

Navigation Income and Expenditure: 1 April 2011 to 29 February 2012
Report by Senior Finance Assistant and Director of Change Management and
Resources

Summary:	This report summarises actual navigation income and expenditure for the eleven month period to 29 February 2012, compared to the revised budget. The report provides a list of major variances and reasons for these variances.
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1 Introduction

- 1.1 Appendix 1 shows the income received and expenditure incurred for the period April 2011 to February 2012, against the 2011/12 revised budget approved by the Broads Authority at its meeting on 20 January 2012.
- 1.2 Income and expenditure is compared to the profiled budget for Month 11. Any variances in excess of £10,000 from the profiled budget are highlighted in Appendix 2, where an explanation for the variance is provided.

2 Overview of Income and Expenditure

- 2.1 Total income for the period is £2,771,620, which is 99.9% of the revised budget and 100.2% of the profiled budget. The Authority's enforcement of the adjacent waters provision in the Broads Authority Act has brought in a small amount of additional income. At the end of the March the Authority successfully brought its first prosecution on this issue. The owner of Dutch Barge "ADJO" moored in adjacent waters was heard at the Lowestoft Magistrate Court. The owner pleaded not guilty on both charges of failure to register his vessel and failure to pay the appropriate toll. The Authority successfully proved both offences and the owner was ordered to pay the toll of £481.92 and costs of £799.
- 2.2 Total net expenditure is £2,203,915, which is 76.4% of the revised budget and 80.7% of the profiled budget.

3 Summary of 2011/12 Income and Expenditure

- 3.1 Whilst income has matched, and is likely to exceed, expectation, expenditure continues to be relatively low for the time of year. At the end of February this was over £680,000 short of the revised budget for the year. A number of projected underspends have been identified, which can be seen in Appendix 2. In particular the following budgets are currently showing a significant underspend:

- Operations Equipment, Vehicles and Vessels;
- Practical Maintenance; and
- Ranger Services.

3.2 There are a number of reasons for the underspend against the budget, including the following:

- The Authority has been successful in bringing in additional and unbudgeted income during the year.
- The reorganisation of the Authority has produced substantial savings through cost efficiencies, especially in the Construction and Maintenance and Ranger Services budgets.
- The Authority has been fortunate this year in that there have been no significant breakdowns requiring large items of expenditure, resulting in reduced maintenance and repair costs. Members will note from the Construction and Maintenance report the reference to the recent breakdown of the crane Grab 10 which will now be used for spares and replaced by a modern long reach excavator.
- Money was set aside in the budget for six uni-floats and a new wherry, at a combined cost of approx. £145,000 (Note: the unifloats will cost £70,000 and the wherry in the order of £150,000, of which 50% can be reclaimed through PRISMA). An order has been placed for the uni-floats but not yet the wherry, and both will now need to be funded from the 2012/13 budget.
- A number of sizeable invoices relating to legal, property and financial services are received towards or after the end of the financial year. In addition four replacement vehicles were acquired in March, to replace those at or near to the end of their lease period, at a cost to navigation expenditure of approximately £28,370.
- Finally the major staff restructure at the beginning of the financial year had some effect on activity and expenditure levels, as budget holders have taken time to get used to their new roles and budgets.

3.3 Officers will present a verbal update at the meeting on the provisional income and expenditure figures as at the end of March. For the reasons set out above it looks as if there will be a surplus on this year's expenditure against income of several hundred thousand pounds. This will in part be offset by the carried forward expenditure for the unifloats of £70,000. It is proposed that the outstanding costs of implementing the Premises Strategy, principally the costs of the new workshop at the Dockyard, will be funded from the under spend on this year's budget.

4 Income and Expenditure 2012/13

- 4.1 Members will be aware that the consolidated budget for 2012/13 was agreed by the Broads Authority at its meeting on 16 March. Officers are now working on the detailed figures supporting the budget, together with the monthly profiles, and training is being held for line managers to increase their understanding of the budgets and the Authority's financial procedures.
- 4.2 We are also endeavouring to identify ways of presenting the budget so that it will be clearer and more easily understood by members of the Authority and members of the public alike.

5 Accounts Providing for Specific Expenditure

- 5.1 The Authority has set aside a number of accounts to make provision for known future liabilities which are unlikely to be affordable from revenue expenditure. Officers are reviewing the figures and will be presenting a report to the Broads Authority at its meeting in May about their future use. In the meantime the current position for each account is set out below together with an analysis.
- 5.2 **Dredging Disposal Sites (£180,614)**
A large proportion of this funding will be used to match fund the PRISMA expenditure in recreating the island at Duck Broad and Salhouse spit. The account was set up originally following the Sediment Management Strategy which identified the need for a network of strategic disposal sites. The difficulty the Authority has had has been in the difficulty in reaching agreement with landowners of the acquisition of suitable sites.
- 5.3 **Dockyard Site Maintenance (£70,919)**
This fund was established when the Authority bought the Dockyard to fund the 45% contribution towards the maintenance of Griffin Lane as well as dealing with ad hoc items such as the pump under the railway bridge, fly tipping etc. £95,648 has been spend from that fund this year in the replacement of the welfare unit and fees for the design of the new workshop. We are waiting for a quote from the landlord for the resurfacing of the road.
- 5.4 **Dockyard Vessels and Equipment (£161,961)**
The acquisition of the Dockyard operation has meant that the Authority is now directly involved in more heavy engineering work than was previously the case. The Authority acquired from May Gurney a significant amount of equipment which, with the exception of two wherries, was acquired at no cost because of its age. This fund is to replace and upgrade this equipment to a reasonable standard. In the last three years the Authority has purchased three second hand cranes and a second hand tug. Some of those purchased have been subject to claims from PRISMA. The next item the Authority is considering is suitable equipment for the management of Breydon Water.

5.5 Launch Replacement Fund (£148,449)

This fund is to replace the Authority's ageing fleet of launches and a programme has been agreed by the Authority to carry this out over a twenty year cycle. The first launch will be built this year and cost in the order of the amount in the reserve.

5.6 Mutford Lock (£266,442)

This reserve was established in 1989 when the Authority entered into an agreement with Suffolk County Council and Associated British Ports to take over responsibility for Mutford Lock. A commuted sum of £100,000 was paid to the Authority and placed in the account. Since that time monies have been employed to mechanise the lock and carry out vital repairs and a contribution of £25,000 is made into the fund every year. Ideally this reserve should be a increased over time to a minimum of £1 million because when major repairs are required to the lock walls a large capital programme of works will be required.

5.7 PRISMA

Members will note that the PRISMA reserve account currently stands at £52,428. This is as a result of combined contributions of £150,000 from the Dredging Disposal, Operations Vessels and Equipment and Dockyard Site Maintenance reserve accounts, as agreed by the Broads Authority at its meeting in June 2011, less expenditure to date of £97,572. However claims totalling an estimated £207,800 (subject to movements in the exchange rate) have been submitted (in August 2011 and March 2012). Payment of these is still outstanding. A report on this European Programme will be provided at the June meeting.

Background Papers: Nil

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Broads Plan Objectives: None

Appendices: APPENDIX 1 - Navigation Income and Expenditure to 29 February 2012
APPENDIX 2 – Summary of Major Variances

DIRECTORATE

	Original Annual Budget 2011-12	Revised Budget 2011/12	Profiled Budget	Actuals	Variance
INCOME					
Navigation Charges					
Hire Craft Tolls	(1,006,500)	(1,044,000)	(1,044,000)	(1,044,101)	(101)
Private Craft Tolls	(1,612,000)	(1,645,000)	(1,644,500)	(1,650,135)	(5,635)
Short Visit Tolls	(41,300)	(46,200)	(44,700)	(44,411)	289
Other Toll Income	(8,145)	(18,750)	(18,750)	(17,457)	1,293
Interest Received	(12,500)	(20,000)	(15,000)	(15,515)	(515)
	(2,680,445)	(2,773,950)	(2,766,950)	(2,771,620)	(4,670)
OPERATIONS					
Construction & Maintenance					
Construction & Maintenance Salaries	628,027	529,382	485,267	484,063	(1,204)
Equipment, Vehicles & Vessels	374,000	408,139	374,111	206,151	(167,960)
Dredging	140,000	110,000	100,837	107,965	7,128
Fen & Tree Management	-	-	-	324	324
Practical Maintenance	178,000	175,000	166,178	27,398	(138,780)
	1,320,027	1,222,522	1,126,393	825,902	(300,491)
Ranger Services	445,399	410,472	378,843	336,928	(41,914)
Safety	87,668	67,635	61,993	63,897	1,903
Asset Management	40,725	62,809	57,493	55,994	(1,499)
Volunteers	7,775	7,972	7,306	6,708	(598)
Management & Admin	79,375	90,802	83,236	83,717	482
OPERATIONS TOTAL	1,980,969	1,862,212	1,715,264	1,373,147	(342,117)
PLANNING & STRATEGY					
Strategy & Projects					
Strategy & Projects Salaries	78,553	78,973	72,392	71,114	(1,278)
Biodiversity Strategy	-	-	-	202	202
Strategy & Projects	-	-	-	234	234
Waterways & Recreation Strategy	9,000	9,000	8,250	6,547	(1,703)
Project Funding	-	-	-	3,172	3,172
Management & Admin	16,949	13,274	12,168	11,418	(750)
PLANNING TOTAL	104,502	101,247	92,810	92,686	(123)
RESOURCES					
Human Resources	69,685	61,424	56,407	45,609	(10,798)
Finance & Insurance	128,518	130,276	122,645	116,833	(5,811)
Governance	56,740	55,600	50,966	47,791	(3,175)
Communications	60,198	64,699	58,229	52,302	(5,927)
Visitor Centres & Yacht Stations	(276)	48,155	47,432	44,737	(2,695)
Collection of Tolls	105,884	101,500	93,841	95,812	1,971
ICT	85,089	75,840	70,383	68,318	(2,065)
Legal	19,500	19,500	13,650	14,900	1,250
Premises	192,450	289,050	207,966	289,454	81,488
Management & Admin	67,553	59,165	57,483	58,024	541
RESOURCES TOTAL	785,341	905,209	779,002	833,780	54,779
Additional Lump Sum Pension Payments	17,693	17,693	0	0	0
Severance/Compensation Costs	7,000	0	0	0	0
PRISMA	-	-	-	97,622	97,622
<u>Contributions from Earmarked Reserves</u>	-	-	-	-	-
Launch Replacement	-	-	-	(1,600)	(1,600)
PRISMA	-	-	-	(97,572)	(97,572)
Mutford Lock	-	-	-	1,500	1,500
Dockyard Site Maintenance	-	-	-	(95,648)	(95,648)
	-	-	-	(193,320)	(193,320)
NET EXPENDITURE	2,895,505	2,886,360	2,587,075	2,203,915	(383,160)
(SURPLUS) / DEFICIT	215,060	112,410	(179,875)	(567,705)	(387,830)

Balances on Reserve AccountsAs at 31/3/12Current

Dredging Disposal Sites	180,614	180,614
Dockyard Site Maintenance	91,567	70,919
Dockyard Vessels and Equipment	161,961	161,961
Launch Replacement	150,049	148,449
Mutford Lock Endowment	239,922	266,442
PRISMA	0	52,428

DIRECTORATE

	Revised Budget 2011/12	Profiled Budget	Actuals to 29/02/12	Variance	Reason
INCOME					
Navigation Charges					
Hire Craft Tolls	(1,044,000)	(1,044,000)	(1,044,101)	(101)	
Private Craft Tolls	(1,645,000)	(1,644,500)	(1,650,135)	(5,635)	
Short Visit Tolls	(46,200)	(44,700)	(44,411)	289	
Other Toll Income	(18,750)	(18,750)	(17,457)	1,293	
Interest Received	(20,000)	(15,000)	(15,515)	(515)	
	(2,773,950)	(2,766,950)	(2,771,620)	(4,671)	

OPERATIONS

Construction & Maintenance					
Construction & Maintenance Salaries	529,382	485,267	484,063	(1,204)	
Equipment, Vehicles & Vessels	408,139	374,111	206,151	(167,960)	The addition of the Long Reach JS180 360 has reduced the wear and tear on the Grabs, meaning parts have not worn as much as in other years and repair costs have been reduced. Expenditure has been incurred during March for four replacement vehicles at a cost to this budget of £28,373, and six uni-floats have been placed on order at a cost of approx. £70,000, although these were not delivered before the end of the financial year and the money will need to be carried over.
Dredging	110,000	100,837	107,965	7,128	
Fen & Tree Management	-	-	324	324	
Practical Maintenance	175,000	166,178	27,398	(138,780)	Expenditure is net of the Network Rail contribution of £67,800 for moorings at Reedham and Somerleyton. there is a combined underspend of in excess of £100,000 on Mutford Lock, Moorings Maintenance and Repairs and Other Navigation Works. These budgets are predicted to be underspent at year end.
	1,222,522	1,126,393	825,902	(300,491)	

Ranger Services	410,472	378,843	336,928	(41,914)	There has been smaller maintenance costs on launches and less travel costs than predicted. Launch refits are carried out in the Winter.
Safety	67,635	61,993	63,897	1,903	
Asset Management	62,809	57,493	55,994	(1,499)	
Volunteers	7,972	7,306	6,708	(598)	
Management & Admin	90,802	83,236	83,717	482	
	639,690	588,871	547,244	(41,627)	

OPERATIONS TOTAL	1,862,212	1,715,264	1,373,147	(342,117)	
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PLANNING & STRATEGY

Strategy & Projects					
Strategy & Projects Salaries	78,973	72,392	71,114	(1,278)	
Biodiversity Strategy	-	-	202	202	
Strategy & Projects	-	-	234	234	
Waterways & Recreation Strategy	9,000	8,250	6,547	(1,703)	
Project Funding	-	-	3,172	3,172	
Management & Admin	13,274	12,168	11,418	(750)	

DIRECTORATE

	Revised Budget 2011/12	Profiled Budget	Actuals to 29/02/12	Variance	Reason
PLANNING TOTAL	101,247	92,810	92,686	(123)	

RESOURCES

Human Resources	61,424	56,407	45,609	(10,798)	Expenditure on staff training is lower than predicted.
Finance & Insurance	130,276	122,645	116,833	(5,811)	
Governance	55,600	50,966	47,791	(3,175)	
Communications	64,699	58,229	52,302	(5,927)	
Visitor Centres & Yacht Stations	48,155	47,432	44,737	(2,695)	
Collection of Tolls	101,500	93,841	95,812	1,971	
ICT	75,840	70,383	68,318	(2,065)	
Legal	19,500	13,650	14,900	1,250	
Premises	289,050	207,966	289,454	81,488	This includes expenditure of £95,648 on the redevelopment of the Dockyard, funded from the Dockyard Site Maintenance Reserve Account. Rent for Dragonfly House has only been paid up until September 2011 based on 2008 stakeholder rates until the lease is finalised. Another payment was made in March.
Management & Admin	59,165	57,483	58,024	541	
RESOURCES TOTAL	905,209	779,002	833,780	54,779	

Lump Sum Pension Payment	17,693	0	0	0	
PRISMA	-	-	97,622	97,622	Expenditure is matched with reserve funds below.

**Contributions from
Earmarked Reserves**

Launch Replacement	-	-	(1,600)	(1,600)	
PRISMA	-	-	(97,572)	(97,572)	
Mutford Lock	-	-	1,500	1,500	
Dockyard Site Maintenance	-	-	(95,648)	(95,648)	
	-	-	(193,320)	(193,320)	
NET EXPENDITURE	2,886,360	2,587,075	2,203,915	(383,160)	
(SURPLUS) / DEFICIT	112,410	(179,875)	(567,705)	(387,830)	