

## HAMPSHIRE COUNTY COUNCIL

## Report

<b>Committee/Panel:</b>	Basingstoke Canal Authority Joint Management Committee
<b>Date:</b>	29 October 2015
<b>Title:</b>	Outturn Forecast 2015/16 and Forward Budget 2016/17
<b>Reference:</b>	
<b>Report From:</b>	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 outturn forecast for the current year 2015/16.
  - Agree the budget for 2016/17 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 outturn forecast shows the Canal will draw £39,996 from the reserve during 2015/16, £33,004 less than budgeted – see Appendix A. This variance can be attributed to a £47,464 net projected underspend on the activities assigned to the budgeted £73,000 draw on reserves, offset against a net projected overspend of £14,460 on ordinary activities.
- 1.4 If Fleet Town Council pay their contribution of £18,309 in full then the projected overspend in paragraph 1.3 above will not arise. On 19<sup>th</sup> October 2015 Fleet postponed a decision on this payment until they had heard the result of their application, to this meeting, to be granted a seat on the JMC. It is intended to meet any future shortfall in Fleet's contribution by cutting Canal Maintenance expenditure.
- 1.5 The original 2015/16 budget in Appendix A has been amended since the last JMC meeting to include the £73,000 draw on reserves. Expenditure has been increased by £81,899 and Income has been increased by £8,899. The details appear in section 2 below. The original budget savings to be identified figure of £6,255 has been deducted from the Canal Maintenance budget.

## Outturn Forecast 2015/16

- 2.1 The outturn forecast for 2015/16 is set out in Appendix A and has been summarised above. The £47,464 forecast underspend on the special activities referred to in paragraph 1.3 above arises because the £39,000 set aside for a survey of sluices and weirs will not be spent in 2015/16, but it will be needed in 2016/17. Also, the cost of the unpowered boats is £3,000 less than budgeted and income has been received from the insurance claim for the stolen equipment of £5,464.
- 2.2 Partner contributions are based on the formula designated in the Memorandum of Agreement February 2014 and would total £547,682 if all partners paid in full. However, a shortfall of £30,682 was allowed for in the budget. The outturn forecast reflects a further shortfall of £12,778 leading to forecast receipts of £504,222. These are detailed in Appendix A.
- 2.3 The outturn forecast revenue expenditure shows an underspend of £7,222 against the original budget. This variance is broken down by category below:

- **Employees (£0)**

The casual staff budget faced some pressure from the busy season at the Canal Centre due to camping and support for the unpowered boat business but it is not expected to overspend.

- **Premises (£0)**

This budget is expected to break even.

- **Canal Maintenance (-£40,000)**

This category comprises the ordinary Canal Maintenance budget of £157,000 along with £22,000 from reserves for the new unpowered boat business and £39,000 from reserves for the survey of sluices and weirs.

Only £21,000 will be spent on unpowered boats and the survey is to be carried out after 2015/16, giving rise to the underspend variance of £40,000.

A further reduction in expenditure may arise if savings are needed to offset any shortfall in Fleet Town Council's 2015/16 contribution – see paragraph 1.4 above.

- **Transport (£0)**

Vehicle repairs and maintenance will be overspent due to excess charges on accidents, however with fuel and HTM costs being lower than expected, transport is currently predicted to breakeven. It is expected to recover some of these costs from one of the insurers which could lead to an underspend in this area of up to £6,000.

- **Supplies and Services (£20,000)**

This budget includes a draw from reserves of £10,000 to cover the replacement of stolen equipment which will be spent. In addition, however, an unbudgeted £22,000 will be spent on "Share the Space" work for which a grant of the same amount has been received, see below.

The outturn forecast figure for income shows a favourable variance of £22,282. This variance is broken down by category below:

- **General Fees and Charges (£800)**

Camping income has already exceeded its £38,000 income target for 2015/16 by £3,000 with another £1,000 possible before year end. Function room income is also performing well. However other income is not looking favourable and the final out turn will depend on boat licence and fishing income.

- **Grants & Contributions – Partnership Contributions (-£12,778)**

£504,222 of Partnership contributions are expected in 2015/16, a shortfall on the receipts designated by the funding formula of £43,460 and on those budgeted of £12,778. See Appendix A.

£350,794 had been received by August 31<sup>st</sup> and Surrey County Council's contribution is expected shortly.

An application has been made to Fleet Town Council for their contribution of £18,309 and, if successful, will reduce the shortfall to £25,152 against the formula total receipts but produce a surplus of £5,531 on budgeted receipts.

Appendix A gives a breakdown of contributions expected and received. The budgeted and forecast shortfalls are treated as expenditure.

- **Grants & Contributions – Other (£27,464)**

Additional grant income of £22,000 (see above) is anticipated from the Local Sustainable Transport Fund to cover "Share the Space" work referred to under Supplies and Services. £5,464 has also been received as part as the theft insurance claim for the equipment referred to under the same heading.

- **Rental Income (-£10,000)**

Rental income from mooring fees has been slower than expected but there may still be potential to meet the target.

- **Sales Income (£4,018)**

Easter and summer activities went well. Preparations are underway for Halloween and Santa Cruises. In February it was anticipated that an additional £6,000 could be generated from the Santa cruises. However, after further consideration this is now likely to be closer to £1,000. The Rosebud boat was fully booked for hiring generating income of £4,900. This was operated by qualified volunteers thereby avoiding the cost of employing staff.

The income from the new unpowered boat business is also included under this heading, but was not budgeted for and is the reason for the favourable variance.

- **Other miscellaneous income (£3,500)**

Un-budgeted income of £1,000 has been received to cover training expenses and £2,000 developer's contributions for urban expansion in Rushmoor.

## 2.4 Houseboat Income

In February it was reported to the JMC that it was the intention of Surrey County Council (S.C.C) to allocate the net £60,000 income from houseboats to the Canal.

Unfortunately, the way in which property is managed within SCC does not currently allow for this and until the future management of the Canal has been considered by SCC Cabinet, and a change in the policy agreed, it will not occur.

### 3 Forward Budget 2016/17

3.1 The forward budget for 2016/17 is set out in Appendix A.

3.2 Total expenditure is expected to be £779,152 and total income £769,183. This would require a draw on reserves of just £9,969. The expenditure budget includes £39,000 brought forward from 2015/16 for surveying sluices and weirs and without it there would be a projected underspend of £29,031

3.3 A breakdown of expenditure is set out below with changes from 2015/16 highlighted:

- **Employees (£17,000)**

The budget for employees has increased by £17,000. Approximately £9,000 of this arises from staff salary increments and an assumed 1% pay rise for all staff. £8,000 of the increase is due to employing more casual staff to run the unpowered boat business, which had not yet been included in the budget.

- **Premises (£2,000)**

£1,000 of the proposed increase in the Premises budget is intended to cover a rate rise in the price of electricity and £1,000 covers an expected increase in the cost of refuse collection. The latter arises from the greater usage expected of the campsite owing to the biennial Farnborough Air Show.

- **Canal Maintenance (-£22,000)**

The £22,000 added to the 2015/16 budget for the setting up of the unpowered boat business is not required this year and the cost of the day to day maintenance of the Canal is not expected to increase. There is a fall in this budget, therefore, of £22,000.

- **Principal Survey of Sluices & Weirs (£0)**

This allocation was not spent last year and has been brought forward.

- **Transport (-£4,000)**

The cost of fuel is expected to rise by £1,000 but the cost of vehicle hire will fall by £5,000 since a stolen mower is not to be replaced.

- **Supplies and Services (-£9,000)**

The drop of £9,000 is the net affect of: last year's £12,000 allowance from reserves for stolen equipment not being required in 2016/17, a reduction of £2,000 due the termination of the annual audit charge and a £5,000 increase in purchase of equipment.

- **Shortfall in Partner Contributions (-£5,530)**

There is expected to be a shortfall in Partner Contributions of £25,152 in 2016/17, compared to £30,682 in 2015/16. The shortfall in 2016/17 comprises underpayments of £8,869 from Runnymede B.C and £16,282 from Surrey Heath B.C. The reduction of £5,530 arises from the fact that Guildford, Hart District and Rushmoor are expected to pay in full.

A breakdown of Income is set out below with changes from 2015/16 highlighted:

- **General Fees and Charges £12,800**

Campsite fees are expected to increase by £12,000 on account of the biennial Farnborough Air Show and Hire of Barn & Container will increase by £800.

- **Grants and Contributions £0**

This category includes the contributions from Partners as set out in the Memorandum of Agreement and there is therefore no change from 2015/16. However, not all these funds are budgeted to be received – see shortfall in Partner Contributions above.

- **Rental Income £7,700**

The number of people using barges moored on the Canal increased in 2015/16 and the full year affect of their fees will be felt in 2016/17. This will lead to an increase in mooring fees of £7,000. Wayleave income from BskyB for a fibre optic cable will increase by £1,000 in 2016/17.

- **Sales Income £20,500**

The unpowered boats are expected to generate income of £18,000, no income was budgeted in 2015/16. Sales of tickets for cruises, especially Santa Cruises, are expected to be £3,000 more in 2016/17 than in £2015/16.

#### 4. Capital Expenditure Programme

4.1. The Hampshire County Council funded capital programme commenced 2015/16 with a brought forward balance of £915,431 and a 2015/16 allocation of £800,000; total funds being £1,715,431.

4.2. Appendix B shows the budgeted expenditure for 2015/16. £1,441,143 is expected to be spent this year and £227,500 in 2016/17, leaving a surplus in funds of £46,787 at the end of 2016/17. No further capital contributions are anticipated by Hampshire County Council.

4.3. In 2015/16 the main area of expenditure will be bank works, totalling £1,115,178, of which the Dogmersfield Landslip accounts for £700,000. Work to date has been repair works associated with sudden leakage in embankments at Church Crookham and Dogmersfield.

4.4. Repairs to several culverts are in the advanced stages of planning with HCC Engineers and are also expected to take place over the winter.

4.5. The Telemetry project is now several months behind schedule, but a test version is now up and running.

4.6. The Surrey County Council funded capital programme brought forward £335,687 and receives another £500,000 in 2015/16; totalling £835,687 of funds. £1,010,558 is

11 budgeted to be spent in 2015/16 leaving a deficit of £174,871 at year end. However, there will be another £500,000 of funds from Surrey County Council in 2016/17, with plans to spend the balance during the year.

4.7. Bank works is the largest budgeted item in the Surrey Programme too, being £496,868, and the Ash Embankment accounts for £110,000 of this.

4.8. The Hampshire Emergency Repair Fund's brought forward surplus of £9,905 has been spent in full on equipment for a Quad.

## 5 Special Projects

5.1 The current position on externally funded special projects managed by the Canal is shown in Appendix C.1.

- Odiham Castle – funds stand at £3,214 with £500 budgeted for signage & maintenance in 2015/16. £66 has been spent on this to date.
- Higher Level Stewardship (HLS) funding

### Surrey - HLS Rural Payments Agency

Annual Grassland Maintenance – Reimbursement from Surrey County Council of £2,519 for grassland maintenance is anticipated for 2015/16.

### Hampshire - HLS Rural Payments Agency

Annual Grass and Woodland Maintenance – receipts of £5,635 are anticipated for 2015/16. 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 2015/16.

Other projects –

It is anticipated to receive in funding £4,203 to spend on special projects in 2015/16.

## 6 Reserves

6.1 A detailed breakdown of reserves is shown in Appendix C.2.

6.2 The opening balances for the reserves in 2015/16 were £312,396 Unallocated and £24,078 for Dredging Silt and Disposal.

- 6.3 A draw of £73,000 was budgeted for against the unallocated reserve in 2015/16 which was to cover sluice and weirs survey, £39,000; the purchase of unpowered boats, £24,000; and £10,000 for the replacement of stolen equipment. However, the slippage of the survey into 2016/17, the boats costing £3,000 less and income from the insurance claim for the stolen equipment of £5,464 brings this planned draw in 2015/16 down to £25,536. With other budget headings currently predicting a net £14,460 overspend the current draw down is forecast to be £39,996.
- 6.4 The unallocated reserve is projected to stand at £273,300 at the end of 2015/16 and £264,231 at the end of 2016/17.

## **7 Conclusion**

- 7.1 This report indicates that savings, or increased income, of £14,460 need to be implemented with respect to the outturn forecasted for 2015/16, at the end of August, in order to achieve a balanced position on the day to day activities of the Authority. It is intended either to obtain Fleet Town Council's designated contribution of £18,309, or to cut Canal Maintenance costs or a mixture of the two, in order to achieve this balanced position.
- 7.2 The report also shows that the activities for which a draw on reserves of £73,000 was budgeted will cost £47,464 less than that.
- 7.3 A contribution to Reserves of £9,969 is budgeted for 2016/17.
- 7.4 By the end of 2016/17 Surrey County Council's capital contribution is expected to be fully spent but Hampshire County Council's capital funds will have £46,787 remaining.

## **8 Recommendations**

- 8.1 To review and agree the outturn forecast for the current year 2015/16; and
- 8.2 To agree the budget for 2016/17 for submission to individual constituent authorities

## FINANCIAL OUTTURN 2015/16

	Original Budget 2015/16 £	Forecast Outturn August'15 £	Over/ (Under) Budget £	Actuals 31 Aug'15 £	Forward Budget 2016/17 £
<b>Expenditure</b>					
Employees	409,000	409,000	0	170,807	426,000
Premises	31,000	31,000	0	7,871	33,000
Canal Maintenance	179,000	178,000	(1,000)	40,780	157,000
Principal Survey of Sluices & Weirs	39,000	0	(39,000)	0	39,000
Transport	61,000	61,000	0	22,523	57,000
Supplies & Services	51,000	71,000	20,000	31,045	42,000
Savings to be identified	0				
Shortfall In Partner Contributions	30,682	43,460	12,778	0	25,152
<b>Total Revenue Expenditure</b>	<b>800,682</b>	<b>793,460</b>	<b>(7,222)</b>	<b>273,026</b>	<b>779,152</b>
<b>Income</b>					
General Fees & Charges	76,000	76,800	800	64,905	88,800
Grants & Contributions - Partner	547,682	547,682	0	350,794	547,682
Grants & Contributions - other	10,000	37,464	27,464	28,075	10,501
Rental Income	64,000	54,000	(10,000)	27,738	71,700
Sales Income	30,000	34,018	4,018	15,247	50,500
Other Miscellaneous Income	0	3,500	3,500	3,222	
<b>Total Revenue Income</b>	<b>727,682</b>	<b>753,464</b>	<b>25,782</b>	<b>489,981</b>	<b>769,183</b>
Contribution (to)/from Reserves	<b>73,000</b>	<b>39,996</b>	<b>(33,004)</b>	<b>(216,955)</b>	<b>9,969</b>
<b>Partner Contributions</b>					
Surrey County Council	153,188	153,188	0	0	153,188
Guildford Borough Council	39,076	39,076	0	39,076	39,076
Runnymede Borough Council	16,869	8,000	(8,869)	8,000	16,869
Surrey Heath Borough Council	26,282	10,000	(16,282)	10,000	26,282
Woking Borough Council	53,276	53,276	0	53,276	53,276
Hampshire County Council	153,188	153,188	0	153,188	153,188
Hart District Council	30,924	30,924	0	30,924	30,924
Crookham Village Parish Council	3,048	3,048	0	3,048	3,048
Church Crookham Parish Council	6,750	6,750	0	6,750	6,750
Dogmersfield Parish Council	240	240	0	0	240
Fleet Town Council	18,309	0	(18,309)	0	18,309
Odiham Parish Council	4,036	4,036	0	4,036	4,036
Winchfield Parish Council	250	250	0	250	250
Rushmoor Borough Council	42,246	42,246	0	42,246	42,246
	<b>547,682</b>	<b>504,222</b>	<b>(43,460)</b>	<b>350,794</b>	<b>547,682</b>
<b>General Reserves</b>					
Opening Balance	(336,474)	(336,474)	0	(336,474)	(297,378)
Contribution (to)/from Reserves	73,000	39,996	(33,004)	0	9,969
Interest on Balances	(900)	(900)	0	0	(900)
<b>Closing Balance</b>	<b>(264,374)</b>	<b>(297,378)</b>	<b>(33,004)</b>	<b>(336,474)</b>	<b>(288,309)</b>



	Surrey County Council Countryside  £	Hampshire County Council Capital Fund  £	Hampshire Emergency Repair Fund  £	Total  £
<b>Balance as at 31st March 2015</b>	<b>(335,687)</b>	<b>(915,431)</b>	<b>(9,905)</b>	<b>(1,261,023)</b>
<b>Core Capital Contribution</b>	(500,000)	(800,000)	0	<b>(1,300,000)</b>
<b>Expenditure</b>				
Bank Works	496,868	1,115,178	0	<b>1,612,046</b>
Water Management	124,740	93,862	0	<b>218,602</b>
Equipment	49,725	45,000	9,905	<b>104,630</b>
Canal Structure	339,225	187,103	0	<b>526,328</b>
Consultancy	0	0	0	<b>0</b>
<b>Total cost of planned starts 2015/16</b>	1,010,558	1,441,143	9,905	<b>2,461,606</b>
<b>Balance as at 31st March 2016</b>	<b>174,871</b>	<b>(274,287)</b>	<b>(0)</b>	<b>(99,416)</b>
<b>Core Capital Contribution</b>	(500,000)	0	0	<b>(500,000)</b>
<b>Expenditure</b>				
Bank Works	110,000	38,750	0	<b>148,750</b>
Water Management	132,129	160,000	0	<b>292,129</b>
Equipment	0	0	0	<b>0</b>
Canal Structure	83,000	28,750	0	<b>111,750</b>
Consultancy	0	0	0	<b>0</b>
<b>Total cost of planned starts 2016/17</b>	325,129	227,500	0	<b>552,629</b>
<b>Balance as at 31st March 2017</b>	<b>0</b>	<b>(46,787)</b>	<b>(0)</b>	<b>(46,787)</b>
Bank Works -	Embankment repairs, including Tree works Towparth 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			

	Odiham Castle Scheme	HLS Rural Payments Agency SCC	HLS Rural Payments Agency HCC	Total
	£	£	£	£
<b>Balance as at 31st March 2015</b>	<b>(3,214)</b>	<b>0</b>	<b>0</b>	<b>(3,214)</b>
<b>Expenditure</b>				
Grassland Maintenance	0	2,519	5,665	8,184
Special Projects	0	0	4,025	4,025
Bank Repairs	0	0	0	0
Consultancy	0	0	0	0
Tree Work	0	0	178	178
<b>Fine</b> HLS Fine from S.C.C		1,129	<b>0</b>	1,129
Signage & maintenance	500	0	0	500
HLS Grasslands Income	0	(2,519)	(5,635)	(8,154)
HLS Income	0	(1,353)	(4,203)	(5,556)
HLS Match Funding	0	0	0	0
<b>Balance as at 31st March 2016</b>	<b>(2,714)</b>	<b>(224)</b>	<b>30</b>	<b>(2,908)</b>
<b>Expenditure</b>				
Grassland Maintenance	0	2,519	5,665	8,184
Special Projects	0	0	0	0
Bank Repairs	0	0	0	0
Consultancy	0	0	0	0
Tree Work	0	0	0	0
Signage & maintenance	0	0	0	0
HLS Grasslands Income	0	(2,519)	(5,665)	(8,184)
HLS Income	0	0	0	0
HLS Match Funding	0	0	0	0
<b>Balance as at 31st March 2017</b>	<b>(2,714)</b>	<b>(224)</b>	<b>30</b>	<b>(2,908)</b>

	Unallocated Reserve	Dredging & Silt Disposal	General Reserves Total
	£	£	£
<b>Balance as at 31st March 2015</b>	<b>(312,396)</b>	<b>(24,078)</b>	<b>(336,474)</b>
Income (Interest on Balances)	(900)	0	<b>(900)</b>
Projected use of reserve	39,996	0	<b>39,996</b>
<b>Balance as at 31st March 2016</b>	<b>(273,300)</b>	<b>(24,078)</b>	<b>(297,378)</b>
Income (Interest on Balances)	(900)	0	<b>(900)</b>
Projected use of reserve	9,969	0	<b>9,969</b>
<b>Balance as at 31st March 2017</b>	<b>(264,231)</b>	<b>(24,078)</b>	<b>(288,309)</b>

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