

Summary

The purpose of this report is to brief members on the findings and conclusions of a recent study 'Basingstoke Canal Valuation' commissioned jointly by Hampshire County Council and Surrey County Council.

Officer's recommendation

It is recommended that JMC members endorse the conclusions arising from the Basingstoke Canal Valuation study prepared by JBA Consulting.

1 Introduction & background

- 1.1 In July 2014 Surrey and Hampshire Councils commissioned JBA to conduct a valuation study of the Basingstoke Canal to better understand the costs and benefits (both monetised and non-monetised) of the Canal. This information would inform the long term management of the Canal to ensure an accessible, navigable waterway and a well-loved distinctive place for people to discover and enjoy.
- 1.2 The study brief agreed by Hampshire County Council and Surrey County Council as owners of the Canal requested proposals for two sets of valuations to be undertaken. The first focused on the Canal's assets and the second on the wider economic health and wellbeing costs and benefits. These were to be considered alongside a number of options related to increasing or decreasing the current level of navigability along the canal.
- 1.3 A long list of options, enabling different levels of navigability, was screened against technical, financial, economic, environmental or social feasibility. This resulted in a list of five options which were subject to an asset valuation and wider assessment. The objectives for the options appraisal were agreed. These objectives are to identify the most cost effective and sustainable options for the future level of navigability and long term management, which:-
 - Enables opportunities for income generation and moves toward income generation exceeding public sector contributions over the appraisal period.
 - Supports the safe operation and maintenance of the Canal.

- Maintains the current conservation status of the SSSI and works towards improving this over time; and provides wider environmental benefits associated with the towpath and adjacent land.
- Provides a positive drainage function in relation to surface water runoff and manages risk of flooding associated with breach or failure of canal assets.
- Enables current levels of community use, volunteering and educational opportunities to increase deriving benefits for community cohesion and health and wellbeing.
- Provides benefits to the local economy by supporting job creation, encouraging tourism and contributing to land-use development opportunities.

- 1.4 Prior to undertaking the appraisal JBA needed to identify the cost/benefit implications of the options in comparison to continuing with the current situation –i.e. maintain the status quo.
- 1.5 The current annual maintenance allowance is £140,000 per annum and this is the figure that JBA have used in assessing the comparison of options. JBA has indicated that this figure may not be a reflection of the required annual maintenance expenditure as they would include dredging as revenue maintenance cost whereas this is currently allocated from capital.
- 1.6 The operational costs were based on figures for recent years and equate to just over £500,000 per annum for the continued operation of the Canal as it is today. The study also took account of the capital investment programme, which is currently being delivered, totalling just under £3.5m.
- 1.7 Over the 25 year appraisal period, the Canal's current operation and management approach will cost approximately £14m in present value terms whilst direct income generation (not including public subsidy) over the same period is likely to be just over £3m. The study revealed that the current management and operation of the Canal benefits the local community, environment and wider economy of the two local authority areas. It is assessed that continuing with the current operation of the Canal (the status quo) could generate economic benefits of around £349m in present value terms, net of costs.

2 Consultation

- 2.1 Stakeholder engagement has made an important contribution to the study and has comprised a workshop attended by representatives from the BCA, the Basingstoke Canal Society, the Environment Agency, Guildford Borough Council, Hampshire County Council, Hampshire parishes, Inland Waterways Association, National Trust, Natural England, Runnymede borough Council, Rushmoor Borough Council, Surrey County Council, Surrey Heath Borough Council, Woking Borough Council.

3 Options for the future

The results of the asset valuation and wider assessment of the five options are presented below. The status quo (option 9) was taken as the reference case.

Option	Total Costs and income (over 25 years & PV) £m	Environmental costs and benefits	Social costs and benefits	
		Qualitative	Quantitative (after 25 years)	Qualitative
4a Reduced navigability – locks replaced with weirs.	Total cost - £16m Total income - £5m Total PV cost - £12m Total PV income - £3m Net PV (benefits cost) -£308m	If boat usage falls below 780 movements/year then channel blockage by weed and consequent competitive exclusion of aquatic plant species is likely to occur, resulting in a reduction in species diversity.	49,838 person boat days 1,745,441 towpath visits 15,521 event attendees 325 educational visits 2,692 volunteers	Reduction in navigability will reduce boat usage. Towpath usage will increase over time as a result of demographic growth. However, reduced navigation may lead to a reduction in trust which could impact on volunteer numbers. Reduced navigability is also assumed to lead to less events and educational visits. Canal Centre redevelopment is unlikely to proceed.

4b – Reduced navigability – major pounds navigable	<p>Total cost - £16m</p> <p>Total income - £5m</p> <p>Total PV cost - £12m</p> <p>Total PV income - £3m</p> <p>Net PV (benefits + income less cost) - £312m</p>	<p>If boat usage falls below 780 movements/year then channel blockage by weed and consequent competitive exclusion of aquatic plant species is likely to occur, resulting in a reduction in species diversity. The condition of the SSSI should be enhanced through an appropriate dredging programme and additional soft bank works.</p>	<p>51,167 person boat days</p> <p>1,745,441 towpath visits</p> <p>16,629 event attendees</p> <p>348 educational visits</p> <p>2,871 volunteers</p>	<p>Impacts should be less due to the busy Ash Lock to Deepcut locks remaining navigable, but there will still be a reduction in trust leading to reduced volunteering, but less of a reduction than for option 4a – the same assumption has been applied to the reduction in educational visits and events. Canal Centre redevelopment is likely to proceed.</p>
9 Continuation of the current operation of the Canal	<p>Total cost - £20m</p> <p>Total income - £5m</p> <p>Total PV cost - £14m</p> <p>Total PV income - £3m</p> <p>Net PV (benefits + income less cost) - £349m</p>	<p>Maintaining the status quo should result in the SSSI remaining at its current status of Unfavourable, recovering.</p>	<p>66,816 person boat days</p> <p>1,745,441 towpath visits</p> <p>20,832 event attendees</p> <p>435 educational visits</p> <p>3,589 volunteers</p>	<p>Canal usage, volunteers, events and educational visits projected to increase if the current navigable condition of the Canal is sustained. This is as a result of greater awareness and an improved reputation since the Deepcut locks were repaired.</p> <p>Canal Centre redevelopment is likely to proceed</p>

11a increased navigability – additional inflow	<p>Total cost - £25m</p> <p>Total income - £5m</p> <p>Total PV cost - £19m</p> <p>Total PV income - £3m</p> <p>Net PV (benefits + income less cost) - £350m</p>	<p>Any additional water sources will need to be assessed with regards to suitability including consideration of effects upon the chemical water quality gradient in the Canal and the possibility of upstream transfer of non-native species. Mytchett Lake is included in the SSSI designation of the Canal so any use of this as a water source will have to ensure no adverse impacts on the flora and fauna of the lake. Bourley Hill Reservoir is not designated but is located within Bourley and Long Valley SSSI and therefore any infrastructure required to get water to the Canal could impact upon this SSSI.</p>	<p>69,850 person boat days</p> <p>1,791,850 towpath visits</p> <p>21,929 event attendees</p> <p>458 educational visits</p> <p>3,772 volunteers</p>	<p>Increasing the navigability of the Canal is likely to enhance the overall opportunities for leisure and recreation associated with more boats on the Canal which should lead to positive impacts for the health, well-being and quality of life of users and the local community.</p> <p>Canal Centre redevelopment is likely to proceed.</p>
11b Increased navigability – additional inflow and offline storage	<p>Total cost - £29m</p> <p>Total income - £5m</p> <p>Total PV cost - £22m</p> <p>Total PV income - £3m</p> <p>Net PV (benefits + income less cost) - £346m</p>	<p>Any additional water sources will need to be assessed with regards to suitability including consideration of effects upon the chemical water quality gradient in the Canal and the possibility of upstream transfer of non-native species.</p>	<p>69,580 person boat days</p> <p>1,838,897 towpath visits</p> <p>21,929 event attendees</p> <p>458 educational visits</p> <p>3,772 volunteers</p>	<p>Similar impacts as above, plus the new basins may provide additional opportunities for recreation. However, there could be environmental concerns relating to the creation of an artificial waterbody. Canal Centre redevelopment is likely to proceed.</p>

4 Equalities & diversity implications

4.1 No significant equality and diversity implications

5 Crime & disorder implications

5.1 No significant crime and disorder implications

6 Conclusion and recommendation

6.1 JBA initially concluded that Option 11a was assessed to potentially generate the highest economic benefits. When tested further however, it revealed that the identified levels of NPV were very reliant on assumed levels of increase in visitor spend and additional premium associated with residential properties adjacent to the Canal. This option also required greater actual financial outlay in comparison to Option 9 (status quo).

6.2 In consideration JBA finally concluded that Option 9 was assessed to provide the greatest value for money for the Canal operation and is the more environmentally sustainable option. It offers the greatest opportunity of sustaining and potentially improving the condition of the SSSI compared with increased navigability options that could potentially affect water quality through the introduction of additional inflows. Community acceptability may well be higher with the increased navigation option due to the increased levels of navigability resulting in greater usage and positive impacts for health and wellbeing, but this cannot be judged as an overriding justification when costs, risk and overall benefits are taken into account.

6.3 JBA recognises that there will continue to be a shortfall between direct income generation and costs associated with the status quo (as there is with all options). Therefore it is likely that continued public subsidy will be required to sustain the efficient and safe operation of the Canal unless there is a significant change to the level of direct income through various means including the redevelopment of the Mychett Canal Centre.

7 What happens next

7.1 This study forms the first major step in the consideration of the most appropriate ownership and delivery model that will secure the long term future of the Canal.

7.2 Hampshire County Council and Surrey County Council are now working together to identify and assess potential ownership and delivery models. These models will need to be able to provide the relevant competence and capacity to efficiently and safely manage the operations of the Canal as well as successfully develop the Canal to realise its potential.