

BROADS AUTHORITY
STATEMENT OF ACCOUNTS

2004/2005

BROADS AUTHORITY - STATEMENT OF ACCOUNTS 2004/2005

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Explanatory Foreword

1. The Broads Authority's accounts for the year 2004/05 are set out on pages 9 to 29. 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 2005.
 - A Statement of Total Movement in Reserves.
 - A Cash Flow Statement which focuses on the flow of cash through the Authority between 1 April 2004 and 31 March 2005.
 - A Statement of Responsibilities for the Statement of Accounts.
 - A Statement of Internal Control.

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

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

3. Where the money comes from

	<u>2003/2004</u>		<u>2004/2005</u>	
	£	%	£	%
Defra	2,298,000	39	2,865,000	49
Constituent Local Authorities	699,000	12	0	0
Tolls	1,541,000	26	1,653,000	28
Other Income	1,354,000	23	1,356,000	23
	<u>5,892,000</u>	<u>100</u>	<u>5,874,000</u>	<u>100</u>

The Constituent Authority grant for 2003/04 is based on 25% of net expenditure as agreed by the Department for Environment, Food and Rural Affairs (Defra).

This income for 2004/05 was paid directly to the Authority via the Defra grant.

Other income includes sales and grants from supporting organisations.

4. What the money is spent on

	<u>2003/2004</u>		<u>2004/2005</u>	
	£	%	£	%
Employees	2,726,000	49	2,858,000	50
Running Expenses	2,816,000	51	2,689,000	47
Capital Financing Costs	0	0	160,000	3
	<u>5,542,000</u>	<u>100</u>	<u>5,707,000</u>	<u>100</u>
Contribution to /(from) Reserves	350,000		167,000	
	<u>5,892,000</u>		<u>5,874,000</u>	

2004/2005

50% 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>2003/2004</u>		<u>2004/2005</u>	
	£	%	£	%
General Account				
Research and Strategy	948,000	17	902,000	15
Field Services	1,301,000	23	1,124,000	19
Planning and Development	274,000	5	328,000	6
Corporate Services	1,412,000	25	1,661,000	29
Navigation Account				
Research and Strategy	258,000	5	162,000	3
Field Services	1,184,000	21	1,231,000	23
Corporate Services	235,000	4	275,000	5
	<u>5,612,000</u>	<u>100</u>	<u>5,683,000</u>	<u>100</u>

Transfer to/(from) Asset Management Reserve Account	(45,000)	(61,000)
Pensions interest cost and expected return on pensions assets	63,000	(27,000)

APPROPRIATIONS

Contribution to/(from) Capital Reserves		
- Minimum Revenue Provision - Depreciation	(52,000)	(38,000)
- Financing of Capital Expenditure	0	160,000
Movement on Pension Reserve	(36,000)	(10,000)
	<u>5,542,000</u>	<u>5,707,000</u>
Contribution to/(from) Reserves	350,000	167,000
	<u>5,892,000</u>	<u>5,874,000</u>

6. Revenue Expenditure - General Account 2004/05

	<u>Approved Estimate</u> £	<u>Actual</u> £	<u>Difference</u> £
Gross Expenditure	4,075,900	3,964,140	(111,760)
<u>Income</u>			
Defra Grant	2,865,700	2,865,680	20
Interest on Balances	20,000	39,124	(19,124)
Other	1,063,300	1,127,931	(64,631)
Contribution from/(to) Reserves	<u>126,900</u>	<u>(68,595)</u>	<u>(195,495)</u>

Budget lines underspent will be carried forward to the next financial year subject to members approval. Total underspends on the General Account are estimated to be £100,000. A budget of £4,578,200 has been adopted for 2005/06 and reserves on 31 March 2006 are estimated to be £294,400.

7. Revenue Expenditure - Navigation Account 2004/2005

	<u>Approved Estimate</u> £	<u>Actual</u> £	<u>Difference</u> £
Gross Expenditure	1,789,600	1,743,049	(46,551)
<u>Income</u>			
Tolls	1,646,000	1,653,331	(7,331)
Interest on Balances	26,000	42,405	(16,405)
Other	144,700	146,019	(1,319)
Contribution from/(to) Reserves	<u>(27,100)</u>	<u>(98,706)</u>	<u>(71,606)</u>

A budget of £2,041,000 has been adopted for 2005/06 and reserves on 31 March 2006 are estimated to be £253,400.

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 5 onwards. Pages 18 - 23 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 30 and 31.

Date: _____

David Woodcock (Finance Officer)

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 2004 Statement of Recommended Practice, the recommendations issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), guidance notes issued by CIPFA on the application of Statement of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs) and Urgent Issues Task Force (UITF's).

2. Fixed Assets

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

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

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

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

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 Account. There is therefore, no effect on the revenue account.

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

An impairment review has been undertaken. As at 31 March 2005 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. There are currently no fixtures and fittings appearing on the Balance Sheet.

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

The notional rates of interest used are 3.5% (2003/04 – 3.5%) for those fixed assets included in the balance sheet at current value and 4.8% (2003/04 – 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. 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, Mutford Lock, Sediment Strategy, Sustainable Development and Implementing Electronic Government. The fixed asset restatement and capital financing accounts do not represent cash resources available for revenue purposes.

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.

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.

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.

The grant received from Defra was collected before 31 March 2005.

9. Segmental Reporting

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

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

	<u>Paid</u>	<u>Future Commitments</u>		
	<u>2004/2005</u>	Year 1	Year 2 - 5	>5 years
	£000	£000	£000	£000
Operating Leases - Vehicle Contract Hire	110	71	36	0
- Telephone Equipment	26	26	3	0
- Photocopiers	11	11	12	0
- Buildings	60	5	15	6
- Land	22	14	25	56

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

13. Members Allowances

The total of members allowances paid in the year was £9,977 (2003/04 - £8,905)

14. Related Party Transactions

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

15. 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.

Broads Authority
General Account - Revenue Account

<u>2003/2004</u>		<u>2004/2005</u>	
<u>Net</u>		<u>Gross</u>	<u>Net</u>
<u>Expenditure</u>		<u>Expenditure</u>	<u>Expenditure/</u>
£		£	<u>(Income)</u>
			£
	RESEARCH AND STRATEGY		
384,817	Employee and Operations	507,614	457,001
65,259	Broads Strategy	78,937	74,064
29,679	Conservation Strategy – Rivers and Broads	61,086	58,433
64,263	Conservation Strategy – Fen Harvesting	98,317	(9,131)
40,134	Conservation Strategy – Fen and Drained Marshland	48,685	48,685
2,505	Trinity Broads Partnership	48,990	(22,269)
34,639	Recreation and Tourism Strategy	53,045	23,548
(39,804)	Flood Alleviation	5,606	(34,394)
50,000	Navigation Strategy	0	0
	FIELD SERVICES		
971,557	Employee and Operations	902,923	871,802
26,789	Countryside Management	113,428	37,261
14,750	Navigation Operations	16,347	3,739
25,000	Navigation Works and Maintenance	0	0
39,953	Landscape and Project Management	91,160	73,741
	PLANNING AND DEVELOPMENT		
186,771	Employee and Operations	183,238	180,465
6,854	Development Control	99,703	2,831
68	Forward Planning	8,266	7,791
3,975	Landscape and Cultural Strategy	9,306	9,306
0	Beacon Council	27,225	(35,935)
	CORPORATE SERVICES		
516,898	Employee and Operations	623,440	622,415
76,884	Information and Design	56,220	52,129
77,523	Finance	88,028	88,028
89,507	Information Technology	392,560	92,560
36,140	Personnel	50,770	42,893
165,352	Support Services	195,182	187,182
0	Sustainable Development Fund	254,690	54,690
<u>2,869,513</u>		<u>4,014,766</u>	<u>2,886,835</u>
<u>(195,187)</u>	Less Corporate and Democratic Core	<u>(215,338)</u>	<u>(215,338)</u>
<u>2,674,326</u>		<u>3,799,428</u>	<u>2,671,497</u>
<u>195,187</u>	Add Corporate and Democratic Core	<u>215,338</u>	<u>215,338</u>
<u>2,869,513</u>		<u>4,014,766</u>	<u>2,886,835</u>
	Transfer to/(from) Asset Management Reserve		
(20,915)	Account (Note 2)		(27,937)
(25,648)	Interest		(39,124)
45,234	Pensions interest cost and expected return on pensions assets (Page 18 – Note 6)		(18,927)
<u>2,868,184</u>	Balance carry forward to next page		<u>2,800,847</u>

Broads Authority
General Account – Revenue Account (continued)

<u>2003/2004</u> Net Expenditure £		<u>2004/2005</u> Net Expenditure/ (Income) £
2,868,184	Balance brought forward from previous page	2,800,847
	APPROPRIATIONS	
(9,242)	Contributions to/from Capital Reserves	
	- Minimum Revenue Provision - Depreciation	(25,125)
0	- Financing of Capital Expenditure (Note 6)	28,410
(25,821)	Movement on pensions reserve (Note 5)	(7,047)
<u>2,833,121</u>		<u>2,797,085</u>
(2,297,658)	Amount to be met from DEFRA Grant	(2,865,680)
(699,220)	- Precepts	0
(163,757)	(Surplus)/Deficit for Year	(68,595)
(411,554)	Opening Balance	(575,311)
<u>(575,311)</u>	Closing Balance	<u>(643,906)</u>

Broads Authority
General Account - Revenue Account

Notes to the General Account - Revenue Account

1. Staff Remuneration

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

£	<u>2003/04</u>	<u>2004/05</u>
	Number of Staff	Number of Staff
50,000 – 59,999	0	0
60,000 – 69,999	1	1

2. Asset Management Reserve Account

The following amounts have been charged on fixed assets during 2004/05:-

	Depreciation	Notional Interest
	£	£
Research and Strategy Operations	25,125	20,390
Field Services Operations	0	5,457
Field Services Countryside Management	0	2,090
Total	<u>25,125</u>	<u>27,937</u>

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.

4. Disclosure of General Account Audit Costs

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

	2003/04 £000	2004/05 £000
<ul style="list-style-type: none"> Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor 	9,800	10,700

5. Movement in Pension Reserve

The Broads Authority staff pension scheme is a defined benefit scheme administered by Norfolk County Council. Further information on this scheme can be found on page 18, note 6.

	2003/04 £000	2004/05 £000
Service Cost	(180.5)	(233.8)
Interest Cost	(292.9)	(282.5)
Expected Return on Assets	247.7	301.4
Pension Costs	199.9	207.8
Total	<u>(25.8)</u>	<u>(7.1)</u>

6. Financing of Capital Expenditure

	2003/04 £000	2004/05 £000
Water Bowser	0.0	7.2
Yanmar Tracked Carrier	0.0	9.4
Argocat Response	0.0	11.8
Total	<u>0.0</u>	<u>28.4</u>

Broads Authority
Navigation Account - Revenue Account

<u>2003/2004</u>		<u>2004/2005</u>
£		£
	Expenditure	
	RESEARCH AND STRATEGY	
95,374	Employee and Operations	98,386
162,141	Navigation Strategy	63,166
	FIELD SERVICES	
607,090	Employee and Operations	691,339
67,807	Navigation Operations	(10,045)
508,795	Navigation Works and Maintenance	549,511
	CORPORATE SERVICES	
146,868	Employee and Operations	160,350
32,494	Finance	52,495
10,543	Navigation Tolls	9,302
7,090	Information Technology	9,602
8,741	Personnel	10,673
28,824	Support Services	32,946
1,675,767		1,667,725
	Transfer to/(from) Asset Management Reserve	
(23,951)	Account (Note 1)	(33,075)
(26,001)	Interest	(42,405)
	Pensions interest cost and expected return on	
17,766	pensions assets (Page 18 – Note 6)	(8,073)
1,643,581	Net Operating Expenditure	1,584,172
	APPROPRIATIONS	
	Contributions to/(from) Capital Reserves	
(42,125)	- Minimum Revenue Provision - Depreciation	(12,500)
0	- Financing of Capital Expenditure (Note 6)	131,925
(10,179)	Movement on pensions reserve (Note 5)	(2,953)
1,591,277		1,700,644
	INCOME	
(673,314)	Pleasure Craft – Hire (Note 2)	(687,140)
(842,089)	Pleasure Craft – Private (Note 2)	(941,763)
(25,323)	Short Visits (Note 2)	(24,428)
(237,119)	Other	(146,019)
(1,777,845)	Total Income	(1,799,350)
(186,568)	(Surplus)/Deficit for year	(98,706)
(195,627)	Opening Balance	(382,195)
(382,195)	Closing Balance	(480,901)

Notes to the Navigation Account - Revenue Account

1. Asset Management Reserve Account

The following amounts have been charged to fixed assets during 2004/05:-

	Depreciation	Notional Interest
	£	£
Field Services Operations	7,500	9,775
Field Services Navigation Works and Maintenance	5,000	23,300
Total	12,500	33,075

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.

4. Disclosure of Navigation Account Audit Costs

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

	2003/04 £	2004/05 £
• Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	4,200	4,500

5. Movement in Pension Reserve

The Broads Authority's staff pension scheme is a defined benefit scheme administered by Norfolk County Council. Further information on this scheme can be found on page 18, note 6.

	2003/04 £000	2004/05 £000
Service Cost	(70.5)	(99.2)
Interest Cost	(115.1)	(120.5)
Expected Return on Assets	97.3	128.6
Pension Costs	78.1	88.2
Total	<u>(10.2)</u>	<u>(2.9)</u>

6. Financing of Capital Expenditure

	2003/04 £000	2004/05 £000
Shoveler Workboat	0.0	131.9
Total	<u>0.0</u>	<u>131.9</u>

**Broads Authority
Consolidated Balance Sheet**

<u>As at</u> <u>31.03.04</u> £			£	<u>As at</u> <u>31.03.05</u> £
	<u>Fixed Assets</u>			
601,260	Land and Buildings - Operational Assets	Note 1	791,788	
333,544	Land and Buildings - Community Assets	Note 1	333,544	
239,884	Vehicles and Vessels	Note 1	473,969	
<u>1,174,688</u>			<u>1,599,301</u>	
27,466	Long Term Debtors	Note 2		20,693
	<u>Current Assets</u>			
104,823	Stock		109,316	
208,176	Debtors	Note 3	240,647	
1,300,000	Investments	Note 4	1,990,000	
1,746,034	Cash at Bank		625,851	
1,600	Cash in Hand		1,550	
<u>3,360,633</u>			<u>2,967,364</u>	
	<u>Current Liabilities</u>			
(1,046,000)	Pension Liability	Note 6	(2,530,000)	
<u>(2,049,635)</u>	Creditors	Note 5&7	<u>(1,183,096)</u>	
264,998	Net Current (Liabilities)/Assets			<u>(745,732)</u>
<u>1,467,152</u>				<u>874,262</u>
	<u>Represented by:-</u>			
1,314,182	Fixed Asset Restatement Account	Note 10		1,616,087
(139,496)	Capital Financing Account	Note 9		(16,786)
(1,046,000)	Pension Reserve	Note 6		(2,530,000)
380,960	Earmarked Reserves	Note 8		680,154
	<u>Fund Balances</u>			
575,311	General Account Fund Balance			643,906
382,195	Navigation Account Fund Balance			480,901
<u>1,467,152</u>				<u>874,262</u>

Treasurer and Financial Adviser's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Broads Authority at 31 March 2005 and its income and expenditure for the year ended 31 March 2005.

John Duvall (Treasurer and Financial Adviser)

Date

**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 24 July 2005.

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

Land and Buildings

	Operational Assets £
Certified valuation at 31.3.2004	646,914
Accumulated Depreciation	<u>(45,654)</u>
Net book value at 31.3.2004	601,260
Valuation Adjustment	<u>190,528</u>
Certified valuation at 31.3.2005	<u><u>791,788</u></u>

Land and buildings were revalued at 31 March 2005 and no depreciation has been charged in 2004/05.

	Community Assets (at cost) £
Net book value at 31.3.2005	<u><u>333,544</u></u>

	<u>Vehicles and Vessels</u> £
Certified valuation at 31.3.2004	578,935
Accumulated depreciation and impairment	<u>(339,051)</u>
Net book value at 31.3.2004	239,884
Additions	160,335
Disposal	(10,720)
Depreciation	(37,625)
Valuation adjustment	<u>122,095</u>
Net book value at 31.3.2005	<u><u>473,969</u></u>

In accordance with FRS15, Fixed Assets are reviewed annually for significant impairment. During 2004/05 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.

The disposal is the book value of a write off of an asset from an earlier financial year.

2. Long Term Debtors

2003/2004		2004/2005
£		£
14,092	Loans to Employees	5,227
<u>13,374</u>	Initial vehicle rental paid in advance	<u>15,466</u>
<u><u>27,466</u></u>		<u><u>20,693</u></u>

3.	<u>Debtors due within 1 year</u>		
	2003/2004		2004/2005
	£		£
	190,637	Sundry debtors and prepayments	228,908
	12,165	Loans to employees	7,740
	5,374	Initial vehicle rental paid in advance	3,999
	<u>208,176</u>		<u>240,647</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

	2003/2004		2004/2005
	£		£
	384,399	Creditors and accruals	308,494
	777,466	Tolls received in advance	874,602
	887,770	Defra grant received in advance	0
	<u>2,049,635</u>		<u>1,183,096</u>

Creditors have decreased in 2004/05 mainly because in 2003/04, Defra grant was 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 2004/05 the Authority paid an employer's contribution of £264,963 (2003/04 £248,313) into the Superannuation Fund representing 13.3% (2003/04 – 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 2004, being effective from 1 April 2005. Under Superannuation Fund Regulations contribution rates are set to meet the overall liabilities of the Fund.

In addition the Broads Authority is responsible for all pension payments relating to added years benefits it has awarded, together with lump sums, compensation payments and related increases. In 2004/05 these amounted to £30,218 (2003/04 - £29,959).

An actuarial valuation as at 31 March 2005 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 2005 and shows a Net Pension Liability for the Broads Authority at 31 March 2005 of £2,530,000 (2003/04 - £1,046,000).

Financial Assumptions

The financial assumptions used for the purposes of the FRS17 calculations as at 31 March 2003, 31 March 2004 and 31 March 2005 are as follows:

Assumptions as at	31 Mar 2005	Real	31 Mar 2004	Real	31 Mar 2003	Real
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Price Increases	2.9%	-	2.9%	-	2.5%	-
Salary Increases	4.4%	1.5%	4.9%	2.0%	4.5%	2.0%
Pension Increases	2.9%	-	2.9%	-	2.5%	-
Discount Rate	5.4%	2.4%	6.5%	3.5%	6.1%	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 2005. 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 2004/05 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. For accounting periods prior to 2004/05, employers following CIPFA's guidance adopted a real discount rate of 3.5% per annum, as shown in the table above. The Revenue Account figures for the year to 31 March 2005 are calculated based on a discount rate derived from corporate bond yields as at 31 March 2004 (which was 5.5% p.a.), as required by CIPFA.

Norfolk Pension Fund Assets

An estimate of the assets of the whole Fund as at 31 March 2005 are shown in the table below:

Assets	Value at	Asset	Value at	Asset
Whole Fund	31 Mar 2005	Distribution	31 Mar 2004	Distribution
	£000	%	£000	%
Equities	908,350	69%	761,635	65%
Bonds	211,536	16%	217,166	19%
Property	146,347	11%	119,220	10%
Cash	46,360	4%	65,806	6%
Total	1,312,593	100%	1,163,827	100%

Please note that the actual total value of the Fund assets as at 31 March 2005 may be different from that shown. The figure in the table is only used to determine the asset distribution and does not allow for cashflows into/out of the Fund since 31 January 2005. This does not affect the assets attributed to each employer, which do allow for cashflows to 31 March 2005. Similarly, the value of the Fund assets shown as at 31 March 2004 may not match that shown in the 2004 FRS17 disclosures, which were based on estimated assets.

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 2005 for the year to 31 March 2006).

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 2003, 31 March 2004 and 31 March 2005 are shown in the table below:

Asset Class	Expected Return at 31 March 2005 (% per annum)	Expected Return at 31 March 2004 (% per annum)	Expected Return at 31 March 2003 (% per annum)
Equities	7.7%	7.7%	8.0%
Bonds	4.8%	5.1%	4.8%
Property	5.7%	6.5%	6.0%
Cash	4.8%	4.0%	4.0%

Retirement Benefits
Balance Sheet disclosure as at 31 March 2005

Analysis of amount charged to operating profit

Amount Charged to Operating Profit	Year to 31 March 2005		Year to 31 March 2004	
	£(000)	(% of Payroll)	£(000)	(% of Payroll)
Service Cost	333	16.7%	251	13.1%
Past Service Costs	-	-	-	-
Curtailment and Settlements	-	-	-	-
Decrease in Irrecoverable Surplus	-	-	-	-
Total Operating Charge (A)	333	16.7%	251	13.1%
Amount Credited to Other Finance Income	Year to 31 March 2005		Year to 31 March 2004	
	£(000)	(% of Payroll)	£(000)	(% of Payroll)
Expected Return on Employer Assets	430	21.6%	345	18.0%
Interest on Pension Scheme Liabilities	(403)	(20.2%)	(408)	(21.3%)
Net Return (B)	27	1.4%	(63)	(3.3)%
Net Revenue Account Cost (A)-(B)	306	15.3%	314	16.4%

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

	Year to 31 March 2005 £000s	Year to 31 March 2004 £000s
Actual Return Less Expected Return on Pension Scheme Assets	272	753
Experience Gains and Losses Arising on the Scheme Liabilities	(276)	(61)
Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	(1,470)	-
Actuarial Gain/(Loss) in Pension Plan	(1,474)	692
Increase/(Decrease) in Irrecoverable Surplus from Membership Fall and Other Factors	-	-
Actuarial Gain/(Loss) Recognised in STRGL	(1,474)	692

Movement in Surplus/Deficit During the Year

	Year to 31 March 2005 £(000)	Year to 31 March 2004 £(000)
Surplus/(Deficit) at beginning of the year	(1,046)	(1,702)
Current Service Cost	(333)	(251)
Employer Contributions	283	266
Contributions in respect of Unfunded Benefits	13	12
Other Income	-	-
Other Outgo (e.g. expenses, etc)	-	-
Past service costs	-	-
Impact of Settlements and Curtailments	-	-
Net Return on Assets	27	(63)
Actuarial Gains/(Losses)	(1,474)	692
Surplus/(Deficit) at End of Year	(2,530)	(1,046)

History of Experience Gains and Losses

	Year to 31 March 2005 £(000)	Year to 31 March 2004 £(000)	Year to 31 Mar 2003 £(000)
Difference Between the Expected and Actual Return on Assets	272	753	(1,474)
Value of Assets	7,124	6,210	4,885
Percentage of Assets	3.8%	12.1%	(30.2%)
Experience Gains/(Losses) on Liabilities	(276)	(61)	(87)
Total Present Value of Liabilities	9,657	7,256	6,444
Percentage of the Total Present Value of Liabilities	(2.9%)	(0.8%)	(1.4%)
Actuarial Gains/Losses Recognised in STRGL	(1,474)	692	(1,561)
Total Present Value of Liabilities	9,657	7,256	6,444
Percentage of the Total Present Value of Liabilities	(15.3%)	9.5%	(24.2%)

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

FRS17 is an accounting standard, which details what pension fund information needs to be included in the accounts. The method of doing these calculations is prescribed, as are some of the assumptions. No smoothing is allowed so that these figures reflect the position of the Fund only on one particular day (in this case 31 March 2005 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.

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

Advice received by the Authority is that these "State Aid" payments require retrospective approval from the EU and that the Department for Environment, Food and Rural Affairs has submitted an application to that effect. Should this approval not be forthcoming, this may result in a liability for the Authority to repay government funding it has received in support of these payments. It is not possible to at the date of these accounts to identify the expected timing of approval for these payments nor the likely outcome of the application.

8. Earmarked Reserves

2003/04		2004/05
£		£
126,289	Vessel Replacement	117,137
81,478	Work Barge	0
105,513	Mutford Lock Endowment	82,752
67,680	Planning Delivery	168,132
0	Implementing Electronic Government	239,532
0	Sustainable Development	56,801
0	Sediment Research Strategy	15,800
<u>380,960</u>	Total Earmarked Reserves	<u>680,154</u>

9. Capital Financing Reserve

2003/04		2004/05
£		£
(88,134)	Balance brought forward	(139,496)
<u>(51,362)</u>	Capital Discharged	<u>122,710</u>
<u>(139,496)</u>		<u>(16,786)</u>

10. Fixed Asset Restatement Account

2003/04		2004/05
£		£
1,317,283	Balance brought forward	1,314,184
(3,099)	Revaluations	312,623
0	Disposal	(10,720)
<u>1,314,184</u>		<u>1,616,087</u>

Broads Authority
Statement of Total Movement in Reserves

2003/04		2004/05
£		£
163,757	General account surplus/(deficit) for the year	68,595
186,568	Navigation account surplus/(deficit) for the year	98,706
84,524	Add back movements on earmarked reserves	299,198
(36,000)	Appropriation to/from pension reserve	(10,000)
<u>691,000</u>	Actuarial gains and losses relating to pensions	<u>(1,474,000)</u>
1,089,849	Total increase/(decrease) in revenue resources	(1,017,501)
(3,101)	Gains/(losses) on revaluation of fixed assets	(301,905)
<u>(51,362)</u>	Increase/(decrease) on the capital financing account	<u>122,710</u>
<u>1,035,386</u>	Total recognised gains/(losses)	<u>(1,196,696)</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 2004/05	68,595	98,706	-	-
Appropriations to/from revenue	-	-	299,198	(10,000)
Actuarial gains and losses relating to pensions	-	-	-	(1,474,000)
	<u>68,595</u>	<u>98,706</u>	<u>299,198</u>	<u>(1,484,000)</u>
Balance brought forward 1 April 2004	575,311	382,195	380,960	(1,046,000)
Balance carried forward 31 March 2005	<u>643,906</u>	<u>480,901</u>	<u>680,158</u>	<u>(2,530,000)</u>

Earmarked reserves are for planning delivery, sustainable development, implementing electronic government, sediment strategy, 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 Account
	£
Gains/losses on revaluation of fixed asset in 2004/05	312,623
Disposal	(10,720)
Balance brought forward 1 April 2004	<u>1,314,184</u>
Balance carried forward 31 March 2005	<u>1,616,087</u>

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

Broads Authority
Cash Flow Statement

<u>2003/2004</u>		<u>2004/2005</u>
£		£
	Revenue Activities	
	<u>Cash Outflows</u>	
2,726,725	Employees	2,865,885
<u>2,704,023</u>	Other Operating Cash Payments	<u>2,761,367</u>
5,430,748		5,627,252
	<u>Cash Inflows</u>	
(3,185,428)	Defra Grant	(1,977,910)
(699,220)	Precepts	0
(1,704,623)	Tolls and Work Licences	(1,750,467)
<u>(1,495,917)</u>	Other Operating Cash Receipts	<u>(1,564,446)</u>
<u>(7,085,188)</u>		<u>(5,292,823)</u>
(1,654,440)	Net Cash Outflow/(Inflow) from Revenue Activities (Note 1)	334,429
0	Interest Paid	0
<u>(42,743)</u>	Interest Received	<u>(64,533)</u>
(1,697,183)		269,896
	Capital Activities	
	<u>Cash Outflow</u>	
0	Purchase of Fixed Assets	<u>160,337</u>
<u>(1,697,183)</u>	Net Cash Outflow Before Financing	430,233
	Managing of Liquid Resources	
200,000	Net Increase/(Decrease) in Short Term Deposits (Note 2)	690,000
<u>(1,497,183)</u>	Net (Increase)/Decrease in Cash	<u>1,120,233</u>

Notes to the Cash Flow Statement

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

<u>2003/2004</u>		<u>2004/2005</u>
£		£
(163,757)	(Surplus)/Deficit - General Account	(68,595)
<u>(186,568)</u>	(Surplus)/Deficit - Navigation Account	<u>(98,706)</u>
(350,325)		(167,301)
42,745	Interest Received	64,533
24,101	(Decrease)/Increase in Stocks	4,493
(100,023)	(Decrease)/Increase in Debtors	25,698
(1,186,414)	Decrease/(Increase) in Creditors	866,539
30,609	Contributions from Reserves	124,706
(115,133)	Contributions to Reserves	(423,904)
0	Purchase of Fixed Assets	(160,335)
<u>(1,654,440)</u>	Net Cash (Inflow)/Outflow from Revenue Activities	<u>334,429</u>

2. Analysis of Cash and Investments

	31 March 2004	31 March 2005	Movement
	£	£	£
Cash in Hand	1,747,634	627,401	(1,120,233)
Investments	<u>1,300,000</u>	<u>1,990,000</u>	690,000
	<u>3,047,634</u>	<u>2,617,401</u>	<u>(430,233)</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 2005 and its income and expenditure for the year ended 31 March 2005.

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. A continuous programme of improvements are in place to ensure economy, efficiency and effectiveness.

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 2005 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. There are also supervisory controls in place;
- segregation of duties between initiation and the recording of transactions. The custody of assets is controlled by the Finance Section undertaking an inventory of major items of plant and equipment;
- authorisation, approval and acknowledgement controls;
- physical controls such as the use of safes, the controlled issue of keys, security of assets and restriction of access to rooms and buildings;
- personnel controls such as training, recruitment and induction;
- 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 including accountability to members 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, Broadland 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 16 May 2005 that the current internal controls are adequate and appropriate for the Authority's size.

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:-

<u>Issues</u>	<u>Action</u>
To update procedure notes for business critical systems.	This task will be completed by the Finance Officer by December 2005.
To put in place a risk management strategy.	This was completed on 24 January 2005 and is subject to an annual review in the Autumn by relevant officers and periodically reported to Broads Authority members.
To arrange for Internal Audit to undertake a review of the effectiveness of the internal control environment.	Internal Audit have undertaken a review on key financial controls and the recommendations are being implemented during the financial year 2004/5. They have been asked to undertake further audit work on financial controls, following the introduction of a new accounting package and have also been asked to audit non financial internal controls. This audit work will be complete by 31 March 2006.
To have approved by the Broads Authority by 1 April each year the Annual Investment Strategy.	This will be undertaken by the Treasurer and Financial Adviser.

At the current level of funding and commitments, balancing the budget is a critical issue.

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

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

Independent Auditor's Report to the Broads Authority

I have audited the financial statements on pages 9 to 26 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 5 to 8.

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 27 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 2002. 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 internal control on pages 28 and 29 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 2 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 whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council'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.

Opinion

In my opinion the financial statements present fairly the financial position of the Broads Authority as at 31 March 2005 and its income and expenditure for the year then ended.

Certificate

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

Signature.....Date:.....

Name: Andy Perrin

Address: Audit Commission
 1st and 2nd Floors
 Sheffield House
 Lytton Way
 Off Gates Way
 Stevenage
 Hertfordshire
 SG1 3HG