

**Hampshire County Council**

**Basingstoke Canal Joint Management Committee**

**25 June 2010**

**Item 11**

**Final Accounts 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 briefing on the 2009/10 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 2009/10 was calculated using the new funding formula accepted by the partner authorities.

**2. Final Accounts 2009/10**

- 2.1 The financial statement for 2009/10 set out in Appendix A shows a net deficit of £23,589. Although operating income was up by £1,058 against budget, and Partner contributions exceeded budget by £4,197, expenditure was over budget by £19,752. The outturn is £14,497 worse than the budgeted deficit of £9,092. The deficit will be covered by a transfer from the reserve account.
- 2.2 Gross revenue expenditure at £742,452 was 2.7% (£19,752) higher than planned. The reasons for this are detailed in the following paragraphs
- 2.3 **Employees (+£17,629):** the overspend was due to the cost of additional overtime and weekend cover for two long-term staff absences.
- 2.4 **Premises/Infrastructure (+£19,992):** unexpected repairs to the dredger's hydraulics, increased expenditure on weedcutting, and the rising cost of refuse collection and skip hire have contributed to this budget being exceeded.
- 2.5 **Transport (-£13,585):** the savings have been made in the hire of vehicles, and in the purchase and hire of plant, tools and equipment.

- 2.6 **Supplies & Services (+£5,715):** this variance consists of small overspends across several budget headings (eg, provisions, first aid, ICT and subscriptions) together with the three years' charges from the Audit Commission for the Smaller Relevant Bodies audit (where a provision had been made for two years only). The charges for three years relate to the backlog of work after the recent introduction of new audit arrangements. In future a single year's audit fee will be charged to each year's accounts.
- 2.7 **Dredging (-£10,000):** There was no dredging undertaken during the year, so the saving here has offset some of the overspending above.
- 2.8 **Income (+£1,058):** Most of the income headings came in close to budget. The provision for donations and contributions was under-achieved, but this was more than offset by the surplus income generated by Group Activities (events and educational visits) and Rents and Hire of Facilities, where income from room hire, lettings and mooring licences compensated for the shortfall in wayleaves.
- 2.9 **Local Authority contributions (+£4,197):** The increase in partner contributions was due entirely to higher than anticipated contributions from Hart District Council and its parishes.

### 3. Reserves

- 3.1 There was no expenditure in the capital 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 September 2009.
- 3.2 The revenue deficit of £23,589 will have to be covered by a transfer from reserves. It is proposed to cover the shortfall by transferring £20,000 from the Canal Infrastructure reserve account, and the balance of 3,589 from the Mooring Basin and Canal Centre reserve account. This will reduce the Canal Infrastructure reserve account to zero, but since Hampshire and Surrey County Councils have both set up accounts to undertake work on the infrastructure, it should not be necessary for the Canal Director to have a separate reserve account.
- 3.3 This is the third 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.
- 3.4 After transferring out the net revenue deficit the closing balance on the reserve account at 31 March 2010 was £48,719, a decrease of £23,589 on the 31 March 2009 balance, and comprised the following:

| <b>2009</b>   |                                    | <b>2010</b>   | <b>After<br/>Proposed<br/>Transfers</b> |
|---------------|------------------------------------|---------------|---|
| <b>£</b>      |                                    | <b>£</b>      | <b>£</b>                                |
| 24,078        | Dredging and Silt Disposal         | 24,078        | 24,078                                  |
| 1,753         | Colt Hill car parks                | 1,753         | 1,753                                   |
| 20,000        | Canal Infrastructure               | 20,000        | nil                                     |
| 26,477        | Mooring Basin and Canal Centre     | 26,477        | 22,888                                  |
| -----         |                                    | -----         | -----                                   |
| <b>72,308</b> | <b>Total Earmarked Allocations</b> | <b>72,308</b> | <b>48,719</b>                           |
| nil           | Unallocated reserve                | nil           | nil                                     |
| n/a           | Interest                           | nil           | n/a                                     |
| n/a           | Net revenue deficit/surplus        | -23,589       | n/a                                     |
| -----         |                                    | -----         | -----                                   |
| <b>72,308</b> | <b>Closing Balance at 31 March</b> | <b>48,719</b> | <b>48,719</b>                           |
| =====         |                                    | =====         | =====                                   |

3.5 The movement in reserves over the last five years is summarised in the table below:

|         | Opening<br>Balance<br>(£) | Expenditure<br>(£) | Income<br>(£) | Revenue<br>Balance<br>(£) | Closing<br>Balance<br>(£) |
|---------|---------------------------|--------------------|---------------|---------------------------|---------------------------|
| 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                    |

3.6 It should be noted that although the reserves have reduced by £118,580 in the last five years, only £25,766 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 have been set up in 2009/10. The first is for the TAG project for which Rushmoor Borough Council has given a £40.0k contribution to the Canal. The second new account is funded by £84.6k from Surrey County Council to cover works at Deepcut and Locks 1, 12 and 17. The third account is funded by a £50.0k contribution from Hampshire County Council for emergency schemes or special pre-planning surveys/consultations. The activity against these accounts during 2009/10 is summarised below:

|              | <b>Opening<br/>Balance</b> | <b>Income</b> | <b>Expenditure</b> | <b>Closing<br/>Balance</b> |
|--------------|----------------------------|---------------|--------------------|----------------------------|
|              | <b>£</b>                   | <b>£</b>      | <b>£</b>           | <b>£</b>                   |
| Rushmoor BC  | nil                        | 40,000        | nil                | 40,000                     |
| Surrey CC    | nil                        | 84,626        | 25,083             | 59,543                     |
| Hampshire CC | nil                        | 50,000        | 16,101             | 33,899                     |

- 3.8 In addition to the above contributions, Hampshire and Surrey County Councils have each set aside £872k and £899k respectively over the next 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 2009/10 reflect the increasing challenges the Basingstoke Canal Authority is having to address in maintaining and repairing the Canal infrastructure. The 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.
- 4.2 The decision of the two owner authorities to provide capital funding for repairs and maintenance identified by the surveys is very welcome. However, there will inevitably be unforeseen emergency repairs which will have to be funded through the revenue budget, but this is becoming more difficult due to the continuing shortfall in partner contributions to the core work of the Canal Authority. While acknowledging the current difficult economic circumstances facing all the partners, it is imperative that the partners contribute their full share so that the safety and enjoyment of visitors and users of the Canal can be ensured.

#### **RECOMMENDATIONS**

- 1 That the final accounts of the Basingstoke Canal Authority for the year ended 31 March 2010 be approved.
- 2 That £20,000 be transferred from the Canal Infrastructure reserve to cover the 2009/10 revenue deficit.
- 3 That £3,589 be transferred from the Canal Centre and Mooring Basin reserve to cover the 2009/10 revenue deficit.

## OUTTURN 2009/2010

|                                      | <b>Revised<br/>Budget<br/>2009/10<br/>£</b> | <b>Outturn<br/>2009/10<br/>£</b> | <b>(Over)/<br/>Under<br/>Budget<br/>£</b> |
|--------------------------------------|---|----------------------------------|---|
| <b><u>Expenditure</u></b>            |   |                                  |   |
| Employees                            | 501,100                                     | 518,729                          | (17,629)                                  |
| Premises/Infrastructure              | 90,200                                      | 110,192                          | (19,992)                                  |
| Transport                            | 84,200                                      | 70,615                           | 13,585                                    |
| Supplies & Services                  | 35,000                                      | 40,715                           | (5,715)                                   |
| Dredging                             | 10,000                                      | 0                                | 10,000                                    |
| Special Project Research             | 2,200                                       | 2,200                            | 0   |
| <b>Total Revenue Expenditure</b>     | <b>722,700</b>                              | <b>742,452</b>                   | <b>(19,752)</b>                           |
| <b><u>Income</u></b>                 |   |                                  |   |
| Boat Licences                        | 17,000                                      | 17,278                           | (278)                                     |
| Sales                                | 4,000                                       | 3,824                            | 176                                       |
| Angling                              | 11,000                                      | 11,622                           | (622)                                     |
| Rents and Hire of Facilities         | 64,200                                      | 66,966                           | (2,766)                                   |
| Group Activities                     | 17,000                                      | 19,264                           | (2,264)                                   |
| Fibre Optic Cable                    | 49,300                                      | 49,288                           | 12  |
| Donations/contributions              | 11,400                                      | 6,716                            | 4,684                                     |
| <b>Total Revenue Income</b>          | <b>173,900</b>                              | <b>174,958</b>                   | <b>(1,058)</b>                            |
| Contribution to/(from) Reserves      | (9,092)                                     | (23,589)                         | (14,497)                                  |
| <b>Net Revenue Expenditure</b>       | <b>539,708</b>                              | <b>543,905</b>                   | <b>(33,190)</b>                           |
| <b>Local Authority Contributions</b> | <b>539,708</b>                              | <b>543,905</b>                   | <b>(4,197)</b>                            |
| <b>RESERVE ACCOUNT 2009/10</b>       |   |                                  |   |
|                                      | <b>£</b>                                    | <b>£</b>                         |   |
| Balance as at 1 April 2009           |   | 72,308                           |   |
| Add: Interest                        |   | 0                                |   |
| Less: Net Capital Expenditure        | 0   |                                  |   |
| Less: Revenue Deficit                | <u>(23,589)</u>                             |                                  |   |
|                                      |   | <u>(23,589)</u>                  |   |
| Balance as at 31 March 2010          |   | <u>48,719</u>                    |   |

## LOCAL AUTHORITY CONTRIBUTIONS 2009/10

**REVENUE CONTRIBUTIONS**

| <b><u>AUTHORITY</u></b>      | <b>Original<br/>Budget<br/>2009/10<br/>£</b> | <b>Expected<br/>Contributions<br/>2009/10<br/>£</b> | <b>Actual<br/>Contributions<br/>2009/10<br/>£</b> |
|------------------------------|--|---|---|
| Surrey County Council        | 160,434                                      | 160,434   | 160,434   |
| Guildford Borough Council    | 40,925                                       | 36,800  | 36,800  |
| Runnymede Borough Council    | 17,667                                       | 8,000   | 8,000   |
| Surrey Heath Borough Council | 27,526                                       | 11,000  | 11,000  |
| Woking Borough Council       | 55,796                                       | 55,796  | 55,796  |
| Hampshire County Council     | 160,434                                      | 160,434   | 160,434   |
| Hart District Council        | 66,773                                       | 63,000  | 67,197  |
| Rushmoor Borough Council     | 44,244                                       | 44,244  | 44,244  |
| <b>TOTAL</b>                 | <b><u>573,800</u></b>                        | <b><u>539,708</u></b>                               | <b><u>543,905</u></b>                             |

The Original Budget is calculated using the agreed formula.

The Expected Contributions were as advised at the start of the 2009/10 financial year.

The Actual Contributions were those received during the 2009/10 financial year. It will be noted that the improvement on the Expected position was due entirely to the contributions from Hart District Council and its parishes.