

Financial Performance and Direction
Report by Head of Finance and Director of Change Management and Resources

Summary: This report provides a strategic overview of current key financial issues and items for decision alongside an update on actual and forecast performance against the budget for the year.

Recommendations:

Section 2

- (i) That the current actual income and expenditure and the latest forecast outturn position for the year as set out in section 2 of this report be noted.
- (ii) That the transfer of underspend from the Practical Maintenance budget to provide a Navigation budget within the 2013/14 Projects as set out in paragraph 2.8 be approved.

Section 3

- (iii) That the consolidation, closure and establishment of earmarked reserves as approved by the Financial Scrutiny and Audit Committee and set out in section 3 be noted.
- (iv) That the shortfall in projected contributions to reserves as set out in Appendix 4 be noted.
- (v) That the reinstatement of the £25,000 2012/13 contribution to the Mutford Lock earmarked reserve set out in paragraph 3.7 be approved.
- (vi) That the proposed reserve contributions set out in paragraph 3.8 be approved.
- (vii) That the proposals for the transfer of residual balance from the New Office Accommodation reserve to a new Flags Projects reserve as set out in paragraph 3.9 be approved.

Section 4

- (viii) That the Annual Investment Strategy for 2013/14 set out in Appendix 5 including an authorised borrowing limit of £500,000, be approved.

Section 5

- (ix) That the rental period offered for the lease of the Ludham Field Base be extended to allow the agreement of a lease of between 50 and 99 years as set out in paragraph 5.

Section 6

- (x) That the establishment of a standing list of contractors for the undertaking of piling work, as set out in section 6, be approved.
- (xi) That the two contractors listed in paragraph 6.10 be directly approved for inclusion in the standing list.
- (xii) That the six contractors listed in paragraph 6.12 and the one contractor listed

(xiii)	in paragraph 6.14, be approved for inclusion in the standing list subject to meeting the additional information requirements and criteria set out. That the arrangements for the review and renewal of the standing list as set out in paragraph 6.15 and 6.16 be approved.	set
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1 Introduction

- 1.1. This report consolidates a number of items relating to the financial performance and direction of the Authority in order to provide Members with a strategic overview of the key issues for consideration. This report covers the items set out in the table below.

Report Section	Item
2	Consolidated Income and Expenditure to 31 January 2013
	Appendix 1 Consolidated Income and Expenditure to 31 January 2013
	Appendix 2 Summary of Key Actual Variances as at 31 January 2013
	Appendix 3 Summary of Movement in Forecast Outturn
3	Financial Planning and Budgeting: Earmarked Reserves Strategy
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4	Annual Investment Strategy
	Appendix 5 Annual Investment Strategy 2013/14
5	Asset Management Premises Strategy
6	Standing Tender List: Piling Contracts
	Appendix 6 Example Piling Contractor Standing List Approval Questionnaire

2 Consolidated Income and Expenditure to 31 January 2013

Overview

- 2.1. This section of the report provides a summary of actual income and expenditure for the ten month period to 31 January 2013 and includes details of the forecast for projected income and expenditure at the end of the financial year (31 March 2013).

Actual Income and Expenditure

- 2.2. As at 31 January 2013, actual income and expenditure figures were as follows:

- x Total income for the period is £6,758, which is 99.05% of the original budget for the year and 99.46% of the profiled budget.
- x Total net expenditure is £5,690,505, which is 79.95% of the original budget and 103.02% of the profiled budget.
- x These actual figures result in over spend against the profiled budget of £202,769 in January (an adverse variance).

- 2.3. It should be emphasised that the overall adverse variance this month relates largely to the significant expenditure under the Authority's premises strategy for the Dockyard development work and relocation to Yare House which was not in the original budget for the year. There remain underspends against the profiled budgets for both Operations and Planning and Strategy expenditure. However, many of these relate to timing differences between actual expenditure and the budget profile and in many cases budgets have been committed – this is particularly significant in relation to the Water Management, Practical Maintenance and PRMA budget lines. Similarly, a large element of the variance relates to the receipt 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. This opens position (against the profiled original budget) is expected to now persist through to the end of the financial year and is reflected in the forecast outturn set out in paragraph 2.5 below.
- 2.4. Full details of all income and expenditure are provided with a commentary in Appendix 1. Summary details of key actual variances (+/- £10,000) are provided in Appendix 2

Forecast Outturn

- 2.5. As at the end of January 2013, forecast outturn indicates:

- x Income is expected to be slightly lower than the original budget with total forecast income of £6,629,174, mainly as a result of lower than forecast short visit tolls due to the adverse weather during the summer season.
- x Total expenditure is forecast to be £7,694,824. This represents an increase of £577,456 or 8.11% on the original budget of £7,117,368.
- x The resulting deficit for the year is forecast to be £1,065,650, an increase of £595,331 over the deficit set in the original 2012/13 budget.

- 2.6. The forecast outturn expenditure takes account of the following key changes from the original budget:

- x £470,571 expenditure to fund capital requirements of the workshop at the Dockyard (not including PRMA contribution of £75,000).
- x The inclusion of £353,000 expenditure in respect of costs arising from the relocation to Yare House.
- x Additional costs and income relating to Breydon Water including hydraulic/sediment modelling, lay-by moorings and the acquisition of a new launch.
- x Adjustment of salary costs to reflect the 0% pay award in 2012/13. This was previously budgeted at 1% for all salaries.

- 2.7. Details of the movement in the forecast variance since the latest figures reported to the Authority's meeting of 18 January 2013 are set out in Appendix 3. This includes a reduction in the forecast use of the New Office Accommodation reserve, which has largely not been required to support the relocation to Yare House, and an increase in the forecast expenditure for

Mutford Lock, reflecting the proposed reinstatement of the £25,000 contribution to the Mutford Lock reserve which had previously been expected to be unaffordable.

- 2.8. It has been identified that an underspend is likely within the Practical Maintenance budget, specifically in relation to Moorings Maintenance and Repair budgets where the costs of work at Stokesby and Beccles have been lower than originally anticipated. It is proposed that any underspend within this budget, which is likely to be at least £20,000, be transferred to the 2013/14 Project Pot budget in order to provide funding for Navigation projects.

Summary

- 2.9. There remains considerable expenditure and activity to be delivered within the Operations and Planning and Strategy budgets to achieve the forecast outturn figures, but it should be noted that in many cases this expenditure has already been committed and activities are underway or planned.
- 2.10. The current actual position is the basis of the key variances set out in Appendix 2. 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, in line with the planned winding-down of reserves to fund capital and one-off expenditure in 2012/13. This forecast is supported by the actual overspend against the budget at the end of January.

3 Financial Planning and Budgeting: Earmarked Reserves Strategy

Overview

- 3.1. This section of the report provides an update on the development of the Authority's strategy for the use and allocation of earmarked reserves and wider asset management.

Consolidation of Earmarked Reserves

- 3.2. Following the Authority's consideration of a report on its Asset Management Strategy on 23 November 2012, the Financial Scrutiny and Audit Committee (FSAC) in February considered a further report on Financial Planning and Budgeting: Earmarked Reserves Strategy and Asset Management. This report set out a strategy for the consolidation of the Authority's earmarked reserves and is included for information in Appendix 4. Members should note that Appendix B to the FSAC report, Asset Management Strategy, is not reproduced in these papers as it has already been considered by the Authority.
- 3.3. The FSAC endorsed a proposal to consolidate a number of earmarked reserves under the broad headings of:
- x Property;
 - x Plant, Vessels and Equipment; and
 - x Premises.

- 3.4. It was noted that there would be a need to maintain a clear distinction between National Park and Navigational balances within these three main reserves and that a number of formerly earmarked reserves would need to be retained after consolidation where they related to specific earmarked sums and also in respect of STEP and PRISMA projects.
- 3.5. In addition, the Committee:
- x approved a proposal to establish earmarked reserves in respect of the ring-fenced funding received for Trinity Broads and the Upper Thurne Enhancement Scheme, to support effective financial management;
 - x approved the closure of a number of formerly earmarked reserves with the release of their remaining balances back to revenue budgets in 2013/14; and
 - x noted the recommended annual level of reserve contribution and the current shortfall in planned reserve contributions up to 2015/16, supporting the proposed reserve movements set in Appendix A to the FSAC report.
- 3.6. The approved changes to earmarked reserves will be undertaken as part of the 2012/13 year end work in advance of the 2013/14 financial year.
- 3.7. As set out in paragraph 27 above, and subsequent to the February report to the FSAC, it has now become clear there is capacity to reinstate this year's £25,000 contribution to the Mulford reserve, which had previously been considered to be unaffordable. Taking into account a projected underspend on other lines within this budget, making the contribution requires a net increase of £11,000 to the draft forecast outturn as set out in Appendix 3. Members' approval for this contribution is sought.
- 3.8. Member approval is also sought for the further reserve contributions as set out below:
- x it is proposed that any underspend within the Launches budget be transferred to the Plant, Vessels and Equipment reserve as it represents expenditure committed for the purchase of the new launch. The level of this underspend will be highly dependent on the progress with the new launch moulding but is likely to be approximately £30,000;
 - x it is proposed that any underspend within the Asset Management budget be transferred to the Property reserve. The level of underspend will depend on billing by the Authority's property consultants, NPS, but is likely to be approximately £15,000; and
 - x it has been identified that income within Navigation Works budgets of £4,000 relates to contributions from the Salhouse Restoration Partnership and is part of work being undertaken in the PRISMA project. As a result it is proposed that a contribution to the PRISMA reserve is made in respect of these amounts.
- 3.9. In addition, it has been identified with the January monitoring that the call upon the New Office Accommodation reserve, which was earmarked to

support the Authority's relocation to Yare House, has been significantly less than budgeted, resulting in a forecasted surplus in the reserve of around £76,000 at the end of the year. It is proposed that this reserve be closed, with the balance of monies remaining at 31 March being transferred to a new earmarked reserve designated to support the Authority in delivering flagship projects and potentially including a contribution to other developments at Whitlingham Country Park. Members' views on the proposed transfer are sought.

4 Annual Investment Strategy

Overview

- 4.1. The Prudential Code for capital finance for local authorities introduced in 2004 requires local authorities, including the Broads Authority, to prepare an Annual Investment and Capital Financing (borrowing) Strategy. This strategy must be approved, before the start of each financial year, by the full Council (or at an equivalent level in authorities without a Council).
- 4.2. Due to the Authority's purchase of the dredging operation from May Gurney financed by a loan from the Public Works Loan Board, the Annual Investment and Capital Financing Strategy needs to take account of the prudential indicators which the Prudential Code requires are considered by an authority that undertakes to borrow.
- 4.3. The Prudential Code aims to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice. The Prudential Code also sets the objective of being consistent with (and supporting) local strategic planning and local asset management planning.
- 4.4. The Annual Investment and Capital Financing Strategy includes the key prudential indicators that are necessary for an authority that has borrowing. The prudential indicators are designed to support and record local decision making in a manner that is publicly accountable. At the beginning of each year estimates for the prudential indicators are set and agreed by Members. The actual indicators are then compared to the estimates once the annual accounts are produced in June each year.

Annual Investment and Capital Financing Strategy

- 4.5. The Annual Investment and Capital Financing Strategy for 2013/14 is attached as Appendix 5 for Members' consideration.

Capital Financing

- 4.6. Capital borrowing powers are reviewed on an annual basis as part of the budgeting process. However in practice borrowing is limited to the acquisition of the dredging operation from May Gurney.

Financial Implications

- 4.7. There are no additional financial implications for the Authority as a result of this report as the expenditure proposed including the loan interest and capital repayments to the Public Works Loan Board, have been incorporated into approved budgets.

5 Asset Management Premises Strategy

Overview

- 5.1. One of the key principles of the recent reorganisation and re-structure of the Broads Authority was the consolidation of facilities and the focus of its main activity at two primary sites. This section of the report outlines the need for a decision regarding the lease of the Ludham Field Base site in order to support the delivery of this overarching principle.

Ludham Field Base

- 5.2. The Broads Authority was previously consulted on this issue at its meeting of 24 June 2011 through the Dockyard Development (exempt report) and more recently on 16 March 2012 through the BPS Strategy (exempt) report. It has been agreed in principle to lease the Field Base to a third party, in order to save on running costs and generate income. This decision took into account the Authority's financial position with strong reserves and declining revenue income.
- 5.3. Following the initial decision to retain the asset and generate an annual income, and after consultation with NPS property consultants (NPS), advertisements were placed in July 2011 to gauge interest in the potential lease of the Field Base.
- 5.4. A number of applications of interest were received but subsequent feedback from both NPS and the potential lessees has shown that the ten year lease period offered, particularly as this was offered contracted out of the Landlord and Tenant Act 1954 (LTA 1954), would not be sufficient to give security to potential tenants and justify investment required for their operational needs. It has been stated that a term of at least 50 years, but ideally longer, would be of interest.

Summary

- 5.5. Members' views are sought regarding a longer term of lease for the Field Base, with consideration given to the offer of a lease term of between 50 and 99 years as set out in recommendation (ix) above.

6 Standing Tender List: Piling Contracts

Overview

- 6.1. This section of the report outlines the process through which contractors have been invited and assessed for inclusion on a standing list of contractors for the undertaking of piling work. The standing list will be in place for a maximum of three years and will allow for selective tendering.

Background

- 6.2. In 2012/13 the Authority has used external contractors to deliver three piling projects. With navigational dredging remaining a very high priority in the Construction Team's forward programme, it is anticipated that further piling work will need to be outsourced. Typical piling work includes the re-piling of 24hr moorings and the maintenance or construction of navigational structures, such as channel markers and dolphins.
- 6.3. Section 15 of the Authority's Standing Orders relating to Contracts sets out a procedure for selective tendering from a standing list of approved contractors. This Standing Order applies where the Authority or appropriate committee has decided that invitations to tender for a contract are to be limited to those persons or bodies whose names are included in a list compiled and maintained for that purpose.
- 6.4. The benefits of selective tendering by standing list will include:
- x increased time efficiency (open tendering requires publication of a tender advert for a minimum of 28 days);
 - x reduced costs (a published tender advert typically costs £500); and
 - x assurance of contractor competency and health and safety management.
- 6.5. Contractors on the standing list have been used for piling works of up to a maximum contract value of £150,000.

Selection Process

- 6.6. In accordance with Standing Order 15, an advert for expressions of interest for inclusion in a standing list was published in the Eastern Daily Press and on the Broads Authority website.
- 6.7. The following contractors expressed interest in inclusion in the standing list:
- x Miles Waterscapes;
 - x Land and Water Services Ltd;
 - x Amis Piling and Dredging;
 - x D & R Marine;
 - x BAM Nuttall;
 - x Drake Towage;
 - x Olympic Ltd;
 - x J Breheny Contractors Ltd;
 - x G T Rochester Plant;
 - x Renosteel Construction; and
 - x Red 7 Marine.
- 6.8. Each of these contractors was sent a questionnaire (for reference, a sample questionnaire is included in Appendix 6) which covered the following areas:

- x company details;
- x project experience;
- x work capability;
- x sub-contracting;
- x health and safety; and
- x insurances.

6.9. Each submitted questionnaire was reviewed with the purpose of checking that the details provided met the approval criteria stated in the questionnaire.

Outcomes

6.10. Nine of the eleven contractors who expressed an interest submitted a completed questionnaire. Of these eleven contractors, the following two comprehensively provided all the information required and fulfilled the criteria for approval:

- x J Breheny Contractors Ltd; and
- x Land and Water Services Ltd.

6.11. It is therefore recommended that the Authority approves these contractors for inclusion on the standing list as set out in recommendation (a) above

6.12. The following six contractors submitted good questionnaires, however the submitted health and safety information did not provide evidence of a procedure to manage hand arm vibration syndrome (HAVS):

- x Miles Waterscapes;
- x D & R Marine;
- x Drake Towage;
- x Olympic Ltd;
- x G T Rochester Plant; and
- x Red 7 Marine.

6.13. It is recommended that the Authority approves these contractors for inclusion on the standing list subject to submission of adequate additional information. In line with the Authority's health and safety policy, in order to gain approval these contractors are required to show they have a system in place for managing exposure to vibration and HAVS.

6.14. One remaining contractor, BAMTall, submitted a good questionnaire however the insurance certificates provided show their limit of public liability insurance to be £2,000,000. Section 30 of the Authority's Standing Orders states the amount normally required to be £5,000,000. It is therefore recommended that this contractor is approved for inclusion on the Standing List subject to their obtaining additional public liability cover to a minimum of £5,000,000.

Management of the Standing List

6.15. The standing list may be reviewed as deemed appropriate. Upon each review the following steps will be undertaken:

- x all contractors on the standing list will be contacted at least four weeks before the review and asked if they wish to remain on the list;
- x all projects executed using the standing list will be reviewed and any contractor who has not performed adequately (e.g. breach of contract, not meeting the requirements of the specification, method statements or risk assessments) will be removed from the list; and
- x contractors not on the standing list, who have expressed an interest in being included on it, may be recommended to the Authority for inclusion upon submission of an adequately completed questionnaire.

6.16. The standing list will be renewed on a three yearly basis (the next review being undertaken in time for approval by the Authority in April 2016). Upon renewal, the full process will be repeated whereby an advert for expressions of interest will be published and all interested contractors will be invited to complete an approval questionnaire. A new standing list of competent contractors will then be put to the Authority for approval.

Background Papers: Nil

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Broads Plan Objectives: None

Appendices:

Appendix 1 Consolidated Income and Expenditure to 31 January 2013

Appendix 2 Summary of Key Actual Variances as at 31 January 2013

Appendix 3 Summary of Movement in Forecast Outturn

Appendix 4 Financial Planning and Budgeting: Earmarked Reserves Strategy and Asset Management (Financial Scrutiny and Audit Committee report)

Appendix 5 Annual Investment Strategy 2013/14

Appendix 6 Example Piling Contractor Standing List Approval Questionnaire

	Consolidated Annual Budget 2012/13	Consolidated Use of Earmarked Reserves	Consolidated Forecast Outturn	Consolidated Forecast Variance	Consolidated Profiled Budget to January 2013	Consolidated Actual to January 2013	Consolidated Actual Variance as at January 2013	Commentary on forecast consolidated variance
INCOME								
National Park Grant	(3,774,799)	r	(3,774,799)	r	(3,774,799)	(3,774,799)	r	
Navigation Charges								
Hire Craft Tolls	(1,074,000)	r	(1,061,000)	(13,000)	(1,074,000)	(1,061,722)	(12,278)	Forecast outturn has been reduced by £13,000 including £6,000 relating to Hire Boat Licence income. Increased use of online payment facility has led to earlier receipt of payments in 2012/13 resulting in the positive actual variance. The forecast additional income (£15,000) predicted from adjacent waters has been transferred from the Other Toll Income line. The forecast outturn has been reduced by £8k in 2012/13 of the latest actual figures.
Private Craft Tolls	(1,692,000)	r	(1,699,000)	7,000	(1,679,830)	(1,696,197)	16,367	Short visit sales are down as a result of the bad weather outturn in 2012/13. Forecast has been reviewed in light of figures from outlets. Forecast additional income from adjacent waters transferred to Private Craft Tolls. £6,000 Hire Boat Licence income transferred from Hire Craft Tolls.
Other Toll Income	(18,750)	r	(18,750)	r	(18,750)	(16,953)	(1,797)	Interest is payable on maturity of investment.
Interest Received	(40,000)	r	(40,000)	r	(27,500)	(8,049)	(19,451)	
	(6,647,049)	r	(6,629,174)	(17,875)	(6,619,659)	(6,583,708)	(35,951)	
OPERATIONS								
Construction & Maintenance								
Construction & Maintenance Salaries	1,039,720		1,036,370	r 3,350	866,433	845,649	20,784	Salaries adjusted for impact of 0% pay award 2012/13 (Original budget 1%).
Equipment Vehicles & Vessels	485,000	15,000	579,713	(79,713)	410,001	484,473	(74,472)	Budgeted £60,000 contribution to reserves will not be made 2012/13 includes £78,000 carried forward from 2011/12 for acquisition of Uni flotes and additional £10,000 expenditure for electric outboard motors. In addition the capital purchase of 7 vehicles at a cost of £110,000 and the deposit for a new JCB (£21,000) has increased expenditure in 2012/13. The forecast outturn on National Park budget has been adjusted in respect of a planned underspend which has been transferred to Project budgets to support this activity in future. An overspend is anticipated in Navigation budgets which arises from a contract for additional dredging works at a cost of £100,000 and cost of the Hydrographic Survey (approximately £20,000).
Water Management	230,000		182,500	£47,500	183,499	33,703	149,796	
Land Management	123,500	28,985	145,450	7,035	114,325	92,387	21,938	2012/13 Budget is not expected to be fully spent due to revised planned activity level, and forecast outturn includes deposit for purchase of Fen Harvesters (funded from reserves).

	Consolidated Annual Budget 2012/13	Consolidated Use of Earmarked Reserves	Consolidated Forecast Outturn	Consolidated Forecast Variance	Consolidated Profiled Budget to January 2013	Consolidated Actual to January 2013	Consolidated Actual Variance as at January 2013	Commentary on forecast consolidated variance
Practical Maintenance	368,580	55,000	453,580	(30,000)	323,633	192,348	131,285	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) though final costs are approximately £21,000 and Beccles £60,000 to be completed in January 2013. It is proposed to reinstate the £25,000 contribution to Mutford Lock reserve in 2012/13 which had previously been deferred. Other adjustments have been made to reflect activities including reduced spend under the "Other Navigation Works" budget and increased cost for tree maintenance at How Hill.
	2,246,800	98,985	2,397,613	(51,828)	1,897,891	1,648,560	249,332	
Ranger Salaries	519,880		538,590	(18,710)	457,290	470,620	(13,330)	
Ranger Services	219,500	80,000	384,770	(85,270)	207,542	190,075	17,467	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 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 mainly be funded from the launch replacement reserve.
	739,581	80,000	923,581	(103,780)	664,032	660,645	4,137	
Safety Asset Management	105,520		129,000	(23,480)	87,784	109,604	(21,820)	Actual overspend and increased forecast outturn relates to purchase of HAVS equipment. The forecast outturn has been increased to take account of stand by payments charged to this line which were not in the original budget profile.
	100,160		99,600	560	80,353	75,962	4,391	
Volunteers Management & Admin	43,660		51,100	(7,440)	36,383	42,180	(5,797)	Actual overspend and increased forecast outturn relates to equipment costs and increased training costs.
	160,070		157,750	2,320	133,392	132,444	948	
	409,410		437,450	(28,040)	337,912	360,191	(22,279)	
Operation Income	(251,940)		(319,840)	67,900	(167,451)	(268,708)	101,257	£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 Trinity is outstanding. The remaining actual variance arises from Fen Management income which is being received through the year but has been profiled to be received December 2012 March 2013.
OPERATION TOTAL	3,143,650	178,985	3,438,583	(115,948)	2,733,184	2,400,738	332,446	

PLANNING & STRATEGY

	Consolidated Annual Budget 2012/13	Consolidated Use of Earmarked Reserves	Consolidated Forecast Outturn	Consolidated Forecast Variance	Consolidated Profiled Budget to January 2013	Consolidated Actual to January 2013	Consolidated Actual Variance as at January 2013	Commentary on forecast consolidated variance
Development Management	272,320	15,000	285,590	1,730	236,927	239,471	(2,544)	Actual expenditure results from additional support for development contract activity agreed to be funded from reserves but not included in original budget.
Strategy & Projects								
Strategy & Projects Salaries	440,010		423,880	16,130	366,678	353,515	13,163	Cancellation of Lound project (£20,730) and impact of 0% pay award in 2012/13. The forecast but turn for the budgets were revised in November in light of income received and actual planned activity resulting in a net increase in forecast of £23,767.
Biodiversity Strategy Partnerships/HLF	107,500	r	131,267	(23,767)	56,043	52,269	3,774	Increased in projected expenditure related to delivery of climate change adaptation plan consultation work (£5,000) and cost of maintaining programme of conservation area appraisals (£5,000) although forecast has now been reduced based on actual planned activity and the anticipated slippage of the works at Hardley Flood Weir.
Strategy & Projects Waterways & Recreation Strategy	65,000	23,814	87,000	1,814	54,922	70,659	(15,737)	Environment Agency funding for Upper Thurne has been carried forward from 2011/12. Work is currently focused on developing project plan and forecast reduced in November in light of actual work anticipated in 2012/13. For other projects project strategies are being developed in 2012/13 with the consequence that fewer projects will be ready for implementation in the year.
Project Funding	169,000		97,837	71,163	83,500	66,867	16,633	
SDF transfer to reserves	150,000		150,000	r	153,184	153,184		
SDF	r	150,000	150,000		112,500	112,500		
Management & Admin	133,020		145,050	(12,030)	110,851	120,005	(9,154)	Adjustment for posts not funded from Planning Delivery Grant in 2012/13. Forecast but turn reduced by £5,000 for anticipated lower administration expenses.
Planning & Strategy Income	(107,500)	r	(198,542)	91,042	(73,747)	(136,862)	63,115	Additional income has been received from Norfolk County Council to fund work at Hardley Weir (£20,000) income received in relation to two large planning applications (Ditchingham Maltings and Pegasus) as increased the actual total income resulting in the actual variance. Accrued income from 2011/12 on the Upper Thurne remains outstanding and is being pursued. The forecast income for Development Management has been increased by £10,000 in January based on the higher than anticipated income levels.
PLANNING TOTAL	1,319,350	188,814	1,362,082	146,082	1,168,358	1,096,804	71,553	
RESOURCES								
Human Resources	155,780		173,800	(18,020)	130,317	146,742	(16,425)	Actual expenditure relates to staff survey and other consultancy costs. The forecast but turn for Staff Training has been increased by £10,000 in November and the Human Resource forecast by £5,000 in December in light of additional recruitment and advice costs.

	Consolidated Annual Budget 2012/13	Consolidated Use of Earmarked Reserves	Consolidated Forecast Outturn	Consolidated Forecast Variance	Consolidated Profiled Budget to January 2013	Consolidated Actual to January 2013	Consolidated Actual Variance as at January 2013	Commentary on forecast consolidated variance
Finance & Insurance	329,065		309,832	£19,233	286,547	256,883	29,664	Revised staff costs for new finance team structure from May 2012. In forecast outturn actual underspend arises from various small underspends in insurance, bank charges and salaries. The forecast outturn has been reduced in light of lower than budgeted printing costs.
Governance	173,030		174,930	£(1,900)	144,188	146,187	(1,999)	
Communications	289,790		276,210	£13,580	239,325	219,903	19,422	Actual underspend results from difference in profile as significant expenditure now expected early 2013 for Outdoor Festival and publications and TIC Interpretation items in advance of 2013/14 season. Forecast for Event expenditure has been reduced by £10,000 in January due to lower than anticipated Outdoor Festival set up costs. Education expenditure forecast has also been reduced in light of actual costs.
Visitor Centre & Yacht Stations	450,133		444,070	£6,063	398,316	386,138	12,178	Actual underspend results from various minor underspends across Visitor Centres, Yacht Station and Boat Trips, including lower than profiled maintenance costs. The forecast income for boat trip has been reduced to reflect the limited income predicted in March.
Collection of Tolls	103,300		105,470	£(2,170)	82,158	87,278	(5,120)	
ICT	236,000	12,655	235,278	13,376	216,821	202,321	14,501	Actual underspend arising from various small underspends in computer maintenance, hardware and software budgets. Actual underspend results from Q2 invoice outstanding of £2 invoice of £40,000 received in December and forecast outturn now increased in the light of higher than anticipated quarterly costs.
Legal	100,000		125,000	£(25,000)	75,000	67,478	7,522	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 by £20,000 in November based on the actual costs incurred. The actual overspend arises from payment for Dockyard development works and Yare House fit out works not included in original budget profiles. A final payment for costs relating to Dragonfly House in 2011/12 and prior years has been made to Defra and confirmation of the final position on the accounts currently awaited.
Premises	635,000	23,999	1,317,891	(658,892)	376,079	922,273	(546,194)	
Management & Admin	235,620		242,030	£(6,410)	218,351	210,024	8,327	The actual variance results from the payment of annual subscriptions which were not included in the profile for the start of the year. The forecast outturn has been increased by £4,000 in light of additional pool car maintenance and acquisition costs.
Resource Income	(221,850)	r	(197,000)	(24,850)	(201,942)	(187,509)	(14,433)	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 resource income has been reduced by £18k in light of actual Yacht Station income.

	Consolidated Annual Budget 2012/13	Consolidated Use of Earmarked Reserves	Consolidated Forecast Outturn	Consolidated Forecast Variance	Consolidated Profiled Budget to January 2013	Consolidated Actual to January 2013	Consolidated Actual Variance as at January 2013	Commentary on forecast consolidated variance
RESOURCE TOTAL	2,485,868	36,654	3,207,511	(684,990)	1,965,160	2,457,718	(492,557)	
Redundancy and Reorganisation costs	110,500		33,100	77,400		2,172	(2,172)	Forecast outturn has been reduced to reflect the members of staff leaving in 2012/13. An additional carry forward will be required in the 2013/14 budget in respect of staff leaving in this year.
Pension Lump Sum Payments	58,000		58,000	r		r		r
STEP transfers to reserves							r	
STEP			r		69,128	70,145	(1,017)	Actual variance arises from some outstanding invoices relating to equipment purchases, difficulties in identifying and for purchase and issues with the original budget profiles which are due to the difficulty of profiling the PRISMA budget which operates on a different timescale to the Authority financial year. The experience of this year's activity should inform improved budget profiling in 2013/14.
PRISMA			r		200,275	275,347	(75,072)	
Contributions from Earmarked Reserves								
Planning Delivery Grant		(45,000)	(45,000)	r	(24,858)	(24,858)	r	Forecast outturn reduced to reflect lower use of reserve to fund relocation to Yare House.
New Office Accommodation		(8,999)	(8,999)	r	(8,999)	(8,999)	r	
Mobile Phone		(1,655)	(1,655)	r	(1,655)	(1,655)	r	
IEG		(4,813)	(4,813)	r	(4,813)	(4,813)	r	
Sustainable Development		(150,000)	(150,000)	r	(153,184)	(153,184)	r	
Asset Management			r		r		r	r
PRISMA			r		(275,733)	(275,733)	r	
Fen Management Equipment		(28,985)	(28,985)	r	(28,985)	(28,985)	r	
Section 106 Agreements			r		5,000	5,000	r	r
STEP			r		(69,128)	(69,128)	r	
Launch Replacement		(80,000)	(80,000)	r	(37,221)	(37,221)	r	
Mutford Lock		(5,000)	(5,000)	r	1,500	1,500		r
Dredging Disposal		(50,000)	(50,000)		r		r	r
Dockyard Vessels & Equipment		(15,000)	(15,000)	r	(15,000)	(15,000)	r	
Dockyard Site Maintenance		(15,000)	(15,000)		r		r	r
	r	(404,453)	(404,453)	r	(612,418)	(612,418)	r	
NET EXPENDITURE	7,117,368	r	7,694,824	(577,456)	5,523,687	5,690,505	(166,818)	
(SURPLUS) DEFICIT	470,319		1,065,650	(595,331)	(1,095,972)	(893,203)	(202,769)	
Earmarked Reserve Movements	Balance as at March 2012	Transfers in	Transfers out	Balance as at January 2013				
Planning Delivery Grant	(521,564)	r	24,858	(496,707)		0		
New Office Accommodation	(85,103)		(54)	9,053		0		
Mobile Phone	(16,550)	r	1,655	(14,895)		0		
IEG	(4,813)	r	4,813			0		
Sustainable Development	(75,142)	(112,500)	153,184	(34,458)		0		
Asset Management	(74,346)		r	(74,346)	r	0		
PRISMA	(205,573)	(298,329)	460,904	(42,997)		0		
Fen Management Equipment	(50,647)	(37,500)	28,985	(59,161)		0		

Management Statement as at January 2013

APPENDIX

	Consolidated Annual Budget 2012/13	Consolidated Use of Earmarked Reserves	Consolidated Forecast Outturn	Consolidated Forecast Variance	Consolidated Profiled Budget to January 2013	Consolidated Actual to January 2013	Consolidated Actual Variance as at January 2013	Commentary on forecast consolidated variance
Section 106 Agreements	r	(5,000)	r	(5,000)		0		
STEP	(79,924)	(78,489)	91,367	(67,046)		0		
Launch Replacement	(150,369)	(16,875)	37,220	(130,024)		0		
Mutford Lock	(270,374)	(1,500)	r	(271,874)		0		
Dredging Disposal	(182,950)	r	45,000	(137,950)		0		
Dockyard Vessels & Equipment	(164,056)	(31,377)	60,000	(135,433)		0		
Dockyard Site Maintenance	(71,836)	(22,500)	53,877	(40,459)		0		
Total	(1,953,247)	(604,124)	970,917	(1,586,454)		0		

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

Consolidated Income & Expenditure as at 31/01/2013	£000s
Actual income	
Actual expenditure	5,691
Actual surplus for period	
Profiled surplus for period	
Variance (actual surplus less profiled) (adverse)	203

Explained by (key variances only):

Income

Net income variance (adverse) increased short visit and outstanding interest income

Operations

Construction and Maintenance Salaries (underspend) costs lower than budgeted	21
Equipment, Vehicles and Vessels (overspend) vehicle purchases (capital)	
Water Management (underspend) delayed invoicing dredging contract	150
Land Management (underspend) revised planned activity level	22
Practical Maintenance (underspend) outstanding invoices (Breydon, Stokesby, Beccles)	131
Safety (overspend) purchase of HAVS equipment	
Operations Income (favourable) Breydon Water and Fen Management income not profiled	101

Planning and Strategy

Strategy and Projects Salaries (underspend) salary costs lower than budgeted	13
Strategy and Projects (overspend) limited change consultation conservation appraisals	
Projects Funding (underspend) projects have been slower to develop than anticipated	17
Planning and Strategy Income (favourable) higher than anticipated planning income	63

Change Management and Resources

Human Resources (overspend) unbudgeted staff survey and additional consultancy costs	
Finance and Insurance (underspend) lower than anticipated salary audit and insurance costs	30
Communications (underspend) lower costs of outdoor festival and education activity	19
Visitor Centre and Yacht Station (underspend) various maintenance underspends	12
ICT (underspend) various small maintenance, hardware and software underspends	15
Premises (overspend) Unbudgeted House relocation and Dockyard development costs	
Resources Income (adverse) removal of NCC grant funding for Norwich Yacht Station	
Prisma (overspend) budget profiled issue with timing of work and activity	
Total key variances	

The current forecast outturn has been adjusted from the level previously reported to Members for the reasons outlined below:

Forecast Outturn as at 31/03/2013	£000s
Forecast Outturn (surplus)/ deficits at 30/11/2012 reported to Broads Authority 18/01/2013	3,016
Forecast Outturn (surplus)/ deficits at 31/01/2013	1,066
Movement in Forecast Outturn (surplus)/ deficits since last report to Broads Authority	50

Explained by movements:

Income

Private Craft Toll (decrease) Forecast adjusted based on latest actual receipts	8
---------------------------------------------------------------------------------	---

Operations

Land Management (increase) Inclusion of Fen Harvest deposit not in original budget forecast	29
Moorings Maintenance & Repair (decrease) Reduced costs of Stokesby works	
Other Navigation Works (decrease) Adjusted based on latest actual income not forecast	
Site Maintenance (increase) Additional contractor costs at How Hill	18
Mutford Lock (increase) Reinstatement of reserve contribution	11
Rangers (increase) Cost of Breydon rangers not in original budget forecast	15
Launches (decrease) Slippage of new launch fit out works	
Safety (increase) Cost of stand by payments not budgeted with salaries	10

Planning and Strategy

Other Projects (decrease) Slippage on Hardley Flood Weir project	
Development Management Income (increase) Income higher than anticipated	
Strategy & Projects Income (increase) Contribution to Biosecurity and Land Catchment posts	

Change Management and Resources

Legal (increase) Higher level of billing Quarter 2	15
Events (decrease) Cost on Outdoor Festival preparations lower than anticipated	
Education (decrease) Lower actual costs	
Human Resources (decrease) Voluntary redundancy payments falling 2013/14 (carry forward)	
Net total of various minor Resources adjustments that OK	11

Reserves

Fen Management Equipment (increase) Use of reserve for Fen Harvest deposit	
New Office Accommodation (decrease) Lower than anticipated use of reserve to support relocation	76
Launch Replacement Reserve (decrease) Lower forecast use due to slippage Launch	30
	<u>49</u>

Financial Scrutiny and Audit
Committee
12 February 2013
Agenda Item No 6

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 reserves 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 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 Broad's 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 Broad's 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 divided into three main headings (the National Park and Navigation elements of which would need to be recorded separately), as follows:

- x Premises (Dockyard Site Maintenance / New Office Accommodation);
- x Plant, Vessels and Equipment (Navigation Vessels and Equipment / Fen Management Equipment / Launch Replacement Fund); and
- x Property (Dredging Disposal Site / 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						
General National Park						
Navigation						
Total Reserves						

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 latest plans for contributions / withdrawals are set out below:

¹ In accordance with proper accounting practice and 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 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 (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 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 funded project relating to Sustainable Tourism in Estuary Parks.
- 3.11 Dredging Disposal (Navigation) - £(137,950)
Navigation Fund reserve to provide for acquisition of sites for the disposal of sediment from dredging. At a meeting on 18 January 2013, the Broads Authority approved the purchase of a new 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 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, 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 and 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:
- x Premises;
 - x Plant, Vessels and Equipment; and
 - x Property.
- 4.2 In addition it is proposed that 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	
Dredging Disposal Sites	100% Navigation	0
Mutford Lock Endowment Fund	100% Navigation	
Property Reserve		(341,720)
Fen Management Equipment	100% National Park	
Dockyard Vessels and Equipment	100% Navigation	
Vessel Replacement Fund	100% Navigation	
Pool Vehicle Replacement	67% National Park 33% Navigation	0

Plant, Vessels and Equipment Reserve		(265,423)
New Office Accommodation	100% National Park	
Dockyard Site Maintenance	40% National Park 60% Navigation	
Premises Reserve		(91,090)
Planning Delivery Grant	100% National Park	
Sustainable Development Fund	100% National Park	
Implementing Electronic Government	100% National Park	0
Mobile Phone Upgrade	67% National Park 33% Navigation	
Section 106 Agreements	100% National Park	
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:

- x A change in the presentation of 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 historic balances within the accounting system and minimise the risk of any audit queries.
- x 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 are not 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, 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 Trinity reserve will depend on the 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 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 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 No. 11 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 for 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 (Appendix³) 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:

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

³ Please Note: Appendix B has previously been circulated in Broads Authority papers and is not reproduced here.

x 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 £(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 repair of moorings and £85,000 from the Plant, Vessels and Equipment reserve in 2015/16 for the outfit 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 (dotted lines) based on current plans. Earmarked reserves are projected to be significantly reduced in this financial year 2012/13 and there is 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)
[http://www.broads-
authority.gov.uk/broads/live/authority/meetings/broads-
authority/2012/11-23/Asset_Management_Strategy.pdf](http://www.broads-authority.gov.uk/broads/live/authority/meetings/broads-authority/2012/11-23/Asset_Management_Strategy.pdf)
APPENDIX C Overview of Reserves and Anticipated
Liabilities

Please Note: Appendix B has previously been circulated in papers and is not reproduced here.
To view this paper, please follow the link above.

Reserve Grouping	Property Reserve			Plant, Vessels and Equipment Reserve				Premises Reserve				Other Earmarked Reserves					STEP	PRISMA	Total Earmarked Reserves		
Reserve Name	Asset Management	Dredging Dispos Sites	Mutford Lock Endowment Fund	Fen Management Equipment	Dockyard Vessel and Equipment	Vessel Replacement Fund	Pool Vehicle Replacement	New Office Accommodation	Dockyard Site Maintenance	Planning Delivery Grant	Sustainable Development Fund	Implementing Electronic Government	Mobile Phone Upgrade	Section 106							
National Park / Navigation Allocation	100% National Park	100% Navigation	100% Navigation	100% National Park	100% Navigation	100% Navigation	67% National Park 33% Navigation	100% National Park	40% National Park 60% Navigation	100% National Park	100% National Park	100% National Park	100% National Park	100% National Park		100% National Park	100% Navigation				
Balance 31/03/2012	(74,344)	(182,950)	(270,374)	(527,670)	(50,647)	(164,056)	(150,369)	0	(365,072)	(85,103)	(71,834)	(156,939)	(521,564)	(75,142)	(4,813)	(16,550)	0	(618,069)	(79,942)	(205,573)	(1,953,266)
Transfers In																					
Contribution to reserve from VES000451	0	0	0	0	(50,000)	0	0	0	(50,000)	0	0	0	0	0	0	0	0	0	0	0	(50,000)
Contribution to reserve from LAU000451	0	0	0	0	0	0	(22,500)	0	(22,500)	0	0	0	0	0	0	0	0	0	0	0	(22,500)
Contribution to reserve from PRM0009451	0	0	0	0	0	0	0	0	(30,000)	(30,000)	0	0	0	0	0	0	0	0	0	0	(30,000)
Contribution to reserve from DVM000451	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(5,000)	(5,000)	0	0	0	(5,000)
Contribution to reserve from MLK000451 (rental income)	0	0	(2,000)	(2,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(2,000)
Transfers Out																					
Fen harvester purchase (30%)	0	0	0	0	28,985	0	0	0	28,985	0	0	0	0	0	0	0	0	0	0	0	28,985
Replacement cesspit purchase	0	0	0	0	0	0	0	0	15,000	15,000	0	0	0	0	0	0	0	0	0	0	15,000
Secondhand weed harvester purchase	0	0	0	0	0	15,000	0	0	15,000	0	0	0	0	0	0	0	0	0	0	0	15,000
Launch purchase (tender and contribution to Breydon launch)	0	0	0	0	0	0	110,000	0	110,000	0	0	0	0	0	0	0	0	0	0	0	110,000
Repairs and maintenance works at Mutford Lock	0	0	5,000	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,000
Proposed moorings purchase	0	85,000	0	85,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	85,000
Breydon lay-by moorings works	0	52,950	0	52,950	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	52,950
Yare House fit-out costs	0	0	0	0	0	0	0	0	9,013	9,013	0	0	0	0	0	0	0	0	0	0	9,013
Serengeti support and maintenance costs	0	0	0	0	0	0	0	0	0	0	0	0	4,813	0	0	4,813	0	0	0	0	4,813
Mobile phones and SIM cards	0	0	0	0	0	0	0	0	0	0	0	0	0	1,653	0	1,653	0	0	0	0	1,653
Consultancy work to deliver listed building and tree records	0	0	0	0	0	0	0	0	0	0	15,000	0	0	0	0	15,000	0	0	0	0	15,000
Climate change research work	0	0	0	0	0	0	0	0	0	0	10,000	0	0	0	0	10,000	0	0	0	0	10,000
Archaeology work	0	0	0	0	0	0	0	0	0	0	5,000	0	0	0	0	5,000	0	0	0	0	5,000
Additional planning enforcement support	0	0	0	0	0	0	0	0	0	0	15,000	0	0	0	0	15,000	0	0	0	0	15,000
Transfers between reserves																					
Contribution from DDD000923 to PRIO00923	0	45,000	0	45,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(45,000)	0
Contribution from DSM000923 to PRIO00923	0	0	0	0	0	0	0	0	30,000	30,000	0	0	0	0	0	0	0	0	0	(30,000)	0
Contribution from DVE0009923 to PRIO00923	0	0	0	0	0	60,000	0	0	60,000	0	0	0	0	0	0	0	0	0	0	(60,000)	0
Contribution from DSM000923 to DVE000923	0	0	0	0	0	(41,834)	0	0	(41,834)	41,835	41,835	0	0	0	0	0	0	0	0	0	0
Balance 31/03/2013	(74,344)	0	(267,374)	(341,720)	(71,662)	(130,892)	(62,864)	0	(265,423)	(76,090)	(15,000)	(91,090)	(476,564)	(75,142)	0	(14,895)	(5,000)	(571,601)	(79,942)	(340,573)	(1,690,344)
Transfers In																					
Contribution to reserve from VES000451	0	0	0	0	0	(60,000)	0	0	(60,000)	0	0	0	0	0	0	0	0	0	0	0	(60,000)
Contribution to reserve from PRM0009451	0	0	0	0	0	0	0	0	(30,000)	(30,000)	0	0	0	0	0	0	0	0	0	0	(30,000)
Contribution to reserve from PCP000451	0	0	0	0	0	0	(11,000)	0	(11,000)	0	0	0	0	0	0	0	0	0	0	0	(11,000)
Contribution to reserve from LAU000451 (sale of x2 launches)	0	0	0	0	0	0	(40,000)	0	(40,000)	0	0	0	0	0	0	0	0	0	0	0	(40,000)
Contribution to reserve from MLK000451 (rental income)	0	0	(2,000)	(2,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(2,000)
Transfers Out																					
Fen harvester purchase (balance)	0	0	0	0	67,632	0	0	0	67,632	0	0	0	0	0	0	0	0	0	0	0	67,632
Closure of reserve (transfer to revenue budget)	0	0	0	0	4,030	0	0	0	4,030	0	0	0	0	0	0	14,895	14,895	0	0	0	18,922
Launch purchase (fit-out works)	0	0	0	0	0	0	80,000	0	80,000	0	0	0	0	0	0	0	0	0	0	0	80,000
Proposed wherry purchase	0	0	0	0	0	100,000	0	0	100,000	0	0	0	0	0	0	0	0	0	0	0	100,000
Dockyard Road (BA contribution)	0	0	0	0	0	0	0	0	0	45,000	45,000	0	0	0	0	0	0	0	0	0	45,000
LDF site specifics public enquiry	0	0	0	0	0	0	0	0	0	0	70,000	0	0	0	0	70,000	0	0	0	0	70,000
Archaeology work	0	0	0	0	0	0	0	0	0	0	5,000	0	0	0	0	5,000	0	0	0	0	5,000
Document Management System	0	0	0	0	0	0	0	0	0	0	45,000	0	0	0	0	45,000	0	0	0	0	45,000
Pool vehicle purchase (Dacia Duster)	0	0	0	0	0	0	11,000	11,000	0	0	0	0	0	0	0	0	0	0	0	0	11,000
Project Officer	0	0	0	0	0	0	0	0	0	0	40,000	0	0	0	0	40,000	0	0	0	0	40,000
STEP project expenditure / close	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	79,942	0	0	79,942
Balance 31/03/2014	(74,344)	0	(269,374)	(343,720)	0	(90,892)	(22,864)	0	(113,761)	(76,090)	0	(76,090)	(316,564)	(75,142)	0	0	(5,000)	(396,705)	0	(340,573)	(1,270,855)
Transfers In																					
Contribution to reserve from VES000451	0	0	0	0	0	(60,000)	0	0	(60,000)	0	0	0	0	0	0	0	0	0	0	0	(60,000)
Contribution to reserve from LAU000451	0	0	0	0	0	0	(22,500)	0	(22,500)	0	0	0	0	0	0	0	0	0	0	0	(22,500)
Contribution to reserve from PRM0009451	0	0	0	0	0	0	0	0	(30,000)	(30,000)	0	0	0	0	0	0	0	0	0	0	(30,000)
Contribution to reserve from MLK000451	0	0	(25,000)	(25,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(25,000)
Contribution to reserve from PCP000451	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(11,000)
Contribution to reserve from MLK000451 (rental income)	0	0	(2,000)	(2,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(2,000)
Transfers Out																					
Archaeology work	0	0	0	0	0	0	0	0	0	0	5,000	0	0	0	0	5,000	0	0	0	0	5,000
Landscape Partnership Bid	0	0	0	0	0	0	0	0	0	0	40,000	0	0	0	0	40,000	0	0	0	0	40,000
Pool vehicle purchase (Electric vehicle)	0	0	0	0	0	0	11,000	11,000	0	0</											

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 to support the seeking of match-funding.</p> <p>Moorings: Authority currently responsible for 62 moorings with recommended renewal of one mooring per annum. Estimated mooring life of 40 years. Precise replacement costs unknown, but could require approx £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 developed. Precise costs unknown.</p>
Plant, Vessels and Equipment	(265,426)	<p>Fen Management Equipment: Replacement Fen Harvester to be purchased 2013/14 (order placed). £100,000.</p> <p>Dockyard Vessels and Equipment: New Wherry in 2013/14 estimated at £100,000 based on current contract. Further Wherry and Crane Barge in 2015/16 estimated at £150,000. Other equipment 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 year).</p> <p>Pool Vehicles: Pool vehicles on a rolling replacement programme including 4x4 vehicle in 2013/14 and 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 estimates 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. Some of these could be covered by a provision made in 2012/13 (see separate report).</p>
Total	(698,233)	

Broads Authority
Annual Investment and Capital Financing Strategy: 2013/14

1. Investment Principles

1.1. All investments will be in sterling. The general policy objective for this Authority is the prudent investment of its treasury balances. The Authority's investment priorities are:

- (a) the security of capital; and
- (b) liquidity of its investments.

1.2. The Authority will aim to achieve the optimum return on its investments commensurate with the proper level of security and liquidity.

1.3. The Guidance maintains that the borrowing of monies purely to invest or on-lend and make a return is unlawful. The Authority will not engage in such activity.

2. Specified and Non-Specified Investments

2.1. Investment instruments identified for use in the 2013/14 financial year are all from the Specified Investment List, as set out below:

- x term deposits with UK government and authorities (section 23 of the Local Government Act 2003);
- x term deposits with UK/foreign banks and building societies which have acceptable credit ratings (to be agreed with Sector using approved market indexes);
- x money market funds with acceptable credit ratings (as above); and
- x Debt Management Agency deposits facility (government backed).

2.2. The use of other specified investments will not generally be considered further at this time, though the Authority may potentially wish to seek long term investment to buy into one year longer term rates, subject to the availability of surplus cash.

NOTE: In practice the Authority places most of its surplus funds with Broadland District Council who include the sums within their overall cash portfolio, which is currently invested 50% in two pooled funds and 50% in money market funds in UK banks. The short-term money market returns which are received are then passed over to the Authority. This position reflects the lack of resources available to manage investments in-house and the financial arrangements currently in place with Broadland District Council.

3. Hedging

3.1. If the Authority enters into any contractual arrangements above £100,000 which involve foreign currency, the advice of the Treasurer and Financial Adviser will be sought on the advisability of hedging the exchange risk before entering into the contract.

4. Liquidity

4.1. Based on its cash flow forecasts, the Authority anticipates that its fund balances in 2013/14 will range between £1,500,000 and £500,000. The exact sum will be highly dependent on the timing of spending against externally funded initiatives (e.g. Sustainable Development Fund).

5. Capital Financing (Borrowing) Principles

5.1. The key indicators are in the table below, and a commentary follows:

Prudential indicator	2013/14	2014/15	2015/16
Estimate of capital expenditure	£450,000	£200,000	£200,000
Authorised limit for external debt	£500,000	£500,000	£500,000
Operational Boundary	£300,000	£300,000	£300,000

5.2. Affordability

The prudential code indicator for affordability asks the Authority to estimate the ratio of financing costs to revenue stream. However as the only current borrowing was to finance the acquisition of the dredging operation from May Gurney, the financing costs have a zero effect on the bottom line of navigation income and expenditure as the dredging operation (financing costs and ongoing running cost including any additional capital expenditure) are less than or equal to the cost paid for it but to May Gurney in the past. It is therefore felt that this indicator is not appropriate for use by the Authority in this instance.

5.3. External Debt

Prudential indicators in respect of external debt must be set and revised taking into account their affordability. It is through this means that the objective of ensuring that external debt is kept within sustainable, prudent limits is addressed year on year.

Therefore the Authority will at this time only borrow to finance the capital expenditure incurred on the acquisition of the dredging operation from May Gurney.

5.3.1. Authorised limit

The Authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, separately identifying borrowing from other long term liabilities (excluding pension liability and government grants deferred). It should be noted that the Authority does not have any other long term liabilities at present or plans to have any in the future. This prudential indicator is referred to as the authorised limit and is shown in the table above.

5.3.2. Operational Boundary

The Authority will set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt. This prudential indicator is referred to as the operational boundary and is shown in the table above. The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case, scenario.

5.4. Capital expenditure

The Authority will make reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years. This prudential indicator will be referred to as estimate of capital expenditure and is included in the table above.

5.5. Treasury Management

The Prudential Code requires authorities to set upper limits for its exposure to the effects of changes in interest rates. However, as explained above under paragraph 5.1, the current borrowing costs will not be an additional cost to the Authority. The Authority has borrowed at a fixed interest rate, thus reducing its exposure to changes in interest rates. This prudential indicator is therefore not considered necessary in this instance.

5.6. Maturity structure of borrowing

The Prudential Code requires authorities to set upper and lower limits with respect to the maturity structure of borrowing. However as the Authority only has a single loan this indicator is not considered relevant.

6. End of Year Investment and Capital Financing Report

6.1. The Authority will provide a report on its investments and capital financing activity at the end of the financial year as part of its final accounts reporting procedure.

7. Fidelity Guarantee Insurance

7.1. The Authority has in place adequate financial guarantee insurance arrangements with Zurich Municipal as part of its overall insurance management arrangements.

PILING CONTRACTOR STANDING LIST APPROVAL QUESTIONNAIRE

Notes on Questionnaire

As part of your application to the Piling Contractor Standing List you are asked to fully complete the questionnaire providing any additional information or supporting documentation where necessary.

Applying Contractors will be assessed on several aspects covered in the questionnaire. Note on these aspects and the approval criteria are as below:

1. Company Details

Please provide all details as requested in Section 1

Approval requires completion of all requested details

2. Project Experience

Please provide any relevant details of recent piling projects that demonstrate good experience particularly projects involving work on or close to water courses.

Approval requires demonstration of relevant project experience

3. Work Capability

Please provide any relevant details of available piling equipment and types of piling work your company is set up to undertake.

Approval will not be based on this section but details provided will assist the Authority with project planning

4. Subcontracting

Subcontracting work within a project is generally not desirable except where specialist services are required. Any subcontract used as part of a contract will require approval from the Authority.

If you are likely to employ subcontractors as part of a typical piling project then please provide details in this section.

Approval will be subject to assurance that the named Contract is capable of undertaking all or most aspects of a piling project.

5. Health & Safety

This section requires you to provide documents in addition to this questionnaire to demonstrate your company's compliance with health & safety legislation.

A health & safety policy (signed and dated and reviewed within the last 2 years) is required in Section 2(3) of the Health and Safety at Work Act 1974

- x Where an employer of five or more people must prepare a written statement of his general policy, organisation and arrangements for health and safety at work, keep it up to date by revision and bring it to notice of his employees.
- x If you employ less than five people, whilst you may not have a written policy you do have to have a policy. If this is the case please provide details of how you ensure the health and safety of your staff and company undertakings. For ease, you may wish to use the HSE Policy Template on the HSE website.

In addition to your health & safety policy please also provide an example risk assessment and method statement for a relevant project. The risk assessment should demonstrate that any significant risks specific to the task or site have been identified and how these have been managed.

An adequate Health & Safety Policy Statement is required for approval

6. Insurances

Please provide evidence (e.g. copy of certificates) of the level of your insurance cover relating to professional indemnity and public liability.

Evidence of minimum level of £5,000,000 for both public liability insurance and professional indemnity insurance is required for approval

1. COMPANY DETAILS

It is not acceptable to leave any part of this section blank

Company Name, Address, Tel, Fax, Email & Company website	
Name & position of person completing this application	
I clearly understand the requirements of this document and to the best of my knowledge can state that the information provided is both truthful and correct	
Signature	Date
Other names the company has been known by in the past 5 years	Number of Employees in Applicant Company

2. PROJECT EXPERIENCE

Example Project 1	
Project outline	(eg. location, client, on water or land, special requirements)
Piling detail	(eg. pile section length and material and pile run length)
Date completed	
Additional details provided (optional)	YES / NO
Example Project 2	
Project outline	
Piling detail	
Date completed	
Additional details provided (optional)	YES / NO

ExampleProject3	
Projectoutline	
Pilingdetail	
Datecompleted	
Additionaldetails provided(optional)	YES / NO

3. WORK CAPABILITY

Please list available plant and equipment for piling projects (ie. types of hammer, excavators, cranes, floats etc.) and also indicate the types of piling work you are capable of undertaking either using land based plant or from a float.

Plant & equipment available for piling projects		
Types of piling work considered (please tick)	On land	On water
Sheet piling Timber		
Sheet piling Trench sheets		
Sheet piling Steel U & Z sheets		
Tubular steel piles (300-500mm Ø)		
Timber piles (300-400mm square)		
Alder pole piling		

4. SUBCONTRACTING

In relation to piling works please provide details of any trades or services you would normally subcontract and to whom.

Please set out or enclose your procedure for selection and assessment of competent subcontractors.

Trade/ service contracted	Subcontractor

Procedure for subcontractor selection

5. HEALTH & SAFETY

Please provide details of the person who is responsible for the management of health and safety and provide details of your company health and safety policy.

i. Competent Health & Safety manager/advisor

Name & Job title/ position of H&S advisor/manager (including contact details if different to those provided in Section 1)

--

Level of competency (e.g. qualifications, accreditation, years of experience as site manager, years of experience as H&S advisor/manager)

--

ii. Compliance with H&S legislation

Does your company have membership of a recognised safety scheme?

Y / N (Delete as appropriate)

If yes, please provide details below

You must provide the following documentation in support of this application

1. Health & Safety Policy Statement (signed and dated)
2. Example risk assessment and method statement produced for a recent piling project

6. INSURANCES

Please provide evidence of your company insurance cover with regard to the following:

1. Indemnity for insurance against claims in respect of employers liability and/or public liability. (The amount normally required for public liability insurance cover is £5,000,000)
2. Indemnity for insurance against claims in respect of matters relating to the advice or service provided. (The amount normally required for professional indemnity insurance is £5,000,000)