

Navigation Income and Expenditure: 1 April 2012 to 31 December 2012
Report by Head of Finance

<p>Summary: This report summarises actual income and expenditure for the nine month period to 31 December 2012, and provides a forecast of the projected expenditure at the end of the financial year (31 March 2013). The report provides details of major variances expected at year end and the reasons these are anticipated.</p>

1 Introduction

- 1.1 This Budget Monitor report is presented in the new format and includes details of the profiled original budget. The focus of the report is the forecast outturn for the year, which is intended to provide members with a more accurate picture of expected activity for the full financial year. This report provides details of the Authority's Navigation expenditure.
- 1.2 Appendix 1 provides a forecast of the 2012/13 outturn (the expected actual expenditure at the end of the financial year), compared to the original budget for the year agreed by the Authority in January 2012. A commentary about significant variances from the original budget is provided within the appendix.
- 1.3 In addition, Appendix 1 shows the actual income received and expenditure incurred for the period April 2012 to December 2012 compared with the profiled original budget for the year.
- 1.4 Finally, Appendix 1 also presents details of actual movements in earmarked reserves for the period to date and the balance of earmarked reserves at the end of December 2012.

2 Overview of Actual Income and Expenditure

- 2.1 Total income for the period is £2,800,007, which is 98.17% of the original budget for the year and 99.47% of the profiled budget.
- 2.2 Total net expenditure is £2,273,386, which is 74.53% of the original budget and 94.37% of the profiled budget.
- 2.3 This results in an actual underspend against the profiled budget of £120,672 in December (a favourable variance). This position is due to the significant variances set out in paragraph 2.4 below. As reported in previous months, the forecast outturn continues to anticipate that there will be a significant deficit position by the end of the financial year.

- 2.4 The current actual underspend is explained by the following key variances (variances of +/- £10,000):

Consolidated Income & Expenditure as at 30/11/2012		£000s
Actual income		(2,800)
Actual expenditure		2,273
Actual surplus for period		(527)
Profiled surplus for period		(406)
Variance (actual surplus less profile) (favourable)		(121)
<i>Explained by (key variances only):</i>		
Net income variance (adverse) – reduced short visit tolls and outstanding interest income		(15)
Equipment, Vehicles and Vessels (overspend) – vehicle purchases (capital)		(90)
Water Management (underspend) – works deferred until December		70
Practical Maintenance (underspend) – outstanding invoices (Breydon, Stokesby, Beccles)		186
Ranger Services (underspend) – lower than anticipated lease costs		15
Safety (overspend) – purchase of HAVS equipment, unbudgeted standby payments		(11)
Operations Income (favourable) – Breydon Water and Fen Management income not profiled		62
Premises (overspend) – payment of Yare House, Dragonfly House and Dockyard costs		(156)
Resources Income (adverse) – outstanding income for Dragonfly House parking / reception		(13)
Prisma (underspend) – budget profile issue with timing of work and activity		120
Dockyard Site Maintenance – use of reserve in profile no longer planned		(43)
Total key variances		125

- 2.5 It should be emphasised that the majority of the variances identified above relate to timing differences between actual expenditure and the budget profiles and in many cases budgets have been committed in these areas – this is particularly significant for the Water Management, Practical Maintenance and PRISMA budget lines. Similarly, a large element of the variance relates to issues with profiling of income for Breydon Water (which was not included in the original budget) and Fen Management, where income has been profiled for the end of the year but has in fact been received throughout 2012/13. There is also a significant overspend on the Premises budget, in line with the capital investment plans previously agreed by the Authority. As a result, the current underspend position is not expected to persist through the full financial year and this is reflected in the forecast outturn set out in Section 3 below. A full commentary on actual variances is provided within Appendix 1.

3 Overview of Forecast Outturn 2012/13

- 3.1 Budget holders have been asked to comment on the expected expenditure at the end of the financial year in respect of all the budget lines for which they are responsible. It must be emphasised that these forecast outturn figures should be seen as estimates and it is anticipated that they will be refined and clarified throughout the financial year. The Finance Team are supporting budget holders in developing accurate forecasting methods.
- 3.2 As at the end of December 2012, the forecast outturn indicates:

- Income is expected to be slightly lower than the original budget with total forecast income of £2,834,375, mainly as a result of lower than forecast short visit tolls due to the adverse weather during the summer season.
- Total expenditure is forecast to be £3,467,741. This represents an increase of £417,605 or 13.69% on the original budget of £3,050,136.
- The resulting deficit for the year is forecast to be £633,366, an increase of £435,480 over the deficit set out in the original 2012/13 budget.

3.3 The forecast outturn expenditure takes account of the following key changes from the original budget:

- £254,343 expenditure to fund capital improvements of the workshop at the Dockyard.
- The inclusion of £100,500 expenditure in respect of costs arising from the relocation to Yare House.
- Additional costs and income relating to Breydon Water including hydraulic/sediment modelling, lay-by moorings and the acquisition of a new launch.
- Adjustment of salary costs to reflect the 0% pay award in 2012/13. This was previously budgeted at 1% for all salaries.

3.4 The forecast outturn position has been adjusted this month in light of:

- A net reduction in Practical Maintenance costs reflecting revised actual activity levels and planned works.
- A reduction in the forecast use of the Dockyard Site Maintenance reserve in connection with Dockyard construction costs which are not being funded from reserves. This has the effect of increasing the forecast outturn deficit.
- A number of other small adjustments based on actual activity levels and costs, as set out in Appendix 1.

3.5 Further commentary on all changes from the original budget is provided within Appendix 1.

4 Summary

- 4.1 The actual variance which persists in December results largely from timing differences and profiling issues as set out in section 2 of this report.
- 4.2 The forecast outturn represents a planned drawing down of reserves to fund one-off, mainly capital expenditure in 2012/13, and continues to anticipate a significant deficit position by the end of the year.
- 4.3 The impact of this deficit has been incorporated into the Authority's financial planning for 2013/14 and beyond, including in the re-profiling of planned contributions to reserves, with the expectation that general reserves will be built up once again from 2013/14.

Background Papers:	Nil
Author:	Titus Adam
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Broads Plan Objectives:	None
Appendices:	APPENDIX 1 - Navigation Income and Expenditure to 31 December 2012

DIRECTORATE

	Navigation Annual Budget 2012/13	Navigation Use of Earmarked Reserves	Navigation Forecast Outturn	Navigation Forecast Variance	Navigation Profiled Budget to December 2012	Navigation Actual to December 2012	Navigation Actual Variance as at December 2012	Commentary on forecast Navigation variance
INCOME								
<i>Navigation Charges</i>								
Hire Craft Tolls	(1,074,000)	-	(1,061,000)	(13,000)	(1,074,000)	(1,061,722)	(12,278)	Forecast outturn has been reduced by £13,000, including £6,000 which relates to Hire Boat Licence income.
Private Craft Tolls	(1,692,000)	-	(1,699,000)	7,000	(1,672,247)	(1,694,044)	21,797	Increased use of online payment facility has led to earlier receipt of payments in 2012/13 resulting in the positive actual variance. Includes forecast additional income (£15,000) predicted from adjacent waters.
Short Visit Tolls	(47,500)	-	(35,625)	(11,875)	(36,172)	(23,272)	(12,901)	Short visit sales are down as a result of the bad weather; outturn forecast has been reviewed in light of figures from outlets.
Other Toll Income	(18,750)	-	(18,750)	-	(18,750)	(16,945)	(1,805)	Includes £6,000 Hire Boat Licence income.
Interest Received	(20,000)	-	(20,000)	-	(13,750)	(4,025)	(9,725)	Fixed term interest is payable on maturity of investment.
	(2,852,250)	-	(2,834,375)	(17,875)	(2,814,919)	(2,800,007)	(14,912)	
OPERATIONS								
<i>Construction & Maintenance</i>								
Construction & Maintenance Salaries	541,720	-	554,122	(12,402)	406,289	404,723	1,566	Salaries adjusted for impact of 0% pay award 2012/13. (Original budget 1%). Budgeted £60,000 contribution to reserves will not be made 2012/13. Includes £78,000 carried forward from 2011/12 for acquisition of Uniflotes and additional £10,000 expenditure for electric outboard motors. Capital purchases of vehicles and deposit for a new JCB has increased expenditure in 2012/13 resulting in the current actual overspend, which is reflected in the forecast.
Equipment, Vehicles & Vessels	363,491	15,000	403,278	(24,787)	287,617	377,375	(89,758)	
Water Management	120,000	-	150,000	(30,000)	90,000	19,778	70,222	Contract let for dredging works £100,000 in 2012/13. Hydrographic Survey (approx £20,000) to be undertaken. The actual variance arises from the profiled original budget for landowner payments and sediment removal where forecast outturn has been revised because limited expenditure is expected in 2012/13.

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Land Management	-	-	-	-	-	44	(44)	
								Additional expenditure in relation to Breydon Water (£60,000 for modelling (note contract has been awarded but expenditure will not be incurred until March 2013) and £50,000 (funded from reserves) for provision of moorings, partly offset by additional income from Great Yarmouth Port Authority (£50,000 - see below). Repiling works have been undertaken in November 2012 at Stokesby (budgeted at £40,000 although final cost is approximately £21,000) and Beccles (£60,000 - to be completed in January 2013). £22,500 contribution to Mutford Lock reserve in 2012/13 has been deferred. Other adjustments have been made to reflect latest activity plans including reduced spend under the "Other Navigation Works" budget.
Practical Maintenance	321,080	55,000	382,080	(6,000)	269,672	83,744	185,928	
	1,346,291	70,000	1,489,480	(73,189)	1,053,579	885,664	167,915	
Rangers Salaries	333,924	-	323,754	10,170	273,621	279,927	(6,306)	
								The forecast variance relates to the additional expenditure for the Breydon Water launch, which will be delivered in 2012/13. In addition, the capital purchase of 3 vehicles at a cost of £53,000 has increased expenditure in 2012/13. The forecast outturn and use of earmarked reserves have been reduced by £80,000 to reflect the slippage of fit out works on the new launch(es), which are now anticipated early in the next financial year. This activity will be funded from the launch replacement reserve.
Ranger Services	156,250	110,000	345,162	(78,912)	138,336	123,073	15,263	
	490,174	110,000	668,916	(68,742)	411,957	402,999	8,957	
								Actual overspend and increased forecast outturn relates to purchase of HAVS equipment. The forecast outturn has been increased to take account of standby payments charged to this line which were not in the original budget profile.
Safety	72,471	-	83,000	(10,529)	53,850	64,907	(11,057)	
Asset Management	64,389	-	64,165	224	46,793	45,639	1,154	
Volunteers	10,915	-	12,775	(1,860)	8,186	9,730	(1,544)	
Management & Admin	92,681	-	91,337	1,343	69,511	69,077	434	
	240,455	-	251,277	(10,822)	178,340	189,353	(11,013)	

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Operations Income	(6,800)	-	(74,700)	67,900	(4,650)	(66,883)	62,233	£50,000 relating to transfer of responsibilities for Breydon Water not included in the original budget has been received from Great Yarmouth Port Authority. Income relating to Trinities is outstanding.
OPERATIONS TOTAL	2,070,120	180,000	2,334,973	(84,853)	1,639,225	1,411,133	228,092	
PLANNING & STRATEGY								
Development Management	-	-	-	-	-	-	-	
<i>Strategy & Projects</i>								
Strategy & Projects Salaries	80,474	-	79,932	542	60,356	60,843	(487)	
Biodiversity Strategy	-	-	-	-	-	140	(140)	
Strategy & Projects Waterways & Recreation Strategy	- 9,000	- -	- 9,000	- -	- 6,750	313 8,101	(313) (1,351)	
Project Funding	-	-	-	-	-	471	(471)	
Management & Admin	14,898	-	16,246	(1,347)	11,174	12,115	(941)	Adjustment for posts not funded from Planning Delivery Grant in 2012/13.

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Planning & Strategy Income	-	-	-	-	-	(272)	272	
PLANNING TOTAL	104,372	0	105,177	(805)	78,280	81,712	(3,432)	
RESOURCES								
Human Resources	63,570	-	73,958	(10,388)	47,678	55,565	(7,888)	Actual overspend relates to staff survey and other consultancy costs. The forecast outturn for Staff Training has been increased in November and the Human Resources forecast in December in light of additional recruitment and advice costs.
Finance & Insurance	141,498	-	133,228	8,270	116,192	108,941	7,251	Revised staff costs for new finance team structure from May 2012 in forecast outturn. Actual underspend arises from various small underspends on insurance, bank charges and salaries.
Governance	57,303	-	57,943	(640)	42,976	44,554	(1,577)	
Communications	62,750	-	61,890	859	46,600	44,919	1,680	
Visitor Centres & Yacht Stations	123,521	-	122,498	1,023	117,886	114,206	3,680	
Collection of Tolls	103,300	-	105,470	(2,170)	75,208	71,722	3,486	
ICT	78,210	-	75,844	2,366	61,655	58,136	3,519	
Legal	20,000	-	25,000	(5,000)	10,000	13,496	(3,496)	Q2 invoice received in December and forecast outturn now increased in light of higher than anticipated quarterly costs.

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								The forecast variance results from additional costs relating to development of the new workshop at the Dockyard and the cost of the Authority's relocation to Yare House. The forecast cost of relocating to Yare House has been reduced in November based on the actual costs incurred. The actual overspend arises from payments in November and December for Dockyard development works and Yare House fit-out works which were not in the original budget profiles. A payment of £58k for accrued costs relating to Dragonfly House in 2011/12 and prior years based on rates in the original stakeholder paper was made in December 2012 and this has also impacted on the actual position for the month.
Premises	213,051	15,000	538,697	(310,646)	170,610	327,210	(156,599)	
Management & Admin	70,677	-	72,798	(2,121)	53,924	56,324	(2,400)	
								The actual variance results from outstanding income relating to contribution payments for Dragonfly House reception and rental of car parking spaces for 2012/13 and lower than profiled income from Yacht Station moorings. The original budget included £20k in relation to a grant for Norwich Yacht Station from the City Council. This funding ceased in 2011/12. Forecast resources income has been reduced in light of actual Yacht Station income.
Resources Income	(81,435)	-	(67,935)	(13,500)	(77,416)	(64,173)	(13,243)	
RESOURCES TOTAL	852,443	15,000	1,199,390	(331,947)	665,313	830,899	(165,586)	
Redundancy and Reorganisation costs	-	-	-	-	-	-	-	
Pension Lump Sum Payments	23,200	-	23,200	-	-	-	-	
STEP transfer to reserves				-			-	
STEP		-	-	-	-	92	(92)	Actual variance arises from some outstanding invoices relating to equipment purchases, difficulties in identifying land for purchase and inaccuracies in the original profile which are due to the difficulty of profiling the PRISMA budget which operates on a different timescale to the Authority's financial year. The experience of this year's activity should inform improved budget profiling in 2013/14.
PRISMA		-	-	-	363,841	243,813	120,028	
Contributions from Earmarked Reserves								

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PRISMA		-	-	-	(243,541)	(243,541)	-	
Launch Replacement		(110,000)	(110,000)	-	(37,221)	(37,221)	-	
Mutford Lock		(5,000)	(5,000)	-	1,500	1,500	-	
Dredging Disposal		(50,000)	(50,000)	-	-	-	-	
Dockyard Vessels & Equipment		(15,000)	(15,000)	-	(15,000)	(15,000)	-	
Dockyard Site Maintenance		(15,000)	(15,000)	-	(43,426)	-	(43,426)	Variance relates to transfer of expenditure not to be funded from this reserve.
	-	(195,000)	(195,000)	-	(337,688)	(294,262)	(43,426)	
NET EXPENDITURE	3,050,136	-	3,467,741	(417,605)	2,408,971	2,273,386	135,585	
(SURPLUS) / DEFICIT	197,886	-	633,366	(435,480)	(405,948)	(526,621)	120,672	

Earmarked Reserve Movements	Balance as at March 2012	Transfers in	Transfers out	Balance as at December 2012
PRISMA	(205,573)	(298,329)	429,370	(74,532)
Launch Replacement	(150,369)	(16,875)	37,220	(130,024)
Mutford Lock	(270,374)	(1,500)	-	(271,874)
Dredging Disposal	(182,950)	-	45,000	(137,950)
Dockyard Vessels & Equipment	(164,056)	(31,377)	60,000	(135,433)
Dockyard Site Maintenance	(71,836)	(22,500)	53,877	(40,459)
Total	(1,045,158)	(370,581)	625,467	(790,271)