

**Navigation Income and Expenditure:
1 April to 31 December 2013 Actual and 2013/14 Forecast Outturn**
Report by Head of Finance

Summary: This report provides the Committee with details of the actual navigation income and expenditure for the nine month period to 31 December 2013, and provides a forecast of the projected expenditure at the end of the financial year (31 March 2014).

1 Introduction

- 1.1 This financial monitoring report summarises details of the forecast outturn for the year, which provides members with a picture of expected activity for the full financial year as well as supporting proactive budget management by budget holders. This report provides details of navigation expenditure only.
- 1.2 Section 2 of this report and Appendix 1 provide details of actual navigation expenditure to 31 December 2013.
- 1.3 Section 4 and Appendix 2 provide details of the forecast 2013/14 outturn (the expected actual expenditure position at the end of the financial year), compared to the latest available budget (LAB). The LAB represents the original budget for the year agreed by the Authority in January 2013, adjusted for known and approved budget changes. Further details of the LAB are set out in section 3 below.

3 Overview of Actual Income and Expenditure

- 3.1 Within this report, actual income and expenditure are reported at summary / directorate level, providing members with an overview of the Authority's position as set out in Table 1 below.

Table 1 – Actual Navigation I&E by Directorate to 31 December 2013

	Profiled Latest Available Budget	Actual Income and Expenditure	Actual Variance
Income	(2,904,166)	(2,874,126)	(30,041)
Operations	1,301,703	1,417,393	(115,691)
Planning and Resources	704,957	650,737	54,220
Chief Executive	112,312	123,153	(10,841)
Projects, Corporate Items and Contributions from Earmarked Reserves	24,330	(88,382)	112,712
Net (Surplus) / Deficit	(760,865)	(771,225)	10,360

- 3.2 Core navigation income remains slightly below the profiled budget at the end of month nine. The overall position as at 31 December 2013 is a favourable variance of £10,360 or 1.36% difference from the profiled LAB.
- 3.3 Members may wish to note that overspends within the individual directorate lines are mainly offset by contributions from reserves (within the *Projects, Corporate Items and Contributions from Earmarked Reserves* line in Table 1).
- 3.4 The charts at Appendix 1 provide a visual overview of actual income and expenditure compared with both the original budget and the LAB.

4 Latest Available Budget

- 4.1 The Authority's income and expenditure is being monitored against a latest available budget (LAB) in 2013/14. The LAB is based on the original budget for the year, with adjustments for known and approved budget changes such as carry-forwards and budget virements. Full details of the movements from the original budget are set out in Appendix 2.
- 4.2 The use of the LAB format ensures that there is better visibility of budgets, providing members with clearer information about approved changes to the original budget and minimising the risk of distortions arising from approved in-year changes to the budget. The LAB facilitates scrutiny of budget management in that members are able to distinguish between planned budget changes and unplanned outturn variances.
- 4.3 There have been no changes to the navigation LAB since the last report to this committee as set out in Table 2 below.

Table 2 – Adjustments to Navigation LAB

	Ref	£
Original navigation budget 2013/14 (surplus)	Item 17 05/09/2013	(27,137)
Previously reported adjustments	Item 11 12/12/2013	158,995
LAB at 31 December 2013		131,858

4.4 The LAB therefore provides for a navigation deficit of £131,858 in 2013/14 as at 31 December 2013.

5 Overview of Forecast Outturn 2013/14

5.1 Budget holders have been asked to comment on the expected expenditure at the end of the financial year in respect of all budget lines for which they are responsible. It must be emphasised that these forecast outturn figures should be seen as estimates and it is anticipated that they will continue to be refined and clarified through the financial year.

5.2 As at the end of December 2013, the forecast outturn indicates:

- The income forecast is reduced due to revised projections for investment interest, but income is still expected to be broadly in line with the original budget. Total forecast income is £2,897,160.
- Total expenditure is forecast to be £3,005,444.
- The resulting deficit for the year is forecast to be £108,284.

5.3 The forecast outturn expenditure reflects the key changes from the previously reported forecast outturn as shown in Table 3. The forecast deficit has increased by £17,863 since the last report to the committee.

Table 3 – Adjustments to Forecast Outturn

	£
Forecast outturn deficit reported to Navigation Committee 12 December 2013	90,421
Increase Other Navigation Works income for actuals (BDC contribution to Reedham Safety Ladders)	(7,500)
Increase income forecast for actual Electric Charging Point income	(7,500)
Increase income forecast for water donations	(5,000)
Increase Vessels budget income forecast for actuals (sales of obsolete equipment)	(3,848)
Reduce ICT salary forecast for later than budgeted recruitment	(3,300)
Increase income forecast for one-off recharge to National Association of AONBs	(2,340)

Increase Communications income forecast for advertising income and recharged costs	(1,980)
Decrease expenditure forecast for FM management at Yare House	(1,068)
Increase forecast for Dredging contractor income	(1,000)
Increase salary forecast for additional hours of cover (Strategy and Projects)	567
Increase forecast for Tolls consumables purchases (toll plaques etc)	1,100
Increase cost forecast for Asset Management	1,800
Increase forecast Notice Board expenditure for recent additional requirements	2,000
Increase expenditure forecast for Legal costs based on actual billing / activity	2,000
Increase expenditure for AINA fees (Waterways Strategy)	2,600
Increase expenditure forecast for standby costs (Safety budget)	5,360
Increase forecast for additional Insurance premium costs	8,505
Reduce forecast Investment interest based on actuals to September	10,000
Net increase to expenditure for Yacht Stations (reduction in forecast income and increase in salary and other costs)	17,467
Forecast outturn deficit as at 31 December 2013	108,284

5.4 As previously reported to the Committee, the main differences between the forecast outturn and the LAB are due to:

- a reduction in costs for works on Breydon Water as a result of savings achieved by undertaking activity in-house and procuring materials at lower than anticipated cost;
- the additional contribution to the Dockyard development from Land and Water Services; and
- unbudgeted income from private dredging works being undertaken at Hardley Dyke and the Chet.

6 Reserves

6.1 The Authority's earmarked reserves have been rationalised as at 1 April 2013 into a smaller number of reserves holding larger balances. Navigation reserve balances continue to be maintained separately from national park reserves. The balance of navigation earmarked reserves at the end of December 2013 is shown in Table 4 below.

Table 4 – Navigation Earmarked Reserves

	Balance at 1 April 2013	In-year movements	Current reserve balance
	£	£	£
Property	(426,700)	(61,500)	(488,200)
Plant, Vessels and Equipment	(215,948)	80,566	(135,382)
Premises	(30,455)	(21,560)	(52,015)
PRISMA	(210,246)	136,029	(74,218)
Total	(883,349)	133,535	(749,814)

- 6.2 Members will be aware that damage was sustained at Mutford Lock following the tidal surge in early December 2013. The Authority has since taken steps in response to commission works to replace the existing lock gate hydraulic and electrical control units (including housings) as set out in the Chief Executive's Report. Following consultation with both the Chairman and Vice Chairman of this Committee, and with the Chairman of the Authority, the Chief Executive has approved a waiver of standing orders to let this contract to LEC Marine (Klyne) Ltd. LEC Marine have previously undertaken responsive repair work for the Lock and as a result have an in-depth knowledge of the site and equipment.
- 6.3 The exemption has been approved under specific exemption 6(e) "for the execution of work [...] certified by the Chief Executive as being required so urgently as to preclude the invitation of quotations or tenders."
- 6.4 The Authority previously explored options for the replacement of the Lock equipment in 2013, at which time four potential suppliers were approached. This resulted in two quotations, from LEC Marine for a solution incorporating essential improvements, and from Parkers for a (lower cost) like-for-like replacement. The outcome of this initial costing was to identify that any works would be significantly in excess of £25,000 and would therefore require a full procurement exercise and tender process. Due to a lack of officer resource / capacity to take the work forward at this time, the project was held for inclusion in a future work programme and noted in the draft Financial Strategy to 2016/17 paper as a future expenditure requirement from the Property Reserve for 2014/15. The urgent nature of the works now required have led to the LEC quotation being revisited on the basis that the alternative like-for-like replacement would not provide an appropriate solution in that it would not delivered necessary improvements in reliability, resilience and ease of maintenance. The quotation from LEC Marine is for a cost of £72,250, which is in line with their earlier quote, and allows for the works to be undertaken over a 10-14 week period. The LEC proposal is expected to deliver a number of improvements to the Lock including making the hydraulic mechanisms more resilient to a future flooding event of this kind.
- 6.5 Mutford Lock is not covered by the Authority's insurance policies as the legal title to the structure has not transferred to the Authority. These works will

therefore be funded from the existing earmarked reserve for Mutford Lock (included within the Property Reserve in the table above). After this expenditure has been incurred, the Mutford Lock element of the reserve will stand at approximately £230,000. The impact of this expenditure on reserves has been incorporated within the Authority's budget planning for 2014/15.

7 Summary

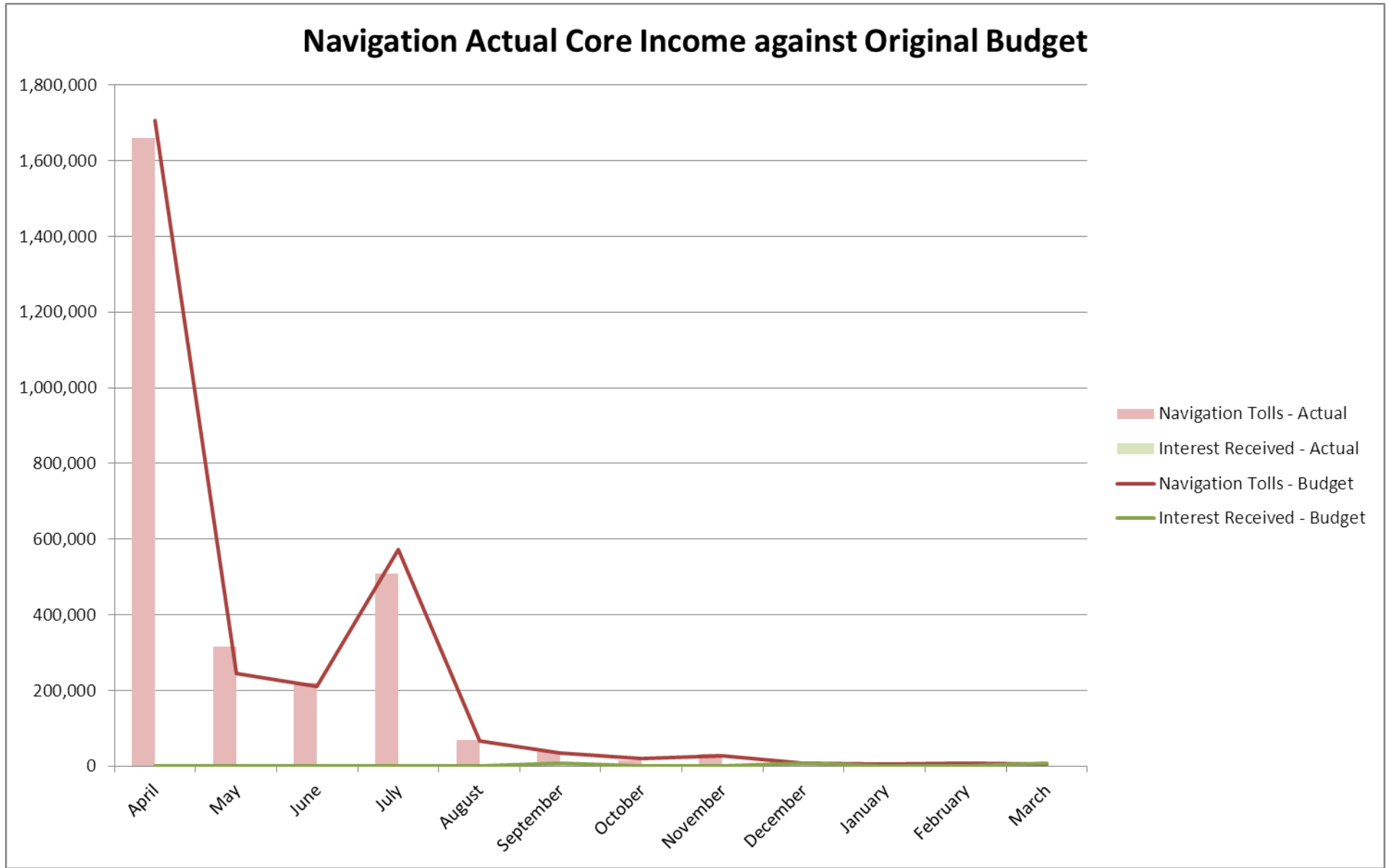
7.1 The forecast outturn position for the year suggests a deficit within the navigation budget which would result in a navigation reserve balance of approximately £246,000 at the end of 2013/14. Although this is below the recommended level of 10% of net expenditure, taken alongside the significant navigation earmarked reserve balances, it is considered to be adequate in the short to medium term. The impact of the navigation reserve balance has been taken into account within the Authority's budget planning for 2014/15.

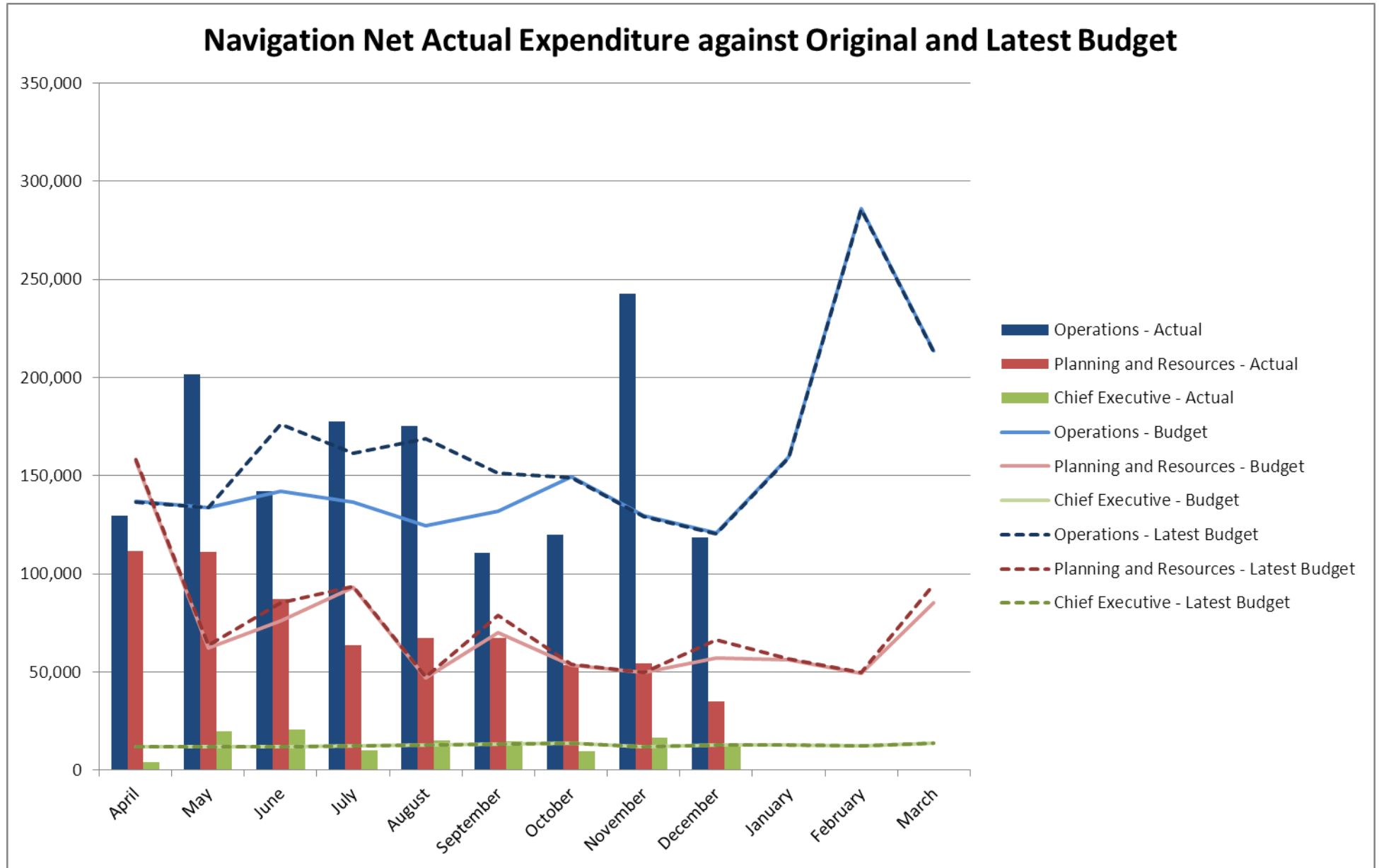
Background Papers: Nil

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Broads Plan Objectives: None

Appendices: APPENDIX 1 – Navigation Actual Income and Expenditure
Charts to 31 December 2013
APPENDIX 2 – Financial Monitor: Navigation Income and
Expenditure 2013/14





To 31 December 2013

Budget Holder

(All)

Row Labels	Values				
	Original Budget (Navigation)	Budget Adjustments (Navigation)	Latest Available Budget (Navigation)	Forecast Outturn (Navigation)	Forecast Outturn Variance (Navigation)
Income	(2,928,984)		(2,928,984)	(2,897,160)	(31,824)
Hire Craft Tolls	(1,092,830)		(1,092,830)	(1,084,172)	(8,658)
Income	(1,092,830)		(1,092,830)	(1,084,172)	(8,658)
Private Craft Tolls	(1,758,210)		(1,758,210)	(1,745,043)	(13,167)
Income	(1,758,210)		(1,758,210)	(1,745,043)	(13,167)
Short Visit Tolls	(36,694)		(36,694)	(36,694)	0
Income	(36,694)		(36,694)	(36,694)	0
Other Toll Income	(18,750)		(18,750)	(18,750)	0
Income	(18,750)		(18,750)	(18,750)	0
Interest	(22,500)		(22,500)	(12,500)	(10,000)
Income	(22,500)		(22,500)	(12,500)	(10,000)
Operations	1,832,507	119,245	1,951,752	1,913,749	38,003
Construction and Maintenance Salaries	564,552		564,552	564,552	0
Salaries	564,552		564,552	564,552	0
Expenditure			0		0
Equipment, Vehicles & Vessels	268,438	132	268,570	264,722	3,848
Income	(962)		(962)	(4,810)	3,848
Expenditure	269,400	132	269,532	269,532	0
Water Management	90,000		90,000	110,595	(20,595)
Income	0		0	(19,000)	19,000
Expenditure	90,000		90,000	129,595	(39,595)
Land Management	0		0	0	0
Income	0		0	0	0
Expenditure	0		0	0	0
Practical Maintenance	252,200	123,000	375,200	318,200	57,000
Income	(2,000)		(2,000)	(17,000)	15,000
Expenditure	254,200	123,000	377,200	335,200	42,000
Ranger Services	442,671	21,643	464,314	456,314	8,000

Row Labels	Original Budget (Navigation)	Budget Adjustments (Navigation)	Latest Available Budget (Navigation)	Forecast Outturn (Navigation)	Forecast Outturn Variance (Navigation)
Income	(8,000)		(8,000)	(8,000)	0
Salaries	329,671	21,643	351,314	351,314	0
Expenditure	121,000		121,000	113,000	8,000
Pension Payments			0		0
Safety	66,195	(23,450)	42,745	49,795	(7,050)
Income	(5,000)		(5,000)	(5,000)	0
Salaries	47,195	(23,450)	23,745	33,795	(10,050)
Expenditure	24,000		24,000	21,000	3,000
Asset Management	59,348		59,348	63,148	(3,800)
Income	(9,000)		(9,000)	(6,000)	(3,000)
Salaries	14,598		14,598	16,398	(1,800)
Expenditure	53,750		53,750	52,750	1,000
Volunteers	16,032	2,400	18,432	17,832	600
Income	(300)		(300)	(300)	0
Salaries	9,732	2,400	12,132	12,132	0
Expenditure	6,600		6,600	6,000	600
Operations Management and Administration	73,072	(4,480)	68,592	68,592	0
Income			0		0
Salaries	66,128	(4,480)	61,648	61,648	0
Expenditure	6,944		6,944	6,944	0
Planning and Resources	856,883	39,750	896,633	874,794	21,839
Strategy and Projects Salaries	19,612	4,576	24,188	23,765	423
Income	0		0	0	0
Salaries	19,612	4,576	24,188	23,765	423
Expenditure	0		0	0	0
Strategy and Projects	3,199		3,199	4,189	(990)
Salaries	3,199		3,199	4,189	(990)
Expenditure	0		0	0	0
Waterways and Recreation Strategy	53,010		53,010	55,610	(2,600)
Salaries	44,010		44,010	44,010	0
Expenditure	9,000		9,000	11,600	(2,600)
Project Funding	3,963	35,000	38,963	38,963	0

Row Labels	Original Budget (Navigation)	Budget Adjustments (Navigation)	Latest Available Budget (Navigation)	Forecast Outturn (Navigation)	Forecast Outturn Variance (Navigation)
Income	0		0	0	0
Salaries	3,963		3,963	3,963	0
Expenditure	0	35,000	35,000	35,000	0
Pension Payments			0		0
Finance and Insurance	148,077		148,077	156,582	(8,505)
Income	0		0	(495)	495
Salaries	58,077		58,077	58,077	0
Expenditure	90,000		90,000	99,000	(9,000)
Communications	84,768		84,768	82,788	1,980
Income	0		0	(1,980)	1,980
Salaries	72,768		72,768	72,768	0
Expenditure	12,000		12,000	12,000	0
Visitor Centres and Yacht Stations	47,963		47,963	65,430	(17,467)
Income	(76,875)		(76,875)	(54,188)	(22,688)
Salaries	93,938		93,938	96,743	(2,805)
Expenditure	30,900		30,900	22,875	8,025
Collection of Tolls	108,500		108,500	109,600	(1,100)
Salaries	96,100		96,100	96,100	0
Expenditure	12,400		12,400	13,500	(1,100)
ICT	91,443		91,443	88,143	3,300
Salaries	51,576		51,576	48,276	3,300
Expenditure	39,867		39,867	39,867	0
Legal	20,500		20,500	22,500	(2,000)
Income			0		0
Expenditure	20,500		20,500	22,500	(2,000)
Premises	199,250	(1,160)	198,090	150,539	47,551
Income	(3,000)		(3,000)	(45,614)	42,614
Expenditure	202,250	(1,160)	201,090	196,153	4,937
Planning and Resources Management and Administration	76,600	1,333	77,933	76,686	1,247
Income	0		0	(2,340)	2,340
Salaries	43,910		43,910	43,910	0
Expenditure	32,690	1,333	34,023	35,116	(1,093)

Row Labels	Original Budget (Navigation)	Budget Adjustments (Navigation)	Latest Available Budget (Navigation)	Forecast Outturn (Navigation)	Forecast Outturn Variance (Navigation)
Chief Executive	150,816		150,816	155,260	(4,444)
Human Resources	54,060		54,060	58,504	(4,444)
Salaries	26,060		26,060	30,504	(4,444)
Expenditure	28,000		28,000	28,000	0
Governance	57,030		57,030	57,030	0
Income			0		0
Salaries	36,914		36,914	36,914	0
Expenditure	20,116		20,116	20,116	0
Chief Executive	39,727		39,727	39,727	0
Salaries	39,727		39,727	39,727	0
Expenditure			0		0
Projects and Corporate Items	61,640		61,640	61,640	0
PRISMA	32,440		32,440	32,440	0
Income			0		0
Salaries	32,440		32,440	32,440	0
Expenditure			0		0
STEP			0		0
Salaries			0		0
Expenditure			0		0
Corporate Items	29,200		29,200	29,200	0
Expenditure			0		0
Pension Payments	29,200		29,200	29,200	0
Contributions from Earmarked Reserves			0		0
Earmarked Reserves			0		0
Expenditure			0		0
Grand Total	(27,137)	158,995	131,858	108,284	23,573