

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Basingstoke Canal – Joint Management Committee
Date:	14 July 2022
Title:	Final Accounts 2021/22
Report from:	Report of Honorary Treasurer and Strategic Manager

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Purpose of this Report

1. The purpose of this report is to present the final accounts of the Basingstoke Canal for the year ended 31 March 2022, to the Joint Management Committee for approval.

Recommendations

2. That the final accounts for the 2021/22 financial year be approved by the Committee.

Executive Summary

3. The net revenue costs of the Basingstoke Canal are incurred on behalf of the Joint Management Committee by Hampshire County Council (HCC) and financed through partner contributions from Hampshire and Surrey County Councils (SCC) and the riparian district councils. Capital expenditure is currently being funded by Hampshire and Surrey County Councils for specific repairs and improvements.
4. The final outturn position for the year to 31 March 2022 shows a draw from reserves of £31,650, comprising of £33,459 net expenditure on revenue activities, partly offset by £1,809 of interest received.
5. The £31,650 draw represents a significant improvement on the £145,000 budgeted draw, although this is partly due to £50,500 of planned works that will now be undertaken in the 2022/23 financial year. The remaining positive variance against the budget includes £29,000 of cost savings on Principal Surveys, and a significant increase in boat licence income as usage of the Canal increased following the pandemic, contributing to an overall £30,000 overachievement of income.

6. The balance held in reserves for Basingstoke Canal as of 31 March 2022 was £801,852, comprising of £697,774 in the general reserve and £24,078 and £80,000 allocated respectively for dredging & silt disposal and Wellesley. Adjusting for the slipped work as above, the total reserves balance is projected to decrease to £721,859 by 31 March 2023.

Final Accounts 2021/22

7. The final outturn position (as shown in Appendix 1) is a £31,650 draw from reserves. This represents an £112,000 improvement against the 2021/22 revised budget which provided for a £145,000 draw from reserves.

Expenditure

8. Expenditure for the year totalled £869,000, £82,000 below the £951,000 budget, primarily due to significant underspends on Canal Maintenance and Principal Surveys, offset by a budget pressure on supplies and services as detailed below.
9. Canal Maintenance was £61,000 underspent, including £50,500 relating to works that have slipped into 2022/23 as follows:
- £33,000 on the Brookwood Moorings re-decking which has been delayed a further year due to staff capacity.
 - £17,500 Tree Inspection Survey costs relating to the Hampshire section of the canal, with the survey works on the Surrey section completed in year
10. In addition, soft bank protection works and planned emergency cover came in under budget. These reductions in spend were partially offset by a £23,000 pressure arising from reactive tree works required following February's storms.
11. Principal Survey costs were £29,000 lower than budget due to savings of £19,000 against the estimated cost of the Reservoir inspection and £10,000 against the estimated cost of the inspection of Embankment works, although the final report is still pending and therefore potentially there may be some additional costs that will fall within the next financial year.
12. The £25,000 pressure on Supplies & Services includes £13,000 for the purchase of Interpretation Boards for display around the Canal funded by the Canal Society and £4,000 for the design of a gas pipe, funded by Grainger (Aldershot) Ltd. The remaining pressure mainly relates to £11,000 unbudgeted spend on four new bell-tents at the Campsite, purchased in response to the increased demand for UK holidays resulting from Covid-19, partly offset by various smaller savings including on uniforms and postage.
13. Other minor budget variances include a £9,000 saving on transport costs attributed to changes in staff behaviour following Covid 19; £6,000 savings on Premises costs partly due to lower bookings of the function room that was closed until July due to Covid restrictions, and a saving of £2,000 on the running of pumps with the Frimley pump being out of action and Woodham back-pumping running less than last year.

Income

14. Income for the year was £836,000, £30,000 higher than the revised budget of £806,000 mainly due to increased revenue from boat licences and recovered costs.
15. General Fees & Charges income overachieved the budget by £22,000, with a £40,000 increase in boat licence income as more people used the Canal, as well as additional commercial unpowered boat agreements and the introduction of new boat licence charges resulting from the boat licence review. The increased usage of the Canal has continued despite the Covid-19 restrictions having been eased and then lifted through the course of the year.
16. This increase was partially offset by further delays to the receipt of the £15,000 one-off premium for improvement works from Basingstoke Canal Canoe Club as the legal terms of the lease agreement are still in the process of being finalised. However, this is simply a timing delay, and the 2022/23 income budget will be adjusted to reflect this. The Canoe Club have paid their usual contribution for the use of Canal facilities.
17. Other Grants and Contributions income was £23,000 over budget mainly due to an additional £21,000 of cost recovery (for Interpretation Boards and the design of a gas pipe). The sale of unpowered boats and an increase in general donations also contributed to this figure.
18. The works to the Farnborough moorings have resulted in a £6,000 pressure on the rental income budget, however, following completion of the works, the moorings spaces are now in the process of being filled with lots of enquiries and two new boats already moored there.
19. Rosebud Cruise sales were impacted due to a late start to the season caused by Covid restrictions, and difficulty in finding volunteers to run the trips, resulting in a £10,000 shortfall. This was partially offset by increased Santa Cruise sales later in the year, which have again proved to be incredibly popular.
20. At £523,000 the total partner contributions make up the majority of the Canal's income and are therefore fundamental to the successful running of the Canal.

Capital Expenditure Programme

21. Appendix 3 shows the final capital outturn for 2021/22 and the budgeted expenditure for 2022/23.
22. Capital expenditure for the Canal is managed as two separate capital programmes by Hampshire County Council and Surrey County Council.

Hampshire County Council

23. In 2020/21 the third and final £500,000 instalment was received of the further £1.5m capital funding allocated by Hampshire County Council in 2017, and any remaining capital balance will roll forward each year until fully spent.
24. As of 1st April 2021, the balance available in the Hampshire County Council capital programme was £1.372m, brought forward from the previous financial year.
25. Orders were placed during the year to the value of £360,000 however the contract covering the largest proportion of this has not been successfully completed, giving carried forward available funds for 2022/23 of £1.242m.

Surrey County Council

26. Surrey County Council agreed an annual allocation of £150,000 per annum for their capital programme for five years up to and including 2023/24. An annual allocation of £100,000 per annum from 2024/25 to the end of their current Medium Term Financial Plan is now proposed.
27. The total budget for 2021/22 was £231,000, consisting of the core capital contribution of £150,000, plus £67,000 reprofiled from previous allocations and £14,000 rolled forward from 2020/21. Orders were placed in year to a total value of £152,196.
28. Works to improve the towpath and bank protection were completed largely as planned, however the lock gate repair works were delivered right at the end of the financial year and the costs will be reflected in 2022/23. Two other schemes were not delivered whilst reports were awaited from SCC Land & Property. As a result, £72,000 has been carried forward; £39,000 into 2022/23 and £33,000 into 2023/24.

Special Projects

29. In addition to the main revenue budget for the Basingstoke Canal there are a number of special projects with ringfenced budgets related to the Canal.

Odiham Castle

Funding of £2,212 remains from the historic HLF project to restore Odiham Castle, with this balance available to refresh the signs and paths. There was spend of £90 against this fund in the 2021/22 financial year, and it is now planned to spend the remainder in the 2022/23 financial year on replacing the interpretation boards.

Higher Level Stewardship funding

30. Higher Level Stewardship (HLS) funding is received from the Rural Payments Agency by both Hampshire and Surrey County Councils for grassland maintenance. The funding is used to offset staffing costs of the Canal, with the amounts for the 2021/22 and 2022/23 financial years shown in the table below.

	Surrey County Council £'000	Hampshire County Council £'000	Total £'000
2021/22 financial year	2,519	5,226	7,745
2022/23 financial year	0	5,226	5,226

31. Maintenance work on the grassland/woodlands ceased under the current agreement with Surrey County Council in October 2021 (a full year's payment has been accrued in the 2021/22 accounts) and Hampshire County Council's agreement will end on November 2022 (a full year's payment was budgeted for in 2022/23), when the funding will cease.

Hampshire County Council Path Recovery programme

32. Although entirely separate to the Basingstoke Canal, the establishment of a £500,000 Path Recovery programme was agreed by Hampshire County Council in 2021/22 to carry out remedial works to improve the condition of the worst affected rights of way and countryside paths in Hampshire affected by the Covid 19 pandemic. £30,000 of this sum has been allocated to spend along the Basingstoke Canal towpath, with £13,000 spent in the 2021/22 financial year on improvements to the Ash Lock towpath, leaving £17,000 available to be spent in the 2022/23 financial year.

Reserves

33. The Basingstoke Canal reserves consist of three reserve funds as follows:

- Unallocated Reserve – the general reserve to hold annual revenue surpluses
- Dredging & Silt Disposal reserve – specifically to cover cyclical dredging works
- Wellesley Reserve – established from a commuted sum from the Ministry of Defence and Grainger (Aldershot) Ltd specifically for keeping the improved area of towpath between Aldershot and Farnborough in repair.

34. The total reserves for the Basingstoke Canal Authority were £801,852 as of 31 March 2022, a reduction of £31,650 from the position at the end of 2020/21. A detailed breakdown of the reserves is shown in Appendix 4.

35. The balance on the Unallocated Reserve as at 31 March 2022 was £697,774, which equates to just under nine months of budgeted expenditure.

36. In 2021/22 interest of £1,809 was received, paid at the agreed rate of 0.19% on all reserve balances.

37. There was no draw from either the Dredging & Silt Disposal reserve or the Wellesley reserve, which remained at £24,078 and £80,000, respectively.

38. The 2022/23 budget provides for a further draw from the Unallocated Reserve of £30,000, however, after accounting for the £50,500 of works that have slipped into 2022/23, the projected balance is £617,774, equating to just under eight months of budgeted expenditure.
39. There are no planned draws from the other reserves for either 2021/22 or 2022/23.

Conclusion

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40. The final outturn for 2021/22 is better than budgeted and forecast, with a £31,650 contribution to reserves rather than the budgeted draw of £145,000. However, £50,500 of this improved position is due to expenditure that has slipped into the following year.
41. Covid-19 has continued to have a significant impact on the sales and bookings income of the Canal. However, there have been offsetting reductions in expenditure and increased boat licence income as more people are using the Canal, which has meant the net Covid financial impact has been fairly small. It is hoped that as well as the sales and bookings income recovering to pre-Covid levels, the additional boat licence income will continue.
42. Whilst the Surrey Capital Programme has progressed largely as planned, the Hampshire Capital Programme has been delayed due to its complexity and reduced staffing resource resulting from the pandemic.
43. The total balances within reserves at £801,859 as of 31 March 2021, and projected to fall to £721,859 at 31 March 2023, appear relatively healthy. However, the balance within the Unallocated Reserve equates to only eight months of budgeted expenditure, which is considered a reasonable but not excessive level.

Appendix 1 - Final Outturn for the Year Ended 31 March 2022

	Revised Budget 2021/22 £'000	Forecast Outturn September £'000	Final Outturn 2021/22 £'000	Over/ (Under) Budget £'000
Expenditure				
Employees	496	501	494	(2)
Premises	26	26	20	(6)
Canal Maintenance	267	271	206	(61)
Principal Surveys	59	44	30	(29)
Transport	42	36	33	(9)
Supplies & Services	61	72	86	25
Total Expenditure	951	950	869	(82)
Income				
General Fees & Charges	125	144	147	22
Grants & Contributions - Partner	523	523	523	0
Grants & Contributions - Other	17	15	40	23
Rental Income	62	51	56	(6)
Sales Income	79	68	70	(9)
Other Miscellaneous Income	0	0	0	0
Total Income	806	801	836	30
Contribution from/(to) Reserves	145	149	33	(112)
General Reserves				
Opening Balance	833	833	833	0
Contribution from/(to) Reserves	(145)	(149)	(33)	112
Interest on balances	1	1	2	1
Closing Balance	689	685	802	113

Appendix 2 – Partners Contributions for the Year Ended 31 March 2022

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	Contributions per the Original Agreement £	Notified & Actual Contributions £	Variance £
Partner Contributions			
Hampshire County Council	153,188	153,188	0
Surrey County Council	153,188	153,188	0
Guildford Borough Council	39,076	39,076	0
Hart District Council	30,924	30,924	0
Runnymede Borough Council	16,869	8,000	(8,869)
Rushmoor Borough Council	42,246	42,246	0
Surrey Heath Borough Council	26,282	10,000	(16,282)
Woking Borough Council	53,276	53,276	0
Church Crookham Parish Council	6,750	6,750	0
Crookham Village Parish Council	3,048	3,048	0
Dogmersfield Parish Council	240	240	0
Fleet Town Council	18,309	18,309	0
Odiham Parish Council	4,036	4,036	0
Winchfield Parish Council	250	250	0
Total Partner Contributions	547,682	522,531	(25,151)

Appendix 3 – Basingstoke Canal Capital Programme 2021 – 2022

	Surrey County Council Programme £'000	Hampshire County Council Programme £'000	Basingstoke Canal Total £'000
Balance as at 31 March 2021	0	1,372	1,372
Funds in:			
Core capital contribution	150	0	150
C/fwd from 2019/20	67	0	67
C/fwd from 2020/21 – Deepcut			
Depot	14	0	14
Total Funds in	231	0	231
Bank repairs	(116)	(65)	(181)
Structure	(21)	(65)	(86)
Water management	0	0	0
Equipment	0	0	0
Engineering fees	(22)	0	(22)
Total Funds out	(159)	(130)	(289)
Balance as at 31 March 2022	72	1,242	1,314

Appendix 4 – Basingstoke Canal Budgeted Reserves

	Unallocated Reserve £	Dredging & Silt Disposal £	Wellesley Reserve £	Reserves Total £'000
Balance at 31 March 2021	729,424	24,078	80,000	833,502
Income (interest on balances)	1,809	0	0	1,809
Transfers To / (From) Reserves	(33,459)	0	0	(33,459)
Projected Balance at 31 March 2022	697,774	24,078	80,000	801,859
Income (interest on balances)	500	0	0	500
Additional draw re slipped works	(50,500)	0	0	(50,500)
Budgeted Transfers To / (From) Reserves	(30,000)	0	0	(30,000)
Projected Balance at 31 March 2023	617,774	24,078	80,000	721,859