

# Navigation Committee

03 September 2020

Agenda item number 9

## Response to the Covid-19 emergency and the financial position of the Broads Authority and local businesses

Report by Chief Executive, Chief Financial Officer and Collector of Tolls

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### Purpose

This report gives an update on the financial impact of the Covid-19 lockdown restrictions on the Broads Authority and hire boat companies, and seeks the views of the Committee on proposed recommendations to the Broads Authority as set out in paragraph 4.2 of the report.

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## 1. Introduction

- 1.1. The Covid-19 pandemic has had a devastating impact across the world and the Broads has not been immune to its effects. The UK Government's lockdown measures introduced in March prevented our private owners from using their craft, and almost overnight all holiday bookings were cancelled or postponed with huge impacts for the hire boat industry.
- 1.2. The Broads Authority acknowledges the frustration of private boat owners during lockdown. However, because the maintenance of the waterways continued throughout the lockdown period, people were able to return to water immediately when the

restrictions were partly removed by the Government. We have received a small number of requests for a refund, compensation or reduction in tolls for the time people were not able to use their boats during lockdown. It should be noted that 'All vessels kept or used in the navigation area, or adjacent waters, for more than 28 days in any tolls year require an annual toll and must be registered with the Authority.' The Authority has worked with individuals unable to pay the toll but it is inappropriate to consider a general refund when the costs of maintenance have not decreased.

- 1.3. The hire boat industry is critical to the visitor economy and hire boat tolls contribute a significant proportion to the navigation maintenance. Recognising that the pandemic has potentially serious consequences for the industry's viability and its ability to sustain current levels of employment, the Broads Authority on 25 June endorsed an approach to assess the financial impacts on the hire industry in 2020/21.
- 1.4. The approach involved officers consulting the Broads Hire Boat Federation and individual hire boat companies and charities on their income for the season, and a comparison with last season. It was agreed that these figures would be reported to this meeting and then to the Broads Authority meeting on 25 September to indicate how the 2020/21 hire boat season had progressed and inform a decision on the final instalment of the 2020/21 hire boat tolls.

## 2. Feedback from the hire boat industry

- 2.1. With the help of the Broads Hire Boat Federation, the Authority sent a survey form (see Appendix 1) to 24 local hire boat companies on the 13 and 14 August with a tight deadline of 19 August. The aim of the survey was to get a picture of the hire boat industry's lost income from the weeks when the lockdown was in place, and the expected additional income from a busier main season and a potentially extended season.
- 2.2. 10 responses have been received and are summarised in Appendix 2. The results show that there has been a considerable improvement in the position since July. After an extremely hesitant start to the season, the yards are now exceptionally busy and the Broads Hire Boat Federation reports that September is fully booked and bookings for October are also looking good. Further information has been sought about bookings in November to help guide the Authority on the provision of its seasonal support services, such as Rangers and yacht stations. To some extent the urgency of the crisis facing the industry has moderated, but there is still some uncertainty about what the rest of the season holds. The prospects for 2021, subject to COVID-19, also look very good.
- 2.3. Six yards responded to Question 5 regarding estimated total income for the season compared to last year, including Government (VAT reduced rate for hospitality, holiday accommodation and attractions and Coronavirus Job Retention Scheme) and local authority financial support. The results give a more positive picture on overall income, with a mean result of 95%. Several of the yards made the point that 2019 was a poor year and that a comparison with the previous four years, although more difficult to

calculate, would give a more representative result. Estimating income for the rest of the year is also problematic when the situation is so uncertain and for these reasons one of the yards preferred keeping the position under review. The day boat operators did not benefit from the VAT reduction and all have had additional costs associated with COVID-19.

### 3. Financial position of the Broads Authority

- 3.1. The Broads Authority's priorities in responding to the Covid-19 crisis have been to keep its staff and volunteers safe, to support the local tourism sector and in particular the hire boat industry, and to continue delivering its services, including the maintenance of the waterways where safe to do so.
- 3.2. The Authority's own finances have been severely impacted by the suspension of hire boat operations during the Covid-19 imposed lockdown, and the reluctance of private owners to commit to using the waterways. However, since the restrictions have been eased, the financial position has improved and is now as follows.
- 3.3. At the time of writing, the income from private boats has risen to £1,961,000. This is £166,000 below the same point last year and £283,000 short of the total budget for the year. This is a considerable improvement on the position a couple of months ago. Many private boat owners were able to use their craft after seven weeks, with only those living some distance from the Broads having to wait 12 weeks. Furthermore, the Authority is processing a high number of Notices of Contravention and it is envisaged that private toll income will continue to improve once reminder letters have been sent.
- 3.4. Hire boat income has also improved and, including the split payments, not all of which have been received, tolls of £1,099,000 are being paid (of which the Authority is owed £939,000). This is £100,000 below the budgeted position. Of concern is the reduction in hire boat numbers, many of which are likely to be permanent. Overall, they are down by 164 (-11%); the two largest groups are motor cruisers (-66) and day launches (-46). Table 1 provides an overview of actual navigation income and expenditure.

**Table 1**

Actual Navigation Income and Expenditure by Directorate to 31 July 2020

Directorate	Profiled Latest Available Budget £	Actual income and expenditure £	Actual variance £
Income	(3,248,151)	(2,068,431)	- 1,179,719
Operations	1,107,172	607,929	+ 499,243
Strategic Services	111,554	108,240	+ 3,314
Chief Executive	310,087	280,053	+ 30,034
Projects, Corporate Items and	(58,355)	(19,927)	- 38,428

Directorate	Profiled Latest Available Budget £	Actual income and expenditure £	Actual variance £
Contributions from Earmarked Reserves			
<b>Net (Surplus) / Deficit</b>	<b>(1,777,693)</b>	<b>(1,092,136)</b>	<b>- 685,557</b>

- 3.5. Core navigation income is significantly below the profiled budget at the end of July. This has been offset partially by the savings identified by budget holders and the cancellation of the annual contributions to the earmarked reserves. The overall position as at 31 July 2020 is an adverse variance of £685,557 or a 38.56% difference from the profiled latest available budget (LAB).
- 3.6. The LAB has not been adjusted at this point; instead, adjustments have been made to the forecast outturn. The LAB currently provides for a deficit of £133,893. This is made up of the £45,402 original budget approved in January 2020 and the carry forwards of £88,491 agreed in May 2020.
- 3.7. The Forecast Outturn for 2020/21 is indicating a deficit of £190,185. This takes account of the current proposed pay negotiation of 2.75% (+0.75% compared to the original budget), budget holder savings and the cancelled contributions to the earmarked reserves. This assumes that the level of tolls processed in paragraph 3.3 will be collected in full. Both the LAB and forecast outturn will be revised in line with members' recommendations.
- 3.8. Table 2 gives an overview of the balances on the Earmarked Reserves at the end of July.

**Table 2**

Navigation Earmarked Reserves

Reserve Name	Balance at 1 April 2020 £	In-year movements £	Current reserve balance
Property	(393,440)	(796)	(394,236)
Plant, Vessels and Equipment	(310,245)	21,000	(289,245)
Premises	(89,966)	0	(89,966)
CANAPE	(155,922)	69,700	(86,222)
Computer Software	(7,184)	161	(7,023)
<b>Total</b>	<b>(956,757)</b>	<b>90,065</b>	<b>(866,693)</b>

- 3.9. The Authority undertook detailed negotiations with Defra and secured a funding agreement that will see the first £400,000 of any shortfall in navigation income being met by the Authority from navigation reserves and savings, with the potential for a

further £400,000 from an agreed transfer from National Park Reserves. Any outstanding amount above that, up to a maximum of £800,000, will be funded by Defra.

## 4. Conclusion

4.1. Given the unpredictable prospects for the rest of the season, and the need for greater clarity around the total income figures, the following recommendations are suggested.

4.2. It is proposed to recommend to the Broads Authority that it:

- (i) Undertakes a further survey of hire boat yard bookings and income at the beginning of October.
- (ii) Engages with individual yards to understand more fully their overall income position for this season and the prospects for 2021.
- (iii) Requires yards to pay the third toll instalment of 30% by 30 September as already agreed.
- (iv) Delays the date for the fourth and final toll payment of 30% to 30 November, to give time for the Navigation Committee and the Broads Authority to consider the results of the second survey and the level of charges for 2021/22.

4.2 Members' views on this approach are invited.

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Date of report: 24 August 2020

Appendix 1 – Hire boat operators -Survey of the season

Appendix 2 – Summary of survey returns

## Appendix 1. Hire Boat Operator - Survey of the Season

At its meeting on 25 June 2020, the Broads Authority endorsed an approach to hire boat charges for 2020/21. This was in response to the financial impacts on the hire boat industry of the Government's Covid-19 lockdown restrictions.

For this year, the navigation charges for the hire industry have been staggered in the following manner:

10% of the charge was due as soon as the boat is hired;

30% was to be paid on or before 31 August 2020;

30% would be paid on or before 30 September 2020; and,

the final payment of 30% would be due on or before 31 October 2020.

The Authority's officers are now consulting the Broads Hire Boat Federation, individual hire boat companies and charities running hire boats on their income for the season, and a comparison with last season. It was agreed that these figures would be reported to the next meeting of the Navigation Committee on 3<sup>rd</sup> September and then to the Broads Authority meeting on 25 September to indicate how the 2020/21 hire boat season had progressed. This feedback will then be used to help decide on what approach to take to the outstanding tolls payments.

The timescale for the survey leaves requesting the information as late as possible to get the most up-to-date picture whilst still meeting the deadlines – extremely tight!

In this short timescale it is not possible to poll every operator and the intention of working with the Broads Hire Boat Federation is that all the major companies will be covered which should give a good indication of both how the season has performed up until Friday 14<sup>th</sup> August and what the prospects are from bookings for the rest of the year.

**Please return the information by 13:00 on Wednesday 19th August.**

The information we are seeking is the % percentage of income that companies have or will have lost over the course of the season as a whole – made up of:

- (i) the lost income from the weeks when the lockdown was in place and
- (ii) the potential additional income gained from a busier main summer and potentially extended season in response to the removal of the restrictions.
- (iii) taking into account income from government and local government.

So please complete the following table as appropriate – i.e. for those categories of vessel that are relevant. Question 5 applies across the whole business and includes Government financial support so is dealt with separately.

Name of Boat Yard \_\_\_\_\_

**Question 1. Actual Income for the different categories of vessel from 1<sup>st</sup> April 2019 to 30 June 2019 as % of last year's annual income.**

**Question 2. Actual Income for the different categories of vessel 1<sup>st</sup> April 2020 to 31<sup>st</sup> July 2020 as a % compared to the same period in 2019.**

**Question 3. Actual Income for the different categories of vessel 1<sup>st</sup> April 2020 to Friday 14<sup>th</sup> August 2020 as a % compared to the same period in 2019.**

**Question 4. Estimate of income for the different categories of vessel for the period 1<sup>st</sup> April to 31<sup>st</sup> December 2020 compared to estimated income for 1<sup>st</sup> April to 31<sup>st</sup> December 2019.**

Type of Hired Vessel	Question 1 %	Question 2 %	Question 3 %	Question 4 %
Weekly hired motor craft				
Day hired motor craft				
Motorised sailing craft				
Houseboats				
Rowing boats				
Sailing boats				
MCA Passenger Boats				
Small passenger boats				
TOTAL				

**Question 5. Estimate of income overall for the period 1<sup>st</sup> April to 31<sup>st</sup> December 2020, taking into account any grants from government, including the Job Retention Scheme, and local authorities compared to actual income for 1<sup>st</sup> April to 31<sup>st</sup> December 2019.**

**Estimated Income including grants 1<sup>st</sup> April 2020 to 31<sup>st</sup> December 2020 = \_\_\_\_\_%**  
**Actual Income 1<sup>st</sup> April 2020 to 31<sup>st</sup> December 2019**

Note: - The names of the companies that have taken place in the survey will be listed in the report to the Navigation Committee and the range of responses will be given but the individual company responses will not be made public.

**Please return to: Bill Housden, Collector of Tolls at [bill.housden@broads-authority.gov.uk](mailto:bill.housden@broads-authority.gov.uk) at the Broads Authority by 13:00 on Wednesday 19<sup>th</sup> August.**

With many thanks

John Packman  
Chief Executive  
Broads Authority      13<sup>th</sup> August 2020

## Appendix 2 – Summary of Survey Returns

Note: Responses all rounded to nearest 1%.

**Question 1. Actual Income for the different categories of vessel from 1<sup>st</sup> April 2019 to 30 June 2019 as % of last year's annual income.**

Type of Hired Vessel	Question 1 %	Mean
Weekly hired motor craft	27, 34, 35, 36, 38, 40,	35
Day hired motor craft	26, 29, 30, 30, 33, 33, 35, 35, 40	32
Motorised sailing craft		
Houseboats	40, 40	40
Rowing boats	37	
Sailing boats		
MCA Passenger Boats	35	
Small passenger boats	33	

**Question 2. Actual Income for the different categories of vessel 1<sup>st</sup> April 2020 to 31<sup>st</sup> July 2020 as a % compared to the same period in 2019.**

Type of Hired Vessel	Question 2 %	Mean
Weekly hired motor craft	20, 30, 38, 43, 46, 54,	39
Day hired motor craft	15, 55, 56, 61, 61, 72, 78, 83, 84	63
Motorised sailing craft		
Houseboats	44, 65	55
Rowing boats	0	
Sailing boats		
MCA Passenger Boats	7	
Small passenger boats	58	

**Question 3. Actual Income for the different categories of vessel 1<sup>st</sup> April 2020 to Friday 14<sup>th</sup> August 2020 as a % compared to the same period in 2019.**

Type of Hired Vessel	Question 3 %	Mean
Weekly hired motor craft	12, 49, 50, 53, 53, 56	46
Day hired motor craft	10, 66, 71, 73, 76, 78, 95, 98, 105	75
Motorised sailing craft		
Houseboats	62, 85	74
Rowing boats	10	
Sailing boats		
MCA Passenger Boats	17	
Small passenger boats	68	



**Question 4. Estimate of income for the different categories of vessel for the period 1<sup>st</sup> April to 31<sup>st</sup> December 2020 compared to estimated income for 1<sup>st</sup> April to 31<sup>st</sup> December 2019.**

<b>Type of Hired Vessel</b>	<b>Question 4 %</b>	<b>Mean</b>
Weekly hired motor craft	40, 58, 60, 68, 77, 84	65
Day hired motor craft	30, 75, 75, 77, 80, 81, 91, 96, 108	80
Motorised sailing craft		
Houseboats	90, 92,	
Rowing boats	50	
Sailing boats		
MCA Passenger Boats	10	
Small passenger boats	93	

**Question 5. Estimate of income overall for the period 1<sup>st</sup> April to 31<sup>st</sup> December 2020, taking into account any grants from government, including the Job Retention Scheme, and local authorities compared to actual income for 1<sup>st</sup> April to 31<sup>st</sup> December 2019.**

**Estimated Income including grants 1<sup>st</sup> April 2020 to 31<sup>st</sup> December 2020 = \_\_\_\_\_%**  
**Actual Income 1<sup>st</sup> April 2020 to 31<sup>st</sup> December 2019**

80%, 86%, 92%, 93%, 96%, 120%      Mean = 95%