANC conference contribution | (1,700) |
| Decrease forecast for net salary cost adjustments in respect of latest forecasts and impact of 2014/15 – 2015/16 pay award | (14,184) |
| | |
| Forecast outturn deficit as at 31 October 2014 | 123,329 |

Reserves

- 2.19 The Authority's earmarked reserves were rationalised in 2013/14 into a smaller number of reserves. Navigation reserve balances continue to be maintained separately from national park reserves. The balance of earmarked reserves at the end of October 2014 is shown in Table 4 below.

Table 4 – Consolidated Earmarked Reserves

| | Balance at 1 April 2014 | In-year movements | Current reserve balance |
|------------------------------|--------------------------------|--------------------------|--------------------------------|
| | £ | £ | £ |
| Property | (568,100) | (8,567) | (576,667) |
| Plant, Vessels and Equipment | (217,282) | 6,035 | (211,247) |
| Premises | (138,723) | (15,000) | (153,723) |
| Planning Delivery Grant | (454,172) | 79,087 | (375,085) |
| Sustainable Development Fund | (65,664) | 17,915 | (47,749) |
| Mobile Phone Upgrade | (7,567) | 3,190 | (4,377) |
| Upper Thurne Enhancement | (81,768) | 0 | (81,768) |
| Section 106 | (12,069) | (24,464) | (36,533) |
| PRISMA | (244,954) | 156,736 | (88,217) |
| Total | (1,790,299) | 214,933 | (1,575,367) |

- 2.20 £838,960 of the current reserve balance relates to navigation reserves.
- 2.21 The STEP reserve has been closed following the end of the project. Members will note that there is currently a debit balance within the PRISMA reserve. This relates to outstanding claim amounts.
- 2.22 The Authority's Launch Replacement Strategy includes a rolling programme of disposals of older launches in order to finance replacements, with sale proceeds initially estimated at £10,000 per vessel. The Authority subsequently approved disposal of two launches in November 2013 with an estimated value

for the disposals at the time of £20-27,000 per vessel. Following wide advertising since this time, the launch Thurne was disposed of via a broker for £17,500 (before deductions for commission and VAT). The second launch, Barton, is now the subject of an offer for £14,000. In view of the fact that this offer is considerably below the previous estimated value, and the value achieved for Thurne, the Navigation Committee's views have been sought on whether to proceed with disposal. It was noted that the launch was likely to deteriorate if it remained unsold over the winter and therefore the Authority would have incurred additional repair and maintenance costs if the sale is not completed. The Committee was supportive of progressing the disposal, noting that the estimated value of the launches had fluctuated significantly over time. The disposal is now being progressed by the Chief Executive in consultation with the Chair of the Authority in order to expedite the sale. The sale proceeds will be contributed to the Plant, Vessels and Equipment reserve to fund future replacements in line with the existing strategy.

Summary

- 2.23 Taking account of the changes to the forecast outturn from the adjustments to salaries, the current forecast outturn position for the year suggests a deficit of £101,437 for the national park side and a deficit of £ 21,892 on navigation resulting in an overall deficit of £123,329 within the consolidated budget, which would indicate a general fund reserve balance of approximately £703,000 and a navigation reserve balance of approximately £268,000 at the end of 2014/15. This will mean that the navigation reserve balance will fall below the recommended level of 10% of net expenditure during 2014/15 to 8.9%. The impact of both the national park and navigation reserve balances have been taken into account when preparing the draft 2015/16 budget.

3 Amendment to Standing Tender List – Fen Management Contractors

Overview

- 3.1 In May 2013 the Authority approved the creation of a Standing List of contractors for the delivery of Fen Management activity. The Authority's Standing Orders provide for Standing Lists to be reviewed every three years, with the next formal review of this list being due by April 2016. However there is also provision for contractors meeting the required criteria to be added to the list on an ad-hoc basis.
- 3.2 Since the creation of the Standing List, two contractors have expressed an interest in being added. These are:
- Matthew Lee
 - Stephen Lee

- 3.3 Both prospective contractors have completed the Authority's questionnaire and satisfy the requirements for inclusion. It is therefore recommended that the Authority approve the addition of these two contractors to the existing Standing List.

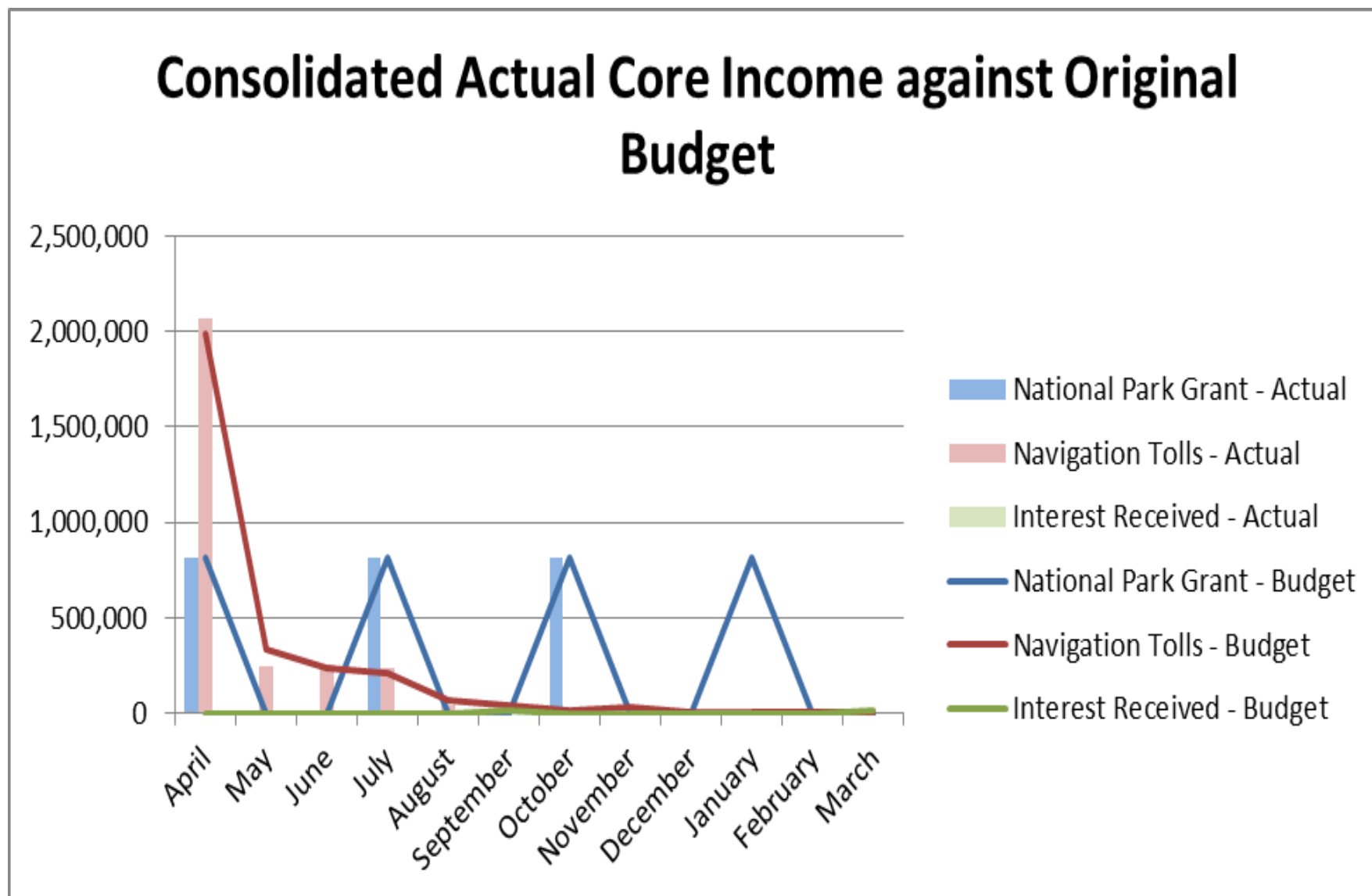
Background Papers: Nil

Author: Titus Adam
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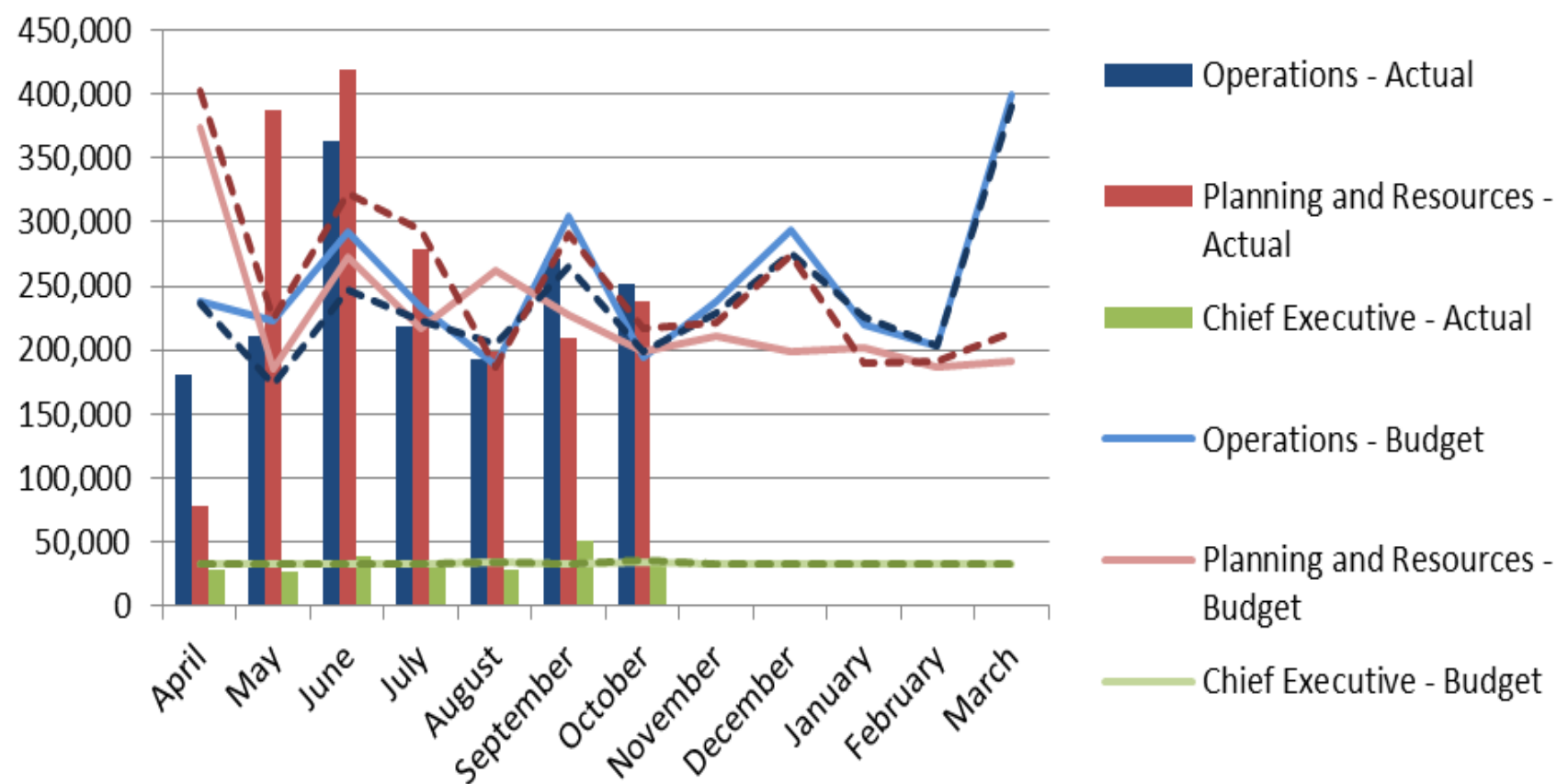
Broads Plan Objectives: None

Appendices: APPENDIX 1 – Consolidated Actual Income and Expenditure
Charts to 31 October 2014

APPENDIX 2: Financial Monitor: Consolidated Income and
Expenditure 2014/15



Consolidated Net Actual Expenditure against Original and Latest Budget



To 31 October 2014

| | |
|---------------|-------|
| Budget Holder | (All) |
| A/C | (All) |

| Values | | | | | |
|---------------------------------------|-----------------------------------|---|--|------------------------------------|--|
| Row Labels | Original Budget (Consolidated) | Budget Adjustments (Consolidated) | Latest Available Budget (Consolidated) | Forecast Outturn (Consolidated) | Forecast Outturn Variance (Consolidated) |
| Income | (6,242,264) | | (6,242,264) | (6,233,961) | (8,304) |
| National Park Grant | (3,245,393) | | (3,245,393) | (3,245,393) | 0 |
| Income | (3,245,393) | | (3,245,393) | (3,245,393) | 0 |
| Hire Craft Tolls | (1,118,300) | | (1,118,300) | (1,072,296) | (46,004) |
| Income | (1,118,300) | | (1,118,300) | (1,072,296) | (46,004) |
| Private Craft Tolls | (1,792,100) | | (1,792,100) | (1,837,800) | 45,700 |
| Income | (1,792,100) | | (1,792,100) | (1,837,800) | 45,700 |
| Short Visit Tolls | (37,721) | | (37,721) | (37,721) | 0 |
| Income | (37,721) | | (37,721) | (37,721) | 0 |
| Other Toll Income | (18,750) | | (18,750) | (18,750) | 0 |
| Income | (18,750) | | (18,750) | (18,750) | 0 |
| Interest | (30,000) | | (30,000) | (22,000) | (8,000) |
| Income | (30,000) | | (30,000) | (22,000) | (8,000) |
| Operations | 3,030,715 | 30,113 | 3,060,828 | 3,092,418 | (31,590) |
| Construction and Maintenance Salaries | 1,074,770 | | 1,074,770 | 1,065,359 | 9,411 |
| Salaries | 1,074,770 | | 1,074,770 | 1,065,359 | 9,411 |
| Expenditure | | | 0 | | 0 |
| Equipment, Vehicles & Vessels | 405,000 | (17,450) | 387,550 | 387,550 | 0 |
| Income | | | 0 | | 0 |
| Expenditure | 405,000 | (17,450) | 387,550 | 387,550 | 0 |
| Water Management | 67,500 | 14,350 | 81,850 | 80,535 | 1,315 |
| Income | 0 | | 0 | (1,315) | 1,315 |
| Expenditure | 67,500 | 14,350 | 81,850 | 81,850 | 0 |
| Land Management | (41,000) | 14,850 | (26,150) | (36,650) | 10,500 |
| Income | (90,000) | | (90,000) | (100,500) | 10,500 |
| Expenditure | 49,000 | 14,850 | 63,850 | 63,850 | 0 |
| Practical Maintenance | 339,035 | 7,170 | 346,205 | 346,527 | (322) |
| Income | (7,000) | | (7,000) | (8,700) | 1,700 |
| Expenditure | 346,035 | 7,170 | 353,205 | 355,227 | (2,022) |
| Ranger Services | 663,010 | | 663,010 | 696,340 | (33,330) |
| Income | (35,000) | | (35,000) | (35,000) | 0 |
| Salaries | 580,010 | | 580,010 | 613,340 | (33,330) |

| Row Labels | Original Budget (Consolidated) | Budget Adjustments (Consolidated) | Latest Available Budget (Consolidated) | Forecast Outturn (Consolidated) | Forecast Outturn Variance (Consolidated) |
|--|-----------------------------------|---|--|------------------------------------|--|
| Expenditure | 118,000 | | 118,000 | 118,000 | 0 |
| Pension Payments | | | 0 | | 0 |
| Safety | 76,900 | | 76,900 | 76,542 | 358 |
| Income | (9,000) | | (9,000) | (9,000) | 0 |
| Salaries | 51,900 | | 51,900 | 51,542 | 358 |
| Expenditure | 34,000 | | 34,000 | 34,000 | 0 |
| Asset Management | 104,650 | | 104,650 | 116,912 | (12,262) |
| Income | (1,000) | | (1,000) | (1,000) | 0 |
| Salaries | 37,900 | | 37,900 | 37,662 | 238 |
| Expenditure | 67,750 | | 67,750 | 80,250 | (12,500) |
| Volunteers | 61,340 | | 61,340 | 61,373 | (33) |
| Income | (1,000) | | (1,000) | (1,000) | 0 |
| Salaries | 42,340 | | 42,340 | 42,373 | (33) |
| Expenditure | 20,000 | | 20,000 | 20,000 | 0 |
| Premises | 151,970 | 11,193 | 163,163 | 171,030 | (7,867) |
| Income | (11,200) | | (11,200) | (3,333) | (7,867) |
| Expenditure | 163,170 | 11,193 | 174,363 | 174,363 | 0 |
| Operations Management and Administration | 127,540 | | 127,540 | 126,900 | 640 |
| Income | | | 0 | | 0 |
| Salaries | 115,040 | | 115,040 | 114,400 | 640 |
| Expenditure | 12,500 | | 12,500 | 12,500 | 0 |
| Planning and Resources | 2,729,004 | 111,479 | 2,840,484 | 2,738,550 | 101,934 |
| Development Management | 224,910 | | 224,910 | 221,499 | 3,411 |
| Income | (60,000) | | (60,000) | (60,000) | 0 |
| Salaries | 259,910 | | 259,910 | 255,699 | 4,211 |
| Expenditure | 25,000 | | 25,000 | 25,800 | (800) |
| Pension Payments | | | 0 | | 0 |
| Strategy and Projects Salaries | 231,575 | 8,546 | 240,121 | 209,837 | 30,284 |
| Income | (27,500) | | (27,500) | (39,000) | 11,500 |
| Salaries | 249,075 | 8,546 | 257,621 | 238,837 | 18,784 |
| Expenditure | 10,000 | | 10,000 | 10,000 | 0 |
| Biodiversity Strategy | 35,000 | 42,298 | 77,298 | 77,298 | 0 |
| Income | | | 0 | | 0 |
| Expenditure | 35,000 | 42,298 | 77,298 | 77,298 | 0 |
| Strategy and Projects | 84,900 | 2,020 | 86,920 | 86,453 | 467 |
| Salaries | 44,900 | | 44,900 | 44,433 | 467 |
| Expenditure | 40,000 | 2,020 | 42,020 | 42,020 | 0 |

| Row Labels | Original Budget (Consolidated) | Budget Adjustments (Consolidated) | Latest Available Budget (Consolidated) | Forecast Outturn (Consolidated) | Forecast Outturn Variance (Consolidated) |
|--|-----------------------------------|---|--|------------------------------------|--|
| Waterways and Recreation Strategy | 84,920 | | 84,920 | 78,618 | 6,302 |
| Salaries | 69,920 | | 69,920 | 63,618 | 6,302 |
| Expenditure | 15,000 | | 15,000 | 15,000 | 0 |
| Project Funding | 101,780 | 46,615 | 148,395 | 148,023 | 372 |
| Income | (19,000) | | (19,000) | (19,000) | 0 |
| Salaries | 41,780 | | 41,780 | 41,408 | 372 |
| Expenditure | 79,000 | 46,615 | 125,615 | 125,615 | 0 |
| Pension Payments | | | 0 | | 0 |
| Partnerships / HLF | 50,000 | | 50,000 | 0 | 50,000 |
| Expenditure | 50,000 | | 50,000 | 0 | 50,000 |
| SDF | 12,000 | | 12,000 | 12,000 | 0 |
| Expenditure | 12,000 | | 12,000 | 12,000 | 0 |
| Finance and Insurance | 336,569 | 10,000 | 346,569 | 342,632 | 3,937 |
| Income | | | 0 | | 0 |
| Salaries | 133,970 | | 133,970 | 130,033 | 3,937 |
| Expenditure | 202,599 | 10,000 | 212,599 | 212,599 | 0 |
| Communications | 316,260 | | 316,260 | 318,598 | (2,338) |
| Income | | | 0 | | 0 |
| Salaries | 241,260 | | 241,260 | 243,598 | (2,338) |
| Expenditure | 75,000 | | 75,000 | 75,000 | 0 |
| Visitor Centres and Yacht Stations | 235,660 | 2,000 | 237,660 | 222,236 | 15,424 |
| Income | (213,000) | | (213,000) | (213,000) | 0 |
| Salaries | 317,660 | | 317,660 | 302,236 | 15,424 |
| Expenditure | 131,000 | 2,000 | 133,000 | 133,000 | 0 |
| Collection of Tolls | 113,660 | | 113,660 | 113,192 | 468 |
| Salaries | 100,960 | | 100,960 | 100,492 | 468 |
| Expenditure | 12,700 | | 12,700 | 12,700 | 0 |
| ICT | 267,820 | | 267,820 | 272,142 | (4,322) |
| Income | | | 0 | | 0 |
| Salaries | 127,120 | | 127,120 | 131,442 | (4,322) |
| Expenditure | 140,700 | | 140,700 | 140,700 | 0 |
| Legal | 120,000 | | 120,000 | 120,000 | 0 |
| Income | | | 0 | | 0 |
| Expenditure | 120,000 | | 120,000 | 120,000 | 0 |
| Premises - Head Office | 240,000 | | 240,000 | 240,000 | 0 |
| Expenditure | 240,000 | | 240,000 | 240,000 | 0 |
| Planning and Resources Management and Administration | 273,950 | | 273,950 | 276,021 | (2,071) |

| Row Labels | Original Budget (Consolidated) | Budget Adjustments (Consolidated) | Latest Available Budget (Consolidated) | Forecast Outturn (Consolidated) | Forecast Outturn Variance (Consolidated) |
|---------------------------------------|-----------------------------------|---|--|------------------------------------|--|
| Income | | | 0 | | 0 |
| Salaries | 146,750 | | 146,750 | 148,821 | (2,071) |
| Expenditure | 127,200 | | 127,200 | 127,200 | 0 |
| Chief Executive | 405,040 | | 405,040 | 433,210 | (28,170) |
| Human Resources | 133,140 | | 133,140 | 158,206 | (25,066) |
| Salaries | 73,140 | | 73,140 | 98,206 | (25,066) |
| Expenditure | 60,000 | | 60,000 | 60,000 | 0 |
| Governance | 170,410 | | 170,410 | 165,659 | 4,751 |
| Income | | | 0 | | 0 |
| Salaries | 109,210 | | 109,210 | 104,459 | 4,751 |
| Expenditure | 61,200 | | 61,200 | 61,200 | 0 |
| Chief Executive | 101,490 | | 101,490 | 102,233 | (743) |
| Salaries | 101,490 | | 101,490 | 102,233 | (743) |
| Expenditure | | | 0 | | 0 |
| Legal | 0 | | 0 | 7,112 | (7,112) |
| Salaries | 0 | | 0 | 7,112 | (7,112) |
| Projects and Corporate Items | 93,000 | | 93,000 | 93,113 | (113) |
| PRISMA | 0 | | 0 | 113 | (113) |
| Income | | | 0 | | 0 |
| Salaries | 10,410 | | 10,410 | 10,523 | (113) |
| Expenditure | (10,410) | | (10,410) | (10,410) | 0 |
| STEP | | | 0 | | 0 |
| Expenditure | | | 0 | | 0 |
| Corporate Items | 93,000 | | 93,000 | 93,000 | 0 |
| Pension Payments | 93,000 | | 93,000 | 93,000 | 0 |
| Contributions from Earmarked Reserves | | | 0 | | 0 |
| Earmarked Reserves | | | 0 | | 0 |
| Expenditure | | | 0 | | 0 |
| Grand Total | 15,495 | 141,592 | 157,087 | 123,330 | 33,757 |