

BROADS AUTHORITY
STATEMENT OF ACCOUNTS

2003/2004

BROADS AUTHORITY - STATEMENT OF ACCOUNTS 2003/2004

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Explanatory Foreword

1. The Broads Authority's accounts for the year 2003/04 are set out on pages 8 to 24. They consist of:-
 - The General Account covering income and expenditure on all functions other than navigation. This includes conservation, planning, information and interpretation and recreation.
 - The Navigation Account which shows income and expenditure for the navigation function. This includes the cost of dredging, weed clearance, maintenance of moorings, notice board and channel marking, removal of obstructions, policing and income from tolls collection.
 - The Consolidated Balance Sheet which sets out the financial position of the Authority as at 31 March 2004.
 - A Statement of Total Movement in Reserves.
 - A Cash Flow Statement which focuses on the flow of resources through the Authority between 31 March 2003 and 31 March 2004.
 - A Statement of Responsibilities for the Statement of Accounts.

These accounts are supported by the Statement of Accounting Policies, which follows this foreword, and various notes to the accounts. FRS17 – Retirement Benefits has been fully adopted.

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

	<u>2002/2003</u>		<u>2003/2004</u>	
	£	%	£	%
DEFRA	2,007,328	36	2,297,658	39
Constituent Local Authorities	669,110	12	699,220	12
Tolls	1,435,100	26	1,540,726	26
Other Income	1,393,123	26	1,354,115	23
	<u>5,504,661</u>	<u>100</u>	<u>5,891,719</u>	<u>100</u>

2003/2004

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

Other income includes sales and grants from supporting organisations.

4. What the money is spent on

	<u>2002/2003</u>		<u>2003/2004</u>	
	£	%	£	%
Employees	2,529,252	47	2,725,705	49
Running Expenses	2,796,906	52	2,815,689	51
Capital Financing Costs	5,800	1	0	0
	<u>5,331,958</u>	<u>100</u>	<u>5,541,394</u>	<u>100</u>
Contribution to /(from) Reserves	<u>172,703</u>		<u>350,325</u>	
	<u>5,504,661</u>		<u>5,891,719</u>	

2003/2004

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

5. Expenditure by function

	<u>2002/2003</u>		<u>2003/2004</u>	
	£	%	£	%
General Account				
Research and Strategy	1,142,299	21	934,182	17
Field Services	988,600	19	1,297,902	23
Planning and Development	250,800	5	275,307	5
Corporate Services	1,239,100	23	1,416,725	25
Navigation Account				
Research and Strategy	240,700	5	258,487	5
Field Services	1,238,459	23	1,123,016	21
Corporate Services	232,000	4	235,775	4
	<u>5,331,958</u>	<u>100</u>	<u>5,541,394</u>	<u>100</u>
Contribution to/(from) Reserves	<u>172,703</u>		<u>350,325</u>	
	<u>5,504,661</u>		<u>5,891,719</u>	

These figures exclude FRS17 adjustment (Retirement Benefits) and capital charges (Depreciation and Notional Interest).

6. Revenue Expenditure - General Account 2003/04

	<u>Approved Estimate</u> £	<u>Actual</u> £	<u>Difference</u> £
Gross Expenditure	4,085,578	3,924,116	(161,462)
<u>Income</u>			
DEFRA Grant	2,297,658	2,297,658	0
Constituent Authority Precepts	699,220	699,220	0
Interest on Balances	10,000	25,648	(15,648)
Other	971,900	1,065,347	(93,447)
Contribution from/(to) Reserves	<u>106,800</u>	<u>(163,757)</u>	<u>(270,557)</u>

Budget lines underspent will be carried forward to the next financial year subject to member's approval. Total underspends on the General Account are estimated to be £170,000. A budget of £3,632,000 has been adopted for 2004/05 and reserves on 31 March 2005 are estimated to be £268,400.

7. Revenue Expenditure - Navigation Account 2003/2004

	<u>Approved Estimate</u> £	<u>Actual</u> £	<u>Difference</u> £
Gross Expenditure	1,971,800	1,617,278	(354,522)
<u>Income</u>			
Tolls	1,543,000	1,540,726	2,274
Interest on Balances	24,500	26,001	(1,501)
Other	486,900	237,119	249,781
Contribution from/(to) Reserves	<u>(82,600)</u>	<u>(186,568)</u>	<u>(103,968)</u>

Actual gross expenditure is total after appropriations on page 11 of £1,591,277 + interest £26,001 = £1,617,278.

A budget of £1,779,400 has been adopted for 2004/05 and reserves on 31 March 2005 are estimated to be £277,700.

8. Accounting Policies and Pensions

The accounting policies adopted by the Authority comply with relevant recommended accounting practices. The Authority's policies are explained fully in the notes to the accounts set out from page 4 onwards. Pages 17 - 20 contain information relating to pensions and retirement benefits.

9. Further Information

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

The accounts have been audited and the Auditor's report is shown on pages 28 and 29.

Broads Authority Statement of Accounting Policies

1. General

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

2. Fixed Assets

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

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

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

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

Operating assets are valued at the lesser of:-

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

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

An impairment review has been undertaken. As at 31 March 2004 no assets belonging to the Authority were considered to be written down due to impairment. (See note 1 to the Consolidated Balance Sheet).

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

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

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

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

The notional rates of interest used are 3.5% for those fixed assets included in the balance sheet at current value and 4.625% for community assets.

3. Debtors and Creditors

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

4. Stocks

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

5. Capital Expenditure

For 2003/04 the Broads Authority had a borrowing approval of £Nil.

6. Reserves

Reserves can be cash or non-cash backed, and can be used to meet general or earmarked future expenditure. Earmarked reserves are for Planning Delivery, Vessel Replacement, Work Barge and for Mutford Lock. The fixed asset restatement and capital financing reserves do not represent cash resources available for revenue purposes.

7. Investment Interest

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

8. Investments

Investments are shown in the Consolidated Balance Sheet at cost.

9. DEFRA and Constituent Authority Grants

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

The strategic aims and objectives are:-

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

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

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

Grants received from DEFRA and constituent authorities were collected before 31 March 2004.

10. Segmental Reporting

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

11. Allocation of Costs

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

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

12. The Euro

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

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

13. Leasing

	<u>2003/2004</u>	<u>Future</u> <u>Commitments</u>
	£000	£000
Operating Leases - Vehicle Contract Hire	109	208
- Telephone Equipment	26	54
- Photocopiers	11	34
- Buildings	61	126
- Land	20	139

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

14. Members Allowances

The total of members allowances paid in the year was £8,905.

15. Related Party Transactions

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

16. Retirement Benefits

In accordance with the 2003 SORP Bulletin, full implementation of Financial Reporting Standard (FRS) 17 – Retirement Benefits has been adopted. 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.

As a consequence of the full adoption of FRS17, prior year adjustments have been reflected in the financial statements. Thus for 2002/03 the following have been incorporated into the financial statements:

General Revenue Account

- Pension interest cost and expected return on pension assets £(17,232)
- Movement on pensions reserve £(695)

Navigation Revenue Account

- Pension interest cost and expected return on pension assets £(6,768)
- Movement on pensions reserve £305

Balance Sheet

- Pension Liability £(1,701,000)
- Pension Reserve £(1,701,000)

Broads Authority
General Account - Revenue Account

<u>2002/2003</u>		<u>2003/2004</u>	
<u>Net</u>		<u>Gross</u>	<u>Net</u>
<u>Expenditure</u>		<u>Expenditure</u>	<u>Expenditure/</u>
<u>£</u>		<u>£</u>	<u>(Income)</u>
			<u>£</u>
	RESEARCH AND STRATEGY		
506,067	Employee and Operations	452,798	384,817
108,000	Broads Strategy	101,267	65,259
80,200	Conservation Strategy – River and Broads	44,679	29,679
36,200	Conservation Strategy – Fen Harvesting	159,453	64,263
38,000	Conservation Strategy – Fen and Drained Marshlands	40,134	40,134
7,400	Trinity Broads Partnership	61,667	2,505
39,200	Recreation and Tourism Strategy	38,139	34,639
2,300	Flood Alleviation	196	(39,804)
10,000	Navigation Strategy	50,000	50,000
	FIELD SERVICES		
620,969	Employee and Operations	1,073,473	971,557
45,071	Countryside Management	109,230	26,789
(4,800)	Navigation Operations	28,197	14,750
0	Navigation Works and Maintenance	25,000	25,000
20,500	Landscape and Project Management	64,832	39,953
	PLANNING AND DEVELOPMENT		
179,096	Employee and Operations	186,771	186,771
8,500	Development Control	82,979	6,854
0	Forward Planning	178	68
12,800	Landscape and Cultural Strategy	3,975	3,975
	CORPORATE SERVICES		
611,687	Employee and Operations	717,112	516,898
(6,200)	Information and Design	78,438	76,884
63,600	Finance	77,523	77,523
(66,640)	Information Technology	328,007	89,507
45,800	Personnel	45,460	36,140
160,400	Support Services	165,352	165,352
<u>2,518,150</u>		<u>3,934,860</u>	<u>2,869,513</u>
<u>(252,194)</u>	Less Corporate and Democratic Core	<u>(195,187)</u>	<u>(195,187)</u>
<u>2,265,956</u>		<u>3,739,673</u>	<u>2,674,326</u>
<u>252,194</u>	Add Corporate and Democratic Core	<u>195,187</u>	<u>195,187</u>
<u>2,518,150</u>		<u>3,934,860</u>	<u>2,869,513</u>
	Transfer to/(from) Asset Management Reserve Account (Note 4)		(20,915)
(54,359)	Interest		(25,648)
(12,600)	Pensions interest cost and expected return on pensions assets		45,234
<u>(17,232)</u>			<u>45,234</u>
<u>2,433,959</u>			<u>2,868,184</u>

APPROPRIATIONS		
	Contributions to/from Capital Reserves	
(21,784)	- Minimum Revenue Provision - Depreciation	(9,242)
	- Financing of Capital Expenditure	0
<u>695</u>	Movement on pensions reserve	<u>(25,821)</u>
<u>2,412,870</u>		<u>2,833,121</u>
	Amount to be met from Grants and Precepts	
(2,007,328)	- DEFRA Grant (Note 1)	(2,297,658)
<u>(669,100)</u>	- Precepts (Note 2)	<u>(699,220)</u>
<u>(263,558)</u>	(Surplus)/Deficit for Year	<u>(163,757)</u>
<u>(147,996)</u>	Opening Balance	<u>(411,554)</u>
<u>(411,554)</u>	Closing Balance	<u>(575,311)</u>

Broads Authority
General Account - Revenue Account

Notes to the General Account - Revenue Account

1. DEFRA Grant

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

2. Constituent Authority Precepts

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

	2002/2003	2003/2004
	£	£
Norfolk County Council	200,733	209,766
Broadland District Council	66,911	69,922
Great Yarmouth Borough Council	66,911	69,922
North Norfolk District Council	66,911	69,922
Norwich City Council	66,911	69,922
South Norfolk District Council	66,911	69,922
Suffolk County Council	66,911	69,922
Waveney District Council	66,911	69,922
	<u>669,110</u>	<u>699,220</u>

3. Staff Remuneration

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

£	<u>2002/03</u>	<u>2003/04</u>
	Number of Staff	Number of Staff
50,000 – 59,999	0	0
60,000 – 69,999	1	1
70,000 – 79,999	0	0

4. Asset Management Reserve Account

The following notional interest on fixed assets was charged during 2003/04:-

Research and Strategy Operations	£ 14,257
Field Services Operations	4,839
Field Services Countryside Management	1,819
Total	<u>20,915</u>

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. The format of the General Account Revenue Account for 2003/04 has been changed from previous financial years to reflect the organisation structure of The Broads Authority. Expenditure is now analysed by directorate. The comparative figures for 2002/03 have also been converted into the new format.

6. Disclosure of General Account Audit Costs

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

	2003/04 £000	2002/03 £000
• Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	9.8	6.3
• Fees payable to the Audit Commission with regard to external audit services carried out following an objection by a Local Government elector	0.0	2.8

7. Retirement Benefits

In accordance with the SORP Bulletin, full implementation of Financial Reporting Standard (FRS) 17 – Retirement Benefits has been adopted. Prior year adjustments are reflected in the revenue account.

Broads Authority
Navigation Account - Revenue Account

<u>2002/2003</u>		<u>2003/2004</u>
£	Expenditure	£
	RESEARCH AND STRATEGY	
102,928	Employee and Operations	95,374
138,600	Navigation Strategy	162,141
	FIELD SERVICES	
607,173	Employee and Operations	607,090
96,900	Navigation Operations	67,807
592,279	Navigation Works and Maintenance	508,795
	CORPORATE SERVICES	
152,035	Employee and Operations	146,868
32,900	Finance	32,494
8,000	Navigation Tolls	10,543
6,800	Information Technology	7,090
400	Personnel	8,741
32,900	Support Services	28,824
1,770,915		1,675,767
	Transfer to/(from) Asset Management Reserve	
(20,877)	Account (Note 1)	(23,951)
(26,600)	Interest	(26,001)
	Pensions interest cost and expected return on	
(6,768)	pensions assets	17,766
1,716,670	Net Operating Expenditure	1,643,581
	APPROPRIATIONS	
	Contributions to/(from) Capital Reserves	
(38,195)	- Minimum Revenue Provision - Depreciation	(42,125)
5,800	- Financing of Capital Expenditure	0
305	Movement on pensions reserve	(10,179)
1,684,580		1,591,277
	INCOME	
(667,484)	Pleasure Craft – Hire (Note 2)	(673,314)
(745,104)	Pleasure Craft – Private (Note 2)	(842,089)
(22,167)	Short Visits (Note 2)	(25,323)
(158,970)	Other	(237,119)
(1,593,725)	Total Income	(1,777,845)
90,855	(Surplus)/Deficit for year	(186,568)
(286,482)	Opening Balance	(195,627)
(195,627)	Closing Balance	(382,195)

Notes to the Navigation Account - Revenue Account

1. Asset Management Reserve Account

The following notional interest on fixed assets was charged during 2003/04:-

	£
Field Services Operations	4,926
Field Services Navigation Works and Maintenance	19,025
Total	23,951

2. Income

The major element of income relates to pleasure craft tolls. For any craft using the rivers and broads within the Authority's Executive Area a toll is payable based on the dimensions of the vessel.

3. 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. The format of the Navigation Account Revenue Account for 2003/04 has been changed from previous financial years to reflect the organisation structure of The Broads Authority. Expenditure is now analysed by directorate. The comparative figures for 2002/03 have also been converted into the new format.

4. Disclosure of Navigation Account Audit Costs

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

	2003/04 £000	2002/03 £000
• Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	4.2	2.7
• Fees payable to the Audit Commission with regard to external audit services carried out following an objection by a Local Government elector	0.0	1.2

5. Retirement Benefits

In accordance with the SORP Bulletin, full implementation of Financial Reporting Standard (FRS) 17 – Retirement Benefits has been adopted. Prior year adjustments are reflected in the revenue account.

**Broads Authority
Chairman's Statement**

I confirm that these accounts were approved by The Broads Authority's Strategy and Resources Committee at the meeting held on 23 August 2004.

Signed on behalf of The Broads Authority:

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

Date.....

Broads Authority
Notes to the Consolidated Balance Sheet

1. Fixed Assets

	<u>Land and Buildings</u>				
	<u>Operational</u>	<u>Community</u>	<u>Vehicles</u>	<u>Computer</u>	<u>Total</u>
	<u>Assets</u>	<u>Assets</u>	<u>and</u>	<u>and Other</u>	
	£	£	<u>Vessels</u>	<u>Equipment</u>	£
Certified valuation at 31.3.2000	646,914	333,544	578,935	41,157	1,600,550
Accumulated depreciation and impairment	(39,194)	0	(291,050)	(41,157)	(371,401)
Net book value of assets at 31.3.2003	607,720	333,544	287,885	0	1,229,149
Movement in 2003/04:					
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Depreciation	(6,460)	0	(44,902)	0	(51,362)
Valuation Adjustment	0	0	(3,099)	0	(3,099)
Net book value of assets at 31.3.2004	601,260	333,544	239,884	0	1,174,688

In accordance with FRS15, Fixed Assets are reviewed annually for significant impairment. During 2003/04 there has not been:-

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

2. Long Term Debtors

<u>2002/2003</u>		<u>2003/2004</u>
£		£
19,287	Loans to Employees	14,092
15,973	Initial vehicle rental paid in advance	13,374
<u>35,260</u>		<u>27,466</u>

3. Debtors due within 1 year

<u>2002/2003</u>		<u>2003/2004</u>
£		£
277,278	Sundry debtors and prepayments	190,637
15,673	Loans to employees	12,165
7,454	Initial vehicle rental paid in advance	5,374
<u>300,405</u>		<u>208,176</u>

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

4. Investments

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

5. Creditors

2002/2003		2003/2004	
£		£	
249,652	Creditors and accruals	384,399	
613,569	Tolls received in advance	777,466	
0	DEFRA grant received in advance	887,770	
<u>863,221</u>		<u>2,049,635</u>	

Creditors have increased in 2003/04 due to the Implementing Electronic Government initiative, an increase in tolls received in advance and the first quarter DEFRA grant for 2004/05 being received in advance.

6. Pensions and Retirement Benefits

The Broads Authority's staff pension scheme is a defined benefit scheme administered by Norfolk County Council. In 2003/04 the Authority paid an employer's contribution of £248,313 into the Superannuation Fund representing 13% of superannuable employee's reckonable pay.

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

In addition the Broads Authority is responsible for all pension payments relating to added years benefits it has awarded, together with lump sums, compensation payments and related increases. In 2003/04 these amounted to £29,959.

An actuarial valuation as at 31 March 2004 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 2004 and shows a Net Pension Asset for the Broads Authority at 31 March 2004 as a liability of £1,046,000:-

Financial Assumptions

The financial assumptions used for the purposes of the FRS17 calculations as at 31 March 2002, 31 March 2003 and 31 March 2004 are as follows:

Assumptions as at	31 Mar 2004	Real	31 Mar 2003	Real	31 Mar 2002	Real
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Price Increases	2.9%	-	2.5%	-	2.8%	-
Salary Increases	4.9%	2.0%	4.5%	2.0%	4.8%	2.0%
Pension Increases	2.9%	-	2.5%	-	2.8%	-
Discount Rate	6.5%	3.5%	6.1%	3.5%	6.4%	3.5%

The inflation assumption has been derived by considering the difference in gross redemption yields of traditional and index-linked gilt-edged securities as at 31 March 2004. Salary increases are assumed to be 2.0% more than price increases, in line with the assumption used in the latest formal valuation of the Fund.

The discount rate employed is the assumed long-term real rate of return on a portfolio of long-dated gilts, as determined by the Government Actuary's Department. The current real rate is 3.5% per annum.

Norfolk Pension Fund Assets

The assets of the whole Fund as at 31 March 2004 are shown in the table below:

Assets Whole Fund	Value at 31 Mar 2004 £000	Asset Distribution %	Value at 31 Mar 2003 £000	Asset Distribution %	Value at 31 Mar 2002 £000	Asset Distribution %
Equities	754,514	65.2%	580,164	62.1%	830,648	73.2%
Bonds	231,244	20.0%	206,997	22.2%	171,719	15.1%
Property	116,105	10.0%	114,139	12.2%	104,161	9.2%
Cash	54,892	4.7%	32,323	3.5%	28,626	2.5%
Total	1,156,755	100%	933,623	100%	1,135,154	100%

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 2004 for the year to 31 March 2005).

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 2002, 31 March 2003 and 31 March 2004 are shown in the table below:

Asset Class	Expected Return at 31 March 2004 (% per annum)	Expected Return at 31 March 2003 (% per annum)	Expected Return at 31 March 2002 (% per annum)
Equities	7.7%	8.0%	7.5%
Bonds	5.1%	4.8%	5.5%
Property	6.5%	6.0%	6.0%
Cash	4.0%	4.0%	4.0%

Retirement Benefits
Balance Sheet disclosure as at 31 March 2004

Analysis of amount charged to operating profit

Amount Charged to Operating Profit	Year to 31 March 2004		Year to 31 March 2003	
	£(000)	(% of Payroll)	£(000)	(% of Payroll)
Service Cost	251	13.1%	241	13.2%
Past Service Costs	-	-	-	-
Curtailment and Settlements	-	-	-	-
Decrease in Irrecoverable Surplus	-	-	-	-
Total Operating Charge (A)	251	13.1%	241	13.2%
Amount Credited to Other Finance Income	Year to 31 March 2004		Year to 31 March 2003	
	£(000)	(% of Payroll)	£(000)	(% of Payroll)
Expected Return on Employer Assets	345	18.0%	406	22.2%
Interest on Pension Scheme Liabilities	(408)	(21.3%)	(382)	(20.9%)
Net Return (B)	(63)	(3.3%)	24	1.3%
Net Revenue Account Cost (A)-(B)	314	16.4%	217	11.9%

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

	Year to 31 March 2004 £000s	Year to 31 March 2003 £000s
Actual Return Less Expected Return on Pension Scheme Assets	753	(1,474)
Experience Gains and Losses Arising on the Scheme Liabilities	(61)	(87)
Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	-	-
Actuarial Gain/(Loss) in Pension Plan	692	(1,561)
Increase/(Decrease) in Irrecoverable Surplus from Membership	-	-
Fall and Other Factors	-	-
Actuarial Gain/(Loss) Recognised in STRGL	692	(1,561)

Movement in Surplus/Deficit During the Year

	Year to 31 March 2004 £(000)	Year to 31 March 2003 £(000)
Surplus/(Deficit) at beginning of the year	(1,702)	(142)
Current Service Cost	(251)	(241)
Employer contributions	266	218
Contributions in respect of Unfunded Benefits	12	-
Other Income	-	-
Other Outgo (e.g. expenses, etc)	-	-
Past service costs	-	-
Impact of settlements and curtailments	-	-
Net Return on Assets	(63)	24
Actuarial Gains/(Losses)	692	(1,561)
Surplus/(Deficit) at End of Year	(1,046)	(1,702)

History of Experience Gains and Losses

	Year to 31 March 2004 £(000)	Year to 31 March 2003 £(000)
Difference Between the Expected and Actual Return on Assets	753	(1,474)
Value of Assets	6,210	4,885
Percentage of Assets	12.1%	(30.2%)
Experience Gains/(Losses) on Liabilities	(61)	(87)
Total Present Value of Liabilities	7,256	6,444
Percentage of the Total Present Value of Liabilities	(0.8%)	(1.4%)
Actuarial Gains/Losses Recognised in STRGL	692	(1,561)
Total Present Value of Liabilities	7,256	6,444
Percentage of the Total Present Value of Liabilities	9.5%	(24.2%)

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

FRS17 is an accounting standard, which details what pension fund information needs to be included in the accounts. The method of doing these calculations is prescribed, as are some of the assumptions. No smoothing is allowed so that these figures reflect the position of the Fund only on one particular day (in this case 31 March 2004) 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.

7. Contingent Liability

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

Broads Authority
Statement of Total Movement in Reserves

2002/03		2003/04
£		£
263,558	General account surplus/(deficit) for the year	163,757
(90,855)	Navigation account surplus/(deficit) for the year	186,568
96,414	Add back movements on earmarked reserves	84,524
1,000	Appropriation to/from pension reserve	(36,000)
<u>(1,559,000)</u>	Actuarial gains and losses relating to pensions	<u>691,000</u>
(1,288,883)	Total increase/(decrease) in revenue resources	1,089,849
2,837	Gains/(losses) on revaluation of fixed assets	(3,101)
<u>(57,016)</u>	Increase/(decrease) on the capital financing reserve	<u>(51,362)</u>
<u>(1,343,062)</u>	Total recognised gains and losses	<u>1,035,386</u>

Notes to the Statement of Total Movements in Reserves

Movements in revenue resources

	General Account	Navigation Account	Earmarked Revenue Reserves	Pension Reserve
	£	£	£	£
Surplus/(deficit) for 2003/04	163,757	186,568	-	-
Appropriations to/from revenue	-	-	84,524	(36,000)
Actuarial gains and losses relating to pensions	-	-	-	692,000
	<u>163,757</u>	<u>186,568</u>	<u>84,524</u>	<u>656,000</u>
Balance brought forward 1 April 2003	411,554	195,627	296,436	(1,702,000)
Balance carried forward 31 March 2004	<u>575,311</u>	<u>382,195</u>	<u>380,960</u>	<u>(1,046,000)</u>

Earmarked reserves are for planning delivery, vessel replacement, work barge and for Mutford Lock. The pension reserve arises out of FRS17 (Retirement Benefits) to allow the pension asset/liability to be shown on the balance sheet.

Movements in unrealised value of fixed assets

	Fixed Asset Restatement Reserve
	£
Gains/losses on revaluation of fixed asset in 2003/04	(3,099)
Balance brought forward 1 April 2003	<u>1,317,281</u>
Balance carried forward 31 March 2004	<u>1,314,182</u>

The fixed asset restatement reserve is used to revalue fixed assets on the balance sheet. It is not backed by cash.

Broads Authority
Cash Flow Statement

<u>2002/2003</u>		<u>2003/2004</u>
£		£
	Revenue Activities	
	<u>Cash Outflows</u>	
2,521,602	Employees	2,726,725
<u>2,749,426</u>	Other Operating Cash Payments	<u>2,704,023</u>
5,271,028		5,430,748
	<u>Cash Inflows</u>	
(2,007,328)	DEFRA Grant	(3,185,428)
(669,110)	Precepts	(699,220)
(1,386,365)	Tolls and Work Licences	(1,704,623)
<u>(1,498,721)</u>	Other Operating Cash Receipts	<u>(1,495,917)</u>
(5,561,524)		(7,085,188)
(290,496)	Net Cash Outflow/(Inflow) from Revenue Activities (Note 1)	(1,654,440)
0	Interest Paid	0
<u>(29,261)</u>	Interest Received	<u>(42,743)</u>
(319,757)		(1,697,183)
	Capital Activities	
	<u>Cash Outflow</u>	
<u>5,800</u>	Purchase of Fixed Assets	<u>0</u>
(313,957)	Net Cash Outflow Before Financing	(1,697,183)
	Managing of Liquid Resources	
800,000	Net Increase/(Decrease) in Short Term Deposits (Note 2)	200,000
<u>486,043</u>	Net (Increase)/Decrease in Cash (Note 2)	<u>(1,497,183)</u>

Notes to the Cash Flow Statement

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

<u>2002/2003</u>		<u>2003/2004</u>
£		£
(263,558)	(Surplus)/Deficit - General Account	(163,757)
<u>90,855</u>	(Surplus)/Deficit - Navigation Account	<u>(186,568)</u>
(172,703)		(350,325)
29,263	Interest Received	42,745
(13,959)	(Decrease)/Increase in Stocks	24,101
(38,445)	(Decrease)/Increase in Debtors	(100,023)
7,564	Decrease/(Increase) in Creditors	(1,186,414)
1,164	Contributions from Reserves	30,609
(97,580)	Contributions to Reserves	(115,133)
<u>(5,800)</u>	Purchase of Fixed Assets	<u>0</u>
<u>(290,496)</u>	Net Cash (Inflow)/Outflow from Revenue Activities	<u>(1,654,440)</u>

2. Analysis of Cash and Investments

	31 March 2003 £	31 March 2004 £	Movement £
Cash in Hand	250,451	1,747,634	1,497,183
Investments	<u>1,100,000</u>	<u>1,300,000</u>	<u>200,000</u>
	<u>1,350,451</u>	<u>3,047,634</u>	<u>1,697,183</u>

Broads Authority

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to :-

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

The Treasurer and Financial Adviser's Responsibilities

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

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

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

The Treasurer and Financial Adviser has also:-

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

The Treasurer and Financial Adviser should sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at 31 March 2004 and its income and expenditure for the year ended 31 March 2004.

Broads Authority Statement on Internal Control

Scope of Responsibility

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

The Chief Executive, Treasurer and Financial Adviser and other members of the Management Team are responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which include arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk or failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of The Broads Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at The Broads Authority for the year ended 31 March 2004 and up to the date of approval of the accounts.

The Internal Control Environment

Internal control is establishing and monitoring the achievements of the Broads Authority. It includes:-

- organisational controls with clear lines of responsibility. The constitution of committees, standing orders relating to contracts, financial regulations and delegated powers are examples of organisational controls that are used by the Broads Authority;
- segregation of duties between initiation and the recording of transactions and the custody of assets;
- authorisation, approval and acknowledgement controls;
- physical controls such as the security of assets and restriction of access;
- supervisory controls;
- personnel controls such as training and recruitment;
- arithmetical and accounting controls such as controls accounts, trial balance and reconciliations;
- risk management;
- management controls such as internal audit, establishing / monitoring the achievement of objectives, policy / decision making and variance analysis. Variance analysis is undertaken by producing monthly management reports that summarises the annual budget, profiled budgets and actual income and expenditure to date.

Review of Effectiveness

The Broads Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors (since 1 April 2003 ACIT Services Ltd a partnership arrangement with Breckland and South Norfolk Councils) and the Management Team and Treasurer and Financial Adviser within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors.

The Management Team by conducting a review, concluded on 19 July 2004 “that the current internal controls are adequate and appropriate for the Authority’s size, subject to the need to finalise the Action Plan arising out of the Strategic Risk Assessment exercise”.

Significant Internal Control Issues

Broads Authority officers have addressed, or are addressing all significant internal control issues identified and reported by Internal Audit and The Audit Commission. These are:-

- To review and update standing orders relating to contracts – completed 28/6/2004;
- To update procedure notes for business critical systems – ongoing as systems are upgraded;
- To put in place a risk management strategy – completed 24/1/2005;
- To arrange for Internal Audit to undertake a review of the effectiveness of internal financial control – as at March 2005, Internal Audit have produced a draft report.

Chief Executive.....Date.....

Chairman.....Date.....

Independent Auditor's Report to the Broads Authority

I have audited the financial statements on pages 8 to 22 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 4 to 7.

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

Respective Responsibilities of the Chief Financial Officer and Auditor

As described on page 25 the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

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

I review whether the statement on pages 26 and 27 reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2nd April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

Basis of audit opinion

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

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

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

