

**Financial Planning and Budgeting: Earmarked Reserves Strategy
and Asset Management**

Report by Head of Finance and Director of Change Management and Resources

Summary: This report sets out the issues to be considered in determining the appropriate level of earmarked reserve balances in future years and seeks the endorsement of the Financial Scrutiny and Audit Committee for the proposed earmarked reserve strategy.

Recommendations:

- (i) That the Committee considers the options for the management of earmarked reserves set out in the report and in Appendix A and determines the preferred level of contribution to reserves to be achieved in the 2014/15 budget with regard to the potential calls upon reserves set out in Appendix C.
- (ii) That the Committee determines the preferred approach to consolidation of earmarked reserves from the options set out in paragraph 4.3.
- (iii) That the establishment of earmarked reserves in respect of ring-fenced income as set out in paragraph 4.4 be approved.
- (iv) That the release of funds from those earmarked reserves with a minimal balance into 2013/14 budgets and the closure of these reserves as set out in paragraph 4.6 be approved.

1 Background

- 1.1 As part of the discussion of the Asset Management Strategy at its meeting on 23 November 2012 (and subsequently confirmed during the discussion of the 2013/14 budget on 18 January 2013), the Broads Authority agreed that the Financial Scrutiny and Audit Committee be tasked to review the Authority's earmarked reserves in order to determine the appropriate balances to be held in each reserve.
- 1.2 At its meeting on 23 November the Broads Authority further noted that an annual contribution of a minimum £(250,000) would be necessary in order to provide for the future maintenance of the Authority's assets, although noting that further work is required to take account of the management and maintenance of its public sites such as moorings, and supported the principle that these earmarked reserves be combined into three main headings (the National Park and Navigation elements of which would need to be recorded separately), as follows:

- Premises (Dockyard Site Maintenance / New Office Accommodation);
- Plant, Vessels and Equipment (Navigation Vessels and Equipment / Fen Management Equipment / Launch Replacement Fund); and
- Property (Dredging Disposal Sites / Mutford Lock / Asset Management).

1.3 Finally, the Authority agreed that further, more detailed work should be undertaken to identify financial commitments over the next three to five years in order to determine the appropriate minimum levels of funding for each reserve.

2 Overview of Current Reserve Position

2.1 As at 31 March 2012, the Authority's reserves stood at £(3,812,567)¹, made up of earmarked reserves of £(1,953,265), general national park reserves of £(932,830) and navigation reserves of £(926,472). Since 2008/09, earmarked reserves have remained consistent at around 50% of the Authority's total reserve balance. For information, Table 1 below sets out the actual movements in reserves over the period 2006/07 – 2011/12, during which time the Authority's reserves increased by 81%. This compares with an average increase across councils of 36% in the same time period.²

Table 1 – Broads Authority Reserves 2006/07 – 2011/12

| Reserve: | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Earmarked | (854,942) | (1,154,744) | (1,658,367) | (1,625,189) | (1,658,237) | (1,953,265) |
| General National Park | (857,218) | (850,013) | (979,249) | (904,043) | (720,383) | (932,830) |
| Navigation | (395,826) | (506,281) | (526,144) | (579,311) | (782,029) | (926,472) |
| Total Reserves | (2,107,986) | (2,511,038) | (3,163,760) | (3,108,543) | (3,160,649) | (3,812,567) |

2.2 The forecast outturn for the current financial year, 2012/13, anticipates a significant draw-down of both general (National Park and Navigation) and earmarked reserves to fund the Authority's relocation to Yare House, construction of the new Dockyard facility, capital works at Breydon Water and the purchase of moorings and various items of capital equipment. The impact of this deficit budget and draw-down of reserves is to restrict the Authority's capacity to make contributions to reserves in 2013/14 and 2014/15, particularly from Navigation budgets, as there is a requirement in this period to build the general Navigation reserve back to the recommended minimum level of 10% of net expenditure.

3 Current Earmarked Reserve Balances

3.1 The current balances of earmarked reserves (as at 31/12/12) and a brief description of their purposes and the latest plans for contributions / withdrawals are set out below:

¹ In accordance with proper accounting practice and their treatment within the Authority's Statement of Accounts and financial systems, reserves are referred to throughout this report as credit (negative) balances.

² Audit Commission. *Striking a Balance: Improving councils' decision making on reserves*, Audit Commission, December 2012.

- 3.2 *Asset Management (National Park) - £(74,346)*
Reserve set up to provide for future repair and maintenance of the Authority's recreation and countryside property assets, as prioritised through the Asset Management Plan.
- 3.3 *Fen Management Equipment (National Park) - £(59,161)*
Short-term reserve established to provide for the selection and purchase of a Fen Harvester. The current balance takes account of a deposit paid in December 2012.
- 3.4 *Implementing Electronic Government (National Park) - £(0)*
Balance of grant supplied by ODPM (The Office of the Deputy Prime Minister, now the Department for Communities and Local Government) for the purpose of improving IT systems. This reserve has been closed in 2012/13 as the remaining balance has been used as planned to fund ICT licences and support costs.
- 3.5 *Mobile Phone Upgrade (National Park 67% / Navigation 33%) - £(14,895)*
A reserve set up to provide for the replacement and acquisition of mobile phones.
- 3.6 *New Office Accommodation (National Park) - £(76,090)*
Balance of Defra grant awarded to enable the Authority to move to new premises.
- 3.7 *Planning Delivery Grant (National Park) - £(496,875)*
Balance of Defra and ODPM grants awarded to deliver the planning service.
- 3.8 *Sustainable Development Fund (National Park) - £(43,208)*
Balance of Sustainable Development Fund grant supplied by Defra.
- 3.9 *Section 106 Agreements (National Park) - £(5,000)*
A reserve established for ring-fenced amounts relating to Section 106 planning agreements which are held by the Authority to offset the costs of development and are paid out in accordance with the agreement.
- 3.10 *STEP (National Park) - £(67,218)*
A reserve set up for a European grant part funded project relating to Sustainable Tourism in Estuary Parks.
- 3.11 *Dredging Disposal (Navigation) - £(137,950)*
Navigation Fund reserve to provide for the acquisition of sites for the disposal of sediment from dredging. At its meeting on 18 January 2013, the Broads Authority approved the purchase of a moorings site to be funded from this reserve. This transaction is reflected in Appendix A.
- 3.12 *Dockyard Vessels and Equipment (Navigation) - £(135,433)*
Navigation Fund reserve to provide for the future replacement and acquisition of vessels and equipment by the Dockyard Team.

3.13 *Dockyard Site Maintenance (National Park 40% / Navigation 60%) - £(40,459)*
Navigation Fund reserve to provide for the future maintenance and improvement of the Dockyard site, including the access road.

3.14 *Mutford Lock Endowment Fund (Navigation) - £(271,874)*
Navigation Fund reserve for the future maintenance and repair of Mutford Lock.

3.15 *PRISMA (Navigation) - £(74,532)*
A reserve account set up for European grant part funded projects and trials relating to the development of sustainable techniques and methods for the dredging, treatment and reuse of sediment.

3.16 *Vessel Replacement Fund (Navigation) - £(130,024)*
Navigation Fund reserve for the purchase of water borne vessels.

4 Consolidation of Earmarked Reserves

4.1 As set out in paragraph 1.2 above, the Broads Authority has agreed the principle of consolidating existing earmarked reserves under the following headings:

- Premises;
- Plant, Vessels and Equipment; and
- Property.

4.2 In addition it is proposed that the remaining reserves which do not sit within the above categorisations could be consolidated into a further heading of "other earmarked reserves," although these will continue to be held individually within the accounting system. The reserves maintained in respect of the STEP and PRISMA projects will continue to be reported separately. Table 2 below sets out the projected balances of earmarked reserves as at 31/03/13, after this consolidation has been applied.

Table 2 – Summary of Projected Earmarked Reserve Balances as at 31/03/13 following Consolidation

| Reserve | Allocation | Projected balance 31/03/13 (£) |
|--------------------------------|-------------------------------------|--------------------------------|
| Asset Management | 100% National Park | (74,346) |
| Dredging Disposal Sites | 100% Navigation | 0 |
| Mutford Lock Endowment Fund | 100% Navigation | (267,374) |
| Property Reserve | | (341,720) |
| Fen Management Equipment | 100% National Park | (71,662) |
| Dockyard Vessels and Equipment | 100% Navigation | (130,892) |
| Vessel Replacement Fund | 100% Navigation | (62,869) |
| Pool Vehicle Replacement | 67% National Park 33% Navigation | 0 |

| | | |
|---|-------------------------------------|--------------------|
| Plant, Vessels and Equipment Reserve | | (265,423) |
| New Office Accommodation | 100% National Park | (76,090) |
| Dockyard Site Maintenance | 40% National Park 60% Navigation | (15,000) |
| Premises Reserve | | (91,090) |
| Planning Delivery Grant | 100% National Park | (476,564) |
| Sustainable Development Fund | 100% National Park | (75,142) |
| Implementing Electronic Government | 100% National Park | 0 |
| Mobile Phone Upgrade | 67% National Park 33% Navigation | (14,895) |
| Section 106 Agreements | 100% National Park | (5,000) |
| Other Earmarked Reserves | | (571,601) |
| STEP | 100% National Park | (79,942) |
| PRISMA | 100% Navigation | (340,573) |
| Total Earmarked Reserves | | (1,690,349) |

4.3 There are two broad options for the consolidation of the Authority's earmarked reserves:

- A change in the presentation of the earmarked reserves to members, rather than a complete amalgamation of the various balances, with reporting being undertaken at the level of the sub-totals included in Table 2. This would support easier tracking of the "historic" balances within the accounting system and minimise the risk of any audit queries.
- The closure of the current reserves listed within the Property, Plant, Vessels and Equipment and Premises reserve sub-totals above and transfer of the balances to new earmarked reserve accounts with these headings (with separate National Park and Navigation reserves in each case). This would result in a loss of the ability to track individual amounts transferred into the reserves (for example it would not be possible to ensure that an amount transferred from the Dockyard revenue budget would ultimately be spent on the Dockyard, but rather that it would be spent on wider premises expenditure). As a result of this consideration, it would also be necessary to maintain a separate reserve account for the income received in respect of the Mutford Lock Endowment Fund (£150,000), which is ring-fenced. In addition, there are a number of other earmarked reserves which in reality relate to fully ring-fenced amounts, such as Section 106 Agreement monies, which it would not be possible to treat in this way. This would in practice mean the creation of three larger, more generic, earmarked reserves to be operated alongside a number of smaller specific reserves.

4.4 The Authority is currently in receipt of ring-fenced funding for various projects but particularly the Upper Thurne Enhancement Scheme and works at Trinity Broads. These sums are restricted for use on the specific projects for which the funding is given and historically any unspent amount in these budgets has been carried forward from year to year. With regard to the Upper Thurne in particular it has not been easy to identify, plan and implement appropriate projects which meet the necessary criteria, with the result that large budgets

have been rolled forward from one year to the next with either limited capacity to utilise them or as a means of building up a larger balance to enable a more significant project to be undertaken. This approach risks distortion in the Authority's normal monitoring process as it leads to large budgets which will inevitably underspend and adds complexity to the budgeting process in tracking ring-fenced amounts. The use of earmarked reserves in respect of these two budgets would resolve these issues. It is therefore proposed that at the end of the 2012/13 financial year, the underspend on these two budgets be transferred to two new earmarked reserves. The amount to be transferred to an earmarked reserve for the Upper Thurne Enhancement scheme can be estimated at this point as approximately £70,000, whilst the transfer to any Trinities reserve will depend on the final year-end position of that budget.

- 4.5 Appendix A sets out in detail the movements into and out of earmarked reserves as currently anticipated in the Authority's 2013/14 budget and Financial Strategy to 2015/16. This includes the reserves held for the STEP and PRISMA projects, although in light of the difficulty in forecasting the movements in these reserves (due to uncertainty around the timing of payments from the Lead Partner), they are simply reflected as being reduced to a zero balance in the year that the project ends. This is because any amount in the reserve will either be spent on the delivery of the project or released back to the general National Park or Navigation reserve at the end of the project as appropriate (although there is no anticipation of any balance remaining at the end of the PRISMA project).
- 4.6 Appendix A also identifies a number of earmarked reserves which either currently have, or are projected to reduce to, a relatively low balance position. This applies in particular to the Mobile Phone reserve in 2012/13 and the Fen Management Equipment reserve in 2013/14. It is proposed that these smaller balances could be released back to the appropriate budget lines (ICT and Fen Management respectively) in 2013/14 and then ultimately (if unspent) returned to general balances at the end of the financial year. It is anticipated the Mobile Phone reserve money would be used to fund the purchase of IT hardware during 2013/14.

5 Planned use of Reserves and Contributions to Reserves 2013/14 – 2015/16

- 5.1 The recent asset management report to the Navigation Committee and Broads Authority (Appendix B) recommended that contributions to reserves of approximately £(250,000) per annum would be necessary in order to provide for a planned approach to the maintenance and replacement of assets. This figure is broken down as follows:

- Premises - £(30,000)
- Plant, Vessels and Equipment - £(128,500)
- Property - £(87,000)
- Total - £(245,500)

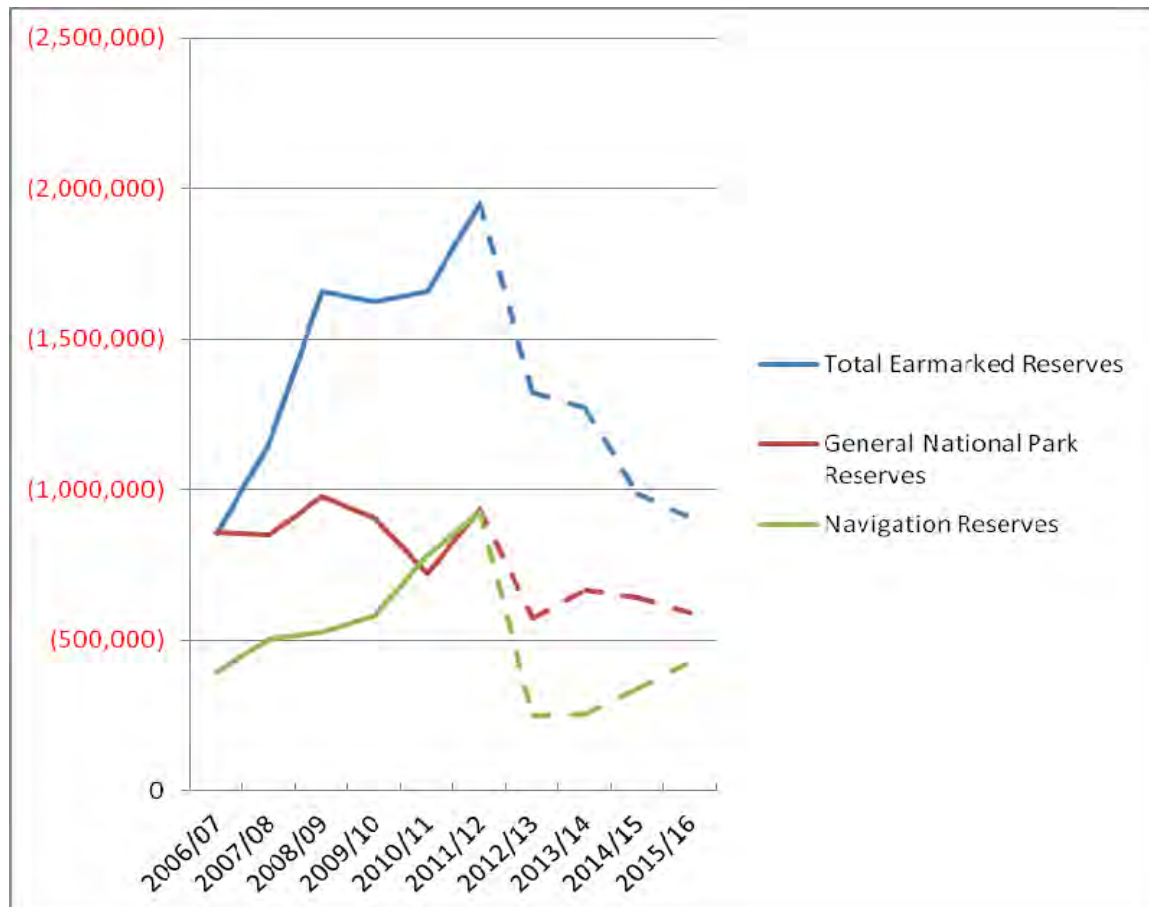
- 5.2 The current capital spending plans, with their associated draw-down of navigation reserves, mean that this level of contribution to reserves is not currently achievable. In the 2012/13 budget only £(208,500) of this figure was budgeted, whilst the budget agreed for 2013/14 by the Authority on 18 January 2013 provides for a contribution to reserves of £(143,000), which includes an estimated £(40,000) income from the sale of two launches and £(2,000) rental income in relation to Mutford Lock.
- 5.3 The difference between the contribution to reserves currently anticipated (as set out in Appendix A), and the recommended level of contribution (in other words, the additional contribution, not currently provided for in the budget, which would be needed to achieve the recommended level of contribution), is set out in Table 2 below.

Table 2 – Variance Between Anticipated and Recommended Reserve Contributions

| Reserve: | 2013/14 | 2014/15 | 2015/16 |
|------------------------------|----------------|----------------|----------------|
| Property | 85,000 | 60,000 | 35,000 |
| Plant, Vessels and Equipment | 17,500 | 35,000 | 35,000 |
| Premises | 0 | 0 | 0 |
| Total | 102,500 | 95,000 | 70,000 |

- 5.4 The contributions outlined in Table 2 would support additional expenditure (as set out in Appendix B) of £60,000 per annum from the property reserve for the purchase and / or repiling of moorings and £85,000 from the Plant, Vessels and Equipment reserve in 2015/16 for the fit-out of a further Launch.
- 5.5 Chart 1 below shows the changes in the Authority's general National Park, Navigation and earmarked reserve balances from 2006/07 and projects the level of balances from 2012/13 to 2015/16 (the dotted lines) based on current plans. Earmarked reserves are projected to be significantly reduced in this financial year 2012/13 and there is a subsequent further draw-down under the current strategy in 2014/15 and 2015/16, resulting in earmarked reserves of around £(900,000) by the end of the period.

Chart 1 – Historic and Projected Reserve Balances



6 Conclusion

6.1 The Committee is asked to consider the levels of projected earmarked reserve balances as set out in Appendix A in view of the information in this report, the recommendations set out in Appendix B and the potential commitments and liabilities set out in Appendix C in order to give guidance on the level of contribution to reserve that the Authority should aim to provide for in the 2014/15 budget.

Background Papers: Nil

Author: Rob Holman / Titus Adam
Date of Report: 30 January 2013

Broads Plan Objectives: None

Appendices: APPENDIX A – Earmarked Reserve Strategy 2012/13 – 2015/16
APPENDIX B – Asset Management Strategy (Broads Authority 23 November 2012 Agenda Item 11)
APPENDIX C – Overview of Reserves and Anticipated Liabilities

Broads Authority
23 November 2012
Agenda Item No 11

Asset Management Strategy

Report by Chief Executive, Director of Operations and Asset Officer

Summary: This report sets out the progress that officers have made to date in the development of the Asset Management Strategy and implementation of the recommendations set out in the Internal Audit report on asset management dated April 2009. Consideration is also given to the next steps to identify appropriate budget provision for the necessary capital replacement plan for the Authority's assets.

Recommendations:

- (i) To note the progress and endorse the process for the development of a Capital Plan for the Authority's assets.
- (ii) To note that an annual contribution of at least £250,000 per annum will be required in order to provide for the future maintenance of the Authority's assets.
- (iii) Refer the detailed consideration of the earmarked reserve accounts to the Financial Scrutiny and Audit Committee for consideration on consolidating them into three main headings.
- (iv) Approve the land swap arrangements at How Hill and authorise officers to complete the necessary legal process.
- (v) Approve the extension of delegated powers to the Chief Executive in relation to the disposal of land and property to a maximum value of £25,000.

1 Background

1.1 Asset management was identified as a key priority for the Broads Authority following an internal audit carried out in 2008/09, and a new post of Asset Officer was created as part of the restructuring in 2011. A key part of the new role is to develop an Asset Management Strategy which would ensure that the Authority's land, property and other assets are managed and maintained as effectively as possible.

1.2 Six key recommendations were made in the internal audit report:

- (i) Asset Management Strategy (medium priority)
An Asset Management Strategy has been developed and was approved by the Broads Authority in July 2012. The Strategy will be

reviewed annually and amended and updated as required.

- (ii) Policy and Procedures (high priority)
A number of policies and procedures have been developed (e.g. Guidance note on using Norfolk Property Services and a land / property acquisition template). These procedures will need to be strengthened and added to over time – e.g. to ensure the Authority no longer enters into “gentlemen’s agreements” but has a clear record of all its property dealings. Similarly, formalised legal agreements will be put in place where legal documentation is lacking at a number of key sites and the Authority is disposing of sites which do not fulfil a need and where there is doubt over ownership/ responsibilities.
- (iii) Database and monitoring (low priority)
The Authority is working towards developing a consolidated asset database with assigned responsibilities. Land and property records have been centralised within an MS Excel spreadsheet and all associated documentation has been scanned and stored within a document management system. The next stage in the process is to extend this system in 2013/14 to a multi-user database to provide a more flexible and functional system for managing and viewing land as property asset information.
- (iv) Central Monitoring of Maintenance Expenditure (medium priority)
Whilst an Asset Management Reserve Account has been set up, maintenance costs are being recorded at a site/property level (i.e. budget codes have been introduced for individual sites) and it is envisaged that the Dimensions financial system will be used to monitor all asset related maintenance and capital expenditure.
- (v) Reconciliation of the fixed asset register (medium priority)
The asset register should be fully reconciled to other records on a regular basis (e.g. quarterly) and a periodic verification exercise undertaken. This is ongoing.
- (vi) Authorisation of acquisitions and disposals for operating leased assets (medium priority)
Authorisation of acquisitions and disposals for operating leased assets such as 24hr moorings should be formalised and documented. The Asset Management Strategy makes reference to practices and procedures for acquisitions and disposals and cites the Scheme of Powers Delegated to Officers, the Authority’s Financial Regulations and Standing Orders Relating to Contracts, in relation to the acquisition of leasehold assets such as 24hr moorings, and also to the Instruction for the Acquisition/Disposal/Agreement for an Asset or Accrual of Liability form for detailing formal agreements.

1.3 The Authority has made significant progress in developing its asset management practices over the past two years, following the recommendations in the Internal Audit report. The next stages will be to

migrate the land and property data into an asset database, and record other relevant information; link the database to a map based system using GIS; and refine the processes for the ongoing inspection and assessment of assets, to identify and cost future repair and maintenance liabilities.

- 1.4 The Authority will then be in a better position to ensure that appropriate budgetary provision is made both in the long and short term to satisfy the requirements of the auditors.

2 Current Asset Provision

- 2.1 As a first step in developing a Capital Asset Plan for the Asset Management Strategy, officers have reviewed the existing arrangements which have been developed on an ad hoc basis in the past dealing with individual assets owned by the Authority where a renewal programme has been identified as a prudent measure. These are summarised in Appendix 1.

- 2.2 The position in respect of Navigation assets is well understood, partly because the assets are mainly centrally located but also because a thorough investigation of the May Gurney assets was made in advance of their transfer and PKF, a local firm of accountants, made recommendations on the financial provision for their repair and replacement. Further work is need on the assets funded by National Park Grant because they are dispersed throughout the Broads, the legal arrangements sometimes need clarifying and the replacement costs are more difficult to estimate. The main issues for the Authority are as follows.

2.3 Premises

The main issue in the short term is the shared liability for the repair of the access road at the Griffin Lane Dockyard which is in poor condition. The Authority's share could be in the order of £60,000. The PKF report recommended that the Authority should put aside £30,000 per annum for the maintenance liabilities associated with the site.

2.4 Plant Vessels and Equipment

The replacement of the Fen Harvester is now required as the current machine is over ten years old, and works in very difficult conditions. An improved model has been identified and it is hoped to place an order shortly at a cost of approx £100,000.

Vessels and Equipment

Following the take over of the May Gurney dredging operations, the PKF independent report recommended a contribution of £60,000 per year in order to plan for the replacement of the ageing fleet which was transferred to the Authority at nil cost. This plan has been reviewed and updated following the recent investment in equipment (Appendix 1) and it can be seen that annualised costs of £125,000 are still required for both refit and replacement costs, of which £60,000 is currently budgeted for annual refit costs. The key issue is the need for three replacement wherrys at approximately £100,000 each because the current vessels are beyond economical repair.

Launch Replacement Strategy

Members agreed a Strategy for the rolling replacement of the Ranger launches in June 2011, given the age of the fleet and the ongoing need for patrolling. A new launch has been purchased this year for Breydon and a contract will be let shortly for the lay up of two hulls on the mould tool previously purchased. It is intended that one of these hulls be fitted out this year, and the other be stored until sufficient funds have been accrued, as the reserve account will have been depleted. Additionally, this process will allow disposal of two of the oldest launches, which will contribute to future expenditure.

Vehicle Replacement

The restructure process identified savings of £1,000 to £1,500 per vehicle per annum through ownership rather than lease, and therefore as vehicles have reached the end of their life they have been replaced by purchasing more economical options. However, these vehicles are estimated to have a life of 7 to 10 years, and so financial provision will be required for replacements, the first of which will be needed next year.

Trip Boats

The Authority owns and operates three trip boats as a key part of its delivery of promoting understanding through our visitor hubs. The insured value of these vessels is £129,000, but no provision has been made for the replacement of these vessels as they come to the end of their life. The most modern, 'Ra' is already over 10 years old.

Other Equipment

The Authority also owns a number of other assets which are necessary to the operation of the business. For this purpose, small tools and equipment have not been considered but there are six dumpers/ tractors which will need to be replaced in due course.

2.5 **Property**

Mutford Lock is the Authority's largest single liability and at some stage very significant sums of money will be needed to repair it, potentially in the order of £1 million. An endowment fund was established in the late 1990's with the commuted sum which was transferred to the Authority, and members have previously agreed that a further annual contribution of £25,000 be made. It is suggested that a minimum level of £500,000 should be maintained in order that the Authority may be able to seek match funding for the reconstruction of the lock chamber.

Moorings/Dredging Sites

The Authority currently offers over 60 free 24hr moorings, owns five pontoons and also requires dredging disposal sites in order to maintain the dredging programme. The Mooring Strategy previously identified the need to repile at least one site per year as well as having an ambition to increase moorings by at least one per year. The current level of revenue budget does not enable either of these requirements to be met.

Countryside Sites

As part of the Authority's restructuring process the Authority has consolidated its countryside activity, and handed back a number of sites which no longer fulfil the criteria identified. However, there are a huge number of structures and countryside furniture which has been installed in the Broads over the last 20 years which the Authority has a responsibility to remove at minimum, or replace as necessary. A complete survey of these sites and structures is planned to be completed over the coming year, in order to refine the information and provide quantifiable estimates for the work.

2.6 **Planning Delivery Grant**

The Authority was awarded Planning Delivery Grant for its excellent performance in delivering the planning service. The Authority is encouraged to employ the money towards continuing to operate a high quality planning operation though it is not ring fenced. It is held in a separate reserve account for which the Authority has identified a number of projects in the Financial Strategy including match funding and HLF Landscape Partnership bid. At the end of 2015/16 it is suggested that it will need to be reconsidered as to whether it is absorbed into one of the three main earmarked reserve accounts.

3 **Investment Plan**

3.1 Appendix 2 contains a Draft Investment Plan. It can be seen from the appendices that contributions of a minimum of £250,000 per annum are currently identified as the capital provision required for the replacement of assets. However, of this figure only £208,500 is currently budgeted in 2012/13. Additionally, no provision has been made for the capital maintenance of most of the Authority's property, the costs of which are currently being assessed. For this purpose we have not identified any item which has a value of below £5,000.

3.2 It is recommended that the contributions for 2013/14 should be increased to £243,500 and that officers complete the exercise in time for the development of the 2014/15 budget. Appendix 2 sets out the annual movements and proposed expenditure in the three earmarked reserves.

4 **Earmarked Reserve Accounts**

4.1 It is suggested that the present specific reserve accounts could be combined into three main headings as follows:

1. Premises (Dockyard site maintenance + New Office Accommodation);
2. Plant, vessels and equipment (Navigation Vessels and Equipment, Fen Management Equipment and Launch Replacement Fund); and
3. Property (Dredging disposal sites, Mutford Lock and Asset Management).

The separate National Park Grant/Navigation Expenditure elements will need to be separately recorded but for the purposes of this report they have been consolidated.

- 4.2 It is proposed that the Financial Scrutiny and Audit Committee has a close look at the reserves and determines the appropriate minimum levels of funding for each.

5 Summary of Position

- 5.1 The Authority has acquired over a long period a wide range of assets and is making good progress in cataloguing them and understanding the full implications of maintenance and repair costs. The Authority has made prudent provision for many of the liabilities for future expenditure in a series of earmarked reserve accounts to cover repair and replacement of these assets. Further work is required to confirm the level of financial provision that needs to be made in respect of Mutford Lock, the speed with which the older items of ex May Gurney equipment can be replaced and the number and size of the earmarked reserve accounts. It is proposed that these issues be considered by the Financial Scrutiny and Audit Committee.

6 How Hill

- 6.1 The Broads Authority was approached by the How Hill Trust about the possibility of acquiring the freehold of the water garden area, which is currently managed by the Trust and leased from the Broads Authority. The Trust currently does not have full control or responsibility of the area that would enable them to best make use of the area for their own purposes. The Broads Authority is currently responsible for tree safety in the water gardens (as in all areas leased by the How Hill Trust), so this would be a liability removed from its responsibility. There are a lot of mature trees and it is well used by the public, so it is a high risk/maintenance area.
- 6.2 There is also a small area of woodland the How Hill Trust currently owns, which is suggested should transfer into Broads Authority ownership. If this was to be the case, it is intended that it would then fall in the area to be leased back to the How Hill Trust, and as such would be managed on a day to day basis by the How Hill Trust. As a consequence the Broads Authority would be responsible for tree safety in the woodland. In practice, tree safety assessment of this area is relatively simple and would fall into the Authority's existing programme, with no gaps between our protocol and that of the How Hill Trust. The Broads Authority promoted nature trail goes through the piece of woodland, so bringing the route of this pathway into Broads Authority freehold makes sense as we are already inviting the public into this area.
- 6.3 Initial guide estimates provided by the Authority's property consultants value the parcels of land as follows: -

A. Water Gardens

Site area estimated as 4.40 acres.

Freehold value ignoring pavilion (How Hill Trust property) in the region of **£20,000**.

B. Wood adjacent How Hill

Site area estimated as 0.80 acre. Freehold value in the region of **£4,000**.

- 6.4 Members are asked to approve this land swap in order to clarify the respective responsibilities between the partners. Whilst it is recognised that there is an imbalance in the relative values of the parcels of land, the Authority supports and promotes the aims of the Trust and would not look to sell this parcel to a third party as it is a key part of the estate.

7 Delegation of Powers

- 7.1 Currently under the Scheme of Powers Delegated to Officers, approved by Broads Authority in 29 June 2007, powers delegated to the Chief Executive in respect of land are as follows: -

(28) To approve the acquisition by the Authority of:

- (i) the leasehold interest in property for any term to an annual rent not exceeding £10,000;
- (ii) the freehold interest in property at a price not exceeding £25,000.

(29) To approve increases in rent not exceeding £10,000 per annum.

(30) To enter into permissive path agreements and access agreements.

(31) To grant wayleaves, licences, easements and highway dedications over the Authority's land.

- 7.2 There is an apparent gap in the delegations in that no parallel delegations exist for the disposal of assets and it is suggested that the same values be used i.e. delegating to the Chief Executive the ability to dispose of land or property with a freehold or leasehold interest, the freehold value of which does not exceed £25,000.

Background papers: None

Author: Angie Leeper/Trudi Wakelin/John Packman

Date of report: 13 November 2012

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Summary of Previously Agreed Liabilities
APPENDIX 2 – Draft Investment Plan

Summary of Previously Agreed Liabilities

| Item | Estimated Cost | Financial provision for renewal/ replacement | Comments |
|---|--|--|---|
| Premises Strategy Dockyard maintenance | £30,000 pa, per PKF report 2007 and reconfirmed by BA June 2011 | Dockyard site maintenance reserve £15,000 @ 31/03/13. Road repairs scheduled for 2013/14 | The BA is responsible for 49% of costs for road maintenance, as well as all repairs for the buildings on site and quay heading. |
| Plant, vehicles and vessels Vessels and equipment | £60,000 pa per PKF report 2007, agreed by BA September 2009 | Vessels and Equip reserve £130,892 @ 31/03/13 | The inventory and condition of vessels and equipment has been reviewed, see Appendix. Ongoing provision of £60,000 pa is recommended |
| Launch replacement Strategy | £22,500 pa, agreed by BA June 2011 | Launch replacement fund £2,869 @ 31/03/13 | Strategy required to provide for a rolling programme of launch replacement over 20 years |
| 34 owned Vehicles 9 leased vehicles | £46,000 pa is required to prepare for the replacement of the vehicle fleet | £11,000 has been budgeted for pool vehicle replacement only in revenue budget | The restructure identified savings of £1,000-1,500 per vehicle per year through ownership rather than lease. However, these vehicles are estimated to have a life of 7-10 years, and so financial provision will be required for replacements |
| 3x trip boats | Insured value £129,000 | None | Running costs in revenue budgets |
| 6x dumper/ tractors | Not available | None | Running costs in revenue budget |
| Property Mutford Lock | £25,000 pa as agreed by BA September 2006 | Mutford Lock Endowment Fund £292,374 @ 31/03/13 | The fund was established with an endowment from ABP. Capital costs are estimated at £1m for renewal of lock chamber Future expenditure is difficult to predict as major |

| | | | |
|---|---|--|--|
| 62x Moorings | Not yet available | Revenue budget only, £135,000 in 2012/13 | repairs to the infrastructure may be necessary at any time. Estimated life of a mooring 40 years, many are now older than this. Mooring strategy previously recommended a rolling programme of one renewal per year |
| 6x pontoons 4x Tourist Information Centres, 2x buildings, 16x premises 25x land/water sites Aids to navigation | Running costs only, estimated costs for future maintenance requirements not yet available | Annual revenue budgets Asset management reserve @ £74,346 @ 31/03/13 | Works are ongoing to identify the estimated maintenance/ replacement costs, will need to determine appropriate programmes for replacement to determine necessarily annualised contributions |
| Postwick Tip | £2,500 annual licence fee, £30,000 surrender licence Construction works can be completed in house | Dredging disposal site reserve £122,950 @ 31/03/13 with annual contributions of £60,000 | Reserve fund set up to develop a network of disposal sites as agreed by BA in 2008. No sites yet purchased due to landowner attitudes. |

Appendix

| Item | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Estimate Replacement Required |
|---------------------|--------|-------|---------|---------|---------|---------|-------|--------|-------|---|
| weedcutter Horace | | | | | | | | | | |
| annual refit | 4000 | 4000 | 4000 | 4000 | 4000 | 4000 | 4000 | 4000 | 4000 | 2020 |
| new weecutter refit | | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | |
| overhaul | 10000 | | | | | | | | | |
| Didler | | 1500 | 1500 | 5500 | 1500 | 1500 | 5500 | 1500 | 1500 | 2025 |
| Z1 | 1500 | 1500 | 4000 | 1500 | 1500 | 4000 | 1500 | 1500 | 1500 | 2022 |
| Shovellor | 1500 | 23000 | 3000 | 3000 | 3000 | 3000 | 10000 | 3000 | 3000 | 2032 |
| Colossus | | | | 5000 | | | | | | 2030 |
| Brown Bob | | | | | | | | | | |
| Cattle barge | 2000 | | | | | | | | | |
| Regal | | | | | | | | | | Scheduled for disposal |
| 2x London lighters | | | | | | | | | | Scheduled for disposal |
| Richard | 6000 | 1500 | 1500 | 1500 | 6000 | 1500 | 1500 | 1500 | 1500 | 2023 |
| Cannonbrdo | | 5000 | 1500 | 1500 | 1500 | 1500 | 6000 | 1500 | 1500 | 2027 |
| Bantam | | 1500 | 1500 | 1500 | 1500 | 1500 | 1500 | 1500 | 1500 | 2026 |
| Iona | | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 2052 |
| Virtue | | 3000 | 3000 | 3000 | 3000 | 3000 | 3000 | 3000 | 3000 | Dispose 2019 |
| Tony Hewitt | | 1500 | 10000 | 1500 | 1500 | 1500 | 1500 | 1500 | 1500 | 2037 |
| John Fox | | 3500 | 1500 | 1500 | 1500 | 1500 | 1500 | 1500 | 1500 | 2035 |
| Blucher | | | | | | | | | | Scheduled for disposal |
| Go Forward | | | 100,000 | | | | | | | 2014 |
| Junior | | | | 100,000 | | | | | | 2015 |
| Onward | | | | | 100,000 | | | | | 2016 |
| Senio | | | | | | 100,000 | | | | 2017 |
| Grab 7 | | | 6000 | 50,000 | | | | | | |
| Grab 10 | | | 5000 | | 50,000 | | | | | |
| RB22 (66) | 1500 | | | | | | | | | 2022 |
| RB22 | | | 3000 | | | | | | | 2020 |
| 2x JCB | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | |
| JCB 160 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | |
| Fen harvester | 100000 | | | | | | | | | |
| Linkflotesx 8 | | | | | | | | | 80000 | |
| Total | 130500 | 51500 | 151000 | 185000 | 180500 | 128500 | 41500 | 103000 | | Average yearly budget for refurb/replacement= 125,000 |

running costs also need to be budgeted

Please note that the costs shown are a ballpark figure based on the last price received for work carried out on site with steel prices fluctuating weekly based on this figure expected to go up as the years progress so to be used as a guide only

Draft Investment Plan

| | End of 2012/13 | 2013/14 | 2014/15 | 2015/16 | |
|-----------------------------------|-------------------|-----------|-----------|-----------|---|
| Premises | | | | | |
| | | +30,000 | +30,000 | +30,000 | |
| | | -45,000 | | | Road repairs for Dockyard scheduled for 2013/14 |
| | | | | -60,000 | Boatshed and Jetty replacement £60,000 |
| Balance | +15,000 | 0 | +30,000 | 0 | |
| Plant Vessels and Equipment | | | | | |
| | | +128,500 | +128,500 | +128,500 | |
| | -100,647 | | | | Replacement Fen Harvester being ordered this year |
| | | -100,000 | 0 | -150,000 | New wherry in 2013/14 and new wherry and crane barge in 2015/16 |
| | | | | -85,000 | New launch hull and fit out. |
| | | -11,000 | -13,000 | 0 | Replacement vehicles |
| Balance | +133,761 | +151,261 | +266,761 | +160,261 | |
| Property | | | | | |
| | | +87,000 | +87,000 | +87,000 | |
| | 122,950 | -60,000 | -60,000 | -60,000 | Proposed purchase for repiling of moorings/ dredging sites |
| | | ? | ? | ? | Replacement and repair of NPG assets |
| Balance | +366,720 | +393,720 | +420,720 | +447,720 | |
| Total of Earmarked Reserves | +515,481 | +544,981 | +717,481 | +607,981 | |
| Planning Delivery Grant | | | | | |
| | | -£119,000 | -£85,000 | -£45,000 | NPG – various projects |
| Balance | +£476,564 | +£316,564 | +£231,564 | +£186,564 | |

| Reserve | Projected Balance as at 31/03/2013 | Potential Commitments and Liabilities |
|------------------------------|------------------------------------|---|
| Property | (341,720) | <p>Mutford Lock Renewal of lock chamber estimated at £1,000,000. Suggested balance of reserve £500,000 support the seeking of match-funding.</p> <p>Moorings Authority currently responsible for 62 moorings with recommended renewal of one mooring per Estimated mooring life of 40 years. Precise replacement costs unknown, but could require approximately £100,000 per annum.</p> <p>Other Assets Other assets include pontoons, Tourist Information Centres and other land and water assets including National Park assets. Detailed asset management plan and maintenance / repair strategy being developed. Precise costs unknown.</p> |
| Plant, Vessels and Equipment | (265,423) | <p>Fen Management Equipment Replacement Fen Harvester to be purchased 2013/14 (order placed). Cost of £100,000.</p> <p>Dockyard Vessels and Equipment New Wherry in 2013/14 estimated at £100,000 based on current construction contract. Further Wherry and Crane Barge in 2015/16 estimated at £150,000. Other equipment replacement costs estimated to require provision of £60,000 per annum.</p> <p>Launches Ranger launches on a rolling 20-year replacement cycle (approximately £120,000 per launch every years).</p> <p>Pool Vehicles Pool vehicles on a rolling replacement programme including 4x4 vehicle in 2013/14 (£11,000 electric vehicle in 2014/15 (£11,000)).</p> |
| Premises | (91,090) | <p>Dockyard Access road repairs scheduled for 2013/14. Precise costs unknown but Authority element likely in the region of £45,000.</p> <p>Dockyard Possible Boatshed and Jetty replacement in 2015/16 estimated at £60,000.</p> <p>Dragonfly House Potential additional costs for the Authority's occupation up to November 2012 although some of these could be covered by a provision made in 2012/13 (see separate report).</p> |
| Total | (698,233) | |