Business Plan 2014 – 2017

1. Strategic Context

1.1. This is the three year Business, or Operating, Plan for the Canal & River Trust, now approaching the end of its second full year as a charity, following its launch in July 2012. It reflects the experience, some of which was new, built up over the past two years, and the direction given by the Trustees as to the future policies, shape and direction for the Trust, reflected in the new Vision and Strategy.

1.2. When the Trust was launched, it was recognised that activity in the first three years would be constrained by a period of reduced funding as grant from Government was held flat at a historically low level (£39m). The first year of this Plan is the third of these three years. Expenditure on charitable purposes grows significantly over the plan period, as grant funding rises and other funding sources grow.

1.3. The principal strategic priority is to ensure that we achieve the three government contract performance criteria – related to asset condition grades - and thereby preserve both the base level of government contract funding and the additional performance related element which commences in 2015/16.

1.4. Beyond this, the Trust's strategic priorities have been set out in the new Strategy grouped into six Strategic Goals:

Waterways – To protect and improve the accessibility, usability and resilience of our assets and their heritage, for people to use and enjoy, now and in the future

Resources – To secure sufficient resources, and manage them efficiently, for the long term sustainability of the waterways within the Trust's care

Influence - To be a widely respected partner and trusted guardian with growing influence and responsibility

People – To enrich people's lives

Prosperity – To yield economic benefits for local communities and the nation

Places – To provide special places that people value, sustainable environments and routes.

These six strategic goals operate interactively to deliver, together, our strategic vision – of Living Waterways that transform places and enrich lives.

1.5. In future our plans will be fully aligned with and driven by the pursuit of these strategic goals. This year the new Strategy has been developed in parallel with the Business Plan and so whilst the broad strategic themes are reflected in the Plan, it won't be until next year that we develop the Plan to align in full with the new strategy.

1.6. One of the Trust's core Values is to be 'Local' and a key role in this is played by the Local Waterway Partnerships who are shortly to launch their Strategic Plans. This will shape the wider engagement of the Trust with others' priorities in their local area and will be central to the Trust's local efforts. The Trust's Values also include to be 'Open' and to promote ‘Involvement’; already we receive extensive input to our plans from our Advisory Groups and through other users’ forums. In the future our Plans will be increasingly shaped by the greater participation of others.

1.7. The growth in volunteering and community adoption is central to our vision, both to enhance our capacity, to improve the quality of the waterway experience and also to strengthen our local connections. The wider public engagement is also enabled via our Friends recruitment and the open day programme that will continue through the plan.

1.8. Delivering greater efficiency remains key in order to increase the funds available for charitable purposes and to ensure those funds that we spend deliver the greatest benefit. Following the successful introduction of ‘annualised hours’, key efficiency projects this year include the introduction of ‘mobile working’ which will equip all staff with mobile devices with which their time will be managed and work tasks will be communicated, dramatically improving productivity.

1.9. The Trust’s objective to reduce its carbon emissions is focussed on reducing energy consumption which accounts for 80% of its carbon output, together with reduced CO_2 emissions from our vehicle fleet as we replace higher CO_2 level vehicles with newer cleaner engine ones.

2. The Trust’s Financial Plans

2.1. This section describes the detailed financial projections that underpin our three-year plan. The Statement of Financial Activities is set out below. A deficit of £6m is planned in 2014/15 to smooth the impact of additional government contract funding from 2015/16 and beyond, drawing from the Trust’s accumulated reserves. As the forecast deficit for 2013/14 is smaller than originally anticipated, the planned deficit for 2014/15 has been increased by £1m compared with last year’s plan. After 2014/15 no further deficit is proposed.

Figures in £k

Statement of Financial Activities	2013/14	2014/15	2015/16	2016/17
	F10 Forecast	Plan	Plan	Plan
Incoming Resources				
Generated Funds and Investment Income				
Investment Property	36,214	38,297	34,815	34,541
Non Property Investments	-	3,228	3,658	4,048
	36,214	41,525	38,473	38,589
Boating and Moorings	32,872	34,177	35,128	36,222
Utilities	24,434	24,246	25,612	26,116
Marinas Subsidiary	6,500	7,245	7,634	7,947
CRT Share of Joint Ventures	8,346	30,217	24,156	44,298
Voluntary Income and Fundraising	1,088	1,384	1,837	2,340
Total Generated Funds and Investment Income	109,454	138,793	132,840	155,513
Governance	14	12	12	12
National Teams	1,273	2,393	1,890	1,884
Total Governance and National Teams	1,288	2,405	1,902	1,896
Defra Funding	39,000	39,000	50,000	51,000
Total Incoming Resources before Charitable Activities	149,741	180,198	184,742	208,409
Charitable Activities				
Waterway Maintenance and Repair	5,798	4,370	4,501	4,636
Major Works	232	8	-	-
Enterprise (Third Party Funded Projects)	7,552	10,848	10,468	10,926
Museums and Attractions	1,149	1,417	1,507	1,724
Total Charitable Activities	14,730	16,642	16,477	17,286
Total Income	164,471	196,840	201,219	225,695

	2013/14 F10 Forecast	2014/15 Plan	2015/16 Plan	2016/17 Plan
Contribution				
Generated Funds and Investment Income				
Investment Property	28,169	30,286	28,628	28,691
Non Property Investments	-	3,039	3,360	3,680
Net Interest	2,875	(1,071)	(1,007)	(1,016)
	31,044	32,254	30,981	31,354
Boating and Moorings	25,425	24,996	26,225	27,778
Utilities	22,788	22,947	24,402	24,941
Marinas Subsidiary	581	967	1,114	1,187
CRT Share of Joint Ventures	127	4,312	3,538	3,571
Voluntary Income and Fundraising	(344)	(397)	(276)	(96)
Total Generated Funds and Investment Income	79,620	85,079	85,984	88,736
Governance	(613)	(676)	(674)	(734)
National Teams	(27,785)	(31,404)	(31,559)	(32,433)
Total Governance and National Teams	(28,397)	(32,079)	(32,234)	(33,167)
Contingency	-	(2,000)	(2,000)	(2,000)
Pension Deficit Funding	(7,000)	(7,000)	(7,000)	(7,000)
Net Incoming Resources before Defra Funding	44,223	44,000	44,750	46,569
Defra Funding	39,000	39,000	50,000	51,000
Total Net Incoming Resources	83,223	83,000	94,750	97,569
Charitable Activities				
Waterway Maintenance and Repair	(60,963)	(61,651)	(62,724)	(65,227)
Major Works	(22,430)	(23,764)	(28,056)	(28,258)
Enterprise (Third Party Funded Projects)	(1,520)	(1,859)	(2,128)	(2,213)
Museums and Attractions	(1,706)	(1,726)	(1,842)	(1,871)
Total Charitable Activities	(86,619)	(89,000)	(94,750)	(97,569)
Surplus/(Deficit)	(3,396)	(6,000)	-	-

Net Income

2.2. Over the plan period net income grows by nearly 18% from £83m to £97.6m.

2.3. Net Incoming Resources increase by £11.7m in 2015/16 due mainly to the contracted increase in the Government Grant in that year.

2.4. Looking at the composition of the income, the contribution from Investment property increases by almost £2m in 2014/15. The investment property income profile then reduces slightly as there is a net £30m outflow of capital from Property to other investment sectors.

2.5. We are for the first time investing a proportion of our endowment capital in non-property income earning assets by way of portfolio diversification and risk spreading. This will be managed by an outsourced investment manager with the explicit aim of developing a £100m portfolio over 3–5 years. The fund has an annual income withdrawal target of 5% - which is the income forecast in the plan - with any excess remaining within the fund to accumulate capital.

2.6. The contribution from Boating and moorings rises as licence fees rise in line with inflation with no significant volume growth predicted. Very modest increases in Business Boating income are anticipated, reflecting continuing weak demand. Moorings income increases 15% across the three years through greater occupancy as increased investment in facilities is delivered.

2.7. Utilities contribution increases just almost 9% across the plan (noting that 25% of the income is in fixed payment contracts). Extra surveyor resources are to be deployed to complete agreement reviews which are expected to yield new income. Two modest hydro power schemes are expected to add to net income from the second year of the plan.

2.8. Net income from the Marinas subsidiary increases to almost £1m in 2014/15 though this will be reviewed following the appointment of a new Managing Director.

2.9. Joint Ventures contribution arises from two principle ventures, ISIS Waterside Regeneration LP (large scale development) and H20 Urban LLP (small/med scale development). ISIS has a major multi-phase residential scheme underway in Brentford West London H20 will generate income from three schemes notably at Marsworth and Bow Wharf.

2.10. The approach to voluntary income and fundraising remains focussed on individual and corporate giving. We have modified our individual recruitment method from agency-based to an ‘in-house’ model. To date, we have seen lower volumes recruited than first predicted, and have re-set our expectations to reflect that, though encouragingly attrition (ie loss of donors) is significantly less than that of other large charities. We are now projecting to reach 13,000 Friends at the end of this Plan period. We have recruited a sector specialist from another large charity to lead this in-house operation.

2.11. Net Interest profile includes £25m of debt assumed to be drawn down under a 5 year revolving credit facility which funds property investments. The interest charge assumes a fixed interest rate hedge is put in place to limit exposure to rising base reference rates.

2.12. The apparent increase in National Team costs in 2014/15 over the current year conceals a £1.3m rates rebate in 2013/14 plus credits for mobile phone rebates, and a nil carbon reduction commitment charge that will both reverse out, leaving the underlying net increase nearer to £1m. This is made up of additional costs in key areas such as Engineering and Quantity Surveying to support the growing work programme, as well as a £0.5m planned investment in HR improvements and training focussed on enhancing employee development and engagement.

2.13. The £7m per annum pension payment through the plan is in respect of the pension fund deficit arrangement as part of the previously agreed long term pension funding strategy.

Spend on Charitable activities

2.14. Expenditure on charitable activities increases through the plan. It rises by £2.4m in the first year, with a further £6m increase in year two; this is lower than the £11m increase in Government grant would imply due to the counter-effect of ending the operating deficit that is applied in year 1. There is a further £3m increase in year 3. The contingency fund is likely to be spent, as noted below, on charitable activities and will add a further £2m per year to the above figures.

2.15. The spend on Enterprise activity increases slightly during the plan to build capacity, given the substantial sums of external funding being generated. In the Plan it is forecast that Enterprise generates just over £10m of additional waterway spend in each of the three years, largely on towpath works that the Trust would not otherwise be able to fund.

2.16. Spend on Museums & Attractions increases during the Plan to build greater management capability and harmonise the museum sites with the Trust's policies and procedures. Works are continuing in 2014/15 on the programme of exceptional building works to address lease obligations for repair and maintenance, funded from a provision that was created at the time of the merger with the Waterways Trust. A strategic review will be carried out during the year to determine the best way that the Museums & Attractions can contribute to our charitable purposes.

2.17. Spend on Waterway infrastructure increases from £85.4m to £93.5m through the plan. Whilst spend on general waterway maintenance and repair work increases broadly in line with inflation, the greater growth is in Major Works spend, rising by 25% to £28m in years 2 and 3 compared with 2013/14.

2.18. The growth of Major Works expenditure will enable increased spending on dredging in line with our ten year commitment, though some of the additional spend will be held as contingency, to be released to fund additional dredging - provided there are no other urgent calls on the funding. The details of the Major Works programme for 2014/15 are set out below; this has been derived to address the greatest risks and impact. Details of all the planned projects are available at canalrivertrust.org.uk/our-work/major-works.

Asset Category	Planned Expenditure	Number of Projects
Embankments & Culverts	£5.3m	23
Water Resources/Management	£5.1m	20
Locks	£1.6m	8
Bridges & Aqueducts	£3.1m	16
Tunnels & Cuttings	£1.7m	6
Bank Protection	£0.8m	6
Dredging	£5.2m	19
Other	£1.0m	8
TOTAL	**£23.8m**	**106**
Contingency dependent Dredging	£2m	6

2.19. We are continuing to adopt a rolling three year programme of major works that will be regularly re-visited as asset intelligence changes through the plan. Strict change control will apply to any variance from the core plan. Whilst this major work is essential to keeping the proportion of asset condition grades D & E below the target level, we are also looking to address the non-principal asset condition in areas such as bank protection, waterway walls and canal feeders that have suffered underinvestment in the past. The proportion of principal assets in D& E condition (currently at a historic low level of 15%) may begin to rise during the plan as 58% of principal assets are currently assessed as C condition grade with at least 1% likely to slip into category D condition each year, in line with the predictions made at the time of the transfer