

Preparation for the 2017/18 Budget
Report by Chief Executive and Head of Finance

Summary: Work has begun on the background information necessary for preparing the draft budget for 2017/18. Officers would like to update the Committee on the financial position and seek the views and guidance of the Members of the Committee.

Recommendation: The Committee considers the information provided by officers and gives its feedback and advice to officers to help them in the preparation of the budget for 2017/18.

1 Introduction

- 1.1 At this time of the year officers start work on the budget for 2017/18 and updating the three-year financial strategy to help inform the process of setting the navigation charges at the November Broads Authority meeting following consultation with the Navigation Committee in October.
- 1.2 The timetable is to consult the Navigation Committee on a draft budget in December and seek approval from the Authority at its January meeting. This allows members and officers to take account of the pension information which is due to be available in November.

2 Overall Financial Position

- 2.1 In simple terms the Authority is in a good financial position but there are very different issues in relation to the National Park income and expenditure and the Navigation side of the Authority's finances.
- 2.2. In terms of National Park income there has been a very significant reduction. Crudely the Authority has had its National Park Grant (NPG) reduced by about 25%, a loss of £1 million. This forced the organisation to instigate a large scale review of expenditure, major reorganisation to reduce costs, making staff redundant, reducing services and closing of facilities. The position now is that the organisation is smaller and National Park income and expenditure are broadly in line with each other and the Authority has more than adequate reserves in hand. The certainty of a four year settlement with an annual 1.72% inflationary increase included means that the normal pressures from cost of living increases for staff salaries and other inflationary pressures can be accommodated within the 3-year financial strategy.
- 2.3 The officer view is that going forward it is important to maintain income and expenditure broadly in line with each other and to use the reserves for judicious expenditure, in particular to match external funding bids that are in

line with the Broads Plan priorities and to fund areas of activity which are priorities for members and investment in initiatives that can improve efficiency. Work is underway to prepare background information on a range of initiatives with a view to convening a member workshop to evaluate them in November.

- 2.4 The same pressures acting on the National Park side of the budget, cost of living increases for salaries, increased pension contributions and upward pressure on the costs of equipment and materials acts on Navigation expenditure. The current financial strategy assumes a 2.5% increase per annum in Navigation income which creates a smooth path for accommodating these pressures. Officers are investigating whether this is still appropriate. Although the Authority has earmarked reserves for specific purchases, for examples vessels and equipment, or to account for major risks, such as Mutford Lock, it has been a challenge to maintain the 10% of Gross Expenditure target for general reserves.
- 2.5 The Navigation Committee, key stakeholder organisations such as the Broads Hire Boat Federation (BHBF) and Norfolk and Suffolk Boating Association (NSBA), and boat owners in general, as evidenced through the stakeholder survey, all want more work carried out and more services delivered. The additional costs of the Hickling Project (£60,000 per annum split equally between National Park and Navigation expenditure] is also putting pressure on the budget.
- 2.6 However, there is considerable pressure on navigation income. While income from private boats has generally been above the budgeted figure, that from the hire boat fleet is continuing to fall. In the current year provision was made for a reduction of £20,000 in hire boat income, and even so that has proved to be too optimistic with a reduction of 24 registered weekly hire boats from 812 to 788. Information from the BHBF suggests that pattern will continue.
- 2.7 The hire boat fleet continues to rationalise and this year we have seen two patterns continue. The first is that the larger operators are investing in new boats, some of which are longer than average, of a very high specification and consequently attracting above average bookings and presumably a good rate of return. However, the same yards are also selling their older boats where the number of weeks booked is lower. The second is that some of the smaller yards, that are unable to compete in the new internet, late-booking age are going out of business. All the available information suggests that the pattern of agglomeration and amalgamation will continue with the bigger yards continuing to invest in both new profitable boats and web based and social media marketing while the number of smaller yards declines.
- 2.8 The number of passenger boats, never very large, but, because of their size, important contributors to the income line, has also declined with two boats no longer in use.
- 2.9 These trends will put pressure on navigation income and on the Authority to look for savings and efficiencies. The scope for any activity or investment beyond that already planned is going to be limited unless other sources of income can be found. Explaining these patterns to our toll payers will be crucial.

3 Conclusions

- 3.1 The Authority's finances have always been highly sensitive to relatively minor change. The Head of Finance will update the Committee on the latest financial forecasts and seek the views and advice from members.

Background papers: Letter from the Broads Hire Boat Federation with forecasts of boat numbers

Author: John Packman, Emma Krelle
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Broads Plan Objectives: None

Appendices: None