

**Navigation Income and Expenditure: 1 April 2012 to 28 February 2013**  
Report by Head of Finance

**Summary:** This report summarises actual income and expenditure for the eleven month period to 28 February 2013, and provides a forecast of the projected expenditure at the end of the financial year (31 March 2013). The report provides details of major variances expected at year end and the reasons these are anticipated.

**1 Introduction**

- 1.1 This report provides details of the Authority's Navigation expenditure and includes a summary of the actual income received and expenditure incurred for the period April 2012 to February 2013 compared with the profiled original budget for the year.
- 1.2 The report also provides a forecast of the 2012/13 outturn (the expected actual expenditure at the end of the financial year), compared to the original budget for the year agreed by the Authority in January 2012.
- 1.3 Appendix 1 to this report provides a detailed breakdown of figures alongside a commentary against each budget line. In addition it presents the actual movements in earmarked reserves for the period to date and the balance of earmarked reserves at the end of February 2013.

**2 Overview of Actual Income and Expenditure**

- 2.1 Total income for the period is £2,819,571, which is 98.85% of the original budget for the year and 99.34% of the profiled budget.
- 2.2 Total net expenditure is £2,886,647, which is 94.64% of the original budget and 108.91% of the profiled budget.
- 2.3 This results in an actual overspend against the profiled budget of £254,779 in February (an adverse variance, as predicted). This position is due to the significant variances set out in paragraph 2.4 below. As reported in previous months, the forecast outturn continues to anticipate that there will be a significant deficit position by the end of the financial year.
- 2.4 The current actual overspend is explained by the following key variances (variances of +/- £10,000):

**Navigation Income & Expenditure as at 28/02/2013**

	<b>£000s</b>
Actual income	(2,820)
Actual expenditure	2,887
Actual deficit for period	<b>67</b>

Profiled surplus for period	(188)
Variance (actual deficit less profile) (adverse)	<u>255</u>

*Explained by (key variances only):*

Net income variance (adverse) – reduced short visit tolls and outstanding interest income	(19)
Equipment, Vehicles and Vessels (overspend) – vehicle purchases (capital)	(68)
Water Management (underspend) – outstanding invoices, no landowner payments	38
Practical Maintenance (underspend) – outstanding invoices (Breydon, Beccles)	138
Ranger Salaries (overspend) – unbudgeted salary costs for Breydon	(15)
Ranger Services (overspend) – unbudgeted costs for Breydon launch and vehicle purchases	(41)
Safety (overspend) – purchase of HAVS equipment, unbudgeted standby payments	(10)
Operations Income (favourable) – Breydon Water and Fen Management income not profiled	67
Finance (underspend) – various underspends on audit, insurance and bank fees	20
Premises (overspend) – payment of Yare House, Dragonfly House and Dockyard costs	(301)
Prisma (overspend) – budget profile issue with timing of work and activity	(50)
Net miscellaneous variances under 10k (net overspend)	<u>(14)</u>
<b>Total key variances</b>	<b>255</b>

2.5 It should be emphasised that many of the variances identified above relate to timing differences between actual expenditure and the budget profiles and budgets have often been committed in these areas – this is particularly significant for the Water Management, Practical Maintenance and PRISMA budget lines. However, as set out in the most recent monitoring report to the Broads Authority, it has been identified that an underspend is likely to arise within the Practical Maintenance budget, specifically in relation to the Moorings Maintenance and Repair budgets where the costs of works at Stokesby and Beccles have been lower than originally anticipated. It has been agreed that any underspend from this budget, which is likely to be at least £20,000, be transferred to the 2013/14 Project Pot budget to provide funding for Navigation projects.

2.6 A large element of the variance continues to relate to issues with profiling of income for Breydon Water (which was not included in the original budget) and Fen Management, where income has been profiled for the end of the year but has in fact been received throughout 2012/13. There is also a significant overspend on the Premises budget, in line with the capital investment plans previously agreed by the Authority. The resulting overspend position is now expected to persist through to the end of the financial year and this is reflected in the forecast outturn set out in Section 3 below. A full commentary on actual variances is provided within Appendix 1.

### **3 Overview of Forecast Outturn 2012/13**

3.1 Budget holders have been asked to comment on the expected expenditure at the end of the financial year in respect of all the budget lines for which they are responsible. It must be emphasised that these forecast outturn figures should be seen as estimates and they have been refined and clarified throughout the financial year. It is anticipated that the experience of forecasting this year will inform the preparation of improved forecasts in 2013/14.

3.2 As at the end of February 2013, the forecast outturn indicates:

- Income is expected to be slightly lower than the original budget with total forecast income of £2,838,750, mainly as a result of lower than forecast short visit tolls due to the adverse weather during the summer season.
- Total expenditure is forecast to be £3,502,196. This represents an increase of £452,060 or 14.82% on the original budget of £3,050,136.
- The resulting deficit for the year is forecast to be £663,446, an increase of £465,560 over the deficit set out in the original 2012/13 budget.

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

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

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

- A net increase in costs related to the new launches due to expenditure funded from reserves being slipped into 2013/14;
- An increase in forecast costs for ranger salaries to take account of previously unbudgeted staffing costs relating to Breydon;
- The reinstatement of the contribution to the Mutford Lock reserve; and
- A number of other small adjustments based on actual activity levels and costs, as set out in Appendix 1.

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

## **4 Summary**

4.1 The actual variance which has emerged in February is consistent with the approved changes to the 2012/13 budget to support significant additional capital expenditure during the year. The main reasons for the variance are set out in section 2 of this report.

4.2 The forecast outturn represents a planned drawing down of reserves to fund one-off, mainly capital expenditure in 2012/13, and continues to anticipate a significant deficit position by the end of the year.

4.3 The impact of this deficit has been incorporated into the Authority's financial planning for 2013/14 and beyond, including in the re-profiling of planned

contributions to reserves, with the expectation that general reserves will be built up once again from 2013/14.

Background Papers:	Nil
Author:	Titus Adam
Date of Report:	4 April 2013
Broads Plan Objectives:	None
Appendices:	APPENDIX 1 - Navigation Income and Expenditure to 28 February 2013

## DIRECTORATE

	Navigation Annual Budget 2012/13	Navigation Use of Earmarked Reserves	Navigation Forecast Outturn	Navigation Forecast Variance	Navigation Profiled Budget to February 2013	Navigation Actual to February 2013	Navigation Actual Variance as at February 2013	Commentary on forecast Navigation variance
<b>INCOME</b>								
<i>Navigation Charges</i>								
Hire Craft Tolls	(1,074,000)	-	(1,062,000)	(12,000)	(1,074,000)	(1,061,827)	(12,173)	Forecast outturn has been reduced by £12,000, including £6,000 which relates to Hire Boat Licence income. The actual variance is in line with the forecast for the year.
Private Craft Tolls	(1,692,000)	-	(1,699,000)	7,000	(1,685,915)	(1,698,407)	12,492	The forecast for the year has been revised in light of additional income predicted from adjacent waters (+£15,000), and actual receipts over the course of the year (-£8,000). The actual variance is in line with the forecast for the year.
Short Visit Tolls	(47,500)	-	(39,000)	(8,500)	(45,890)	(38,274)	(7,616)	Short visit sales are forecast to be less than budgeted as a result of the bad weather; outturn forecast has been reviewed in February in light of the latest figures from outlets.
Other Toll Income	(18,750)	-	(18,750)	-	(18,750)	(17,038)	(1,712)	Forecast additional income from adjacent waters transferred to Private Craft Tolls. £6,000 Hire Boat Licence income transferred from Hire Craft Tolls.
Interest Received	(20,000)	-	(20,000)	-	(13,750)	(4,025)	(9,725)	Fixed term interest is payable on maturity of investment.
	<b>(2,852,250)</b>	<b>-</b>	<b>(2,838,750)</b>	<b>(13,500)</b>	<b>(2,838,305)</b>	<b>(2,819,571)</b>	<b>(18,734)</b>	
<b>OPERATIONS</b>								
<i>Construction &amp; Maintenance</i>								
Construction & Maintenance Salaries	541,720	-	554,122	(12,402)	496,576	496,082	495	Salaries adjusted for impact of 0% pay award 2012/13. (Original budget 1%).
Equipment, Vehicles & Vessels	363,491	15,000	430,551	(52,060)	338,200	405,983	(67,783)	Budgeted £60,000 contribution to reserves will not be made 2012/13. Includes £78,000 carried forward from 2011/12 for acquisition of Uniflotes and additional £10,000 expenditure for electric outboard motors. Capital purchases of vehicles and deposit for a new JCB have increased expenditure in 2012/13.
Water Management	120,000	-	150,000	(30,000)	100,000	61,763	38,237	Contract let for dredging works £100,000 in 2012/13 and Hydrographic Survey (approx £20,000) to be undertaken with payment anticipated late in 2012/13. The actual variance arises from the profiled original budget for landowner payments and sediment removal where forecast outturn has been revised and limited expenditure is expected in 2012/13.

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Land Management	-	-	-	-	-	61	(61)	
Practical Maintenance	321,080	55,000	390,012	(13,932)	298,860	160,972	137,888	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 (£40,000) and Beccles (£60,000 - to be completed in January 2013), although some of the invoices for these works remain outstanding. It has been agreed to reinstate the £22,500 contribution to Mutford Lock reserve in 2012/13 which had previously been deferred. Other adjustments reflect latest activity plans up to the end of the year.
	1,346,291	70,000	1,524,685	(108,394)	1,233,636	1,124,861	108,776	
Rangers Salaries	333,924	-	342,354	(8,430)	313,823	328,928	(15,105)	The actual variance relates to salaries of Breydon Rangers not included in the budget at the start of the year. The forecast outturn has been adjusted to reflect these amounts. The forecast outturn and current actual variance relates to additional expenditure for the Breydon Water launch, which was not included in the budget at the start of the year and has been 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 and the use of reserves has been reduced accordingly.
Ranger Services	156,250	80,000	325,662	(89,412)	186,754	228,130	(41,375)	
	490,174	80,000	668,016	(97,842)	500,577	557,058	(56,480)	
Safety	72,471	-	83,000	(10,529)	65,636	75,964	(10,328)	Actual overspend and increased forecast outturn relates to purchase of HAVS equipment.
Asset Management	64,389	-	64,165	224	55,491	55,219	272	
Volunteers	10,915	-	12,775	(1,860)	10,005	11,261	(1,255)	
Management & Admin	92,681	-	91,337	1,343	84,957	84,966	(9)	
	240,455	-	251,277	(10,822)	216,090	227,409	(11,320)	

	Navigation Annual Budget 2012/13	Navigation Use of Earmarked Reserves	Navigation Forecast Outturn	Navigation Forecast Variance	Navigation Profiled Budget to February 2013	Navigation Actual to February 2013	Navigation Actual Variance as at February 2013	Commentary on forecast Navigation variance
Operations Income	(6,800)	-	(74,700)	67,900	(5,684)	(72,567)	66,884	Actual variance relates to £50,000 income for transfer of responsibilities for Breydon Water not included in the original budget received from Great Yarmouth Port Authority.
<b>OPERATIONS TOTAL</b>	<b>2,070,120</b>	<b>150,000</b>	<b>2,369,278</b>	<b>(149,158)</b>	<b>1,944,620</b>	<b>1,836,760</b>	<b>107,860</b>	
<b>PLANNING &amp; STRATEGY</b>								
<i>Strategy &amp; Projects</i>								
Strategy & Projects Salaries	80,474	-	79,932	542	73,769	73,823	(54)	
Biodiversity Strategy	-	-	-	-	-	143	(143)	
Strategy & Projects	-	-	-	-	-	347	(347)	
Waterways & Recreation								
Strategy	9,000	-	9,000	-	6,750	8,185	(1,435)	
Project Funding	-	-	-	-	-	708	(708)	
Management & Admin	14,898	-	16,246	(1,347)	13,657	14,898	(1,241)	Adjustment for posts not funded from Planning Delivery Grant in 2012/13.

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Planning & Strategy Income	-	-	-	-	-	(272)	272	
<b>PLANNING TOTAL</b>	<b>104,372</b>	<b>0</b>	<b>105,177</b>	<b>(805)</b>	<b>94,176</b>	<b>97,832</b>	<b>(3,656)</b>	
<b>RESOURCES</b>								
Human Resources	63,570	-	73,958	(10,388)	58,398	66,998	(8,600)	Actual variance relates to staff survey and other consultancy costs. The forecast outturn for staff training and HR costs has been increased in light of additional recruitment and advice costs.
Finance & Insurance	141,498	-	133,228	8,270	135,453	115,468	19,985	Revised staff costs for new finance team structure from May 2012 in forecast outturn. Actual underspend arises from various small underspends on insurance, bank charges and salaries.
Governance	57,303	-	57,943	(640)	52,527	51,162	1,364	
Communications	62,750	-	60,540	2,209	56,866	56,016	850	
Visitor Centres & Yacht Stations	123,521	-	122,498	1,023	121,163	117,734	3,429	
Collection of Tolls	103,300	-	105,470	(2,170)	94,879	94,875	4	
ICT	78,210	-	75,844	2,366	73,025	67,091	5,934	
Legal	20,000	-	25,000	(5,000)	15,000	13,496	1,504	Actual underspend results from Q3 invoice outstanding. Forecast has been reviewed in light of higher than budgeted actual costs.



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Premises	213,051	15,000	511,697	(283,646)	132,860	434,218	(301,357)	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 actual overspend, which is in line with expectations, arises from payments 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.
Management & Admin	70,677	-	72,798	(2,121)	65,093	68,904	(3,811)	
Resources Income	(81,435)	-	(69,435)	(12,000)	(77,416)	(68,129)	(9,287)	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. Forecast resources income has been reduced in light of actual Yacht Station income.
<b>RESOURCES TOTAL</b>	<b>852,443</b>	<b>15,000</b>	<b>1,169,540</b>	<b>(302,097)</b>	<b>727,847</b>	<b>1,017,832</b>	<b>(289,985)</b>	
Pension Lump Sum Payments	23,200	-	23,200	-	-	-	-	
STEP		-	-	-	-	92	(92)	Actual variance arises from some outstanding invoices relating to equipment purchases, difficulties in identifying land for purchase and inaccuracies in the original profile which are due to the difficulty of profiling the PRISMA budget which operates on a different timescale to the Authority's financial year. The experience of this year's activity should inform improved budget profiling in 2013/14.
PRISMA		-	-	-	241,380	291,552	(50,172)	
<b>Contributions from Earmarked Reserves</b>								
PRISMA		-	-	-	(291,280)	(291,280)	-	
Launch Replacement		(80,000)	(80,000)	-	(52,640)	(52,640)	-	
Mutford Lock		(5,000)	(5,000)	-	1,500	1,500	-	
Dredging Disposal		(50,000)	(50,000)	-	-	-	-	
Dockyard Vessels & Equipment		(15,000)	(15,000)	-	(15,000)	(15,000)	-	

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Dockyard Site Maintenance		(15,000)	(15,000)	-	-	-	-	
	-	(165,000)	(165,000)	-	(357,421)	(357,421)	-	
<b>NET EXPENDITURE</b>	<b>3,050,136</b>	<b>-</b>	<b>3,502,196</b>	<b>(452,060)</b>	<b>2,650,602</b>	<b>2,886,647</b>	<b>(236,045)</b>	
<b>(SURPLUS) / DEFICIT</b>	<b>197,886</b>	<b>-</b>	<b>663,446</b>	<b>(465,560)</b>	<b>(187,703)</b>	<b>67,076</b>	<b>(254,779)</b>	

<b>Earmarked Reserve Movements</b>	<b>Balance as at March 2012</b>	<b>Transfers in</b>	<b>Transfers out</b>	<b>Balance as at February 2013</b>
PRISMA	(205,573)	(298,329)	477,109	(26,792)
Launch Replacement	(150,369)	(16,875)	52,640	(114,604)
Mutford Lock	(270,374)	(1,500)	-	(271,874)
Dredging Disposal	(182,950)	-	45,000	(137,950)
Dockyard Vessels & Equipment	(164,056)	(31,377)	60,000	(135,433)
Dockyard Site Maintenance	(71,836)	(22,500)	53,877	(40,459)
<b>Total</b>	<b>(1,045,158)</b>	<b>(370,581)</b>	<b>688,626</b>	<b>(727,112)</b>