

Hampshire County Council

Basingstoke Canal Joint Management Committee

21 October 2005

Item 10

Final Accounts 2004/05, Revised Budget 2005/06 and Forward Budget 2006/07

Report of the County Treasurer

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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 2004/05;
- * review and agree the revised budget for the current year 2005/06;
- * agree a budget for 2006/07 for submission to individual constituent authorities.

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 2004/05

2.1 The financial statement for 2004/05 set out in Appendix A shows a net underspend against the revised budget of £3,012 which has been transferred to the reserve account

2.2 Gross revenue expenditure at £610,369 was 2.5% higher than planned. The principal variations were additional expenditure on spot hire of plant (£6,000) maintenance and tree work (£17,500), and the installation of a leased line for IT (£5,000) which were partially offset by savings in office expenses, clothing, equipment and materials (£7,300) and energy costs (£8,300). A 12.1% increase in income of £18,200, reflected better than expected income from licences, rents and wayleaves and donations which covered the remaining additional expenditure and contributed to the surplus which was transferred to reserves.

2.3 The original budget was reduced by 11.4% because of the shortfall in the formula-generated contributions which were initially requested. The net surplus of £3,012, is due to 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 Net capital expenditure of £9,833 was incurred during the year on dredging, £2,859 at Colt Hill, £18,830 on the Canal infrastructure, and £1,416 on the Mooring Basin. Finally, £8,497 has been spent on the St John's backpumping scheme as agreed at the JMC in October 2004.
- 2.5 After transferring in the net revenue surplus and adding on the earned interest, the closing balance on the reserve account at 31 March 2005 was £167,299, a decrease of £31,760 on the 31 March 2004 balance, and comprised the following:

| 2004 | | 2005 |
|----------------|------------------------------------|----------------|
| £ | | £ |
| 57,875 | Dredging and silt disposal | 48,042 |
| 4,612 | Colt Hill car parks | 1,753 |
| 8,497 | St. Johns backpumping | nil |
| 19,846 | Canal infrastructure | 1,016 |
| 102,947 | Mooring Basin and Canal Centre | 101,531 |
| ----- | | ----- |
| 193,777 | Total Earmarked Allocations | 152,342 |
| 5,282 | Unearmarked reserve | 5,282 |
| | Interest | |
| 6,663 | Net revenue surplus | 3,012 |
| ----- | | ----- |
| 199,059 | Closing Balance at 31 March | 167,299 |
| ===== | | ===== |

3. Revised Budget 2005/06

- 3.1 At the meeting of the JMC in October 2004 members agreed a net budget of £517,500 for 2005/06 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 3.0%.
- 3.2 Subsequently, the contributions were revised down by £60,300 (11.7%) to £457,200 following responses from the authorities. These figures are set out in Appendix C and form the basis of the 2005/06 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 £605,700, and takes account of the following variations:

- * **Employees (-£29,200)**
The reduced expenditure reflects the vacancies of the Director's post and the Development Officer's post, partially offset by the cost of backfilling these duties.
- * **Premises (-£4,400)**
Savings are anticipated across several budget headings, including public utilities.
- * **Transport (+£10,900)**
The increase in costs is due mainly to the annual hire of a digger, a tractor and two trailers.
- * **Supplies and Services (-£3,200)**
Minor savings have been made across most budget headings.
- * **Dredging (-£30,000)**
The revenue funding of the dredging programme has been postponed this year.

3.5 The income forecasts for individual headings have been brought into line with past performance and current expectations. The income from Boat Licences is forecast to be down as the Canal was closed for longer this year and the number of visitor boats was down. However, income from hire of the field is up this year.

3.6 The variations in expenditure and income result in a revised budget for the current year of £457,200, which includes a withdrawal from reserves of £1,200.

4. Forward Budget 2006/07

4.1 The budget for 2006/07 has been prepared at the estimated outturn prices for that year, and is set out in Appendix B. It is assumed that variations in pay and price levels in the coming year will average 4.2% and 2.5% respectively. The increase in pay includes the nationally agreed 2.95% on basic pay, and the increase in Employers' contribution to the Local Government Pension Scheme.

4.2 Using these figures the net budget for next year would rise by 3.9%. However, it is intended to make economies of 0.9%, thereby restricting the increase in the net budget to 3.0%.

4.3 The proposed net revenue budget for 2006/07 is, therefore, set at £532,900 which incorporates the 0.9% savings and generates a small contribution to reserves of £1,300. Total gross revenue expenditure is estimated to be £682,900. This level reflects a continuation of the financial plan for the current year 2005/06, 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 partial 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 £151,300 in 2006/07 and reflects a continuation of the current year's activity at the Canal Centre.
- 4.5 To fund next year's budget in full, constituent authorities will need to increase their formula contributions by 3.0% 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. **Licence Fees for 2006/07**

- 5.1 Over the last few years boat licence fees have been increased by inflation only. Following discussion at the Joint advisory Group it is proposed that a similar rise of approximately 3% - rounded for convenience – is put in place for 2006. This would give the prices set out in Appendix D.

6. **Capital Expenditure Programme**

- 6.1 The current position on the main capital schemes is as follows:

Dredging

There are plans for dredging to commence at Deepcut in 2005/06 after treeworks are completed.

Colt Hill Car Park

Repairs to the car park barriers in 2004/05 have reduced the reserve for this scheme to £1,753. This will be used for minor improvements to the car park.

Canal Infrastructure

Work was carried out in 2004/05 on bankside repairs and lock repairs. Three more sets of lock gates are needed (at £11,000 per set) and the gates at lock 10 need re-planking. The £1,016 in the reserves are insufficient to cover this work. Members are requested to authorize the transfer of £10,957 from unallocated reserves to Canal

Infrastructure. This will make the total available for Canal Infrastructure £11,973, and leave £4,000 unallocated in the reserve.

Canal Centre Improvements and Mooring Basin

Ecological survey work has been carried out in the mooring basin. Construction work on the Mooring Basin will commence subject to the receipt of final planning approval.

7. Conclusion

- 7.1 The final accounts for 2004/05 reflect the challenges the BCA is continually having to address. The continuing policy of prudent financial management is reflected in the 3.0% increase in the proposed budget for 2006/07. 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 2005 be approved.
- 2 That the revised budget for 2005/06 be agreed.
- 3 That the proposed forward budget for 2006/07 be agreed and submitted for consideration to the constituent authorities.
- 4 That the proposed licence fees for 2006/07 be agreed .
- 5 That £10,957 of unallocated reserves be transferred to Canal Infrastructure work.