



Basingstoke Canal Joint Management Committee

Basingstoke Canal Futures

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Lead officers: Jo Heath (HCC) / Katie McDonald (SCC)

Telephone:

Email: jo.heath@hants.gov.uk / katie.mcdonald@surreycc.gov.uk

Summary

This report sets out the work that has been undertaken to consider options for how a more sustainable financial future for the Canal could be delivered, with associated risks and implications.

It proposes resultant changes to the operations and governance of the Canal, for which Joint Management Committee (JMC) members are invited to provide feedback.

Drivers for Change

Drivers for change were acknowledged by JMC members in June 2023, when they asked officers to report back on how the long-term Management and Operation of the Canal could be secured. The key drivers are as follows:

- The current model for managing the Canal is not financially sustainable. In 2022/23 a draw from reserves of £149k was required to balance the budget. The 2023/24 budget provides for a £99k draw from reserves, however the current forecast is for a draw from reserves of £192k, and the provisional budget for 2024/25 includes a £140k draw.
- The balance in reserves at 31 March 2023 was £673k (£593k unallocated, and the remaining £80k ringfenced to Wellesley). In June 2023 the JMC agreed that a minimum unallocated reserve balance of £200k should be maintained to cover any exit costs, should the partnership be dissolved. Based on the current delivery model, the reserves are projected to fall below the minimum level in the 2025/26 financial year and be fully depleted during 2026/27.
- Partnership contributions have not increased with inflation and therefore each year the gap between the costs of running the BCA and Partnership contributions gets wider. Some Partners have either reduced or withdrawn partnership contributions altogether, which has significantly impacted financial sustainability, with total contributions from the other riparian local authorities (i.e. all partners other than Hampshire and Surrey County Councils) now at half the original agreement levels and covering just 13% of proposed budgeted expenditure for 2024/25.
- At the time of the last JMC meeting in June 2023, this included reductions of £42k from Rushmoor Borough Council; £16k ongoing reduction from Surrey Heath; £9k from Runnymede Borough Council; and a reduction of £27k from Woking Borough Council. We have since received confirmation that Woking Borough Council will not be able to provide any of their £53k contribution for this year. Assurances were given by members of the JMC that contributions would be reinstated in the future, but a date for this is not set.
- Increased income from commercial activity has been generated to cover approximately one third of expenditure, but scope for further increases in income is limited (with future opportunities requiring significant investment).

- Furthermore, the BCA as it stands has no legal or corporate identity, and the JMC no longer reflects the input from partners.

MACE Report & Recommendation

Having identified emerging issues around financial sustainability, Hampshire County Council (HCC) and Surrey County Council (SCC) commissioned Mace Ltd to review management of the Canal and recommend a sustainable operating model.

Mace were directed to prioritise delivery of each County Council's statutory obligations, to:

- Provide for Safe operation of the Canal;
- Fulfill Conservation duties in relation to the SSSI
- Ensure the Health and Wellbeing of residents – public rights of access and navigation.

MACE undertook a detailed review of costs and considered a range of options. Whilst they were not able to identify a new and secure source of income to support operations, they were able to consider the impact of slimming the role of the BCA to focus on legal and statutory duties.

Mace therefore recommended an operational model under which:

- The Canal Partnership continues to deliver Statutory Obligations and Leisure Navigation; but
- no longer delivers discretionary activities such as boat hire, camping, visitor centre and events.

At the time this model was proposed, the savings generated would have brought the costs for the BCA down sufficiently to be in line with current funds that were committed to by the partnership.

However, as a result of the confirmed withdrawals of funding from key partners, implementing this option will still result in the partnership needing to use reserves to cover lost funding, until it is reinstated.

Based on the revised responsibilities of the BCA under Mace's recommendation, the forecast draw on reserves for 2024/25 is £100k (this gap would have been covered by the contributions of £53k from Woking and £42k from Rushmoor had they not been withdrawn)

It is important to restate that, based on the current draw on reserves, levels will reach the £200k limit in 2025/26. Therefore, we will be approaching partners over the next two months, to confirm their contributions during this period, and to forecast when those who are not currently contributing will be in a position to reinstate their contributions.

In response to the situation described above, and to Mace's recommendations this report sets out changes to the Canal's Operating Model and Governance, including an associated change to the operation of the Canal Centre at Mytchett.

Officer's recommendation

JMC members are invited to feedback on proposals. The decision to introduce proposed changes will then be made via Executive Member decisions at the respective landowning authorities.

1 Introduction & background

- 1.1 There are significant drivers for change to the management and operation of the canal.
- 1.2 These include considerable financial drivers:
- The current operation of the Canal is not currently financially sustainable: In 2023/24 costs will require a projected draw of £192k on existing reserves to cover a shortfall in income.
 - Some Basingstoke Canal Partnership members have either reduced or withdrawn partnership contributions: The financial implications of changing relationships with partners are significant. If all funding partners had maintained previous (index linked) contributions, financial sustainability would not be an issue.
 - Commercial activity is also limited: Over a number of years in the 2010s there was significant growth in income from 5% to 30% (operating budget). However, growth plateaued at the time of the Covid '19 pandemic; and further growth opportunities are now limited and would require significant investment.
- 1.3 There are also drivers relating to the inadequacy of current governance arrangements:
- The Basingstoke Canal Authority (BCA) has no legal or corporate identity.
 - The MOA with riparian partners is outdated given the change in partner contributions and how decisions are made.
 - The JMC is a key element of governance but is not effective in its current form: with operational decisions made by the Canal Management Team (HCC&SCC officers) and strategic decisions by landowning authority governance structures.
- 1.4 In response to these drivers Surrey County Council and Hampshire County Council commissioned MACE to review the management of the Canal, with the aim of developing proposals for how the Canal Partnership could achieve financial sustainability, while ensuring statutory duties for the canal are delivered as a priority:
- Safe operation of the Canal
 - Conservation value
 - Health and Wellbeing
- 1.5 MACE were asked to produce:
- An analysis of the statutory and non-statutory responsibilities of each County Council in relation to their ownership of the canal and respective assets.
 - An assessment of the key risks associated with each responsibility
 - A prioritised list of responsibilities for each County Council
 - A review of the key activities the BCA and the County Council carry out in relation to the management of the canal, a summary of the total costs and income
 - Background research into alternative delivery models, recommendations for the governance and delivery structures
 - Detailed summary of the management options in terms of cost, operational structure, transfer of risks and responsibilities and legal governance arrangements.
 - Report all the options considered setting out the advantages / disadvantages for each one.
Recommended model for future delivery which considers the findings of the review and liaison with officers throughout the review.
- 1.6 A number of management options for the canal were explored by MACE, including the use of third parties, the dissolution of the BCA and its sale. However, the recommended and preferred option set

out was that the Canal Partnership should continue to deliver statutory requirements plus navigation for maximum financial viability. It also set out recommendations for changes in the governance of the canal.

- 1.7 The recommendations have been considered and agreed by the two land owning authorities in principle for implementation by April 2024. Discussions at JMC on the 20th November will be minuted, and considered as part of the decision making by respective cabinet members of the County Councils.
- 1.8 Under this preferred option, the BCA will no longer deliver non-statutory activities such as boat hire, camping, running the visitor centre and events.
- 1.9 This report describes how the preferred option will be implemented, and the impact upon operations and governance of the Canal.

2 Changes to Operating Model

2.1 The revised operating model for the Canal is summed up as follows:

- **The Basingstoke Canal Authority will be retained** as the delivery agent for the management of the Canal (on behalf of SCC and HCC);
- **The BCA will no longer deliver visitor service activities** and will instead focus on meeting statutory obligations in managing the Canal, including leisure navigation.
- **A new agreement between the two landowning authorities will be established** to regularise the working relationship and contributions made by both authorities.
- **Capital funding will continue to be required from both landowning authorities** to safely manage the Canal assets.
- **The riparian partners are to be encouraged to continue to contribute to the Canal** and a new MOA or partnership agreement will secure the contributions for a minimum period and set out the governance arrangements.

3 Financial Implications

- 3.1 As previously alluded to, the financial sustainability of the Canal is a significant driver for change.
- 3.2 If the landowning authorities were to “do nothing” (an option considered and rejected by the MACE report, it is projected that Canal Reserves would fall under the minimum unallocated reserve balance of £200k, by 2025/26; and run out in 2026/27.
- 3.3 At the time of the MACE work, the approach set out in this report improved the financial sustainability and significantly delayed the point at which reserves would be fully utilised. Since then, the financial position of the Canal has deteriorated with a further reduction in partner contributions meaning that, based on current projections, the approach would only delay the point at which reserves are depleted by one year.
- 3.4 However, the approach still minimises the ongoing annual deficit in providing statutory services; reduces the risk involved from income generation needed to offset the c£200k per annum gross costs of running the Visitor Centre; and, has been assessed by officers as providing the greatest opportunity to move towards financial sustainability, particularly if partner contributions are reinstated (as has been indicated as a possibility).
- 3.5 Furthermore, removing the Visitor Centre from the BCA enables the opportunity for investment in the Visitor Centre that will not be made whilst it is part of the BCA, and enables the governance arrangements of the BCA to be put on a firmer footing as detailed later in this report.

4 Changes to the Canal Centre at Mytchett

- 4.1 Visitor Services Activity run by the BCA on the Canal are currently undertaken from the Canal Centre at Mytchett.

- 4.2 The Centre is owned by SCC and it is within their gift to decide upon its future (with HCC being actively kept informed). As part of the changes to the Operating Model to the Canal, the direct management of the Canal Centre will revert to SCC.
- 4.3 The BCA will continue to be based at the Mytchett Centre and the workshop at Deep Cut Lock.
- 4.4 SCC are committed to "continuity of Service" at the Canal Centre and propose to transfer the operation of the Mytchett facilities and associated activities from the BCA to Surrey County Council. Some services may be reduced to ensure the centre's operations break even in the short term. SCC will be reviewing the options for investment in the site to enhance the visitor experience and encourage more visitors to benefit from the canal. SCC will work closely alongside partners in taking this forward.

5 Staffing Implications

- 5.1 The proposed changes to the Operating Model and, in particular, the changes to the Visitor Centre will have implications for BCA staffing.
- 5.2 The BCA employs eleven staff to manage canal operations (alongside employing additional casual staff). For HR & Administrative purposes, these eleven staff are managed as HCC employees.
- 5.3 Most BCA employees will not be impacted by the change to Operating Model – the exception is the 3 members of staff most closely associated with Visitor Services Activity.
- 5.4 As SCC are going to take the management of the Canal Centre back in hand, it is proposed that these three staff TUPE across to SCC on their current terms and conditions.
- 5.5 This proposal is subject to ongoing consultation with the impacted staff; which commenced on 10 November to coincide with the publication of this report being made public; and will continue until 10 December (i.e one month).
- 5.6 HR staff from HCC and SCC are engaged in the process, and will ensure that it is effectively managed process, on behalf of the three staff, the BCA, and both authorities.

6 Changes to Canal Governance

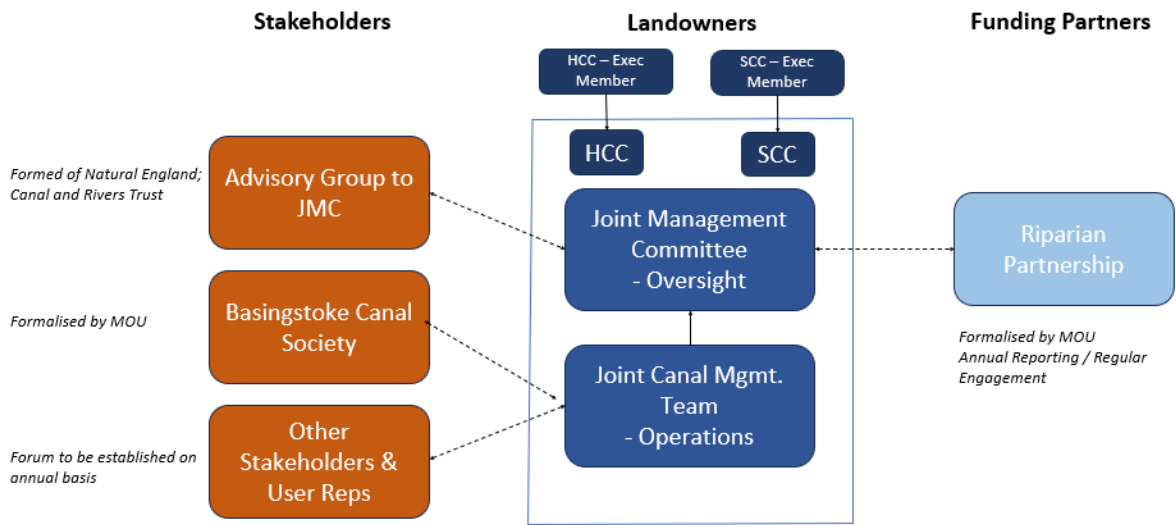
- 6.1 Proposed new governance arrangements for the Canal reflect the reduced remit of the BCA and how decisions are made. It provides greater clarity on working arrangements between partners and those bodies that are accountable for liabilities. It is founded upon the following bodies:
- 6.2 A **Joint Canal Management Team** – responsible for operational management of the Canal, and made up of Senior responsible officers and finance from SCC and HCC.
- 6.3 A **Joint Management Committee** – made up of HCC & SCC elected Members only, to reflect the partnership agreement between SCC and HCC as landowning authorities. This body will provide oversight of the management of the Canal and will make recommendations to the Executive Member for decision at the respective authorities. It will meet on a quarterly basis.
- 6.4 An **Advisory Group to JMC** – invitees to include regulatory and expert bodies including Natural England; and the Canal and Rivers Trust.
- 6.5 The **Basingstoke Canal Society (BCS)** - with the intention of agreeing a memorandum of understanding with both landowning authorities, that in turn sets out the working relationships between BCS and BCA. This partnership will be facilitated by two meetings a year, including a site visit, alongside regular ongoing engagement.
- 6.6 A **wider partnership of riparian authorities** – with an updated MOA demonstrating commitment from all partners, including HCC, SCC and funding partners. This partnership will be facilitated via two meetings a year - an annual report and meeting, and a separate site visit for funding partners, alongside regular ongoing engagement.

- 6.7 Other **stakeholders and user representatives** , including non-funding riparian partners, user groups and other partners will be invited to annual meeting; to raise awareness of the canal, share information on current performance and future plans, and create a forum for their feedback on this.
- 6.8 The proposed governance model is shown in **Appendix A**.

7 What happens next

- 7.1 SCC and HCC will undertake consultation with BCA staff impacted by changes to the operation of the Visitor Centre.
- 7.2 All JMC members are invited to provide comment on the proposed changes by 30th January 2024 via the dedicated inbox JMC.Feedback@surreycc.gov.uk.
- 7.3 SCC and HCC will seek confirmation of the contribution by the riparian owners and BCS, via letter to the Chief Executive of each organisation (seeking responses by mid-January), and will review the financial plan accordingly.
- 7.4 Subject to the completion of the consultation, and the confirmation of funding levels, changes to the governance and operation of the Canal will be formalised by Exec Member decisions by both landowning authorities to be made in March 2024.
- 7.5 Updated governance documents including the MOA with riparian partners and the MOU with the BCS will be sent for agreement by 01 April 2024 and a schedule of future meetings will also be in place by that date.
- 7.6 The management of the Canal Centre at Mytchett will transfer from the BCA to SCC by 01 April 2024. Continuity of service will be maintained, although some services may be reduced.

Proposed Operating Model - Governance



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