

**SURREY COUNTY COUNCIL**

**TIM OLIVER, LEADER OF THE COUNCIL**

**DATE: 26 March 2024**

**LEAD OFFICER: KATIE STEWART, EXECUTIVE DIRECTOR FOR ENVIRONMENT, INFRASTRUCTURE AND GROWTH**



**SUBJECT: BASINGSTOKE CANAL**

**ORGANISATION**

**STRATEGY**

**PRIORITY AREA: Greener Futures**

#### **SUMMARY OF ISSUE:**

The Basingstoke Canal was acquired by Surrey and Hampshire County Councils in the 1970s to manage risks such as flooding and provide public recreation. In 1990, Surrey County Council and Hampshire County Council, as the two land-owning authorities, formed the Basingstoke Canal Authority (BCA) to operate and manage the Canal.

However, the current Basingstoke Canal governance and operational model is no longer fit for purpose and is hindering its financial sustainability. Therefore, changes need to be made to the governance and operational framework for the Canal to enable Surrey and Hampshire County Councils to ensure that a more robust, effective and efficient decision-making structure is in place for the future.

#### **RECOMMENDATIONS:**

**It is recommended that the Leader of the Council:**

1. Approves the changes in the governance model of the Basingstoke Canal Authority (BCA) as detailed in the report.
2. Approves the removal of the BCA's Joint management Committee from Surrey County Council's constitution.
3. Delegates authority to the Executive Director of Environment, Infrastructure and Growth, in consultation with the Cabinet Member for Environment and the Head of Legal Services, to agree and enter into the necessary Memorandums of Understanding, Memorandums of Agreement, Agreements and arrangements with partners to deliver the updated governance.
4. Delegates authority, subject to the usual limits on officer decision making authority, to the Executive Director of Environment, Infrastructure and Growth in consultation with the Cabinet Member for Environment to exercise all functions in relation to the management and maintenance of the Basingstoke Canal as an environmental navigational asset and the balancing of the interests of all users of the Basingstoke Canal and the conservation of the natural environment
5. This decision is made in the context of Surrey County Council's role as one of two landowning authorities for the Basingstoke Canal (alongside Hampshire County Council) and following the approval of a parallel decision by the Executive Member of Hampshire County Council these changes shall come into effect from 1<sup>st</sup> April 2024.

## REASON FOR RECOMMENDATIONS:

The current operation of the Basingstoke Canal is not financially sustainable, and existing governance and operating arrangements do not allow for either of the landowning authorities responsible for the Canal (Surrey County Council and Hampshire County Council), to take action to make the operation sustainable. The recommendations in this report to review and revise the governance model to facilitate good decision making is the first stage to enabling both authorities to address issues in relation to financial sustainability.

## EXECUTIVE SUMMARY:

### Background

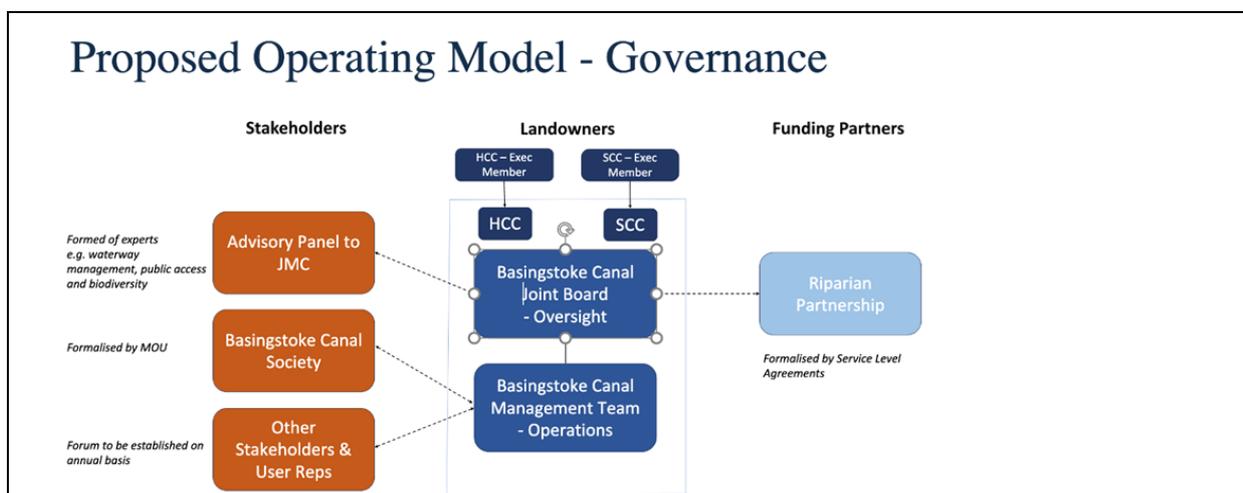
1. The Basingstoke Canal, which is 32 miles in length, was acquired by Surrey and Hampshire and County Councils in the 1970s in order to manage risks (notably flooding), protect the Canal and provide for public recreation.
2. The Canal is designated as a Site of Special Scientific Interest (SSSI) and due to its hydrological biodiversity and the effective management of its ecosystem, is home to numerous nationally scarce species of flora and fauna. As an accessible green and blue space, it also delivers well-documented benefits to the physical and mental health, and wellbeing of residents and visitors alike.
3. The Basingstoke Canal Partnership was established to fund the operation of the Canal following restoration in the late 1980s. The Partnership includes a number of riparian partners (including the District, Borough and Town Councils) that contribute financially to the running of the Canal as per a Memorandum of Agreement. Governance currently consists of the Canal's Senior Management Team (SMT) and Joint Management Committee (JMC).
4. In 1990, Surrey County Council and Hampshire County Council, as the two land-owning authorities, formed the Basingstoke Canal Authority (BCA) to operate and manage the Canal, including the provision of visitor services. This is a partnership whereby both authorities remain responsible for the operation of the Authority. Under this arrangement, Hampshire County Council employs the BCA staff and provides IT & finance support to the Authority, while Surrey County Council provides its operational base and the Canal's visitor centre at Mytchett as well as Democratic Services support. Critically, the BCA is not formally constituted and is unable to make decisions on investment.
5. The Canal is funded by the landowning authorities and the riparian funding partners, utilising a funding formula which is based around population in proximity to the Canal. Over the last year, several Basingstoke Canal Partnership members have either reduced or withdrawn partnership contributions.
6. The current operation of the Canal is not financially sustainable. In each of the last three years, the BCA has had to draw on its reserves to set a balanced budget. The reserves remaining on 31 March 2024 will be £435,500. Without any changes to the funding or cost of operating the Authority, it is forecast that it will have to draw approximately £140,000pa, which would mean that the BCA's reserves will be fully depleted by 2026/27.
7. Any development of services associated with or investment in the Canal which could increase income is hindered by the current governance model. Firstly, the BCA is unable to make decisions on investment due to not being formally constituted. In addition, any liabilities for borrowing sits with both of the land-owning authorities, SCC and HCC, which means that both County Councils would become liable for significant investment on any

canal asset, whether wholly owned by Surrey or Hampshire County Council. It is for these reasons that a review of governance is necessary.

8. The proposed new governance arrangements for the Canal better align decision making with the respective accountability and responsibilities of the two authorities. It is illustrated below and comprises of the following elements:

- The **Basingstoke Canal Management Team** – responsible for operational management of the Canal and made up of Senior responsible officers and finance from the two County Councils.
- A **Basingstoke Canal Joint Board** – made up of Hampshire County Council and Surrey County Council elected Members only, with two representatives per authority. 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. This body will replace the JMC.
- An **Advisory Panel to the Joint Board** consisting of experts in the field of local authority finance, inland waterway management, public access and biodiversity or such other experts as it deems appropriate to assist in its role as a scrutiny Board for the Basingstoke Canal.
- A **new memorandum of understanding between the Basingstoke Canal Society (BCS) and both landowning authorities**, that in turn sets out the working relationships between BCS and BCA.
- A **wider partnership of riparian authorities with an updated MOA** demonstrating commitment from all partners, including Hampshire County Council, Surrey County Council and funding partners. This partnership will be facilitated via two meetings a year and an annual report, alongside regular ongoing engagement.
- **Regular engagement with other stakeholders and user representatives**, including non-funding riparian partners, user groups and other partners, who will be invited to an annual meeting and a site visit in the Summer; to raise awareness of the Canal, share information, create a forum for feedback and seek support.

9. Hampshire County Council have already agreed the above proposed changes to governance formerly on 11 March 2024.



**CONSULTATION:**

10. Consultation with regard to the proposed approach has been undertaken with riparian partners and other stakeholders. Members were interviewed and their feedback considered in the development of the recommendations.
11. A report was delivered to the Canal's JMC on 20 November 2023. JMC Members were then invited to comment further upon proposals in writing before 30 January 2024 in advance of Leader/Executive member Decisions subsequently being taken by both landowning authorities – with no responses received.
12. In parallel to this engagement, letters were sent to the Chief Executives of riparian funding partners, seeking to confirm onward funding contributions, in the context of the current financial position, and proposed changes to how the Canal is managed.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

13. Simplifying the governance and operational Model will reduce risk to Surrey County Council resulting from delays to decision making through enabling a much more effective and streamlined decision making process for operations and investments which effect financial sustainability and income generation.
14. It should be noted that the changes in governance alone do not negate all of SCCs risks from the canal operation. However, it does enable more effective decision making to address any financial risks.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS:**

15. As above, simplifying the governance and operational model and enabling a much more effective and streamlined decision making process for operations and investments supports better decision making which is essential to ensure financial sustainability and successful income generation.
16. Again, as above, it should also be noted that the changes in governance alone do not negate all of SCCs risk from any financial instability of the canal operation. However, it does enable more effective decision making to address any financial risks, and delegates authority to do this.

#### **SECTION 151 OFFICER COMMENTARY:**

17. Significant progress has been made in recent years to improve the Council's financial resilience and the financial management capabilities across the organisation. Whilst this has built a stronger financial base from which to deliver our services, the increased cost of living, global financial uncertainty, high inflation and government policy changes mean we continue to face challenges to our financial position. This requires an increased focus on financial management to protect service delivery, a continuation of the need to be forward looking in the medium term, as well as the delivery of the efficiencies to achieve a balanced budget position each year.
18. In addition to these immediate challenges, the medium-term financial outlook beyond 2023/24 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.
19. The recommendations will allow the Council to take decisions on the future management of the Canal under its ownership. The operation of the Canal and the associated Visitor

Centre are not financially sustainable over the medium term, and the Council will therefore undertake a full review and options appraisal to understand how the site could be managed in a financially sustainable way, with any future recommendations and decisions being subject to normal governance processes.

**LEGAL IMPLICATIONS – MONITORING OFFICER:**

- 20. Other than those implications related to the new governance framework, there are no direct legal implications from this decision. Any further agreements can be agreed as per the third recommendation.

**EQUALITIES AND DIVERSITY:**

- 21. This decision relates strictly to governance arrangements and therefore has no direct impact on equalities and diversity. However, the new governance arrangements will ensure that equalities and diversity are integrated into any plans going forward.

**OTHER IMPLICATIONS:**

- 22. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

<b>Area assessed:</b>	<b>Direct Implications:</b>
Corporate Parenting/Looked After Children	No change
Safeguarding responsibilities for vulnerable children and adults	No change
Environmental sustainability	No change, but a more sustainable approach to the financial management of an environmental asset is more secure with the proposed approach.
Compliance against net-zero emissions target and future climate compatibility/resilience	No change
Public Health	No change

**WHAT HAPPENS NEXT:**

- 23. Immediate next steps are for the new Basingstoke Canal Board and Basingstoke Canal Management Team to be established in early April 2024. A meeting between the Council’s Cabinet Member for the Environment and Hampshire County Council’s respective Cabinet Member is being arranged for late March to agree member representation.

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**Report Author:** Katie McDonald, Group Manager Natural Capital,  
[katie.mcdonald@surreycc.gov.uk](mailto:katie.mcdonald@surreycc.gov.uk)

**Consulted:**  
 All members and stakeholders of the JMC.

**Sources/background papers:**

All background papers used in the writing of the report should be listed, as required by the Local Government (Access to Information) Act 1985.  
A copy of any background papers which have not previously been published should be supplied to Democratic Services with your draft report.

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