

Hampshire County Council

Basingstoke Canal Joint Management Committee

17 October 2008

Item 9

Final Accounts 2007/08, Revised Budget 2008/09 and Forward Budget 2009/10

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 2007/08;
- * review and agree the revised budget for the current year 2008/09;
- * agree a budget for 2009/10 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 2009/10 budget incorporates the new funding formula accepted by the partner authorities.

2. Final Accounts 2007/08

2.1 The financial statement for 2007/08 set out in Appendix A shows a net deficit of £18,731 which has been transferred from the reserve account. This is an improvement on the budgeted deficit of £32,200.

2.2 Gross revenue expenditure at £664,758 was 0.2% (£1,142) lower than planned. The main variations were higher expenditure on staff due to ill health, and on energy costs. These were offset by savings on the hire and maintenance of vehicles and plant, and savings in uniforms, office expenses, telephones and postage. Income was up by 8.0% (£12,327), due to increased receipts across most budget headings.

2.3 The original budget was reduced by 12.0% because of the shortfall in the formula-generated contributions which were initially requested. The improvement in the net revenue deficit results from the strict budgetary controls exerted by the management team in their efforts to meet the

programme of activities and the expectations of the public, and from a better income performance than forecast.

- 2.4 £39,631 was transferred from the Unallocated reserve to the Canal Infrastructure reserve as agreed at the October 2007 meeting of the JMC.
- 2.5 Capital expenditure totalled £60,630 in the year. £13,169 was spent on dredging throughout the year, and £4,763 was spent on play equipment at the Canal Centre. £42,697 was spent on the Canal infrastructure, mainly on lock gates and replacing all the footbridges along the Canal. This has put the Canal Infrastructure reserve account into a deficit of £3,066. It is proposed to make good this deficit by transferring funds from the Mooring Basin and Canal Centre reserve account.
- 2.6 There are insufficient funds in the Unallocated reserve and Interest accounts to cover the £18,731 revenue deficit. It is proposed to cover the shortfall of £1,728 by transferring funds from the Mooring Basin and Canal Centre reserve account.
- 2.7 After transferring out the net revenue deficit and adding on the earned interest, the closing balance on the reserve account at 31 March 2008 was £105,933, an decrease of £70,723 on the 31 March 2007 balance, and comprised the following:

2007		2008
£		£
37,247	Dredging and silt disposal	24,078
1,753	Colt Hill car parks	1,753
39,631	Canal infrastructure	-3,066
89,660	Mooring Basin and Canal Centre	84,897
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168,291	Total Earmarked Allocations	107,662
8,365	Unallocated reserve	8,365
n/a	Interest	
8,638		
n/a	Net revenue deficit/surplus	-18,731
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176,656	Closing Balance at 31 March	105,933
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3. Revised Budget 2008/09

- 3.1 At the meeting of the JMC in October 2007 members agreed a net budget of £559,800 for 2008/09 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 2.5%.
- 3.2 Subsequently, the contributions have been revised down by £22,400 (4.0%) to £537,400 following responses from the authorities. The partner contributions

are set out in Appendix C and form the basis of the 2008/09 revised budget. It has been particularly encouraging that Hart District Council has been able to substantially increase their contribution after many years of being unable to do so.

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. As a result, the budgeted contribution to reserves of £5,100 has been reversed and there will now be a draw on reserves of £7,700 as shown in the proposed revised budget in Appendix B.

3.4 Gross revenue expenditure has been set at £703,600, and takes account of the following variations:

* **Employees (-£17,000)**

The reduced expenditure reflects savings made in holding two posts vacant for several months.

* **Premises (+£7,300)**

This increase reflects the anticipated work on repairs and site maintenance – especially on lock gates, tree works, vandalism and bank protection works – and the increase in the cost of utilities.

* **Transport (-£2,300)**

The decrease is due mainly to savings on repair and maintenance of vehicles and plant.

* **Supplies and Services (-£2,500)**

Savings are planned in expenditure on uniforms and office expenses.

3.5 The gross income budget has been reduced by £4,900. The income forecasts for individual headings have been brought into line with past performance and current expectations. Although income from group activities is expected to better the budget, the income from room hire and boat licenses is forecast to be down.

3.6 These variations in expenditure and income result in a revised budget for the current year of £537,400 to meet the funding shortfall of £22,400. This will be achieved through net budget savings of £9,600 and a £12,800 reversal of the original planned contribution to reserves.

4. Forward Budget 2009/10

4.1 The budget for 2009/10 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 2.5%.

4.2 The budget assumes that the new funding structure will be implemented for the 2009/10 financial year.

4.3 The proposed net revenue budget for 2009/10 is, therefore, set at £573,800 which generates a contribution to reserves of £7,900. Total gross revenue expenditure is estimated to be £737,500. This level reflects a continuation of the financial plan for the current year 2008/09, and accommodates the following:

* **Staffing**

The budget covers the cost of the full staffing structure, taking into consideration increments, the annual pay award and an increase in the Employer's contribution to the superannuation scheme.

* **Maintenance**

The budget covers the cost of routine maintenance works.

* **Dredging Programme**

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

4.4 Income is estimated to be £171,600 in 2009/10 and reflects a continuation of the current year's activity at the Canal Centre.

4.5 To fund next year's budget in full, the total contributions from the constituent partner authorities will need to increase by 2.5% as set out in Appendix C. The contributions of the individual partner authorities are based on the revised formula accepted by the Joint Management Committee, rather than on current year actual contributions.

5. Licence Fees for 2009/10

5.1 Over the last few years boat licence fees have been increased by inflation. It is proposed that for 2009/10 the increase in the licence fees is restricted to 2.5%. These, when rounded for convenience, 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 is continuing.

Colt Hill Car Park

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

Canal Infrastructure

This reserve account is overdrawn by £3,066 following the work on the lock gates and footbridges in 2007/08. Members are requested to consider transferring £23,066 from the Canal Centre and Mooring Basin reserve to this reserve account to fund the continuing necessary work on the Canal infrastructure, including major revetment works and renewing lock gates, subject to balancing the budget at the end of the current financial year.

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 are to be considered by the Income Generation Group after appraisal of the draft Canal Centre Development Plan. Members are requested to consider transferring £1,728 from this reserve to cover the balance of the 2007/08 revenue deficit, and £23,066 to the Canal Infrastructure reserve to fund essential work. If these two budget transfers outlined above are approved, the balance in this reserve would fall to £60,103.

7. Conclusion

- 7.1 The final accounts for 2007/08 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 revised budget for 2008/09 and in the proposed budget for 2009/10.

RECOMMENDATIONS

- 1 That the final accounts of the Basingstoke Canal Authority for the year ended 31 March 2008 be approved.
- 2 That the revised budget for 2008/09 be agreed.
- 3 That the proposed forward budget for 2009/10 be agreed and submitted for consideration to the constituent authorities.
- 4 That the proposed licence fees for 2009/10 be agreed.
- 5 That £24,794 be transferred from the Canal Centre and Mooring Basin reserve to the Canal Infrastructure budget (£23,066) and to the Unallocated reserve (£1,728), subject to balancing the budget at the end of the current financial year.