

# Audit and Risk Committee

17 November 2020

Agenda item number 6

## Update on financial position – impact of COVID

Report by Chief Executive and Chief Financial Officer

---

### Summary

This report updates the Committee on the Authority's financial position

### Recommendation

The Committee notes the content of the report and supports the approach proposed to increase patrolling by the Rangers and the use of National Park Reserves to fund the safety package for the first two years.

---

## 1. Introduction

- 1.1. Since the outbreak of COVID-19, regular reports have provided an update on the financial position of the Broads Authority. The report to the Navigation Committee on 22 October provided members with an update on the financial position specific to Navigation and consulted on the proposed level of navigation charges for 2021/22. This report provides an update on the consolidated financial position to 30 September and an update on negotiations with DEFRA regarding the potential use of National Park Reserves to fund a navigation safety package of measures in 2021/22 and 2022/23. The level of Navigation charges will be agreed by the Broads Authority on 20 November.

## 2. Overview of actual income and expenditure

- 2.1. Since the relaxation of the first round of COVID restrictions, the financial positions of the hire boat companies and the Broads Authority have considerably improved and the Authority no longer needs to use the arrangements agreed with Defra for the deployment of National Park Reserves or additional Defra funding to meet the shortfall in income in this financial year.
- 2.2. Table 1 shows that the overall position as at 30 September 2020 is an adverse variance of £110,604 or a 4.83% difference from the latest available budget (LAB).

**Table 1**

Actual consolidated income and expenditure by directorate to 30 September 2020

Directorate	Profiled Latest Available Budget £	Actual Income and Expenditure £	Actual Variance £
Income	(6,078,234)	(5,502,233)	- 576,001
Operations	2,143,800	1,757,610	+ 386,190
Strategic Services	776,822	675,781	+ 101,041
Chief Executive	912,717	815,463	+ 97,254
Projects, Corporate Items and Contributions from Earmarked Reserves	(46,467)	72,621	- 119,088
<b>Net (Surplus) / Deficit</b>	<b>(2,291,362)</b>	<b>(2,180,758)</b>	<b>- 110,604</b>

- 2.3. Core navigation income was behind the profiled budget at the end of September. This position has improved significantly since July where the variance reported was £1,182,466 adverse. This position continued to improve on a daily basis throughout October and the shortfall against the budget as of 20 October reported to the Navigation Committee was £99,000 on private boat income and £98,700 on hire boat income, assuming all the final instalment of the hire boat tolls is collected. At this stage of the year, it is not thought that the second lockdown will have any significant impact on income. Interest income is also behind the profiled budget due to the fall in interest rates which is forecast to continue in the short to medium term.
- 2.4. Expenditure is also behind the profiled budget due to the LAB remaining unchanged since the carry forwards were approved in May 2020, a deficit of £266,695 to be balanced through the use of reserves. The decision made at the time was not to adjust the LAB whilst there was uncertainty on the level of toll income that may be achieved. Instead, the forecast outturn has been continuously adjusted to reflect savings identified by budget holders, the cancellation of the annual contributions to the earmarked reserves and the latest income position.

### 3. Overview of forecast outturn 2020/21

- 3.1. At the September Broads Authority meeting, it was reported that a deficit of £160,088 was anticipated. The improvement of toll income means that a deficit of £83,912 is now predicted. This is split a surplus of £110,485 on National Park and a deficit of £26,573 on Navigation.

- 3.2. The Navigation Committee considered a report on improving safety on the waterways and in particular making provision for a significant increase in the level of patrolling of the waterways by the Ranger Team. The report identified the need to amend the split between National Park and Navigation for Ranger Services. This year, the pressures on the waterways has seen more Ranger time being spent on navigation (currently 83% of Ranger time to date). It was recommended that for this year and future years, 70% of Ranger activity is devoted to navigation and funded accordingly to increase the level of patrolling along with an expansion of the Team. The impact of the change in allocation is moving £75,389 expenditure from National Park to Navigation in 2020/21. The forecast outturn in 3.1 has been updated to reflect this.
- 3.3. The other measure proposed to increase patrolling coverage is the expansion of the Team through the employment of an additional Ranger, who will focus on prosecutions and the Boat Safety Scheme, and four more Seasonal Rangers. That should mean that all our launches can be out patrolling every day of the week. The cost of those additional staff and an on-line safety video is approximately £130,000 in 2021/22 and £120,000 in 2022/23. Rather than funding this additional navigation expenditure from tolls with a 7.5% increase, officers suggested seeking approval from Defra to use National Park Reserves to fund the safety measure in 2021/22 and 2022/23 alongside a 4% increase in tolls which would fund the maintenance of the existing level of services and assist in supporting a decision for 2023/24 for the continuation of the safety measure funded from tolls.
- 3.4. Since the meeting of the Navigation Committee, Defra officials have responded favourably to the request for a one-off transfer as outlined above and this will be proposed for adoption by the Broads Authority Board at its November meeting.
- 3.5. It is likely that the second lockdown will create further savings due to the lack of travel and training for staff, members and volunteers. It is also anticipated that there will be further savings from reduced office expenses whilst staff continue to work from home. In addition, initial forecasts regarding reduced planning income have not come to fruition. It is proposed that any further savings or additional income are used to reinstate some of the contributions to the earmarked reserves. The first priority would be the contributions for replacement vehicles due to the move towards greener vehicles and the additional associated costs related to this. These contributions would not be made until the end of March so that the Authority could be sure that these additional income and savings had materialised.
- 3.6. Members will recall that during 2019, the Authority partnered with Norfolk County Council as part of the Interreg EXPERIENCE project. The project looked to extend the tourist season with the Authority's budget being £240,000. This was to be financed 69% from Europe and 31% from existing Authority budgets over three years. First year expenditure that was due to take place in 2020/21 has been significantly reduced as a result of the pandemic. As with other European projects, the time difference between expenditure and reimbursement can take a number of months. It is proposed to set up

a new earmarked reserve at the end of March and transfer this year under spend on the project to it. Whilst in the past we have given earmarked reserves project-based names, this reserve would be called match funding. This would mean that any future projects would not need another reserve to be created unless there are more than two projects operating at once. Expenditure for 2021/22 and 2022/23 would then be managed through the reserve. If members are supportive of this it would then need to be agreed by the Authority in due course.

3.7. Table 2 gives an overview of the balances on the earmarked reserves at the end of September.

**Table 2**

Consolidated Earmarked Reserves

<b>Reserve</b>	<b>Balance at 1 April 2020 £</b>	<b>20/21 In-year movements £</b>	<b>Current reserve balance £</b>
Property	663,487	1,129	664,616
Plant, Vessels and Equipment	349,280	(45,950)	303,330
Premises	246,701	(29,826)	216,875
Planning Delivery Grant	220,082	(1,202)	218,880
Upper Thurne Enhancement	146,317	(6,849)	139,468
Section 106	43,561	(1,441)	42,120
HLF	11,955	(143,140)	(131,185)
Catchment Partnership	75,185	17,485	92,670
CANAPE	311,844	(75,692)	236,152
Computer Software	21,770	(937)	20,833
UK Communications	28,140	51,459	79,599
<b>Total</b>	<b>2,118,322</b>	<b>(234,964)</b>	<b>1,883,358</b>

## 4. Conclusion

4.1. Overall, the Authority's financial position is much stronger than could have been envisaged in the spring and summer. There are still many uncertainties and challenges ahead and a prudent approach is necessary. However, the judicious use of some of the

Authority's National Park Reserves to fund a package of navigation safety measures, now agreed with Defra, will be a significant step forward.

- 4.2. The current forecast position for the year suggests a surplus of £110,485 on National Park and a deficit of £26,573 on Navigation, resulting in an overall surplus of £83,912 within the consolidated budget. This would indicate a general fund balance of £1,224,945 and a navigation reserve of £516,627 at the end of 2020/21 before any transfer of interest. This will mean both reserves will remain above the minimum level of net expenditure which will help balance the deficit's expected for 2021/22.

Author: John Packman and Emma Krelle

Date of report: 03 November 2020