

Hampshire County Council

Basingstoke Canal Joint Management Committee

20 October 2006

Item 9

Final Accounts 2005/06, Revised Budget 2006/07 and Forward Budget 2007/08

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 2005/06;
- * review and agree the revised budget for the current year 2006/07;
- * agree a budget for 2007/08 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.

1.3 The 2007/08 budget assumes no change in the funding, structure or management of the Canal because the Review is ongoing and any outcomes are unlikely to be implemented for the 2007/08 financial year.

2. Final Accounts 2005/06

2.1 The financial statement for 2005/06 set out in Appendix A shows a net overspend against the revised budget of £277 which has been funded from the reserve account

2.2 Gross revenue expenditure at £588,737 was 2.8% (£16,963) lower than planned. The principal variations were lower expenditure on site maintenance (-£24,900) partially offset by additional expenditure on refuse collection (+£3,300) and spot hire of plant (+£4,900). Income was down by 10.9% (£16,040), due mainly to fewer donations (-£8,600) and boat licences (-£3,100) than expected, and to the Fibre Optic budget being set too high (-£4,100).

2.3 The original budget was reduced by 11.7% because of the shortfall in the

formula-generated contributions which were initially requested. The net revenue deficit was restricted to £277 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. It should be noted that there was no Director in post for almost half of the year.

- 2.4 Net capital expenditure of £10,795 was incurred during the year on dredging, £24,761 on the Canal infrastructure, and £11,871 on the Canal Centre. The overspend of £12,788 on the Canal Infrastructure was incurred by extra costs on the back pumping at St John's (£1,150), and major revetment works at Chatteralley and the tree project at Tundry Copse (£11,638). The costs of the latter two schemes will be covered by a grant from the Waterways Trust.
- 2.5 After transferring out the net revenue deficit and adding on the earned interest, the closing balance on the reserve account at 31 March 2006 was £125,387, a decrease of £41,912 on the 31 March 2005 balance, and comprised the following:

2005		2006
£		£
48,042	Dredging and silt disposal	37,247
1,753	Colt Hill car parks	1,753
11,973	Canal infrastructure	-12,788
101,531	Mooring Basin and Canal Centre	89,660
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163,299	Total Earmarked Allocations	115,872
4,000	Unearmarked reserve	4,000
	Interest	
5,792	Net revenue deficit	-277
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167,299	Closing Balance at 31 March	125,387
=====		=====

3. Revised Budget 2006/07

- 3.1 At the meeting of the JMC in October 2005 members agreed a net budget of £532,900 for 2006/07 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 £63,300 (11.9%) to £469,600 following responses from the authorities. These figures are set out in Appendix C and form the basis of the 2006/07 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 £624,900, and takes account of the following variations:

* **Employees (-£72,700)**

The reduced expenditure reflects the vacant posts for a Senior Ranger and the Development Officer, together with savings on administrative and casual staff.

* **Premises (+£20,500)**

Increased expenditure on repairs and site maintenance – especially pumps, sluice weirs and bank protection works – has necessitated an increase in this budget. Some of this has been covered by transferring budget from Supplies and Services.

* **Transport (+£16,200)**

The increase is due mainly to major repairs to the dredger during the year.

* **Supplies and Services (-£12,000)**

Savings have been achieved on operational equipment and contracted services due to some of the expenditure being incurred under the Premises budget.

* **Dredging (-£10,000)**

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 a period from June because of the drought conditions. However, income from rents and hire of the field is up this year and donations are already over the original budget figure.

3.6 The variations in expenditure and income result in a revised budget for the current year of £469,600, which includes a contribution to reserves of £4,600.

4. Forward Budget 2007/08

4.1 The budget for 2007/08 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 3.25% and 2.5% respectively. The increase in pay ignores the effect of the Pay and Benefits agreement which will be implemented in 2007/08. Any additional costs will have to be met by the Canal. The Employee budget includes the increase in the Employer's contribution to the Local Government Pension Scheme.

4.2 The budget assumes no change in the funding, structure or management of the Canal because the Review is ongoing and any outcomes are unlikely to be implemented for the 2007/08 financial year.

4.3 Using these figures the net budget for next year would rise by 3.2%. However, it is intended to make economies of 0.7%, thereby restricting the increase in the net budget to 2.5%.

4.4 The proposed net revenue budget for 2007/08 is, therefore, set at £546,200 which incorporates the 0.7% savings and generates a small contribution to reserves of £5,200. Total gross revenue expenditure is estimated to be £703,200. This level reflects a continuation of the financial plan for the current year 2006/07, and accommodates the following:

* **Staffing**

The budget covers the cost of the full staffing structure, taking into consideration increments and the annual 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.

4.5 Income is estimated to be £162,200 in 2007/08 and reflects a continuation of the current year's activity at the Canal Centre.

4.6 To fund next year's budget in full, constituent authorities will need to increase their formula contributions by 2.5% 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 2007/08

5.1 Over the last few years boat licence fees have been increased by inflation only. It is proposed that a similar rise of approximately 2.5% - rounded for convenience - is put in place for 2007. 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

The dredging programme will recommence in 2007/08.

Colt Hill Car Park

This will be used for minor improvements to the car park as the need arises.

Canal Infrastructure

Work was carried out in 2005/06 on revetments and tree works, all funded by the Waterways Trust. This work is continuing in 2006/07. The notional overspend in 2005/06 was £11,638, and this will be covered by income received from the Waterways Trust in 2006/07. The back pumping installation at St John's cost £13,123 against a budget of £11,973, an overspend of £1,150. Members are requested to authorize the transfer of the £1,150 from unallocated reserves to Canal Infrastructure to bring the reserve account into balance.

Canal Centre Improvements and Mooring Basin

A mooring basin at the Canal Centre is no longer considered to be a viable option due to potential preferred developments being considered elsewhere in the area. Improvements to the facilities at the Canal Centre to provide a better visitor experience will be considered by the Income Generation Group.

7. Conclusion

- 7.1 The final accounts for 2005/06 and the revised budget for 2006/07 reflect the challenges the BCA is continually having to address. The continuing policy of prudent financial management is reflected in the 2.5% increase in the proposed budget for 2007/08.

RECOMMENDATIONS

- 1 That the final accounts of the Basingstoke Canal Authority for the year ended 31 March 2006 be approved.
- 2 That the revised budget for 2006/07 be agreed.
- 3 That the proposed forward budget for 2007/08 be agreed and submitted for consideration to the constituent authorities.
- 4 That the proposed licence fees for 2007/08 be agreed.
- 5 That £1,150 of unallocated reserves be transferred to the Canal Infrastructure budget.