

**Hampshire County Council**

**Basingstoke Canal Joint Management Committee**

**25 September 2009**

**Item 11**

**Final Accounts 2008/09, Revised Budget 2009/10 and Forward Budget 2010/11**

**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 2008/09;
- \* review and agree the revised budget for the current year 2009/10;
- \* agree a budget for 2010/11 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 original budgets for 2009/10 and 2010/11 are calculated using the new funding formula accepted by the partner authorities.

**2. Final Accounts 2008/09**

2.1 The financial statement for 2008/09 set out in Appendix A shows a net deficit of £17,047. This was because, in addition to the budgeted deficit of £7,700, gross revenue expenditure was £3,359 higher than expected and income was £5,988 lower than expected. The deficit has been covered by a transfer from the reserve account.

2.2 Gross revenue expenditure at £706,959 was 0.5% (£3,359) higher than planned. The main variation was expenditure on emergency repairs which exceeded the budget by over £23,000. This was mostly offset by savings on staff, promotions, office expenses and ICT.

2.3 Income was down on budget by 3.8% (£5,988), due to a fall in donations received, the administrative charge passed on by Surrey County Council for the collection of the Fibre Optic income by their new agents, and a shortfall in the income received from Surrey County Council for gate and garden licences.

2.4 The original budget had already been reduced by 4.0% (£22,400) because of the shortfall in the formula-generated contributions which were initially requested.

### 3. Reserves

- 3.1 Expenditure in the Canal Infrastructure reserve totalled £58,698 in the year. Of this £38,698 was incurred on emergency bank protection, lock structure failures and remedial works, all of which were fully funded by Hampshire and Surrey County Councils. The remaining £20,000 was spent on lock gates. The balance on this reserve currently stands at zero.
- 3.2 The position of the capital programme is outlined in section 7 of this report.
- 3.3 Interest earned during the year totalled £3,422 which is insufficient to cover the £17,047 revenue deficit. It is proposed to cover the shortfall by transferring £13,625 from the Mooring Basin and Canal Centre reserve account.
- 3.4 After transferring out the net revenue deficit and adding on the earned interest, the closing balance on the reserve account at 31 March 2009 was £72,308, a decrease of £33,625 on the 31 March 2008 balance, and comprised the following:

2008 £		2009 £	After Proposed Transfers 2009 £
24,078	Dredging and Silt Disposal	24,078	24,078
1,753	Colt Hill car parks	1,753	1,753
20,000	Canal Infrastructure	nil	20,000
60,102	Mooring Basin and Canal Centre	60,102	26,477
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105,933	<b>Total Earmarked Allocations</b>	85,933	72,308
nil	Unallocated reserve	nil	nil
n/a	Interest	3,422	n/a
n/a	Net revenue deficit/surplus	-17,047	n/a
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<b>105,933</b>	<b>Closing Balance at 31 March</b>	<b>72,308</b>	<b>72,308</b>
=====		=====	=====

- 3.5 This is the second consecutive year there has been a revenue deficit due to unavoidable expenditure on the Canal infrastructure. This significant reduction in reserves illustrates the urgent need for substantial contributions to the capital reserve to be sought.
- 3.6 The movement in reserves over the last four years is summarised in the table below:

	Opening Balance (£)	Expenditure (£)	Income (£)	Revenue Balance (£)	Closing Balance (£)
2005/06	167,299	-47,427	5,793	- 278	125,387
2006/07	125,387	-15,232	32,622	33,879	176,656
2007/08	176,656	-60,630	8,638	-18,731	105,933
2008/09	105,933	-58,698	42,120	-17,047	72,308

- 3.7 It should be noted that over these four years the revenue balance has been a net £2,177 draw from reserves. It should also be noted that although the reserves have reduced by over £104,000 in the last two years, only £36,000

of this supported the revenue deficit, the rest being programmed or emergency work.

- 3.8 A view on the level of reserves required will be taken after the condition survey has been completed.
- 3.9 Hampshire County Council and Surrey County Council, as owners of the Canal, will ultimately cover major emergencies as they arise.

#### **4. Revised Budget 2009/10**

- 4.1 At the meeting of the JMC in October 2008 members agreed a net budget of £573,800 for 2009/10 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%.
- 4.2 Subsequently, the contributions have been revised down by £34,092 (5.9%) to £539,708 following responses from the authorities. The partner contributions are set out in Appendix C and form the basis of the 2009/10 revised budget. It is disappointing that several partners feel unable to fulfill their financial obligations under the new formula that was accepted at the JMC meeting in October 2008.
- 4.3 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 £7,900 has been reversed and there will now be a draw on reserves of £9,092 as shown in the proposed revised budget in Appendix B. This will further reduce the overall balance in reserves to approximately £63,000.
- 4.4 Gross revenue expenditure has been set at £722,700, and takes account of the following variations:
- \* **Employees (-£10,200)**  
The reduced expenditure reflects savings made through vacancy management, and in not directly replacing the Operations Manager.
  - \* **Premises (+£3,400)**  
This increase reflects the anticipated work on repairs and site maintenance – especially on lock gates, tree works, vandalism and bank protection works.
  - \* **Supplies and Services (-£6,600)**  
Savings are planned in expenditure on equipment, office expenses and ICT.
- 4.5 The gross income budget has been increased overall by £2,300. The income forecasts for individual headings have been brought into line with past performance and current expectations. Although income from group activities, rents and hires are expected to better the budget, the income from boat licences, gate/garden licences and the fibre optic cable wayleave are forecast to be down, the latter two being due to Surrey County Council's collection agents taking an administration charge of 10% and 7% respectively from the money collected.

- 4.6 These variations in expenditure and income result in a revised budget for the current year of £539,708 to meet the funding shortfall of £34,092. This will be achieved through net budget savings of £17,100 and a £16,992 reversal of the original planned contribution to reserves.

## **5. Forward Budget 2010/11**

- 5.1 The budget for 2010/11 has been prepared at the estimated outturn prices for that year, and is set out in Appendix B. The Employers superannuation contribution will increase by 0.5%, and it is assumed that there will be an annual pay award of over 1%. It is further assumed that other prices will also increase by over 1% of the current levels in the coming year. It is proposed, therefore, to apply inflation of 1.25% to the partner contributions for the year.
- 5.2 The proposed net revenue budget for 2010/11 is, therefore, set at £581,000 which will balance the budget.
- 5.3 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. Should the contributions for the partners fall short of the budgeted provision the Canal Director will have no choice other than to reduce the expenditure budget which will have an adverse effect on the maintenance of the Canal infrastructure and the provision of service to the users and general public.
- 5.4 Total gross revenue expenditure is estimated to be £750,700. This level reflects the resumption of the original financial plan for the current year 2009/10, 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 and emergency 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.
- 5.5 Income is estimated to be £169,800 in 2010/11 and reflects a continuation of the current year's activity at the Canal Centre.

## **6. Licence Fees for 2010/11**

- 6.1 Over the last few years boat licence fees have been increased by inflation. It is proposed that for 2010/11 there is no inflation applied to the licence fees, and that they are held at the 2009/10 levels as set out in Appendix D.

## **7. Capital Expenditure Programme**

- 7.1 The current position on the main capital schemes covered by the reserves is as follows:

Dredging

The dredging programme has resumed this year.

Colt Hill Car Park

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

Canal Infrastructure

The balance on this reserve account is zero at the start of the 2009/10 financial year following the work on the lock gates in 2008/09. Members are requested to consider transferring £20,000 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.

Canal Centre Improvements and Mooring Basin

Other than the transfer of £23,066 to the Canal Infrastructure reserve which was approved by the JMC in October, there was no activity in this reserve during the financial year. The balance remained at £60,102 at year-end. It is proposed to cover the revenue deficit by transferring £13,625 from this reserve. It is also proposed to transfer £20,000 from this reserve to the Canal Infrastructure reserve to enable the Canal Director to fund the increasingly frequent emergency work on the banks and lock gates. These transfers would reduce the balance in this reserve to £26,477.

**8. Conclusion**

- 8.1 The final accounts for 2008/09 reflect the increasing challenges the Basingstoke Canal Authority is having to address in maintaining and repairing the Canal infrastructure. The budgeted deficit for 2009/10 demonstrates the difficulties in managing the programme of activities and the expectations of the public without the full funding, despite prudent financial management. The 2010/11 budget has had to make a provision for the increasingly frequent emergency repairs, while acknowledging the current difficult economic circumstances facing all the partners by restricting the inflationary increase in the partner contributions.

**RECOMMENDATIONS**

- 1 That the final accounts of the Basingstoke Canal Authority for the year ended 31 March 2009 be approved.
- 2 That the revised budget for 2009/10 be agreed.
- 3 That the proposed forward budget for 2010/11 be agreed.
- 4 That the proposed licence fees for 2010/11 be agreed.

- 5 That £13,625 be transferred from the Canal Centre and Mooring Basin reserve to cover the 2008/09 revenue deficit.
- 6 That £20,000 be transferred from the Canal Centre and Mooring Basin reserve to the Canal Infrastructure reserve.

## FINANCIAL OUTTURN 2008/09

	Revised Budget 2008/09 £	Actual Outturn 2008/09 £	(Over)/ Under Budget £
<b><u>Expenditure</u></b>			
Employees	482,900	476,627	6,273
Premises and Infrastructure	84,500	107,511	(23,011)
Transport	82,100	82,836	(736)
Supplies & Services	40,600	25,763	14,837
Dredging	10,000	10,000	0
Special Project Research	3,500	4,221	(721)
<b>Total Revenue Expenditure</b>	<b>703,600</b>	<b>706,959</b>	<b>(3,359)</b>
<b><u>Income</u></b>			
Boat Licences	15,000	17,921	(2,921)
Sales	3,600	4,583	(983)
Angling	10,600	11,317	(717)
Rents and Hire of Facilities	49,600	41,668	7,932
Group Activities	15,000	17,233	(2,233)
Fibre Optic Cable	54,400	51,775	2,625
Donations	10,300	8,016	2,284
<b>Total Revenue Income</b>	<b>158,500</b>	<b>152,512</b>	<b>5,988</b>
Contribution to/(from) Reserves	(7,700)	(17,047)	9,347
<b>Net Revenue Expenditure</b>	<b>537,400</b>	<b>537,400</b>	<b>0</b>
<b>Local Authority Contributions</b>	<b>537,400</b>	<b>537,400</b>	<b>0</b>
<b>RESERVE ACCOUNT 2008/09</b>			
	£	£	
Balance as at 1 April 2008		105,933	
Add: Interest	3,422		
Add: Capital Contributions	38,698		
Less: Capital Expenditure	(58,698)		
Less: Revenue Deficit	(17,047)		
		<u>(33,626)</u>	
Balance as at 31 March 2009		<u>72,308</u>	

REVISED BUDGET 2009/10  
FORWARD BUDGET 2010/11

	<b>Original Budget 2009/10 £</b>	<b>Revised Budget 2009/10 £</b>	<b>Forward Budget 2010/11 £</b>
<b><u>Expenditure</u></b>			
Employees	511,300	501,100	524,500
Premises and Infrastructure	86,800	90,200	86,800
Transport	84,200	84,200	84,200
Supplies & Services	41,600	35,000	41,600
Dredging	10,000	10,000	10,000
Special Project Research	3,600	2,200	3,600
<b>Total Revenue Expenditure</b>	<b>737,500</b>	<b>722,700</b>	<b>750,700</b>
<b><u>Income</u></b>			
Boat Licences	19,500	17,000	19,500
Sales	3,700	4,000	4,000
Angling	10,900	11,000	11,000
Rents and Hire of Facilities	57,100	64,200	60,000
Group Activities	15,400	17,000	15,400
Fibre Optic Cable	54,400	49,300	49,300
Donations	10,600	11,400	10,600
<b>Total Revenue Income</b>	<b>171,600</b>	<b>173,900</b>	<b>169,800</b>
Contribution to/(from) Reserves	7,900	(9,092)	100
<b>Net Revenue Expenditure</b>	<b>573,800</b>	<b>539,708</b>	<b>581,000</b>



## LOCAL AUTHORITY CONTRIBUTIONS 2009/10 AND 2010/11

**REVENUE CONTRIBUTIONS**

<b><u>AUTHORITY</u></b>	<b>Original Budget 2009/10 £</b>	<b>Expected Contributions 2009/10 £</b>	<b>Proposed Contributions 2010/11 £</b>
Surrey County Council	160,434	160,434	162,448
Guildford Borough Council	40,925	36,800	41,438
Runnymede Borough Council	17,667	8,000	17,888
Surrey Heath Borough Council	27,526	11,000	27,871
Woking Borough Council	55,796	55,796	56,497
Hampshire County Council	160,434	160,434	162,448
Hart District Council	66,773	63,000	67,611
Rushmoor Borough Council	44,244	44,244	44,799
<b>TOTAL</b>	<b><u>573,800</u></b>	<b><u>539,708</u></b>	<b><u>581,000</u></b>

The Total Proposed Contributions in 2010/11 have been calculated by adding 1.25% inflation to the 2009/10 Original Budget.

The proposed contributions in 2010/11 for each partner authority are based on the accepted new formula.

## LICENCE FEES 2010/11

	<b>Cruising Fees</b>	<b>3 Day Visitor</b>	<b>15 Day Visitor</b>	<b>Month Visitor</b>	<b>Annual</b>
Group 1	Unpowered single seat	-	-	£6.95	£15.90
Group 2	Unpowered multi seat	-	-	£9.55	£20.65
Group 3	Up to 4m (12ft)	£14.65	£28.15	£42.80	£70.25
Group 4	Up to 6.5m (20ft)	£18.20	£34.05	£52.15	£82.50
Group 5	Up to 9.5m (30ft)	£20.65	£39.85	£60.50	£98.65
Group 6	Up to 16m (50ft)	£27.15	£52.80	£79.85	£123.80
Group 7	Up to 21.7m (72ft)	£34.05	£68.10	£100.95	£163.90

Fees have been held at the 2009/10 figures, and no inflation has been added.

All other fees to remain at current rates, namely:

- a) A 50% discount will continue for electric powered boats.
- b) Commercial Operators pay 4x the above rate.
- c) Mooring Fees (non BCA administered land) are at 75% of the Annual Cruising Fee.
- d) Bankside Canal Centre Mooring Fees remain at 5x the Cruising Fee.
- e) Charity Boats pay 25% of the Cruising Fee and Moorings are free.
- f) Special licences for events continue to be issued by the Canal Director at his discretion.