



Economic Prosperity, Environment and Highway Board
8th December 2016

Basingstoke Canal Future Management Options

Purpose of the report: To update members on progress and make a recommendation on the preferred option for the future management of the Basingstoke Canal.

Introduction:

1. Surrey CC and Hampshire CC as joint owners of the Basingstoke Canal have been working together to identify a sustainable business model to deliver the future needs of the 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. This report updates the board on joint discussions and work undertaken with Hampshire County Council. These discussions focus on the commitment and efforts of both organisations to secure a sustainable future for this important inland waterway and the benefits it provides to the public.
3. This paper also outlines the considered options and seeks to make a recommendation on the preferred option for the future management of the Canal.

Background Information:

4. The Basingstoke Canal was jointly purchased by Surrey and Hampshire County Councils (almost exactly 16 miles each) in the 1970's. Between 1974 and 1991 the Canal was gradually restored with thousands of hours of volunteer time, primarily led by the Canal Society.
5. Since 1990 the Canal has been managed by a local authority partnership named the Basingstoke Canal Authority (BCA). Along with the two land owning authorities the partners include six local borough and district councils, Hart, Rushmoor, Guildford, Surrey Heath, Woking and Runnymede. Hart District is further comprised of local Parishes and Fleet Town Council. The partners contribute revenue funding to maintain the

Canal. The partnership is overseen by the Basingstoke Canal Joint Management Committee (JMC) which meets on a regular basis and is aware of developments to date.

6. The Canal contains some major engineering assets mainly required to control water levels and to enable navigation on the Canal. It is an important part of the land drainage system which has the potential to flood surrounding villages and towns if the Canal is breached
7. The Canal provides significant economic, environmental and health and wellbeing benefits. It is a popular recreational asset with an estimated 1.5million visitors who use the Canal towpath for walking, jogging and cycling. There are 60 resident boats and up to 150 visiting boats per year together with a holiday boat hire company and trip boats. The Canal is also popular with canoeists and anglers. The majority of the Canal is a Site of Special Scientific Interest (SSSI) which imposes certain obligations on the management of the Canal and imposes a limit of 1300 powered boat movements per year.

Future Management Options

8. As owners of the Basingstoke Canal, Surrey and Hampshire County Councils are liable for the management of the Canal.
9. With increasing financial pressures on all funding authorities it is critical that the County Councils find a solution to sustain the long term future of the Canal and the social, economic and environmental benefits it brings to the local area. Whichever management option is pursued, it will be crucial to carefully consider both the ongoing revenue and capital implications of running the water way.
10. The BCA revenue budget is approximately £795,000 per annum with HCC and SCC contributing £153,000 each, with the other partner authorities a total of £240,000. The remaining figure is generated by on site activities (boat trips, licences, camp site etc). A breakdown of partner contributions is set out below.

Partner	Calculated Contribution (2016)	Actual Contribution (2016)
Surrey County Council	£153,188	£153,188
Hampshire County Council	£153,188	£153,188
Hart	£30,924	£30,924
Hart Association of Town & Parish Councils (excluding Fleet TC)*	£14,564	£14,546
Fleet Town Council*	£18,309	£18,309
Rushmoor Borough Council	£42,246	£42,246
Guildford Borough Council	£39,076	£39,076
Surrey Heath Borough	£26,282	£10,000
Woking Borough Council	£53,276	£53,276

Runnymede Borough Council	£16,869	£8,000
Total	£547,922	£522,753

11. The Canal is a very extensive and significant civil engineering structure. Limited capital investment in the past led to deterioration of the asset which previously resulted in part of the Canal being closed for public safety reasons. Since 2012 both SCC and HCC have allocated £2m each to address some of the backlog of repairs. It is the risk associated with potential breaches of the canal that places a very significant liability upon the canal owners.
12. It is recognised that there is still an arrears of maintenance with a current estimated capital liability of £6m. Without further capital investment or annualised maintenance and replacement costs for the assets the arrears are likely to increase over time.
13. The aim and objective, on which the final option appraisal is to be based, is to identify the most cost effective and sustainable option for the future level of accessibility and long term management of the Canal which:
 - Supports the safe operation and maintenance of the canal
 - Provides a positive and critical drainage function
 - Enables opportunities for income generation/investment
 - Enables levels of community use and benefit
 - Maintains the current conservation status of the Sites of Special Scientific Interest and wider environmental benefits
 - Provides benefits to the local economy
14. A report was commissioned of JBA Consulting, a specialist waterway consultant to identify potential new models for management or alternative ownership. Eleven options were assessed, four options remained for more detailed consideration:
 - Option 1 – Minimum Intervention, manage risk and statutory duty
 - Option 2 – Status Quo, targeted maintenance
 - Option 3 – Investment in Assets, steady state model, with capital investment
 - Option 4 – Transfer Asset to Canal and Rivers Trust, with dowry payment to the trust.
15. A joint project team was formed to undertake analysis on each of the four options, this team comprised of representatives from, Countryside, Asset Management (Engineering), Finance, Property and Legal. The team focused on the outcomes, costs, risks and liabilities of each option.
16. In parallel with this work, due diligence was undertaken with the Canal and Rivers Trust. This has focused on bringing the canal into a 'steady state' and has identified that there is a backlog of capital works. In addition there would be an increased level of annual operating costs to maintain the Canal at a steady state. As a consequence the CRT would

require a very significant dowry payment based on their assessment of the overall cost.

17. The potential implications for each of these options was set out in an options framework, a summary of this is set out below.
18. Option 1 – Minimum Intervention, manage risk and statutory duty.

Whilst this might in the short term be the most cost effective it does not ensure a sustainable future for the Canal. Focusing activities on risk and statutory duty would lead to a rapid decline in the assets and character of the Canal, the loss of recreation usage and health and wellbeing benefits. Not maintaining the SSSI status would leave both organisations at risk of prosecution and there would be a loss of current and future income streams. This option would also jeopardise a potential future transfer to a third party.

19. Option 2 – Status Quo, targeted maintenance.

In the medium to long term this could lead to the decline in both the asset structure and the character of the Canal unless further significant injections of capital were received. There is a short term risk of partners withdrawing their funding given financial pressures for all funding organisations. This option allows the use of local knowledge and experience to manage the Canal with the best use of the resources available. In the short to medium term this would retain the assets and character of the Canal with the ability to increase income generation of activities on and around the canal to reduce pressure on the revenue budget.

20. Option 3 – Investment in Assets, steady state with capital investment.

This offers a sustainable future for the canal, but the capital investment required both to bring the canal to a 'steady state', maintain it at that level and invest in development to increase income generation, requires very significant additional funds to be made available. Both Councils would have to consider the affordability consequences of this option given their financial constraints and an assessment of spending priorities.

21. Option 4 – Transfer Asset, Canal and Rivers Trust, with dowry

This offers a sustainable future for the Canal with an organisation that has canal management as its core business. Initial due diligence has identified that there is a backlog of capital works and increased annual maintenance costs. This would require a very significant dowry payment to the trust by both Councils which is currently unaffordable. Both organisations continue to be engaged with the CRT and maintain a good relationship should any potential future transfer be possible.

22. Finally, it is necessary to test whether there are any other wider opportunities for acquisition or management of the Canal which have not been covered by the options described above. Therefore Property Services have been commissioned to undertake a background commercial assessment. The outcome of this will be shared with the Basingstoke Canal Task Group who will update the Board.

Conclusions:

23. Option 1 – Minimum Intervention, this does not meet the key objective to find a sustainable future for the Canal
24. Option 3 – Investment in the Asset and Option 4 – Transfer to the Canal and Rivers Trust, these options are currently considered to be unaffordable.
25. The preferred option is Option 2 – Status Quo, the current management and operation of the Canal allows the Councils to best manage the benefits to the local community, environment and wider economy of the two local authority areas. Whilst recognising that funding is vulnerable this option currently best meets the aims and objectives of the two Councils.

Recommendations:

It is recommended that the Economic Prosperity, Environment and Highways Board:

- a. Support ongoing collaboration with Hampshire County Council in the development of a business case around the preferred option.
- b. Supports further discussion and consultation with Basingstoke Canal Joint Management Committee together with other key stakeholders as part of that ongoing work.
- c. Hold a Task Group meeting in early 2017 to report the outcome of the market viability assessment.

Next steps

Development of a business case (to include to outcome of the background commercial assessment) for consideration in mid-2017.

Report contact: Sam Cunningham, Senior Consultant, Directorate Programme Group, Environment and Infrastructure

Contact details: samantha.cunningham@surreycc.gov.uk

Sources/background papers:

JBA Consulting Canal Valuation Report 2015

Canal and Rivers Trust Due Diligence Report

Basingstoke Canal Acquisition – Outline Feasibility

Basingstoke Canal Authority - Outturn Forecast 2016/17 and Forward Budget
2017/18