

Hampshire County Council**Basingstoke Canal Joint Management Committee****17 June 2011****Item 10****Final Accounts 2010/11****Report of the County Treasurer****Contact: Mike Walls Tel: 01962 847102; email: mike.walls@hants.gov.uk****1. Introduction**

- 1.1 The purpose of this report is to provide members with a briefing on the 2010/11 financial outturn of the Basingstoke Canal Authority.
- 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 budget for 2010/11 was calculated using the funding formula accepted by the partner authorities.

2. Draft Final Accounts 2010/11

- 2.1 The draft financial statement for 2010/11 set out in Appendix A shows a net surplus of £4,931. Operating income exceeded the budget by £10,124, and expenditure was under budget by £9,393. The reasons for this are detailed in the following paragraphs. The outturn is £19,517 better than the budgeted deficit of £14,586. The surplus will be transferred into the reserve account.
- 2.2 **Employees:** savings were made across all staff categories. There was no single area which was significantly underspent.
- 2.3 **Premises/Infrastructure:** there were minor savings made in the utility bills (£1k), and a major underspend (£7k) in site maintenance where only essential work was authorised and carried out. However, there was an unbudgeted payment of £6k to Surrey CC for the maintenance of the Surrey-owned rangers' houses.
- 2.4 **Transport:** the main saving has been made in the hire of plant and vehicles (£1k), and in vehicle running expenses (£0.7k).
- 2.5 **Supplies & Services:** there were minor variances across most of the budget headings, but none of any individual significance.

- 2.6 **Income:** Although receipts from Boat Licences and Fibre Optic Cable were under budget, income from other sources more than compensated for the shortfall. Mooring Licences, Wayleaves, Camping and Room Hire performed particularly well.

3. Reserves

- 3.1 There was no expenditure in the general reserves during the year, and there was no interest earned on the reserves due to the low Bank of England interest rate. Consequently, there is no change from the figures reported to the JMC in February 2011.
- 3.2 The revenue surplus of £4,931 will be transferred into reserves. It is proposed to allocate the revenue surplus to the Canal Infrastructure reserve account, so that it is available for the Director to draw down for low-cost essential and emergency maintenance, thereby reducing the drain on the revenue budget.
- 3.3 After transferring in the net revenue surplus the closing balance on the reserve account at 31 March 2011 was £53,650, an increase of £4,931 on the 31 March 2010 balance, and comprised the following:

2010	2011	After Proposed Transfers 2011
£	£	£
24,078 Dredging and Silt Disposal	24,078	24,078
1,753 Colt Hill car parks	1,753	1,753
nil Canal Infrastructure	nil	4,931
22,888 Mooring Basin and Canal Centre	22,888	22,888
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48,719 Total Earmarked Allocations	48,719	53,650
nil Unallocated reserve	nil	nil
nil Interest	nil	nil
nil Net revenue deficit/surplus	4,931	nil
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48,719 Closing Balance at 31 March	53,650	53,650
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- 3.4 The movement in reserves over the last five years is summarised 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
2009/10	72,308	Nil	Nil	- 23,589	48,719
2010/11	48,719	Nil	Nil	+ 4,931	53,650

- 3.5 This is the first time in four years that there has been a revenue surplus, but it has been derived mainly by restricting revenue expenditure on the Canal infrastructure. This cannot be repeated without resulting in a decline in the overall state of the infrastructure.
- 3.6 It should be noted that although the reserves have reduced by £113,649 in the last five years, only £20,835 of this has been used to support a revenue deficit; the balance of £92,814 has funded programmed or emergency work.
- 3.7 Three additional accounts were set up in 2009/10. The first is for the TAG project for which Rushmoor Borough Council has given a £40k contribution to the Canal. The second new account is funded by Surrey County Council to cover works at Deepcut and Locks 1, 12 and 17. The third account is funded by a £50k contribution from Hampshire County Council for emergency schemes or special pre-planning surveys/consultations. The activity against these accounts during 2010/11 is summarised below:

	Opening Balance	Income	Expenditure	Closing Balance
	£	£	£	£
Rushmoor BC	40,000	nil	nil	40,000
Surrey CC	59,543	165,300	84,148	140,695
Hampshire CC	33,899	nil	12,359	21,540

- 3.8 In addition to the above contributions, Hampshire and Surrey County Councils have each set aside £872k and £899k respectively over three or four years to cover the cost of essential work identified by the Condition Survey.
- 3.9 Hampshire County Council and Surrey County Council, as owners of the Canal, will ultimately cover major emergencies as they arise.
- 3.10 A view on the level of reserves required is to be taken now that the Condition Survey has been completed.

4. Conclusion

- 4.1 The final accounts for 2010/11 reflect the hard work the Director and his staff have put in to generate an operating surplus. 2011/12 will be no easier. The continual demand to maintain and repair the Canal infrastructure will place a strain on revenue and capital resources. The difficulties in managing the programme of activities and the expectations of the public without the full partnership funding are well documented.
- 4.2 The Director is exercising prudent financial management, and is proposing a restructure to improve efficiency and performance. While acknowledging the current difficult economic circumstances facing all the partners, it is imperative that the partners contribute their full share of the financial contribution so that the safety and enjoyment of visitors and users of the Canal can be ensured.

RECOMMENDATIONS

- 1 That the draft final accounts of the Basingstoke Canal Authority for the year ended 31 March 2011 be approved.
- 2 That the £4,931 revenue surplus be transferred to the Canal Infrastructure reserve to provide a small fund for low-cost essential repairs.

BASINGSTOKE CANAL JOINT MANAGEMENT COMMITTEE

APPENDIX A

DRAFT OUTTURN 2010/11

	Revised Budget 2010/11 £	Draft Outturn 2010/11 £	(Over)/ Under Budget £
<u>Expenditure</u>			
Employees	531,400	525,122	6,278
Premises/Infrastructure	79,300	76,691	2,609
Transport	69,500	67,572	1,928
Supplies & Services	39,200	40,623	(1,423)
Total Revenue Expenditure	719,400	710,007	9,393
<u>Income</u>			
Boat Licences	19,500	17,829	1,671
Sales	5,900	6,674	(774)
Angling	11,000	11,924	(924)
Rents and Hire of Facilities	52,900	65,179	(12,279)
Group Activities	19,300	18,903	397
Fibre Optic Cable	49,300	47,512	1,788
Donations	100	103	(3)
Total Revenue Income	158,000	168,124	(10,124)
Contribution to/(from) Reserves	(14,586)	4,931	19,517
Net Revenue Expenditure	546,814	546,814	0
Local Authority Contributions	546,814	546,814	0
RESERVE ACCOUNT 2010/11			
	£	£	
Balance as at 1 April 2010	48,719	48,719	
Add: Interest	0	0	
Less: Net Capital Expenditure	0	0	
Less: Revenue Deficit	(14,586)	4,931	
Balance as at 31 March 2011	34,133	53,650	

