

Hampshire County Council

Basingstoke Canal Joint Management Committee

22 October 2010

Revised Budget 2010/11 and Forward Budget 2011/12

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 2010/11;
- * agree a budget for 2011/12 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 2010/11 and the Forward budget for 2011/12 are calculated using the new funding formula accepted by the partner authorities.

2. Revised Budget 2010/11

2.1 At the meeting of the JMC in October 2009 members agreed a net budget of £581,000 for 2010/11 for submission to the constituent authorities as set out in Appendix A. The submission included the request that authorities increase their formula based contributions by 1.25%.

2.2 Subsequently, the contributions have been revised down by £34,186 (5.9%) to £546,814 following responses from the authorities. The partner contributions are set out in Appendix B and form the basis of the 2010/11 revised budget. It is disappointing that several partners still feel unable to fulfill their financial obligations under the accepted new formula.

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. The budget has been balanced through the measures outlined below.

2.4 Gross revenue expenditure has been set at £703,500, and takes account of the following variations:

* **Employees (-£23,300)**

The reduced expenditure reflects savings made through vacancy management, and other employee related expenditure such as training.

* **Premises and Infrastructure (+£4,300)**

Only essential maintenance work is being carried out on the canal infrastructure, and expenditure is being held below last year's figure. However, increases in the cost of utilities and refuse collection has resulted in this budget increase.

* **Transport (-£14,700)**

These savings are due to the "mothballing" of two vehicles and the reduced use of another.

* **Supplies and Services (-£3,500)**

Savings are planned in expenditure on equipment, office expenses, publicity and promotions.

* **Dredging (-£10,000)**

There will be no dredging this financial year. However, due to the situation regarding the revenue finances of the Canal, this saving will not be transferred to the capital dredging budget, which will lead to another year's delay in the recommencement of the dredging programme for another year.

2.5 The gross income budget has been reduced overall by £12,700. The income forecasts for individual headings have been brought into line with past performance and current expectations. Income from group activities, dry dock and sales are expected to better the budget, and the income from boat licences, angling and the fibre optic cable wayleave are forecast to achieve the budget. However, income from donations will be down, as will income from the wayleaves and gates and garden licences.

2.6 These variations in expenditure and income result in a revised budget for the current year of £546,814 to meet the funding shortfall of £34,186. This will be achieved through net budget savings of £34,500.

2.7 In summary, the current year's budget is very tight, but the management team are making every effort not to draw on the reserves.

3. Forward Budget 2011/12

3.1 The budget for 2011/12 has been prepared at the estimated outturn prices for that year, and is set out in Appendix A. There is no expectation of an annual pay award, and no provision has been made. However, there will be a few

incremental salary scale rises. It is further assumed that other prices will increase by an average of 2.5%

- 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.
- 3.3 The Coalition Government has indicated that it expects to cut public sector spending by 25% over the next 3 years. All Local Authorities will be expected to bear a share of this. A 25% reduction over three years roughly equates to an annual reduction of 8%. It is proposed that the Local Authority contributions requested are, therefore, cut by 8% after allowing for an inflationary increase of 2.5%. This equates to a net reduction of 5.7% and is set out in Appendix B.
- 3.4 The proposed net revenue budget for 2011/12 is, therefore, set at £547,883 which generates a contribution to reserves of £4,983.
- 3.5 Total gross revenue expenditure is estimated to be £709,700. This level is £41,000 (5.5%) lower than the original financial plan for the current year 2010/11, and accommodates the following:
 - * **Staffing**
The budget covers the current staffing structure, taking salary increments into consideration. This will limit the work that can be undertaken on the Canal.
 - * **Maintenance**
The budget for essential maintenance has been increased in anticipation of more work being required following the current year's moratorium on routine maintenance work.
 - * **Transport**
The vehicle fleet will be reduced, resulting in savings in hire costs, fuel and maintenance.
 - * **Dredging Programme**
The routine spot dredging which has been covered by the revenue budget will not be programmed in this year's budget.
- 3.6 Income is estimated to be £166,800 in 2011/12 and reflects a continuation of the current year's activity at the Canal Centre with anticipated growth in camping income and Group Activities.
- 3.7 Should partner contributions fall short of the proposed amount there could be a draw on reserves. The overall level of reserves is very low, as reported to the JMC meeting in June 2010. There is currently no General Reserve, so such a reduction would have to be at the expense of planned long-term expenditure on the infrastructure. It is also likely that current activities would have to be cut back even further with the consequent impact on the Canal.

The partners are urged to honour their commitments and meet the requested contribution in full.

4. Licence Fees for 2011/12

- 4.1 The boat licence fees were last increased in 2009/10. It is proposed that for 2011/12 there is no inflation applied to the licence fees, and that they are held at the 2009/10 levels as set out in Appendix C.
- 4.2 It is further proposed to scrap the 3-Day visitor licence, and introduce a 1-Day visitor licence. The 1-Day licence (or multiples thereof) is ideal for a short visit to the Canal. Boats entering from the River Wey must purchase a minimum number of days to navigate certain stretches and flights of locks (Woodham & St Johns – 2 days; Brookwood – 4 days; Deepcut – 5 days). A 1-Day licence for the Hampshire Pound must be purchased either in person from the Canal Centre in Mytchett, or one week in advance via post. If boaters want their documents kept on file there is a new retention fee of £10 for 12 months, offering them greater flexibility.

5. Capital Expenditure Programme

- 5.1 The current position on the main capital schemes is shown below. The current balances are shown in brackets.

Dredging (£24,078)

The dredging programme will not resume until there are sufficient funds built up. The current balance in this reserve is insufficient to commence any meaningful dredging which is estimated to cost £50,000 per linear kilometer.

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 (£13,159)

Work to the value of £46,383 has been carried out this year. This work is funded by Surrey County Council.

Emergency Schemes and Pre-planning Surveys/Consultations (£13,685)

Work to the value of £20,214 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 extreme financial pressure due to the squeeze on the partners' contributions.
- 6.2 The Canal Director has sought to mitigate the effect of these pressures by reviewing the work programme and holding down costs where possible. This does, of course, have a major impact on the Canal over a longer period of time, and is not sustainable. Partners are urged to play their part and fulfill their funding obligations, which have been reduced in recognition of the extraordinary financial circumstances we are all experiencing .
- 6.3 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.
- 6.4 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 2010/11 be agreed.
- 2 That the proposed forward budget for 2011/12 be agreed.
- 3 That the proposed licence fees for 2011/12 be agreed.
- 4 That progress on the capital programme be noted.

REVISED BUDGET 2010/11
FORWARD BUDGET 2011/12

	Original Budget 2010/11 £	Revised Budget 2010/11 £	Forward Budget 2011/12 £
<u>Expenditure</u>			
Employees	524,500	501,200	504,200
Premises and Infrastructure	86,800	91,100	106,100
Transport	84,200	69,500	60,000
Supplies & Services	45,200	41,700	39,400
Dredging	<u>10,000</u>	<u>0</u>	<u>0</u>
Total Revenue Expenditure	750,700	703,500	709,700
<u>Income</u>			
Boat Licences	19,500	19,500	19,500
Sales	4,000	5,900	6,100
Angling	11,000	11,000	11,000
Rents and Hire of Facilities	60,000	52,300	59,800
Group Activities	15,400	19,000	21,000
Fibre Optic Cable	49,300	49,300	49,300
Donations	<u>10,600</u>	<u>100</u>	<u>100</u>
Total Revenue Income	169,800	157,100	166,800
Contribution to/(from) Reserves	100	414	4,983
Net Revenue Expenditure	<u>581,000</u>	<u>546,814</u>	<u>547,883</u>

LOCAL AUTHORITY CONTRIBUTIONS 2010/11 AND 2011/12

REVENUE CONTRIBUTIONS

<u>AUTHORITY</u>	Proposed Contributions	Expected Contributions	Proposed Contributions
	2010/11	2010/11	2011/12
	£	£	£
Surrey County Council	162,448	162,448	153,188
Guildford Borough Council	41,438	36,800 *	39,076
Runnymede Borough Council	17,888	8,000 *	16,869
Surrey Heath Borough Council	27,871	10,000 *	26,283
Woking Borough Council	56,497	56,497 *	53,276
Hampshire County Council	162,448	162,448	153,188
Hart District Council	67,611	65,822 *	63,757
Rushmoor Borough Council	44,799	44,799 *	42,246
TOTAL	581,000	546,814	547,883

2010/11: * denotes contribution already received
The contributions recorded against Hart DC include £32,822 from the Hart town councils and parish councils.

2011/12: Proposed contributions are based on the 2010/11 Proposed Contributions which are all reduced by a net 5.7%. This is calculated as follows:

2010/11 proposed contribution
add: 2.5% for inflation
deduct: 8% reduction in contribution to meet the Government's target
reductions of 25% over next 3 years
equals: net reduction of 5.7%

LICENCE FEES 2011/12

Cruising Fees	1 Day Visitor	3 Day Visitor	15 Day Visitor	Month Visitor	Annual
Group 1 Unpowered single seat	-	-	-	£6.95	£15.90
Group 2 Unpowered multi seat	-	-	-	£9.55	£20.65
Group 3 Up to 4m (12ft)	4.88	£14.65	£28.15	£42.80	£70.25
Group 4 Up to 6.5m (20ft)	6.07	£18.20	£34.05	£52.15	£82.50
Group 5 Up to 9.5m (30ft)	6.88	£20.65	£39.85	£60.50	£98.65
Group 6 Up to 16m (50ft)	9.05	£27.15	£52.80	£79.85	£123.80
Group 7 Up to 21.7m (72ft)	11.35	£34.05	£68.10	£100.95	£163.90
Fee for keeping boaters' documents on file					£10.00

Fees have been held at the 2009/10 figures, and no inflation has been added.

All other fees to remain at current rates, namely:

- a) A 50% discount will continue 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.