

Hampshire County Council**Basingstoke Canal Joint Management Committee****14 October 2011****Item 7****Revised Budget 2011/12 and Forward Budget 2012/13****Report of the County Treasurer**

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1. Introduction

1.1 The purpose of this report is to provide members with a detailed briefing on the financial situation of the Basingstoke Canal Authority. In summary, members are asked to:

- * review and agree the revised budget for the current year 2011/12;
- * agree a budget for 2012/13 for submission to individual constituent authorities.

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 Original budget for 2011/12 and the Forward budget for 2012/13 are calculated using the new funding formula accepted by the partner authorities.

2. Revised Budget 2011/12

2.1 At the meeting of the JMC in February 2011 members agreed a net budget of £547,800 for 2011/12 for submission to the constituent authorities as set out in Appendix A. The partners' contributions were calculated using the agreed formula, but they were then reduced by 5.7% in recognition of the financial pressures that faced all local authorities.

2.2 The requested contributions have subsequently been revised down by a further £32,238 (5.9%) to £515,645 following responses from the partner authorities as shown in Appendix A, and form the basis of the 2011/12 revised budget. It is disappointing that several partners feel unable to fulfill their financial obligations under the accepted new formula despite the requested contributions being significantly reduced.

- 2.3 A general review of expenditure and income has been undertaken and the budget has been revised downwards to reflect the shortfall in local authority contributions.
- 2.4 The budget accounts for the loss of four rangers who accepted voluntary redundancy during the year as part of an efficiency exercise. The associated costs are included in the budget.
- 2.5 Gross revenue expenditure has been set at £678,900, and takes account of the following variations:
- * **Employees (-£38,100)**
The reduced expenditure reflects the net savings made through the loss of four rangers, and general vacancy management within the office-based staff.
 - * **Premises and Infrastructure (+£1,900)**
Only essential maintenance work is being carried out on the canal infrastructure, and expenditure is marginally higher than last year's outturn figure. Increases in the cost of utilities is the main reason for this budget increase.
 - * **Transport (+£200)**
There are a few minor savings within this budget, but they have been offset by the increase in the cost of vehicle running expenses.
 - * **Supplies and Services (+£300)**
There are several variations within this budget, but no over-riding reason for the modest increase.
- 2.6 The gross income budget has been reduced overall by £9,400. The income forecasts for individual headings have been brought into line with past performance and current expectations. Income from most budget headings are expected to be lower than the original budget, but the income from boat licences and angling are forecast to achieve the budget.
- 2.7 These variations in expenditure and income result in a revised budget for the current year of £515,645 to meet the funding shortfall of £32,238. This will be achieved through net operational savings of £26,400, and a transfer from reserves of £5,855. The original budget showed a contribution to reserves of £83.
- 2.8 As a result the reserve balance at year end will worsen by £5,938 to £47,795.
- 2.9 The current year's budget is very tight, and the management team are making every effort not to draw on the reserves.

3. Forward Budget 2012/13

- 3.1 The budget for 2012/13 has been prepared at the estimated outturn prices for that year, and is set out in Appendix A. There will be no annual pay award, but there will be a few incremental salary scale rises. It is further assumed that although other prices will increase due to inflation, this will be covered by efficiencies and cost management.
- 3.2 The contributions of the individual partner authorities are based on the revised formula accepted by the Joint Management Committee, rather than on current year actual contributions. However, no inflationary increase has been applied to the requested contributions, so the figures requested from each partner are the same as those in last year's original budget. This is in recognition of the budgetary pressures facing every local authority.
- 3.3 The full year effect of the reduced staffing structure is evident in the 2012/13 budget. Employee and transport costs are significantly reduced by £139,300 and £8,800 respectively. As previously stated by the Canal Director, these savings were intended to build up the reserves and to fund the use of contractors for specific maintenance work which would otherwise have been undertaken by the rangers.
- 3.4 The proposed net revenue budget for 2012/13 is, therefore, set at £547,883 which generates a contribution to reserves of £65,783.
- 3.5 Total gross revenue expenditure is estimated to be £642,000. This is £72,600 (10.2%) lower than the original financial plan for the current year 2011/12, and accommodates the following:
- * **Staffing**
The budget covers the current reduced staffing structure, taking salary increments into consideration.
 - * **Maintenance**
The budget for essential maintenance has been increased by £80,000 to allow the Canal Director to bring in contractors for maintenance work previously covered by the four rangers who have left. Minor increases in utility costs have also been allowed for.
 - * **Dredging Programme**
£30,000 has been allocated for the routine spot dredging programme which will be resumed after a break of four years.
 - * **Transport**
The vehicle fleet will be reduced, resulting in savings of £8,800 in hire costs, fuel and maintenance.
- 3.6 Income is estimated to be £159,900 in 2012/13 and reflects a continuation of the current year's activity at the Canal Centre.

- 3.7 Should partner contributions fall short of the proposed amount the contribution to reserves will be reduced accordingly, thereby jeopardizing the Canal's recovery plans.

4. Licence Fees for 2012/13

- 4.1 The boat licence fees were last increased in 2009/10. It is proposed that for 2012/13 there is an inflationary increase of 5% applied to the licence fees, rounded to the nearest 5 pence. The proposed fees are set out in Appendix B.

5. Capital Expenditure Programme

- 5.1 The current position on the main capital schemes funded from capital reserves and individual partner contributions is shown below. The current balances are shown in brackets.

Dredging (£24,078)

The capital dredging programme will not resume until there are sufficient funds built up.

Colt Hill Car Park (£1,753)

This will be used for minor improvements to the car park as the need arises.

Canal Centre Improvements and Mooring Basin (£22,888)

There has been no activity to date in this reserve during the current financial year.

TAG Project (£40,000)

No expenditure to date. This is funded by Rushmoor Borough Council.

Works at Deepcut and Locks 12 and 17 (£110,613)

Work to the value of £30,082 has been carried out this year. This work is funded by Surrey County Council.

Emergency Schemes and Pre-planning Surveys/Consultations (£21,540)

No work has been carried out to date this year. This work is funded by Hampshire County Council.

6. Conclusion

- 6.1 The Canal is enduring a period of financial stress due to the deteriorating state of the infrastructure, and the pressure on the partners' budgets.
- 6.2 The Canal Director has sought to mitigate the effect of these pressures by reviewing the work programme and reducing the staff structure. Work to stabilize the Canal infrastructure is ongoing.

- 6.3 Partners are urged to play their part and fulfill their funding obligations, which have been not been inflated this year in recognition of the difficult financial circumstances we are experiencing.
- 6.4 If partners are having difficulties securing funding for the Canal's revenue budget, they are encouraged to source funding for the Canal's capital programme.
- 6.5 Without the full partnership funding the Canal will rapidly deteriorate as a recreational resource and as a natural wildlife and environmental habitat.

RECOMMENDATIONS

- 1 That the revised budget for 2011/12 be agreed.
- 2 That the proposed forward budget for 2012/13 be discussed with a view to recommending an increase in the partner contributions for 2012/13.
- 3 That the proposed licence fees for 2012/13 be agreed.

APPENDIX A

REVISED AND FORWARD BUDGETS

	Original Budget 2011/12 £	Revised Budget 2011/12 £	Forward Budget 2012/13 £
<u>Expenditure</u>			
Employees	534,500	496,400	357,100
Premises and Canal Maintenance	81,500	83,400	164,900
Transport	60,000	60,200	51,400
Supplies & Services	38,600	38,900	38,600
Dredging	0	0	30,000
Total Revenue Expenditure	714,600	678,900	642,000
<u>Income</u>			
Boat Licences	19,500	18,400	19,500
Sales	6,100	5,600	6,100
Angling	11,000	11,000	11,000
Rents and Hire of Facilities	59,800	52,900	53,800
Group Activities	21,000	21,000	21,000
Fibre Optic Cable	49,300	48,400	48,400
Donations	100	100	100
Total Revenue Income	166,800	157,400	159,900
Contribution to/(from) Reserves	83	(5,855)	65,783
Net Revenue Expenditure	547,883	515,645	547,883
Partner Contributions			
Surrey County Council	153,188	153,188	153,188
Guildford Borough Council	39,076	34,960	39,076
Runnymede Borough Council	16,869	8,000	16,869
Surrey Heath Borough Council	26,283	10,000	26,283
Woking Borough Council	53,276	53,276	53,276
Hampshire County Council	153,188	153,188	153,188
Hart District Council	30,924	30,000	30,924
Crookham Village Parish Council	3,048	3,048	3,048
Church Crookham Parish Council	6,750	6,750	6,750
Dogmersfield Parish Council	240	240	240
Fleet Town Council	18,309	18,309	18,309
Odiham Parish Council	4,036	4,036	4,036
Rotherwick Parish Council	200	200	200
Winchfield Parish Council	250	250	250
Rushmoor Borough Council	42,246	40,200	42,246
	547,883	515,645	547,883
General Reserves			
Opening Balance	34,133	53,650	47,795
Capital Expenditure	0	0	0
Capital Income	0	0	0
Sub total	34,133	53,650	47,795
Revenue Variance	83	(5,855)	65,783
Closing Balance	34,216	47,795	113,578

APPENDIX B

LICENCE FEES 2012/13

	Cruising Fees	1 Day Visitor	15 Day Visitor	Month Visitor	Annual
Goup 1	Unpowered single seat	-	-	£7.30	£16.70
Group 2	Unpowered multi seat	-	-	£10.00	£21.70
Group 3	Up to 4m (12ft)	£5.10	£29.55	£44.90	£73.75
Group 4	Up to 6.5m (20ft)	£6.40	£35.75	£54.75	£86.60
Group 5	Up to 9.5m (30ft)	£7.20	£41.85	£63.50	£103.60
Group 6	Up to 16m (50ft)	£9.50	£55.45	£83.85	£130.00
Group 7	Up to 21.7m (72ft)	£11.90	£71.50	£106.00	£172.10
	Fee for keeping boaters' documents on file				£10.50

The previous increase in fees was in 2009/10

The 2012/13 fees have been calculated by adding 5% inflation on to the 2009/10 figures

Other fees and discounts are set out below:

- a) A 10% discount will apply for electric powered boats.
- b) Commercial Operators pay 4x the above rate.
- c) Mooring Fees (non BCA administered land) are at 75% of the Annual Cruising Fee.
- d) Bankside Canal Centre Mooring Fees remain at 5x the Cruising Fee.
- e) Charity Boats pay 25% of the Cruising Fee and Moorings are free.
- f) Special licences for events continue to be issued by the Canal Director at his discretion.