

Brighton & Hove City Council

For general release

Meeting: Shoreham Airport Joint Committee

Date: Friday 13 January 2006

Report of: Airport Treasurer

Subject: Shoreham Airport Revenue Budget and Capital Programme 2006/07

Ward(s) affected: All

The special circumstance for non-compliance with Council Procedure Rule 19, Access to Information Rule 5 and Section 100B(4) of the 1972 Local Government Act as amended, (items not to be considered unless the agenda is open to inspection at least five days in advance of the meeting) is that there were resourcing issues to be resolved before this report could be completed.

1. Purpose of the report

1.1 To recommend a Shoreham Airport revenue budget and capital programme for 2006/07 to the owning authorities, which would come into effect only if there are any delays to the transfer of ownership of the Airport beyond 31 March 2006. Preparation of this budget has been agreed with the Principal Bidder for the Airport.

2. Recommendations

- 2.1 to recommend to the two owning Councils the revenue budget for the Airport for the financial year 2006/07, showing a surplus of £5,310 as set out in appendix 1.
- 2.2 to recommend to the two owning Councils the capital programme of £200,000 for the Airport for the financial year 2006/07 (appendix 2).

3. Information/background

3.1 Policy & Resources Committee and Worthing Borough Council's Cabinet agreed in September 2005 to appoint the Erinaceous Group PLC as the Preferred Bidder for the Airport, and that the

proposed date of transfer is 31 March 2006. However, a revenue budget and capital programme have been prepared for 2006/07 to facilitate a seamless transfer of the financial operations to the new owners, and to come into force only if there is any delay in the transfer beyond 31 March 2006.

- 3.2 The Airport Joint Committee has been receiving regular reports on the Airport's projected 2005/06 outturn position. These reports have notified Members of the Airport's financial position. The latest report (month 8) is elsewhere on this agenda and shows a projected surplus of £5,000.

4. Revenue Budget 2006/07

- 4.1 The employees budget includes filled and vacant posts using the latest information from the Human Resources directorate. A 2.95% pay award from 1 April 2006 has also been included. It also includes the employer's superannuation rate of 20.5% (an increase of 1.3% on 2005/06, as recommended in the pension fund triennial actuarial review as at 1st April 2004). The insurance estimates are based on the latest premium estimates and perception of risk.
- 4.2 The income shown on appendix 1 includes the latest rents plus the expected uplifts in rental income for agreements which would be reviewed in 2006/07.

5. Capital Programme 2006/07

- 5.1 The 2006/07 programme totals £200,000 (see appendix 2). All capital investment requires the approval of the owning Authorities. This is provided through the submission of a detailed report that should include the purpose, benefits and financial cost of the investment.
- 5.2 Under the Local Government Act 2003 the level of capital investment in the Airport will be a matter for local decision, subject to affordability. The Prudential Code for Capital Finance in Local Authorities has a number of objectives, but the most important is to ensure, within a clear framework, that the capital investment plans of the Airport are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions taken for the Airport are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.

6. Comments of the Airport Treasurer

Revenue budget

- 6.1 The Airport Treasurer has a fiduciary duty to the local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.
- 6.2 A prudent level for the Airport general reserves would be 5% of the gross expenditure, which in 2006/07 is expected to be £2.454m which would suggest a level of reserves of about £122,000.
- 6.3 As at 31 March 2005 the general reserves stand at £229,241 and these are expected to rise by £5,000 by 31 March 2006 based on the latest forecast. In addition the Airport has a Repairs and Renewals Fund, on which the balance as at 31 March 2005 is £116,814, of which the Airport Joint Committee has committed about £84,000 for storm damage repairs to the municipal hangar roof and access road surfacing.
- 6.4 The Airport Treasurer is also required to report on the robustness of the estimates included in the budget. The Treasurer must be satisfied that the budget estimates contain adequate provision for those items of expenditure which might reasonably be expected to occur in the financial year. There is inevitably an element of judgement in this as it is not possible to forecast expenditure with 100% accuracy.
- 6.5 During 2005/06 the Joint Committee regularly received forecast outturn reports. Taking these into account and given the knowledge available at this time, the budget estimates have been prepared on as robust a basis as possible.

Capital Programme

- 6.6 The capital programme for 2006/07 is £200,000, which it is anticipated will be funded from external borrowing. The part year revenue effect of financing this capital programme in 2006/07 is £5,000 and this has been included in the draft revenue budget.
- 6.7 The full year revenue effect of the 2006/07 capital programme is about £18,000 subject to interest rate fluctuations.
- 6.8 Capital financing charges comprise about 16.3% of the Airport's gross revenue spend and this percentage is reasonably consistent with 2003/04, 2004/05 and 2005/06.

7 Consultation

- 7.1 In preparing this report there has been consultation with the Airport Manager.

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Financial implications

In consultation with the Airport Manager, the Airport Treasurer considers that this is a robust revenue budget and the capital programme is affordable, prudent and sustainable. The financial implications are contained throughout the text.

Finance Officer consulted Peter Wright *Date* 20 December 2005

Legal implications

When setting its budget strategy, the Airport needs to have regard to a number of points. It must observe its legal duties, such as the duty to achieve best value and to comply with the Human Rights Act 1998. It must act in accordance with its general fiduciary duty to the Council Tax payers to act with financial prudence.

Lawyer consulted Bob Bruce *Date* 9 January 2006

Corporate/Citywide implications

Managing within the budget will avoid drawing on the Airport's General Reserves, and will maximise the reserves available to distribute to the owning councils when the Airport is transferred to the new operators.

Risk assessment

There are risks to the Airport's short and medium term budget strategy including: changes in the national economy, spending exceeding budget, and adverse weather conditions.

Sustainability implications

None

Equalities implications

None

Implications for the prevention of crime and disorder

None

Background papers

None

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