

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Basingstoke Canal Authority Joint Management Committee
Date:	26 February 2015
Title:	Financial Update Report
Reference:	
Report From:	Report of The Honorary Treasurer

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1. Executive Summary

1.1 The purpose of this report is to brief members on the financial position of the Basingstoke Canal Authority (BCA). In summary members are asked to:

- review and agree the out-turn forecast for 2014/15;
- be appraised of issues arising following the external audit of the 2013/14 annual return;
- support the decision of the Treasurer and Chairman on the funding required to be drawn from the reserve in relation the Unpowered boat operation.

1.2 The out-turn forecast shows the Canal will draw £3,200 from the reserve during 2014/15, a reduction of £ 41,800 from the last report. This is due to the re-scheduling of expenditure of £39,000 on the Weir and Sluices survey a possible VAT liability of £7,500 on the current fishing license agreement. Additional savings of £5,100 are anticipated on salary costs and additional one off income of £5,000 has been received from network wayleave payments.

1.3 This in turn revises the 2015/16 position, with an anticipated draw of £39,000 from the reserve to cover the Weir and Sluices survey not carried out in 2014/15.

1.4 Following a recent break in at the Canal, additional costs to replace stolen equipment valued at around £10,000 will be covered by savings on the winter vegetation work, as costs were lower than originally anticipated.

1.5 Also on this agenda is a business case to run an unpowered boat operation on the Canal. Funding of around £24,000 would be required and drawn from the reserve during this financial year, if approval is given. This funding would be used to purchase equipment and cover other set up costs.

- 1.6 This funding is not included in the figures shown in the appendices to this report. It is anticipated that the funds would be replaced by the end of the first year of operation.

2. Out-turn forecast 2014/15

- 2.1 The outturn forecast is set out in Appendix A. The current forecast shows a draw on the reserve of £ 3,200, a change of £41,800 from the last report. This is due mainly to the re-scheduling of work to carry out the Weir and Sluices survey.
- 2.2 Work has been ongoing with Hampshire County Council's Tax Advisor, HMRC and the Basingstoke Angling Association (BAA) to establish the correct VAT treatment in relation to the current Fishing License agreement held between the BCA and the BAA.
- 2.3 The BAA is in the process of submitting the 2014/15 invoice to HMRC, to enable a judgement to be made on whether the supply is subject to VAT. The total liability will be in the region of £7,500 if HMRC rules the supply is subject to VAT and it has been agreed that BCA will cover the cost of the previous three years and a percentage of the current year's additional costs.
- 2.4 The out-turn forecast revenue expenditure shows a reduction of £40,600 since the last report. The reasons for these changes are explained below:

- **Employees (-£5,100)**
It is anticipated that savings will be made to staffing costs due to the resignation of one of the canal rangers, although this will be partly offset due to higher than expected employer's NI costs relating to maternity pay.
- **Canal Maintenance (-£31,700)**
The reduction is due to the re-scheduling of the Weir and Sluice survey, the cost of £39,000 will be carried forward to 2015/16 and drawn from the reserve. This predicted underspend has been offset by £7,300 relating to higher than anticipated costs of contracts for reactive tree works, the emergency cover contract and lock gate purchases.

Planned works within this area are continually monitored and rescheduled to ensure that costs remain within the funds available.
- **Transport (£2,100)**
Additional costs are expected due to unforeseen repair costs for the van and travel costs for the Strategic Manager, not previously budgeted for.
- **Shortfall in Partner Contributions (-£5,900)**
See note below under Grants & Contributions – Partnership Contributions.

2.5 The out-turn forecast figure for income has increased by £1,200 since the last report. The reasons for these changes are explained below:

- **General Fees & Charges (-£3,700)**
Income is projected to be £3,700 lower than in the previous report due mainly to a reduction in anticipated camping fees of £1,900 and a possible VAT liability of £7,500 relating to the current fishing license agreement. These amounts being offset by increased income from boating license fees of £5,600 linked to additional mooring availability and small increases across a number of other fees and charges categories, totalling £100.
- **Grants & Contributions – Partnership Contributions**
All Partnership contributions have been invoiced for the year with the majority now received. An additional £5,900 has been received, higher than previously projected as the full formula contribution has been received from Guildford and Rushmoor Borough Councils and Hart District Council.
- **Grants & Contributions - Other (-£3,400)**
Income is projected to be £3,400 lower than anticipated at the time of the last report. The reduction is due to HLS project work being rescheduled, with the funding now to be claimed in 2015/16 as detailed in section 5 of this report.
- **Rental Income (£5,800)**
One off additional income of £5,800 has been received for wayleave access for SCOTIS gas and UK Power networks.
- **Sales Income (£2,500)**
There has been a small increase in shop sales and slightly more income received from Santa Cruises than anticipated in the last forecast. Only a minimal increase is expected in the current income level by the end of the year.

3. Looking Ahead 2015/16

3.1 The 2015/16 budget is show in Appendix A. Original savings to be identified of £6,000 will be covered by additional income from Santa Cruises, due to an inflationary increase being applied for Christmas 2015. Further income is also anticipated if those partners making a full contribution this year do so for 2015/16.

3.2 Due to the re-scheduling of the Weir and Sluice survey a draw on the reserve of £39,000 is now anticipated for 2015/16.

4. Capital Expenditure Programme

4.1 The current position on the main capital schemes is detailed in Appendix B, showing projected costs and income for 2014/15 and 2015/16.

- 4.2 Hampshire – the original schedule of spend for 2014/15 is likely to reduce by around £470,000 due to the tendering process for work linked to the Dogmersfield landslip. The majority of this work will now take place during 2015/16 with funding rolled forward accordingly.
- 4.3 Work is ongoing on the Telemetry system with the expectation that it will be operational by February/March 2015. Emergency equipment and housing has been purchased and plans for a new work boat are currently on hold while other equipment options are investigated.
- 4.4 Current spend to date against the 2014/15 allocation is £159,000.
- 4.5 Surrey – A scheduled spend of £526,000 is anticipated for 2014/15 with some embankment work possibly rolling forward for completion in 2015/16. Emergency equipment has been purchased and is housed on the canal.
- 4.6 The Canal centre redevelopment surveys, design and reports are now complete and the remaining payment to be made once they have been accepted.
- 4.7 Current spend to date against the 2014/16 allocation is £60,000.

5 Special Projects

- 5.1 The current positions on the externally funded special projects managed by the Canal are detailed in Appendix C.1.
- Odiham Castle - Funds stand at £3,600 with an expected expenditure of £2,500 in the current financial year. These funds will be used to replace and refurbish signage and paths in time for the Magna Carta celebrations in 2015. It is anticipated a balance of £1,100 will be carried forward for use in future years.
 - Higher Level Stewardship (HLS) funding
 - Surrey - None of the special project work was completed during 2014/15 before the claim deadline in October, and as a result no claim was made for the special projects grant. This was mainly due to further discrepancies being discovered with the submitted mapping and proposed project areas, together with insufficient BCA staff resource to run the two schemes at once.
 - Further discussions will take place with Natural England about the future of the Surrey agreement, and whether there is any possibility of completing future special projects later in the existing 10 year agreement, or whether to replace the entire scheme at the legal break point in 2016 with an alternative scheme.
 - The grassland maintenance work and associated annual funding revenue of £2,500 will continue for the current year and 2015/16.

- Hampshire – Only a small amount of the planned tree works will be completed at Rushmoor flash during 2014/15, with the majority of the work and the funding application taking place during 2015/16. The cost of this work will be in the region of £22,000 with match funding required of £10,000.
- Annual work on the maintenance of grasslands and control of invasive plant species has received funding of £2,718. This funding will offset the staff costs of undertaking this work.

6 External Audit Issues Arising Report

- 6.1 The 2013/14 small bodies return was signed off by the external auditor on 25 September 2014. Just one issue was raised by the auditor and is set out below, together with officer responses.

Point Raised – Risk Assessment

- The Auditor reported that the risk assessment was not reported to or adopted by the body.
- We highlighted in the previous year the need for the council as a whole to carry out an assessment, the review within the year was referenced in the report, a better but still brief review took place after the year end.
- This is a potential breach of regulation 4 of the Accounts and Audit (England) Regulations 2011 which requires authorities to review the effectiveness of internal control which includes arrangements for the management of risk.

Auditor Recommendation

- We would recommend that the body as a whole review the risk register once during the year and even if the risks are covered by the joint councils such a minute would acknowledge the bodies understanding of their underlying risks.

Officer Response/Action

- As previously advised, the risks associated with the Canal are covered by the joint councils, although a separate risk register has been set up and will be reviewed and updated following the Canal Inspection and monitoring meetings. This will be covered by the Canal Manager in her regular report to the Authority.

7 Reserves

- 7.1 A detailed breakdown of reserves is shown in Appendix C.2. This report makes no assumption on Members decision on the unpowered boats paper also on this agenda. Should these proposals be supported then a draw of £24,000 would be required in the current financial year.
- 7.2 A draw of £3,200 is forecast for the unallocated reserve in 2014/15. This is to cover the cost of the tree survey less funds re-profiled into 2015/16 for the Weirs and Sluices survey which will now be carried out during the next financial year.
- 7.3 The unallocated reserve is expected to stand at £278,462 at the end of the year unless approval is given to draw £24,000 funds for the unpowered boat operation. The dredging reserve remains unchanged at £24,078, giving a total reserve figure of £302,540 at the end of 2014/15.
- 7.4 It is now anticipated that there will be a draw on the reserve during 2015/16 of £39,000 due to the re-profiled Weirs and Sluices Survey. The total reserves are expected to stand at £264,440 at the end of 2015/16.

8 Conclusion

- 8.1 This report indicates the Canal continues to control costs while facing ongoing financial challenges. Full contributions received from Guildford, Rushmoor and Hart councils during the year has assisted in plugging the funding gap and will go a long way towards covering the savings to be identified for 2015/16. We continue to urge all partners to pay their full contributions, to ensure future income is sufficient to cover the ongoing costs of the organisation.
- 8.2 The Canal continues to maintain good standards, although financial constraints on the budgets of partners continue to create pressures.

Recommendations

- 1 That members support the forecast outturn for 2014/15.
- 2 That members support the change in the revenue draw on reserves in 2014/15 and 2015/16.
- 3 That member support the decision of the Treasurer and Chairman on the funding required to be drawn from the reserve in relation the unpowered boat operation.

BASINGSTOKE CANAL

FINANCIAL OUTTURN 2014/15

APPENDIX A

Actual Outturn 2013/14 £		Original Budget 2014/15 £	Forecast Outturn August'14	Actuals 31 Jan'15 £	Forecast Outturn January'15 £	Variance from previous outturn £	Forward Budget 2015/16 £
	Expenditure						
395,446	Employees	399,200	397,745	309,500	392,600	(5,145)	406,000
34,983	Premises	32,300	30,300	23,473	30,300	0	31,000
142,531	Canal Maintenance	153,000	224,500	85,724	192,841	(31,659)	157,000
65,203	Transport	59,300	59,300	49,993	61,400	2,100	61,000
41,451	Supplies & Services	42,400	38,000	28,589	38,000	0	39,000
0	Savings to be identified	(29,354)	0	0	0	0	(6,255)
0	Shortfall In Partner Contributions	27,002	27,202	0	21,306	(5,896)	31,038
679,614	Total Revenue Expenditure	683,848	777,047	497,279	736,447	(40,600)	718,783
	Income						
102,235	General Fees & Charges	89,300	79,200	84,325	75,500	(3,700)	76,800
516,645	Grants & Contributions - Partner	543,847	543,847	522,541	543,847	0	547,683
18,983	Grants & Contributions - other	1,200	34,600	8,625	31,200	(3,400)	10,100
24,036	Rental Income	23,701	43,700	44,927	49,500	5,800	54,700
29,866	Sales Income	25,800	29,500	31,551	32,000	2,500	29,500
0	Other Miscellaneous Income	0	1,200	1,196	1,200	0	0
691,765	Total Revenue Income	683,848	732,047	693,165	733,247	1,200	718,783
(12,151)	Contribution (to)/from Reserves	0	45,000	(195,886)	3,200	(41,800)	0
	Partner Contributions						
153,188	Surrey County Council	153,188	153,188	153,188	153,188	0	153,188
34,960	Guildford Borough Council	39,076	34,960	39,076	39,076	4,116	39,076
8,000	Runnymede Borough Council	16,869	8,000	8,000	8,000	0	16,869
10,000	Surrey Heath Borough Council	26,283	10,000	10,000	10,000	0	26,283
53,276	Woking Borough Council	53,276	53,276	53,276	53,276	0	53,276
153,188	Hampshire County Council	153,188	153,188	153,188	153,188	0	153,188
30,000	Hart District Council	30,924	30,000	30,924	30,924	924	30,924
3,048	Crookham Village Parish Council	3,048	3,048	3,048	3,048	0	3,048
6,750	Church Crookham Parish Council	6,750	6,750	6,750	6,750	0	6,750
240	Dogmersfield Parish Council	240	240	250	250	10	240
18,309	Fleet Town Council	18,309	18,309	18,309	18,309	0	18,309
4,036	Odiham Parish Council	0	4,036	4,036	4,036	0	4,036
0	Rotherwick Parish Council	200	0	0	0	0	0
250	Winchfield Parish Council	250	250	250	250	0	250
41,400	Rushmoor Borough Council	42,246	41,400	42,246	42,246	846	42,246
516,645		543,847	516,645	522,541	522,541	5,896	547,683
	General Reserves						
(291,457)	Opening Balance	(304,640)	(304,640)		(304,640)		(302,540)
(12,151)	Contribution (to)/from Reserves	0	45,000		3,200		0
(1,032)	Interest on Balances	0	(1,100)		(1,100)		(900)
(304,640)	Closing Balance	(304,640)	(260,740)		(302,540)		(303,440)

	Surrey County Council Estates	Surrey County Council Countryside	Surrey Vegetation Scheme	Hampshire County Council Capital Fund	Hampshire Emergency Repair Fund	Total
	£	£	£	£	£	£
Balance as at 31st March 2014	(32,334)	40,166	(9,507)	(110,421)	(22,059)	(134,155)
Core Capital Contribution	0	(500,000)	0	(1,000,000)	0	(1,500,000)
Expenditure						
Bank Works	0	340,500	0	362,000	0	702,500
Water Management	0	30,000	0	58,750	0	88,750
Equipment	0	52,745	0	52,941	22,059	127,745
Canal Structure	0	102,600	9,507	92,000	0	204,107
Consultancy	32,334	0	0	0	0	32,334
Total cost of planned starts 2014/15	32,334	525,845	9,507	565,691	22,059	1,155,436
Balance as at 31st March 2015	0	66,011	0	(544,731)	0	(478,720)
Core Capital Contribution	0	(500,000)	0	(800,000)	0	(1,300,000)
Expenditure						
Bank Works	0	43,000	0	533,250	0	576,250
Water Management	0	79,500	0	709,500	0	789,000
Equipment	0	87,500	0	37,500	0	125,000
Canal Structure	0	255,500	0	62,500	0	318,000
Consultancy	0	0	0	0	0	0
Total cost of planned starts 2015/16	0	465,500	0	1,342,750	0	1,808,250
Balance as at 31st March 2016	0	31,511	0	(1,980)	0	29,532
Core Capital Contribution	0	(500,000)	0	0	0	(500,000)
Expenditure						
Bank Works	0	0	0	0	0	0
Water Management	0	361,250	0	0	0	361,250
Equipment	0	0	0	0	0	0
Canal Structure	0	19,000	0	0	0	19,000
Consultancy	0	0	0	0	0	0
Total cost of planned starts 2016/17	0	380,250	0	0	0	380,250
Balance as at 31st March 2017	0	(88,239)	0	(1,980)	0	(90,219)

Bank Works - Embankment repairs, including Tree works
Towpath re-instatement
Dogmersfield landslip work
Hardbank boat mooring

Water Management - Telemetry system
Stopgates and stop planks
Weir and sluices
Dredging

Equipment - Various equipment

Canal Structure - Culvert works
Lock structure works

Consultancy - Engineering & legal services

Basingstoke Canal - Special Projects Reconciliation

	Odiham Castle Scheme	HLS Rural Payments Agency SCC	HLS Rural Payments Agency HCC	Total
	£	£	£	£
Balance as at 31st March 2014	(3,600)	0	(0)	(3,600)
Expenditure				
Grassland Maintenance		2,519	5,636	8,155
Special Projects		0	0	0
Bank Repairs		0	0	0
Consultancy		0	0	0
Tree Work		0	900	900
Signage & maintenance	2,500			2,500
HLS Grasslands Income		(2,519)	(5,636)	(8,155)
HLS Income		0	(900)	(900)
HLS Match Funding		0	0	0
Balance as at 31st March 2015	(1,100)	0	0	(1,100)
Expenditure				
Grassland Maintenance		2,519	5,636	8,155
Special Projects		0	0	0
Bank Repairs		0	0	0
Consultancy		0	0	0
Tree Work		0	20,790	0
Signage & maintenance	0			0
HLS Grasslands Income		(2,519)	(5,636)	(8,155)
HLS Income		0	(10,821)	0
HLS Match Funding		0	(9,969)	0
Balance as at 31st March 2016	(1,100)	0	0	(1,100)

APPENDIX C.2

Basingstoke Canal Reserves 2014-16

	Unallocated Reserve	Dredging & Silt Disposal	General Reserves Total
	£	£	£
Balance as at 31st March 2014	(280,562)	(24,078)	(304,640)
Income (Interest on Balances)	(1,100)	0	(1,100)
Planned use of reserve	3,200	0	3,200
Balance as at 31st March 2015	(278,462)	(24,078)	(302,540)
Income (Interest on Balances)	(900)	0	(900)
Planned use of reserve	39,000	0	39,000
Balance as at 31st March 2016	(240,362)	(24,078)	(264,440)

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