

Navigation Committee

02 November 2023

Agenda item number 8

Proposed navigation charges for 2024/25 in the navigation area and adjacent waters

Report by Chief Executive, Director of Finance, Head of IT and Collector of Tolls

Purpose

This report sets out options for the level of charges for 2024/25 and is the formal consultation with the Committee as required by S 13 (3) of the Broads Act. The views of the Committee are requested. The Broads Authority will make the decision on the navigation charges for 2024/25 at its meeting on 24 November 2023.

Broads Plan context

All strategic actions under Theme C: Maintaining and enhancing the navigation.

Contents

1.	Introduction	1
2.	Navigation Income and Expenditure 2023/24	2
3.	Options for Charges in 2024/25	3
5.	Risk implications	5
6.	Conclusion	5
	Appendix 1. Navigation Income & Expenditure to 30 September 2023	6
	Appendix 2 Cost per m2 by Category of Vessel for the Three Options	9
	Appendix 3 Sample Increases for a Selection of Vessel Size	10

1. Introduction

- 1.1. High levels of economic and social uncertainty complicate the preparation of the Broads Authority's draft budget for 2024/25 and the setting of navigation charges.

- 1.2. The most critical factor in calculating the potential income for 2024/25 is the number of registered boats paying a toll. As can be seen from this year’s performance a small reduction in boat numbers can have a significant impact on income. The Broads Hire Boat Federation does not anticipate any significant change in the number of hire boats and a similar assumption has been made for the private fleet.
- 1.3. Inflation has remained high in the last few months (as illustrated by the figures for CPI and RPI in Table 1) and recent world events in the Middle East are having an impact on oil prices and consequently inflation in the UK. It is difficult to assess the effects of cost-of-living pressures on domestic tourism and private boat ownership.

Table 1

Three-month inflation

Month	CPI	RPI
July 2023	6.8%	9.0%
August 2023	6.7%	9.1%
September 2023	6.7%	8.9%

- 1.4. The biggest inflationary driver and a further uncertainty is the Authority’s salary costs, which now account for 74% of all expenditure. As yet there is no local government settlement covering the Authority’s staff for 2023/24. The increase for the current year is likely to equate to 6.45% (1.45% above budgeted amount), and 5.9% is assumed for 2024/25. Other inflationary pressures include increased repairs and maintenance costs for Mutford Lock, new gauge boards requested by the Rangers, increased repair and maintenance costs and fuel for the launches, lower income from moorings than predicted, (caused by a delay completing the lease for Reedham), higher legal and insurance costs and audit fees.
- 1.5. If the Authority wants to continue to deliver its current level of maintenance and patrolling of the waterways, and to contribute to the earmarked reserves for the purchase of vessels and equipment and the maintenance of property and premises (e.g. the Dockyard), then an income of £4.606 million will be required. Assuming no reduction in the number of hire or private boats, this would mean a 10.2% increase in tolls in 2024/25.
- 1.6. Alternative options for lower expenditure with smaller increases in tolls of 8.9%, 8.5%, and 6.9% have been developed for Members to consider.
- 1.7. One of the important factors to take into account when considering these options is that lower toll increases in one year result in the need for higher charges the following year if services are to be maintained.

2. Navigation Income and Expenditure 2023/24

- 2.1. Navigation income from tolls has been lower than expected. At the end of the financial year, it is predicted that income from hire boats will be £13,647 down (-1.02%) and that

from private boats £69,876 down (-2.5%). While 2.5% off target doesn't sound very much, a £70,000 loss of income is significant.

- 2.2. Fortunately, the lower-than-expected income from tolls was offset by higher income from interest on the Authority's balances¹. In addition, the completion of the European CANAPE Programme has delivered a larger return to Reserves because of the positive exchange rate for the Euro against the Pound.
- 2.3. Table 2 shows that anticipated income for the year is £21,023 below the budget. (Note: Appendix 1 contains the figures to 30 September). Expenditure is above projected levels by £34,990 because of inflationary pressures on salaries, fuel, and materials.
- 2.4. The net impact of all these variations means that the current projection for the Navigation Reserves at the end of 2023/24 is £52,084 below the figure in the approved budget. However, they are above the 10% minimum level agreed by the Authority as prudent against risk and supported by internal and external auditors.

Table 2

Navigation Forecast Outturn 2023/24

Navigation Outturn 2023/24 vs Budget	Budget	Outturn	Difference
Income	(£4,327,110)	(£4,306,087)	- £21,023
Expenditure	£4,382,430	£4,417,420	- £34,990
(Surplus)/Deficit	£55,320	£111,333	- £56,013
Transfer of accrued interest to earmarked reserves	£37,500	£75,000	-£37,500
Opening Reserves	(£611,586)	(£611,586)	£0
Closure of CANAPE reserve	(£135,000)	(£176,429)	+ £41,429
Repayment of NP Loan	£50,000	£50,000	£0
Closing Reserves	(£603,766)	(£551,682)	- £52,084
Reserves as % Expenditure	13.8%	12.5%	- 1.3%

3. Options for Charges in 2024/25

- 3.1. The Authority constantly reviews its expenditure and makes savings where possible. In 2024/25 there will be a reduction in overhead costs because of reducing the office area leased at Yare House. National Park Grant is being used to redesign the office layout to achieve c. 60% reduction in space.
- 3.2. Two options for further reducing expenditure have been examined.

¹ Investment interest is allocated at year-end not just to the Navigation Reserve but also to the ear marked reserves.

Changes in the level of patrolling

The Authority decided to increase the number of rangers and the level of patrolling in 2021/22 in response to the MAIB report into the fatal accident at Great Yarmouth and at a time of increased boating activity post lockdown, so that all the launches were out on the rivers every day of the week. This year the rivers and broads have been reported as quieter than usual and therefore, if Members believe this pattern will continue, one option is to reduce patrolling in 2024/25 back to 2020/21 levels to mitigate the rise in tolls.

Deferring payments to the earmarked reserves

The capital grant from Defra has paid for the purchase of equipment and asset improvements that are usually funded by building up earmarked reserves. The annual contributions to these reserves could be paused for a year. The saving to Navigation Expenditure would be £159,225. Appendix 1 sets out the earmarked reserve balances at the end of September 2023. While these balances are currently adequate, a decision not to contribute to them next year may result in the replacement of equipment being deferred with consequent stresses on future budgets.

Table 3

Table of Options

	Option A	Option B	Option C
Expenditure	Maintain current level of patrolling	Maintain current level of patrolling	Reduce patrolling
	Contribute £159,225 to Navigation Earmarked Reserves for property plant and equipment	Nil contributions to Navigation Earmarked Reserves for property plant and equipment	Nil contributions to Navigation Earmarked Reserves for property plant and equipment
2024/25 Toll	10.2%	8.5%	6.9%
Income (excl. interest)	£4,605,930	£4,534,930	£4,468,930
2025/26 Toll *	5.0%	5.5%	6.6%

* Estimated figures dependent on a wide range of factors including the performance of the national economy

An alternative to Option B with similar costs for vessels would be to reduce patrolling and maintain the contributions to earmarked reserves. This would allow an 8.9% increase in tolls in 2024/25 and 5.5% in 2025/26.

4. Social economic, and environmental implications

- 4.1. Toll payer surveys have shown that the Authority's tolls account for less than 10% of the typical costs of owning a boat. While boat ownership may be seen by some as a luxury, we know that this is not always the case. The cost-of-living crisis is having an impact on society and its impact on the boating community using the Broads and those visiting on holiday is difficult to predict. Our community of private boat owners is diverse, and some may face difficult decisions regarding their continuing boat ownership.

5. Risk implications

- 5.1. The risks for Option A are that an increase above inflation could result in a further reduction in the number of registered private boat owners.
- 5.2. Reducing the contributions to earmarked reserves will delay the replacement of key pieces of equipment. Returning patrolling to pre-Covid levels could be seen as a risk to safety.
- 5.3. Loss of income is identified in the Corporate Risk Register under risk number 4. A 1% reduction in income on Option A equates to £46,000.

6. Conclusion

- 6.1. Rapid inflation and the cost-of-living crisis are making budgeting difficult for families, our boat owners, the hire boat companies, and the Broads Authority. The toll increases in this report are important in balancing income and expenditure.
- 6.2. If the assumptions underpinning Option A are realised, for example the number of registered boats is as predicted, then the navigation reserve will be maintained at the minimum level of 10% at the end of 2024/25.
- 6.3. The lower toll increases in 2024/25 under Options B and C will require a larger increase in the following year to maintain the minimum reserve level. This may be less palatable to toll payers if inflation falls.

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[Broads Plan](#) strategic objectives: C1, C2, C3, C4.

Appendix 1 – Navigation Income and Expenditure to 30 September 2023

Appendix 2 – Cost per m2 by Category of Vessel for the Three Options

Appendix 3 – Sample Increases for a Selection of Vessel Sizes

Appendix 1. Navigation Income & Expenditure to 30 September 2023

The table below provides a summary of income and expenditure for the Navigation budget up until 30 September.

Table 1

Actual Navigation income and expenditure by Directorate to 30 September 2023

Directorate	Profiled Latest Available Budget £	Actual income and expenditure £	Actual Variance £
Income	(4,131,719)	(4,065,684)	- 66,035
Operations	1,783,035	1,533,515	+ 249,520
Strategic Services	214,437	227,296	- 12,858
Finance & Support Services	602,002	605,817	- 3,815
Projects, Corporate Items and Contributions from Earmarked Reserves	(178,461)	(49,782)	- 128,678
Net (Surplus) / Deficit	(1,710,705)	(1,748,839)	+ 38,134

Core navigation income is below the profiled budget at the end of month six. The overall position as at 30 September 2023 is a favourable variance of £38,134 or a 2.23% difference from the profiled latest available budget. This is principally due to:

- An overall adverse variance of £66,035 within income:
 - Hire Craft Tolls is £18,290 below the profiled budget.
 - Private Craft Tolls is £71,549 below the profiled budget.
 - Short Visit Tolls and Other Toll income is £5,978 above the profiled budget.
 - Investment income is £17,826 above the profiled budget.
- An underspend within Operations relating to:
 - Construction, Maintenance and Ecology salaries is under the profiled budget by £26,668 due to the 5% budgeted pay award not being agreed by the unions.

- Equipment, Vehicle and Vessels is under the profiled budget by £103,638 due to delays in expenditure from the earmarked reserves.
- Water Management is under the profiled budget by £10,764 due to timing differences.
- Practical Maintenance is under the profiled budget by £18,430 mainly due to electricity charges and usage not being as high as predicted.
- Ranger Services is under the profiled budget by £36,237 mainly due to the 5% budgeted pay award not being agreed by the unions. This has offset the overspend on fuel.
- Premises is under the profiled budget by £39,173 due to delays in expenditure at the Dockyard from the earmarked reserves.
- An overspend with Strategic Services relating to:
 - Visitor Centres and Yacht Stations is above the profiled budget by £27,938 due to the lease at Reedham Quay not being finalised so charging cannot commence. This is offset by the underspend on salaries due to the 5% budgeted pay award not being agreed by the unions.
- An overspend within Finance and Support Services relating to:
 - Legal is above the profiled budget by £16,251 due to increased costs for Reedham Quay lease and Monitoring Officer recharges.
 - ICT is under the profiled budget by £10,656 due to timing differences.
 - Premises – Head Office is over the profiled budget by £10,361 due to an increase in service recharges relating to 2022/23.
- An adverse variance within reserves relating to:
 - Premises is under the profiled budget due to delays on Dockyard expenditure.
 - Plant, Vessels and Equipment is under the profiled budget due to delays in vehicle and equipment replacements.
 - Computer Software reserve is under the profiled budget due to delays in the toll system replacement project.

There have been no changes to the Latest Available Budget (LAB) since the last report to this committee. The latest forecast outturn is reflected in table 2 of the main report.

The balances on the earmarked reserves as at 30 September 2023 is set out in Table 2 below.

Table 2

Navigation Earmarked Reserves 30 September 2023

Reserve name	Balance at 1 April 2023 £	In-year movements £	Current reserve balance £
Property	(514,394)	(25,233)	(539,627)
Plan, Vessels and Equipment	(482,308)	(83,217)	(565,525)
Premises	(164,294)	(27,300)	(191,594)
CANAPE	(231,693)	9,764	(221,929)
Computer Software	(110,605)	(6,600)	(117,205)
Total	(1,503,294)	(132,586)	(1,635,880)

The forecast year end closing position is set to decrease to £1,170,691 as the planned expenditure takes place over the remainder of the financial year. The CANAPE reserve will be closed at the end of March and the balance transferred to the Navigation reserve and the earmarked reserves which provided the original loan to create the earmarked reserve.

Appendix 2 Cost per m² by Category of Vessel for the Three Options

No.	Category – cost per m ² except rowing, canoes etc	Current	Option A	Option B	Option C
1.	Weekly hired motor craft	£38.34	£42.25	£41.60	£40.99
2.	Weekly hired motor craft – electric and hybrid	£26.39	£29.08	£28.63	£28.21
3.	Day hired – petrol/diesel	£58.66	£64.64	£63.65	£62.71
4.	Day hired electric	£40.17	£44.27	£43.58	£42.94
5.	MCA passenger boats and small passenger boats	£50.45	£55.60	£54.74	£53.93
6.	Hired motorised sailing craft – diesel	£31.12	£34.29	£33.77	£33.27
7.	Hired sailing boats & hired motorised sailing - electric	£22.76	£25.08	£24.69	£24.33
8.	Hired houseboats	£19.44	£21.42	£21.09	£20.78
9.	Hired rowing – fixed amount	£85.39	£94.10	£92.65	£91.28
	Hired paddle craft – fixed amount	£42.69	£47.04	£46.32	£45.64
10.	Private motorboats - petrol & diesel	£17.02	£18.76	£18.47	£18.19
11.	Private motorboats electric	£13.01	£14.34	£14.12	£13.91
12.	Private motorised sailing craft - petrol & diesel	£12.59	£13.87	£13.66	£13.46
13.	Private sailing boats & private motorised sailing craft - electric	£10.40	£11.46	£11.28	£11.12
14.	Private houseboats	£6.70	£7.38	£7.27	£7.16
15.	Private rowing, canoes etc. – fixed amount	£42.69	£47.04	£46.32	£45.64

Appendix 3 Sample Increases for a Selection of Vessel Size

Cost per craft

Type of Vessel	Number	Current Charge	Option A	Option B	Option C
5 m ² Private sailing craft	349	£52.00	+£5.30	+£4.40	+£3.60
11 m ² Private sailing craft	124	£114.40	+£11.66	+£9.68	+£7.92
5 m ² Private motor boats	624	£85.10	+£8.70	+£7.25	+£5.85
15 m ² Private motor boats	237	£255.30	+£26.10	+£21.75	+£17.55
22 m ² Private motor boats	307	£374.44	+£38.28	+£31.90	+£25.74
38 m ² Private motor boats	112	£646.76	+£66.12	+£55.10	+£44.46
11 m ² Day hired boats – petrol/ diesel	47	£645.26	+£65.78	+£54.89	+£44.55
11 m ² Day hired boats - electric	23	£441.87	+£45.10	+£37.51	+£30.47
38 m ² Weekly hired motor craft	52	£1,456.92	+£148.58	+£123.88	+£100.70
48 m ² Weekly hired motor craft	57	£1,840.32	+£187.68	+£156.48	+£127.20