

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Basingstoke Canal Authority Joint Management Committee
Date:	16 October 2014
Title:	Out-turn Forecast 2014/15 and Forward Budget 2015/16
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. In summary members are asked to:

- review and agree the out-turn forecast for the current year 2014/15;
- agree the budget for 2015/16 for submission to individual constituent authorities.

1.2 Net revenue costs are incurred by Hampshire County Council (HCC) and recharged to Surrey County Council and the Riparian Districts in the manner agreed by the Joint Management Committee. Capital expenditure is currently being funded by Hampshire and Surrey County Councils for specific repairs and improvements.

1.3 The out-turn forecast shows the Canal will draw £45,000 from the reserve during 2014/15, the cost of the tree survey. For 2015/16 some savings still need to be identified to achieve a balanced budget.

1.4 To enable reporting to fall in line with HCC's new systems and processes the format of the appendices, mainly the categories of reporting have changed since the last report. Expenditure categories will remain relatively unchanged however income has been re-categorised into six distinct areas, Appendix B gives a breakdown of what is included within each area.

2. Out-turn Forecast 2014/15

The out-turn forecast for 2014/15 is set out in Appendix A which shows a draw on the reserve of £45,000 to cover the cost of the tree survey. The original budget savings to be identified of £29,345 have been covered by savings of £7,800 over a number of expenditure headings and additional income, mainly from mooring fees and Higher Level Stewardship (HLS) grant funding.

2.1 The budget for partner contributions was originally set at £543,847 and was based on the formula for contributions. The out-turn forecast has been reduced by £27,202 following notifications to date from partners of their planned contributions and assumptions that the remainder will make contributions at the same level as in 2013/14 (Appendix A).

2.2 The out-turn forecast revenue expenditure shows an increase of £93,000 against the original budget. Employee, Premise and Supplies and Services budgets have been reduced, whilst costs included under Canal Maintenance have increased. The reasons for these changes are explained below:

- **Employees (-£1,500)**

A small reduction in staffing costs is anticipated by the end of the financial year due to changes in the year to seasonal lock keepers. The out-turn forecast includes a 1% cost of living increase and an increase in employer's pension contributions, following the pension actuary valuation.

- **Premises (£-2,000)**

The original Premises budget included cleaning material which has moved category and now sits under Supplies and Services.

- **Canal Maintenance (£71,500)**

The Canal Maintenance budget is now held separately from other premises costs to provide more clarity. The budget had been increased by £4,500 from the original budget due to the transfer of operational equipment and research expenditure from the Supplies and Services budget.

Unplanned expenditure of £22,000 for destination signs, vegetation clearance and graffiti removal to improve canal paths for cyclists and pedestrians, will be fully funded by a grant from the Local Sustainable Transport Fund.

An additional £45,000 will be spent to cover the tree survey which was budgeted to be carried out during 2013/14, with the underspend being transferred to the reserves. The cost will be covered by draw from the unallocated reserve at the end of 2014/15.

- **Transport (£0)**

The transport out-turn forecast is in line with the original budget, the only change to this would be due to any large unforeseen repairs being required on Canal vehicles.

- **Supplies and Services (-£4,400)**

This reduction represents budget transfers to other headings.

- **Savings to be Identified (£29,354)**

The original budget showed savings to be identified which have now been covered with savings of £7,800 over a number of expenditure headings and additional income of £21,554 coming mainly from mooring fees and Higher Level Stewardship grant income (HLS).

2.3 The out-turn forecast figure for income has increased by £48,200. Income categories have been adjusted to fit the new HCC reporting structure and

details on these changes are highlighted in Appendix B. The following paragraphs set out reasons for changes (excluding re-classifications)

- **General Fees and Charges (£1,800)**
There is an anticipated increase in Angling fees of £1,800 by the end of the year.
- **Grants & Contributions – Partnership Contributions**
The partner contributions have not all been received or confirmed for 2014/15; therefore the out-turn forecast has been set based on agreed formula contribution with the anticipated shortfall shown as a reduction in expenditure. Fleet Town Council and Church Crookham Parish Council will no longer make a contribution; instead the Canal will need to submit a grant application for funding each year. This budget assumes these applications will be successful.
- **Grants & Contributions – Other (£33,400)**
Additional grant income of £22,000 is anticipated from the Local Sustainable Transport Fund to cover the cost of destination signs etc. and will offset the additional costs included in the Canal Maintenance section above. A further £11,000 will be received from HLS for the annual grassland maintenance and project work covered in section 5 of the report, which was not previously included in the budget.
- **Rental Income (£8,000)**
Rental income from mooring fees has increased around £8,000 due increase mooring capacity and the restructured pricing model introduced in April 2014.
- **Sales Income (£3,700)**
An increase of £2,800 in event sales and £900 in shop sales is anticipated by the end of the financial year.
- **Miscellaneous Income (£1,200)**
Unexpected income of £1,200 has been received in relation to filming on the canal.

3. Forward Budget 2015/16

- 3.1 The budget for 2015/16 has been prepared and is set out in Appendix A. It is anticipated that staff will receive an annual pay award of 1%, and there will be some incremental salary rises. It is further assumed that although other prices will increase due to inflation that they will be covered by efficiencies and cost management and therefore no allowance has been made for non-pay inflation overall.
- 3.2 Contributions from the individual partner authorities in 2015/16 have been based on the previous formula contribution with the anticipated shortfall shown under expenditure, as the updated Memorandum of Agreement has not yet been signed.
- 3.3 Total revenue expenditure is expected to be £718,800 with the key assumptions in arriving at this figure shown below alongside comparisons to the 2014/15 out-turn forecast where relevant:

- **Employees (£8,300)**
The budget for employee costs has increased by £8,300 when compared to the 2014/15 out-turn forecast. This is due to additional cost to be incurred to cover incremental, inflationary (assumed at 1%) and employer pension contributions increases.
- **Premises (£700)**
Premises costs are expected to be £700 higher to allow for some small inflationary increases.
- **Canal Maintenance (-£67,500)**
The budget for Canal maintenance has been kept at the same level as for 2014/15 to help ensure the Canal infrastructure is adequately maintained. The reduction from out-turn forecast relates to the one off costs for the Tree Survey £45,000 and the destination signage covered by a one off grant in 2014/15 of £22,000.
- **Transport (£1,700)**
It is anticipated that the number and types of vehicles will remain the same in 2015/16 with inflationary increases to cover increase fuel and hire costs.
- **Supplies and Services (£1,000)**
There are a number of changes across various headings within the Supplies and Service budget which has resulted in an overall increase in the budget for the year against the out-turn forecast figure for 2014/15.
- **Savings to be Identified (-£6,300)**
The Canal forward budget has been prepared with further savings needing to be identified to meet a balanced budget. Further details of how the £6,300 shortfall will be met will be included in the February 2015 report.
- **Shortfall in Partner Contributions (£3,800)**
The budget has been compiled taking into account past shortfalls in partner contributions. Whilst it is hoped that all partners will pay in full, it is important that the Canal does not commit to expenditure it may not be able to finance. This figure represents what may not be received based on last years contributions and has increased due to a budget for Odiham Parish Council's contribution of £4,036 being reinstated following agreement that they would continue to contribute. A reduction of £200 relates to the remove of the contribution from Rotherwick as the Parish does not fall along the Canal.

3.4 The income budget for 2015/16 has been set £13,300 lower than the figure in the 2014/15 out-turn forecast.

- **General Fees and Charges (-£2,400)**
A reduction in camping fees of £7,000 is due to the Farnborough Air Show not taking place in 2015/16 and has been partly offset by an increase in Boat License fees of £4,000 due to the restructured pricing model introduced in April 2014, along with a number of small changes across other headings.

- **Grants and Contributions - Other (-£24,500)**
The reduction is due to £22,000 one off payment received from the Local Sustainable Transport fund in 2014/15 and a £2,500 reduction in HLS funding linked to project work.
- **Rental income (£11,000)**
An increase in mooring fees of £11,000 is expected as a result of the restructured pricing model and increased mooring capacity completed during 2014/15.
- **Other Miscellaneous Income (-£1,200)**
No miscellaneous income has been budgeted for 2015/16.

4. Capital Expenditure Programme

- 4.1 The current position on the main capital schemes are detailed in Appendix C, showing projected spend for 2014/15 and 2015/16.
- 4.2 To enable reporting to fall in line with Hampshire County Councils new systems and processes, expenditure categories have been updated to mirror those set up within the accounting system, the changes are detailed at the bottom of Appendix C.
- 4.3 **Hampshire** - £110,000 underspend from the 2013/14 core capital contribution has been carried forward and added to the £1,000,000 core contribution for 2014/15.
- 4.4 A scheduled spend of £1,036,000 has been set for 2014/15, including continuing work in relation to the Dogmersfield landslip and culvert works at various locations along the Hampshire section.
- 4.5 Procurement of the telemetry equipment is underway and it is anticipated that once received it be around 6-8 months until the system is fully operational.
- 4.6 To date £33,600 has been spent on bank works and £5,600 for containers to house the emergency pumps. The new work boat will be ordered shortly with an estimated cost of £52,000.
- 4.7 **Surrey** - £40,000 overspend from the 2013/14 allocation has been offset against the £500,000 core contribution for 2014/15.
- 4.8 A schedule spend of £527,000 has been set for 2014/15, with the majority of the budget covering embankment works at various locations on the Surrey section.
- 4.9 Emergency pumps have been purchased from the equipment budget at a cost of £52,745 and will be housed in the containers purchased through the Hampshire fund at various locations along the canal.
- 4.10 The remainder of the £32,000 carried forward from the Surrey Estates capital fund linked to the Canal centre redevelopment, will be spent during 2014/15 with £15,000 spent in the year to date.

5 Special Projects

5.1 The current position on externally funded special projects managed by the Canal is shown in Appendix D.

- Odiham Castle – funds stand at £3,600, with £2,500 ring fenced until the end of 2016/17, to be spent on the replacement of interpretation signs due to vandalism or general wear and tear if required during the year.
- Higher Level Stewardship (HLS) funding

Surrey - HLS Rural Payments Agency

Annual Grassland Maintenance – receipts of £2,500 are anticipated for 2014/15, with £1,250 received to date. Maintenance work on the grassland is expected to continue under the current agreement until 2021 with receipts used to offset the staffing costs incurred by the Canal during 2014/15.

Other projects –

Previously identified tree felling project work is planned for either Deepcut or Mytchett with work to be completed by October 2014 to qualify for HLS funding.

Hampshire - HLS Rural Payments Agency

Annual Grass and Woodland Maintenance – receipts of £5,600 are anticipated for 2014/15, with £2,800 received to date. Maintenance work on the grassland is expected to continue under the current agreement until 2022. Receipts will offset the staffing costs incurred by the Canal during 2014/15.

Other projects –

The majority of work planned for 2014/15 will be tree related with a combination of felling and tree surgery planned at Rushmore flash. Funding of £2,600 is expected from HLS, these funds will be used to offset some of the staffing costs associated with the project.

6 Reserves

6.1 A detailed breakdown of reserves is shown in Appendix E.

6.2 As agreed at the last Joint Management Committee meeting in June 2014, a number of allocated reserves have been incorporated into the main unallocated fund, with only the Dredging and Silt Disposal reserve remaining, with funds of £24,078. The unallocated fund now stands at £280,562, with total reserves totalling £304,640.

6.3 A draw of £45,000 is forecast for the unallocated reserve in 2014/15. This is to cover the cost of the Tree survey due to be carried out during the year. It is anticipated that £1,100 will be received in interest at the end of the year on the balance held by Hampshire County Council.

- 6.4 The unallocated reserve will stand at £236,662 at the end of the year, with the dredging reserve remaining unchanged at £24,078, giving a total reserve figure of £260,740 at the end of 2014/15.
- 6.5 The forward budget has been set anticipating a balanced budget and therefore the only movement will relate to anticipated interest on the balance held of £900, reflecting the lower balance. This will give a reserve figure of £261,640 at the end of 2015/16.

7 Conclusion

- 7.1 This report indicates that due to the current economic climate the Basingstoke Canal continue to face on going financial challenges. Savings and additional income have now been identified in the current year in order to achieve a balanced budget, apart from an agreed draw to cover the cost of the tree survey. There are still small savings to be identified in order to balance the 2015/16 budget.
- 7.2 Additional mooring along the canal has increased income to enable 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 out-turn forecast for 2014/15.
- 2 That the proposed budget for 2015/16 be agreed and accepted.
- 3 That all partner authorities be urged to make their full contributions and to honour the agreed scale contributions for 2014/15 and 2015/16.

Actual Outturn 2013/14 £		Original Budget 2014/15 £	Forecast Outturn August'14 £	Variance against Budget £	Actuals 31 Aug'14 £	Forward Budget 2015/16 £
	<u>Expenditure</u>					
395,446	Employees	399,200	397,745	(1,455)	152,240	406,000
34,983	Premises	32,300	30,300	(2,000)	7,372	31,000
142,531	Canal Maintenance	153,000	224,500	71,500	85,842	157,000
65,203	Transport	59,300	59,300	0	24,371	61,000
41,451	Supplies & Services	42,400	38,000	(4,400)	10,347	39,000
0	Savings to be identified	(29,354)	0	29,354	0	(6,255)
0	Shortfall In Partner Contributions	27,002	27,202	200	0	31,038
679,614	Total Revenue Expenditure	683,848	777,047	93,199	280,172	718,783
	<u>Income</u>					
102,235	General Fees & Charges	89,300	79,200	(10,100)	55,092	76,800
516,645	Grants & Contributions - Partner Contributions	543,847	543,847	0	153,188	547,683
18,983	Grants & Contributions - other	1,200	34,600	33,400	635	10,100
24,036	Rental Income	23,701	43,700	19,999	25,599	54,700
29,866	Sales Income	25,800	29,500	3,700	9,668	29,500
0	Other Miscellaneous Income	0	1,200	1,200	1,200	0
691,765	Total Revenue Income	683,848	732,047	48,199	245,382	718,783
(12,151)	Contribution (to)/from Reserves	0	45,000	45,000		0
	Partner Contributions					
153,188	Surrey County Council	153,188	153,188	0	0	153,188
34,960	Guildford Borough Council	39,076	34,960	4,116	0	39,076
8,000	Runnymede Borough Council	16,869	8,000	8,869	0	16,869
10,000	Surrey Heath Borough Council	26,283	10,000	16,283	0	26,283
53,276	Woking Borough Council	53,276	53,276	0	0	53,276
153,188	Hampshire County Council	153,188	153,188	0	153,188	153,188
30,000	Hart District Council	30,924	30,000	924	0	30,924
3,048	Crookham Village Parish Council	3,048	3,048	0	0	3,048
6,750	Church Crookham Parish Council	6,750	6,750	0	0	6,750
240	Dogmersfield Parish Council	240	240	0	0	240
18,309	Fleet Town Council	18,309	18,309	0	0	18,309
4,036	Odiham Parish Council	0	4,036	(4,036)	0	4,036
0	Rotherwick Parish Council	200	0	200	0	0
250	Winchfield Parish Council	250	250	0	0	250
41,400	Rushmoor Borough Council	42,246	41,400	846	0	42,246
516,645		543,847	516,645	27,202	153,188	547,683
	General Reserves					
(291,457)	Opening Balance	(304,640)	(304,640)			(260,740)
(12,151)	Contribution (to)/from Reserves	0	45,000			0
(1,032)	Interest on Balances	0	(1,100)			(900)
(304,640)	Closing Balance	(304,640)	(260,740)			(261,640)

Old Format		Original Budget 2014/15		
	Income	£		
a	Boat licenses	24,100	d. Rent & Hire of Facilities	
b	Sales	6,100	1 Camping	45,000
c	Angling	11,200	3 Mooring	3,000
d	Rent & hire of Facilities	58,300	3 Gate/Garden license	300
e	Group Activities	19,700	1 Dry Dock	1,600
f	Fibre Optic Cable	20,401	1 Hire of Barn/Container	1,400
g	Donations	200	1 Function Room	5,500
h	Interst/Other Income	0	2 Tea room Electricity	1,000
	Total Revenue Income	140,001	1 School Activities	500
i	Partner Contributions	543,847		58,300
		683,848		

New Format		2014/15 Budget	2014/15 Outturn	2015/16 Budget	2013/14 Actuals
		£	£	£	£
1. General Fees & Charges					
7003	Education guided & self guided visits	d 500	500	500	977
7112	Campsite fees	d 45,000	45,000	38,000	57,646
7151	Admin fees	0	100	100	81
7192	pump out fees	0	100	100	61
7239	Angling fees (sio 3558741)	c 11,200	13,000	13,000	11,704
7239	Boat licenses (sio 3558754)	a 24,100	12,000	16,000	20,702
7400	Dry dock	d 1,600	1,500	1,600	1,337
7400	Hire of Barn & container	d 1,400	1,000	1,000	1,475
7400	Function room hire various sio's	d 5,500	6,000	6,500	8,252
		89,300	79,200	76,800	102,235
2. Grants & Contributions					
6793	Donations	g 200	22,100	100	519
7188	Elec recharge for Tea room	d 1,000	1,500	1,500	5,500
7190	HLS recovered cost to offset staffing costs		11,000	8,500	12,964
6543	Partner contributions	i 543,847	516,645	547,683	516,645
		545,047	551,245	557,783	535,628
3. Rental Income					
7410	Mooring	d 3,000	23,000	34,000	7,542
7418	Rents (gate & Garden license)	d 300	300	200	306
7418	Rents (fibre optic cable Hants)	f 20,401	20,400	20,500	16,189
		23,701	43,700	54,700	24,036
4. Sales Income					
6588	Shop sales	b 6,100	7,000	7,000	8,378
6586	Sale of Tickets (main inc from Santa Cruises)	e 19,700	22,500	22,500	21,488
		25,800	29,500	29,500	29,866
5. Other Miscellaneous Income					
7203	Miscellaneous income	0	1,200	0	0
		683,848	704,845	718,783	691,765

	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	369,250	0	832,000	0	1,201,250
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	75,000	9,507	92,000	0	176,507
Consultancy	32,334	0	0	0	0	32,334
Total cost of planned starts 2014/15	32,334	526,995	9,507	1,035,691	22,059	1,626,586
Balance as at 31st March 2015	0	67,161	0	(74,731)	0	(7,570)
Core Capital Contribution	0	(500,000)	0	(800,000)	0	(1,300,000)
Expenditure						
Bank Works	0	43,000	0	63,250	0	106,250
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	872,750	0	1,338,250
Balance as at 31st March 2016	0	32,661	0	(1,980)	0	30,682
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	(87,089)	0	(1,980)	0	(89,069)

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		10,000	2,578	12,578
Signage & maintenance	0			0
HLS Grasslands Income		(2,519)	(5,636)	(8,155)
HLS Income		(10,000)	(2,578)	(12,578)
HLS Match Funding		0	0	0
Balance as at 31st March 2015	(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	0	0
Signage	0			0
HLS Grasslands Income		(2,519)	(5,636)	(8,155)
HLS Income		0	0	0
HLS Match Funding		0	0	0
Balance as at 31st March 2016	(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	0	0
Signage	0			0
HLS Grasslands Income		(2,519)	(5,636)	(8,155)
HLS Income		0	0	0
HLS Match Funding		0	0	0
Balance as at 31st March 2017	(3,600)	0	0	(3,600)

Basingstoke Canal Reserves 2013-16

5

	Unallocated Reserve	Dredging & Silt Disposal	General Reserves Total
	£	£	£
Balance as at 31st March 2013	(237,814)	(24,078)	(291,457)
Income (Interest on Balances)	(1,032)	0	(1,032)
Plus Net Contribution For The Year	(12,151)	0	(12,151)
Transfers from other reserves	(29,565)	0	0
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	45,000	0	45,000
Balance as at 31st March 2015	(236,662)	(24,078)	(260,740)
Income (Interest on Balances)	(900)	0	(900)
Planned use of reserve	0	0	0
Balance as at 31st March 2016	(237,562)	(24,078)	(261,640)

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