

Economic Prosperity, Environment and Highway Board
21 April 2016

Basingstoke Canal Update Report

Purpose of the report: To update members on progress with the Basingstoke Canal and to agree next steps.

Introduction:

1. SCC and HCC as joint owners of the Basingstoke Canal have been working together to identify a business model to deliver the future needs of the Basingstoke Canal. This model aims to balance the continued operation of the canal in terms of required levels of navigability whilst ensuring the provision of associated and wider benefits.
2. In 2014, JBA consulting (a specialist inland waterway consultant) were appointed to carry out an appraisal to identify the most cost effective and sustainable option for the future level of navigability and long term management of the canal, which would:
 - Enable opportunities for income generation
 - Support the safe operation and maintenance of the canal
 - Maintain the current conservation status of the Sites of Special Scientific Interest and wider environmental benefits
 - Provide a positive drainage function
 - Enable levels of community use
 - Provide benefits to the local economy
3. Having considered options with varying levels of reduced or increased navigability, the outcome of the appraisal was presented in early 2015 in JBA's Basingstoke Canal Valuation Final Report. Its recommendation is that continuing with the status quo provides the greatest value for money for the canal operators. In other words, continuing the operation of the canal as it is now, fully navigable, but with opening times seasonally limited by water availability and conservation requirements. This option is also considered to be the more environmentally sustainable option. Based upon this option the report identified a net present value of £349 million over a 20 year period (based on existing navigation and open access to the towpath). This valuation includes the intangible benefits

associated with drainage services, community involvement, public health and drew upon socio economic valuation models relevant to inland waterways.

Delivery Models for the Future Operation:

4. With the evidence base in JBA's final valuation providing assurance that the existing navigability of the canal provides the best value for money, consideration has been given to identifying the best model for the future operation of the canal. This includes understanding associated future risks and liabilities, development opportunities of existing canal assets and the relationship of the canal with future major development prospects. The following options have been considered, with options three and four being taken forward for detailed consideration:
 1. Private Sector – Consideration of private sector partnering model, such as a establishing a trading company model by shares.
 2. Establishing a New Trust - Creating a new independent legal entity, typically done through a company limited by guarantee with charitable objectives.
 3. Existing Trust – Transferring management and possibly ownership of the canal to an existing Trust with suitable expertise.
 4. Enhanced Public Ownership – Continuing with the existing management arrangements and joint ownership of the canal.
5. Three existing trusts have been approached to determine their interest and suitability in acquiring management responsibilities and possibly the ownership of the canal. Through these discussions it has emerged that the only interested party is the Canal and River Trust
6. SCC and HCC initially met with the Canal and River Trust in July 2015 to discuss their interest in the canal. The Trust agreed to carry out due diligence during October and November to make an informed calculation of the long term maintenance costs of the canal and any associated financial endowment that could be needed by the Trust.
7. In March 16 the Canal and River Trust presented their Due Diligence Report to SCC and HCC. A joint project team has now been formed to test the assumptions around asset condition and risk to enable further discussion and potential future negotiations.
8. Although the JBA report recommends the continuation of the 'as is' operation of canal this would do nothing to address current pressures on budget or unlock the potential of development sites.
9. A business plan for the canal is now being brought together for the canal which includes current operating and maintenance costs, but also considers the enhancement that could be brought to the canal by unlocking opportunities and income through development of existing canal assets. Such assets include the Canal Centre at Mytchett and the

Mytchett Lake and feasibility work on the potential development of these sites has been carried out.

Conclusion:

With the financial situation hardening all the time, the need to resolve this issue is pressing. The canal represents a significant liability and risk to both authorities and as such a suitable way forward needs to be agreed. While attention understandably focuses upon risk and associated costs, it is also important to acknowledge the public value proposition offered by the canal which is high and higher than the other options available to the Councils.

Recommendations

Members are asked to note progress and provide comments.

Next steps

The Basingstoke Canal task group will be updated by the project team as work on the Canal progresses. A further update report will be taken to the 14 July Economic Prosperity, Environment and Highway Board meeting.

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Sources/background papers:

Annex 1- Hampshire County Council Basingstoke Canal presentation (this has been included for information purposes).

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