

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Basingstoke Canal Authority Joint Management Committee
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Title:	Revised Budget 2013/14 and Forward Budget 2014/15
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 revised budget for the current year 2013/14;
- agree a budget for 2014/15 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 the Joint Management Committee. Capital expenditure is currently being funded by Hampshire and Surrey County Councils for specific repairs and improvements.

1.3 It is anticipated that Basingstoke Canal will not make a contribution to reserves in 2013/14 or 2014/15 as savings still need to be identified in both years to reach a balanced budget.

2. Revised Budget 2013/14

2.1 The revised budget for 2013/14 is set out in Appendix A with savings still to be identified and therefore no contribution to reserves. This is £53,447 lower than originally planned, with the reduction primarily the result of changes in predicted levels of income, in particular the rent receipts for the fibre optic cable and the rent from the lease of the tearooms.

- 2.2 The budget for partner contributions was originally set at £543,847 and was based on the formula for contributions. The revised budget has been reduced by £22,886 following notifications to date from partners of their planned contributions (Appendix A).
- 2.3 The revised budget for revenue expenditure has been set at £658,462, slightly lower than planned in the original budget. Employee and supplies and services budgets have been reduced, whilst costs for premises and transport have needed to be increased. The reasons for these changes are explained below:
- **Employees (-£18,100)**
The reduction in expected employee costs is mainly related to costs for past service not being charged to the JMC and being funded centrally by Hampshire County Council. Other reductions are due to Cleaner/Maintenance Officer, Visitor Services Officer and replacement Ranger all starting in post later than originally anticipated. These reductions are offset by the costs of the new lockkeepers and a 1% cost of living pay award.
 - **Premises (£1,500)**
The budget for premises has been increased to allow for higher electricity costs although this is partially offset by reductions in expected costs for water charges.
 - **Canal Maintenance (£6,000)**
The Canal Maintenance budget is now held separately from other premises costs to provide more clarity. The budget had been increased to £153,000, an increase of £6,000 to meet the costs of rebranding the Visitor Centre. £13,000 of this budget is allocated for maintenance on the Visitor Centre with the remaining £140,000 for planned preventative maintenance of the Canal.
 - **Transport (£13,600)**
There has been a need to hire a weed cutter and also to pay for an additional vehicle for use by the two new lock keepers, along with the associated fuel costs. The transport budget has been increased to cover these costs and also to pay for additional staff travel (£1,700) to allow staff to attend training courses and meetings held away from the Canal Centre.
 - **Supplies and Services (-£7,100)**
The overall budget for expenditure on supplies and services has been reduced following the decision to purchase Yurt covers instead of a new Yurt and the removal of the educational equipment budget. Some budgets have needed to be increased and therefore partially offset this reduction, including the budgets for uniforms and health and safety equipment and clothing for the new lockkeepers.

- **Savings to be Identified (-£1,454)**
The Canal revised budget has been prepared at an early stage in the financial year and as a result, a small saving need to be identified to meet a balanced budget. Further details of how the £1,454 shortfall will be met will be included in the February 2014 monitoring report.

- 2.4 The budget for operational income has been reduced by £32,000. The receipts from camping are expected to be lower than last year, due to the lack of the air show. Surrey County Council are no longer contributing their rent receipts received for the fibre optic cable and will also no longer be passing on to the Canal the rent from the lease of the tearooms. This results in a reduction in expected income of £32,100.
- 2.5 The partner contributions have not all been received or confirmed for 2013/14; therefore the budget has been set based on the agreed formula contribution or confirmation from each Council. Fleet Town Council will no longer make a contribution; instead the Canal will make a grant application for funding each year. This budget assumes the application will be successful.

3. Forward Budget 2014/15

- 3.1 The budget for 2014/15 has been prepared at estimated outturn prices and is set out in Appendix A. It is anticipated that staff will receive an annual pay award, and there will be some incremental salary 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 from the individual partner authorities in 2014/15 have been based on the formula contribution.
- 3.3 The proposed net revenue budget for 2014/15 is £543,847 which will be funded by partner contributions. There will be no contribution to reserves.
- 3.4 Total revenue expenditure is expected to be £683,848. The key considerations in arriving at this figure are discussed below alongside comparisons to the 2013/14 revised budget where relevant:

- **Employees (£34,000)**
The budget for employee costs has been increased by £34,000 when compared to the 2013/14 revised figure. The forward budget includes a £20,600 provision for the past service pension costs being charged to the JMC. Until 2011/12 this had been paid by the JMC as part of the employer pension contribution which covered both past and current employees. In 2011/12 the charge was split between past and current employees and for three years it has been funded by the Countryside Department at Hampshire County Council. From 2014/15 this will be corrected and the charge will be made to the JMC. A further £6,700 has been included to cover the cost of incremental staff salary rises

and an assumed 1% inflationary increase. The remaining change is due to the full year effect of staff who began their employment part way through 2013/14.

- **Premises (-£1,500)**
Premises costs are expected to be £1,500 lower than in the 2013/14 revised budget. The budget for contract cleaning has been removed as a permanent cleaner/maintenance employee has now been appointed by the Canal. The rates budget for Colt Hill Barn has been removed as this building has now been sold.
- **Canal Maintenance (0)**
The budget for Canal maintenance has been kept at the same level as for 2013/14 to help ensure the Canal infrastructure is adequately maintained.
- **Transport (-£2,000)**
One-off spend on a weed cutter incurred in 2013/14 is not anticipated to recur in 2014/15 and the transport budget has therefore been reduced by £2,000 to £59,300.
- **Supplies and Services (-£100)**
The supplies and services budget has been reduced by £100 when compared with the revised budget of 2013/14. The education provided by the Canal will have been repackaged and as a result the educational equipment budget of £1,500 has been reinstated, however this has been offset by a reduction in the clothing budget of £1,400 as all new staff were provided with new clothing in 2013/14. All other supplies and services budgets remain unchanged.
- **Savings to be Identified (-£29,354)**
The Canal forward budget has been prepared with further savings needing to be identified to meet a balanced budget. Further details of how the £29,354 shortfall will be met will be included in the February 2014 report.
- **Potential Shortfall in Partner Contributions (£27,002)**
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.

The income budget for 2014/15 has been set £2,500 higher than the figure now budgeted for 2013/14. This is due to an anticipated increase in camping fees resulting from the Farnborough bi-annual Air Show.

4. Capital Expenditure Programme

- 4.1 The current position on the main capital schemes are detailed in Appendix B, showing projected costs and income for 2013/14 and 2014/15.
- 4.2 The capital spend shown in Appendix B against Hampshire County Council's capital schemes is the final spend from the previous allocation of funding of £872,000 and £100,000 from the 2013/14 funding.
- 4.3 An additional £2,000,000 of capital funding has been secured by Hampshire County Council over a 3 year period (£200,000 in 2013/14, £1,000,000 in 2014/15 and £800,000 in 2015/16). Seventeen projects are currently being considered by officers. These projects include flood risk avoidance, purchase of emergency equipment, dredging works, canal signage, strategic management of trees and soft and hard bank protection works. The detailed plans and timescales will be confirmed in due course. It is anticipated the only spend in 2013/14 will be on emergency equipment which is likely to cost approximately £100,000. A proportion of these capital funds are expected to be used to meet the repair costs for the recent landslip at Dogmersfield.
- 4.4 Surrey County Council have also secured an additional £2,000,000 over four years (2013/14 to 2016/17) to fund future development and improvement of the Canal. It is planned that this funding will be spent evenly over this period. The £500,000 in 2013/14 will be used to meet the overspend incurred on phase one (£70,000), new works on Mytchett Lake Embankment (£400,000) and telemetry remote monitoring and control system (£30,000). A firm plan for spend in 2014-2017 is not yet in place. Some of this funding maybe used to match fund a grant application for redevelopment at Mytchett.
- 4.5 Surrey County Council has a further £100,000 in 2013/14 to carry out preliminaries prior to the redevelopment of the Canal Centre.

5 Special Projects

- 5.1 The current externally funded special projects managed by the Canal are detailed below.
- The funding from the Rushmoor Borough Council Community Grant Scheme project, from TAG Farnborough Airport Ltd, has a small residue, which will be spent in 2013/14 on towpath works.
 - It is anticipated that the Odiham Castle fund will remain intact over the next two years, unless some unforeseen expenditure is required. No further funding is expected to be received for this scheme.
 - The Rural Payments Agency Higher Level Stewardship bid for the Hampshire section of the Canal to improve the conservation and Sites of Special Scientific Interest value of the Canal's vegetation and banks

habitat has been approved. Plans for bank repairs are in place for 2013/14, with further tree works to be carried out in 2014/15.

6 Reserves

- 6.1 A detailed breakdown of reserves is shown in Appendix C.
- 6.2 There has been no expenditure from the general reserves during the year.
- 6.3 No contribution to reserves in 2013/14 are planned, a significant reduction compared to the figure originally budgeted (£53,447). Reserves currently stand at £291,457 and are expected to remain at this level at the end of 2013/14.
- 6.4 The forward budget presents a balanced budget and assumes there will be no movement on reserves, leaving the reserves at the end of 2014/15 at the same level as 2013/14, at £291,457. This assumes contributions will be received at the budgeted level.
- 6.5 This level of reserves meets the requirement to maintain the reserves at a minimum of 25% of annual expenditure, the value deemed to be the suggested minimum to be held for the long term financial stability of a body of this size.

7 Conclusion

- 7.1 This report indicates that due to the current economic climate the Basingstoke Canal faces some on going financial challenges. Savings need to be identified in both the current and next financial year in order to balance the budget.
- 7.2 The Canal continues to maintain good standards, although financial constraints on the budgets of partners continue to create pressures.
- 7.3 Plans and timescales for the use of the additional capital funding recently received from Hampshire County Council are being formulated. An updated will be provided at the next meeting.

Recommendations

- 1 That the revised budget for 2013/14 be agreed.
- 2 That the proposed forward budget for 2014/15 is accepted.
- 3 That all partner authorities be urged to make their full contributions and to honour the agreed scale contributions for 2013/14 and 2014/15.