

Hampshire County Council

Basingstoke Canal Joint Advisory Committee

22 October 2004

Item 9

Final Accounts 2003/04, Revised Budget 2004/05 and Forward Budget 2005/06

Report of the County Treasurer

Contact: Andy Barber Tel: 01962 847555

1. Introduction

1.1 The purpose of this report is to provide members with a detailed briefing on the financial situation of the Basingstoke Canal Authority. In summary, members are asked to:

- * note the final outturn position for 2003/04;
- * review and agree the revised budget for the current year 2004/05;
- * agree a budget for 2005/06 for submission to individual constituent authorities;
- * note the shortfall in partner contributions (graph) and how it could be alleviated next year and
- * note the capital programme for 2005/06 and agree the proposed change.

1.2 Net revenue costs are incurred by Hampshire County Council and recharged to Surrey County Council and the Riparian Districts in the manner agreed by this committee. Capital expenditure is met from the reserve account which was established to hold revenue balances and capital contributions.

2. Final Accounts 2003/04

2.1 The financial statement for 2003/04 set out in Appendix A shows a net operational overspend against the revised budget of £1,254 which has been transferred from the reserve account

2.2 Gross revenue expenditure at £604,709 was 0.6% higher than planned. The principal variations were additional expenditure on employees (+£9,507) and supplies and services, primarily maintenance, tree work and the by-pass at Lock 27 (£+6,932). This was partially offset by savings in transport (-£11,117).

2.3 The original budget was reduced by 9.7% because of the shortfall in the formula-generated contributions which were initially requested. The small net deficit of £1,254 representing 0.3% of the net revenue budget, arose despite the strict budgetary controls exerted by the management team in their efforts to meet the programme of activities and the expectations of the public.

- 2.4 Capital expenditure of £2,125 was spent during the year on dredging, £2,388 was incurred at Colt Hill, £17,933 on canal infrastructure, and £655 on the mooring basin.
- 2.5 After transferring in the net revenue overspend and adding on the earned interest, the closing balance on the reserve account at 31 March 2004 was £199,059 a decrease of £17,819 on the 31 March 2003 balance, and comprised the following:

2003		2004
£		£
60,000	Dredging and silt disposal	57,875
7,000	Colt Hill car parks	4,612
8,497	Acquisition of water supply	8,497
37,779	Canal infrastructure	19,846
103,602	Mooring Basin and Canal Centre	102,947
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216,878	Total Earmarked Allocations	193,777
	Interest	6,536
	Net revenue deficit	-1,254
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216,878	Closing Balance at 31 March	199,059
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3. Revised Budget 2004/05

- 3.1 At the meeting of the JMC in October 2003 members agreed a net budget of £502,400 for 2004/05 for submission to the constituent authorities as set out in Appendix B. The submission included the request that authorities increase their formula based contributions by 2.7%.
- 3.2 At a subsequent meeting in April 2004 the contributions were revised down by £57,400 (11.4%) to £445,000 following responses from the authorities. These figures are set out in Appendix C and form the basis of the 2004/05 revised budget.
- 3.3 A general review of expenditure and income has been undertaken and the budget has been revised downwards to reflect the shortfall in local authority contributions. This has resulted in the proposed revised budget shown in Appendix B.
- 3.4 Gross revenue expenditure has been set at £595,600, and takes account of the following variations:

* **Employees (-£5,300)**

The reduced budget is forecast savings in non salary expenditure.

- * **Premises (-£1,800)**
Savings in public utilities.
- * **Transport (-£5,000)**
Savings are anticipated in vehicle hire, and running expenses.
- * **Supplies and Services (-£25,600)**
Savings have been made in the maintenance budget, particularly tree work due to the completion of the English Nature grant programme.
- * **Dredging and Special Projects Research (-£30,100)**
The revenue funding of the dredging programme will be deleted this year and deferred to 2005/06.

3.5 The income forecasts for individual headings have been brought into line with past performance and current expectations. The donations reduction reflects the loss of grant from English Nature partially offset by an increase in income from group activities.

3.6 The variations in expenditure and income result in a revised budget for the current year of £445,000. It is important to stress that delays in maintenance work and dredging have a serious impact on the Canal operation and continual deferment is not possible.

4. Forward Budget 2005/06

4.1 The budget for 2005/06 has been prepared at the estimated outturn prices for that year, and is set out in Appendix B. It should be noted that two thirds of expenditure is on employees. It is assumed that variations in pay and price levels in the coming year will average 4.2% and 2.5% respectively.

4.2 Using these figures the net budget for next year would be £522,000, a rise of 3.9%. However, it is intended to make economies of 0.9%, thereby restricting the increase in the net budget to 3%.

4.3 The proposed net revenue budget for 2005/06 is, therefore, set at £517,500 which incorporates the 0.9% savings and a small contribution to reserves of £3,000. Total gross revenue expenditure is estimated to be £661,600. This level reflects a continuation of the financial plan for the current year 2004/05, and accommodates the following:

- * **Staffing**
The budget covers the cost of the full staffing structure, taking into consideration increments and the anticipated pay award.
- * **Maintenance**
The budget covers the cost of both major and minor maintenance works.

* **Dredging Programme**

The revenue budget reinstates cover for the cost of routine dredging, supplemented as necessary by withdrawals from earmarked allocation in the Reserve Account.

- 4.4 Income is estimated to be £147,100 in 2005/06 and reflects a continuation of the current year's activity at the Canal Centre.
- 4.5 Net revenue expenditure and the contribution to reserves amount to £517,500 which is 3% higher than the budget set a year ago, and includes cost savings in real terms on premises, transport and maintenance costs. To fund next year's budget in full, constituent authorities would need to increase their formula contributions by 3% as set out in Appendix C. These contributions are based on the original formula agreed by this committee, rather than on current year actual contributions.

5. Shortfall in partner contributions

- 5.1 At the last meeting members asked for a graph(Appendix D) showing the shortfall in partner contributions over recent years. For the past five years the shortfall has been running at around £50,000p.a. but in the current year has risen to £57,400. The cut in funding shown in the graph reflects a trend over some years with both Hart and Surrey Heath falling short of their request. Runnymede now will not be able to meet its full requested contribution and will only be paying half. It is imperative that core funding from local authorities is maintained. Core funding pays for the essential maintenance and services required to keep the canal open that are not appealing to sponsors and grant funding bodies. Members are asked to do their utmost to ensure their council contributes at the requested level in 2005/06.

6 Alleviating the shortfall

- 6.1 At the last meeting members asked how the shortfall could be alleviated next year. The BCA are currently working on a range of activities and projects to generate more income. Some of these are improvements to existing work or facilities and others are entirely new. A brief overview is outlined below
- 6.2 Moorings are in great demand nationally and are a source of potential income. Key to this is the Mooring Basin Project at the Canal Centre which has the potential to bring in some £30,000 pa. Progress on this project is reported elsewhere.
- 6.2 Further work is currently being carried out to identify additional mooring sites along the Canal on BCA administered land. A list of sites has been produced and these will be further investigated on the ground over the winter.

- 6.3 Discussions are being held with the Surrey and Hants Canal Society to co-ordinate fundraising and work together to each organisation's own particular strengths. For example, as a registered charity, the Society is able to access funds that BCA cannot. So far we have agreed to work together and drawn up lists of desired projects. A professional fundraiser from Hampshire's Recreation and Heritage Department is providing advice on grants and will help us progress applications. It is felt that a further Lottery bid, if correctly targeted could be possible.
- 6.4 It is essential that core funding from local authorities is maintained. To this end the Director will produce a report showing the value for money that the Canal provides and the possible consequences of cutting funding. Both the BCA and the Canal Society are keen on this approach and intend to co-ordinate further action. It is hoped that this report will be ratified by the JMC- through the chair – in the coming month, and then targeted to key decision makers.
- 6.5 There is a maintenance backlog on the Canal. BCA have discussed this with both Hampshire and Surrey County Councils and will be working with them to obtain additional capital funding to ensure the Canal is kept safe and accessible. There are both short and long term works which need to be addressed.
- 6.6 It is proposed to reconvene the officers Resources Working Group to consider future options for the Canal and ways to raise the profile of the Canal.
- 6.7 Progress on these measures will be reported to the next meeting of the JMC.

7. Capital Expenditure Programme

- 7.1 As agreed, there were no capital contributions from constituent authorities in 2004/05.
- 7.2 The current position on the main capital schemes is as follows:

Dredging

The next project will commence in 2005/06 and is expected to cost £57,000

Colt Hill Car Park

The allocation is for improvements to the car park.

Canal Infrastructure

A number of matters require attention e.g. bankside repairs, safety related tree works, lock repairs to improve water efficiency to be spent at the discretion of the Canal Director.

St. Johns Backpumping scheme

There is an unused allocation of £8,497 in the reserve for the acquisition of water supply. It is proposed that this be redirected to assist the Canal Society's work on the St. Johns Backpumping scheme.

Canal Centre Improvements and Mooring Basin

Work on the Mooring Basin will commence subject to the receipt of full planning approval. The total cost will be of the order of £100,000 to cover excavation, piling and pontoons

- 7.3. Capital contributions from partner Authorities have been given in the past – usually for specific projects within a Borough or District. Members are requested to ask their councils to advise on the best way for BCA to bid for capital monies from each Authority

8. Conclusion

- 8.1 The final accounts for 2003/04 reflect the challenges the BCA is continually having to address. The continuing policy of prudent financial management is reflected in the 3% increase in the proposed budget for 2005/06. The officers' Advisory Group is continuing to seek external funding to supplement the limited capital resources of member authorities.

RECOMMENDATIONS

- 1 That the final accounts of the Basingstoke Canal Authority for the year ended 31 March 2004 be approved and that the net revenue deficit of £1,254 be funded from the Reserve Account.
- 2 That the revised budget for 2004/05 be agreed.
- 3 That the proposed forward budget for 2005/06 be agreed and submitted for consideration to the constituent authorities.
- 4 That the underlying shortfall in local authority contributions, and the measures being taken to alleviate the problem be noted and members seek to ensure that 2005/06 contributions be made at the requested levels.
- 5 That the Resources Group be reconvened to look at scenarios for future operation of the Canal and to report back soon.
- 6 That capital expenditure programme in paragraph 5.2 be noted and the reallocation of £8,497 to St. John's backpumping be agreed.
- 7 That each Authority is asked to provide advice on the most appropriate way of bidding for capital monies for specific projects.