

Basingstoke Canal

11 March 2024

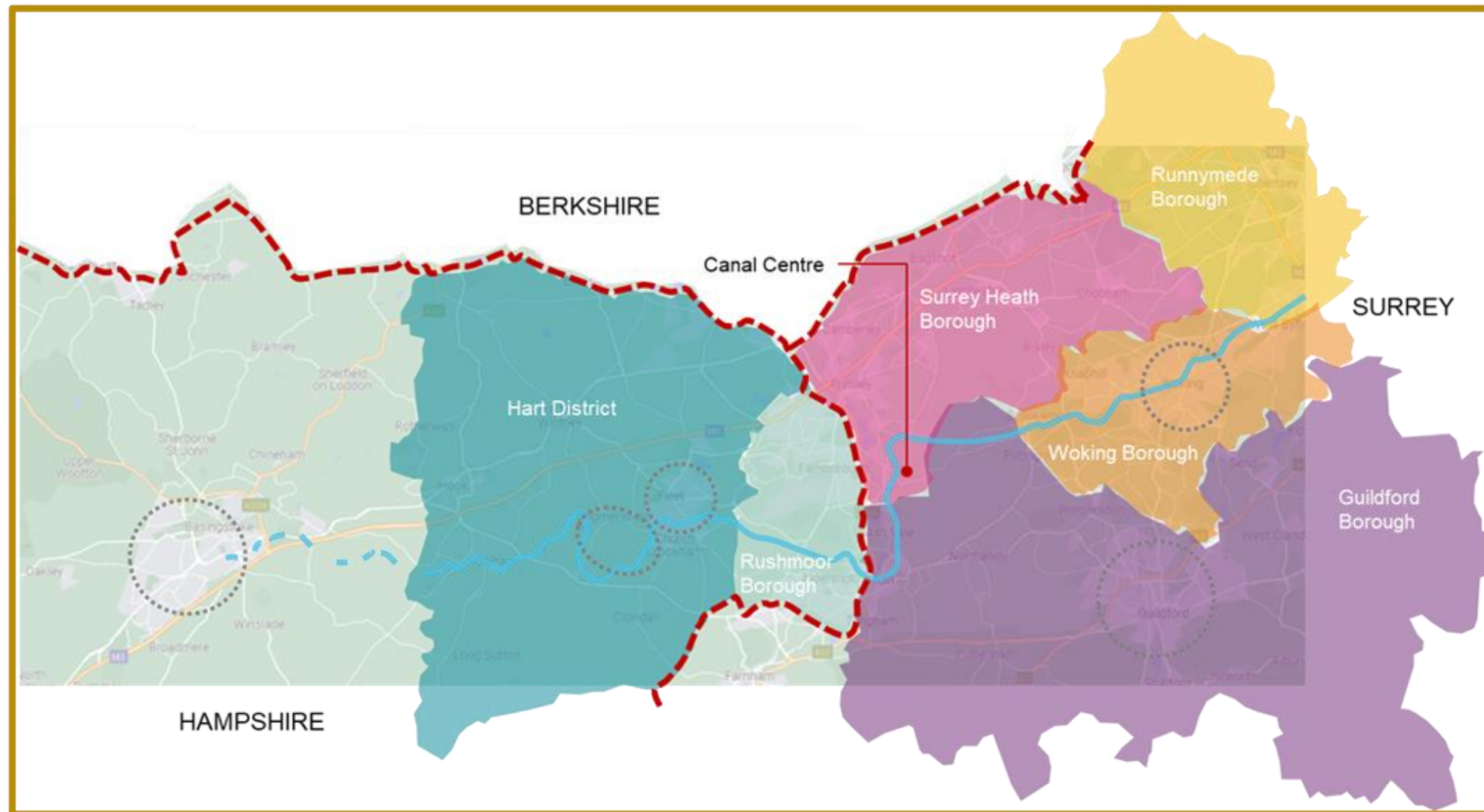
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Report Purpose

The Basingstoke Canal is not financially sustainable, and the funding received from partners is at risk, with some already withdrawn. This report sets out the proposed changes to the governance and operation of the Basingstoke Canal Authority – which acts as a delivery agent for the management of the Basingstoke Canal on behalf of the landowning authorities, Hampshire County Council and Surrey County Council.



The Basingstoke Canal



- The majority of the canal is a **designated SSSI**, for aquatic habitat and Greywell Tunnel
- Significant **recreational and health and wellbeing benefits**

Ownership & assets

- 32 mile Basingstoke Canal is jointly owned by Hampshire and Surrey County Councils,
- Acquired in 1970's to manage the risk, protect the Canal and provide for public recreation.
- Majority of Hants section is raised on earth embankment – creating a risk of sudden flooding on failure.
- 29 locks (28 in Surrey),
- Mytchett Centre (visitor facilities, function room, offices and shop), car parking, campsite and café - owned by Surrey CC.
- Deepcut Lock Workshop owned by SCC and used by the BCA
- Ash Lock depot & offices – shared with Blackwater Valley Partnership owned by HCC.
- Car parks in Hampshire - 5 in Hampshire with charges at Reading Road, Fleet.

Current operating model

The Basingstoke Canal Partnership was established to fund the operation of the Canal following restoration in late 1980's.

The riparian partners contribute financially according to an MOA & governance is through a Joint Management Committee (JMC)

The two landowning authorities set up the **Basingstoke Canal Authority** to operate and manage the Canal in 1990 – it has no legal identity.

HCC – employ the BCA staff working under HCC policies and procedures. Provide IT & finance support and depot at Ash Lock.

SCC – main operational base for the BCA at the Canal Centre including visitor facilities & democratic services support.

Table 1 – Partnership funding 23/24

Local Authority		Funding* Formula		Committed Funding	
Hampshire County		£160,434	28%	£153,000	34%
Surrey County		£160,434	28%	£153,000	34%
Guildford Borough	Surrey	£40,925	7%	£39,076	9%
Hart District	Hampshire	£66,773	12%	£30,924	7%
Woking Borough	Surrey	£55,796	10%	£26,638	6%
Fleet Town	Hampshire		0%	£18,309	4%
Surrey Heath Borough	Surrey	£27,526	5%	£10,000	2%
Runnymede Borough	Surrey	£17,667	3%	£8,000	2%
Rushmoor Borough	Hampshire	£44,244	8%	£0	0%
Church Crookham Parish	Hampshire		0%	£6,750	1%
Odiham Parish	Hampshire		0%	£4,036	1%
Crookham Village Parish	Hampshire		0%	£3,048	1%
Winchfield Parish	Hampshire		0%	£250	0%
Dogmersfield Parish	Hampshire		0%	£240	0%
Total Funding		£573,799		£453,271	

*Funding formula agreed by the JMC in 2008, Surrey Heath Borough Council did not agree to the funding formula. Funding formula was developed based on population in proximity to Canal and is embedded in the Memorandum of agreement.

Notes:

- Woking BC 50% reduction 24/25 (12 mths notice received now confirmed to be 100% reduction)
- Rushmoor 100% reduction 23/24
- Surrey Heath BC contribution is less than that in the MOA
- Hart shares contribution with Fleet and PC's

Current Financial Position - Revenue

The Canal is not financially sustainable.

In 2023/24 costs will require a £192k draw on existing reserves. The proposed budget for 2024/25 includes a shortfall of £140k if no changes are made.

Some Basingstoke Canal Partnership members have reduced financial contributions and others have indicated a potential withdrawal of future contributions.

If all funding partners had maintained previous (index linked) contributions, financial sustainability would not be an issue. The current contribution from riparian partners is now half of the original agreement.

Commercial activity is limited.

Over the past 5 years significant growth in income from 5% to 30% (operating budget); however, these opportunities are now limited and require significant investment. e.g. Campsite at Mytchett

	Final Outturn 2022/23 £'000	Revised Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000
Total Expenditure	1,028	898	898
Total Income	879	799	706
Contribution (to)/from reserves	149	99	192*
Reserves opening balance	(802)	(673)	(673)
Reserves closing balance	(673)	(589)	(515)

*Additional reduction in partner contribution and additional costs of managing the Canal.

Review of Operating Model

MACE was commissioned by SCC & HCC to review **operating model options** that would achieve financial sustainability, while ensuring both Authorities meet their statutory obligations:

- Provide for safe operation (flood prevention, staff, residents & visitor safety)
- Fulfill Conservation duties (obligations as SSSI)
- Health & Wellbeing (statutory public access, navigation)

Mace undertook a detailed review of the statutory responsibilities, risks and financial position as well as the current operational and governance model. A number of options were considered and the preferred option presented to the Basingstoke Canal JMC in November 2023.

Criteria for option analysis:

Criteria	Test
Public Safety	Does the model ensure the safety of the public with particular focus on water level management.
SSSI Status	What impact is the model likely to have on the SSSI status of the canal?
Navigation	What impact does the model have on maintaining navigability in accordance with critical requirements?
Cost / Finance	Does the model improve financial viability of the canal?
Leadership and decision making	What impact does the model have on supporting and enabling leadership at all levels?
Clarity & Transparency	What impact does the model have on clarity and transparency of responsibilities and decision-making?

Options Considered & Discounted (Appendix B)

Option 1 – Do nothing

- Not financially sustainable
- Governance model not fit for purpose

Option 2 – Change Ownership

- Transfer to Canal & Rivers Trust not financially viable
- NT & CIC model also considered.

Option 3 – Change management model (remove BCA)

- Risk to effective water management
- Duplication of effort
- Additional costs
- Autonomy over assets
- Greater visibility of risk
- Less political input
- Streamlined governance

Option 4 – BCA to deliver only statutory functions

- Navigation required for maintenance
- Income decreases
- Risk of legal challenge
- Opportunity to rewrite MOA
- Secure formal commitment to BCA
- Greater focus on operation of Canal

Proposed Operating Model

Option 5 - Retain BCA, deliver statutory minimum activities and enable leisure navigation

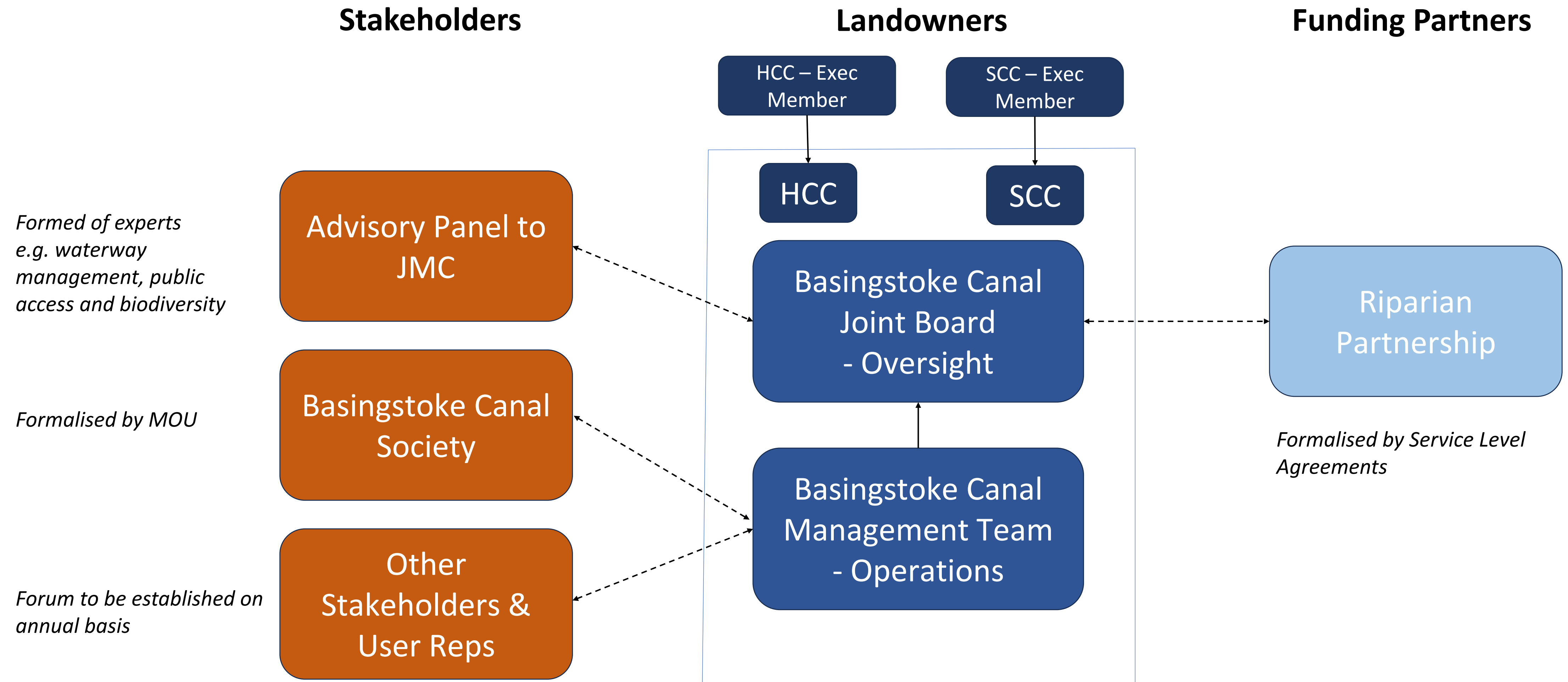
This is the most financially sustainable operating model for the Canal. Although it is an improved financial position for the BCA there is still a forecast revenue shortfall of £96k in 2024/25 due to the declining contribution from the Riparian local authorities.

Measure	Effect	Comment
Public Safety	No Change - more sustainable	Adding back Navigation for leisure purposes, changes the financial picture in the most robust way, there is still a net loss, however this is much reduced and with the additional benefits of a more focused management team and structure, this option has the greatest chance to achieve long term financial stability.
SSSI Status	No Change - more sustainable	
Navigation	No Change – statutory	
Cost / Finance	Improved (5-year short term)	
Leadership & Decisions	Improved	
Clarity & Transparency	Improved	

Proposed Operating Model

- **The BCA would be retained** as the delivery agent for management of the Canal on behalf of HCC and SCC.
- **The BCA would no longer deliver visitor services activities** and focus on meeting statutory obligations in managing the Canal including leisure navigation.
- **The Canal Centre at Mytchett will revert to the direct management of Surrey County Council** and the staff closely associated with the visitor centre activities would transfer to the employment of Surrey County Council.
- **A new agreement between the two landowning authorities would be established** to regularise the working relationship and contributions made by both authorities.
- **Capital funding will be required from both landowning authorities** to safely manage the Canal assets.
- **The riparian partners would be encouraged to continue to contribute to the Canal** and a new partnership agreement would secure the contributions for a minimum period and set out the governance arrangements.

Proposed Operating Model - Governance



Proposed Operating Model - Governance

- **Basingstoke Canal Management Team** – responsible for operational management of the Canal. Senior responsible officers and finance from SCC and HCC.
- **Basingstoke Canal Joint Board** – HCC & SCC elected Members only reflecting the partnership agreement between SCC and HCC as landowning authorities. Provides oversight of the management of the Canal and recommends to the Executive Member for decision at the respective authorities. Meeting quarterly.
- **Advisory Panel to JMC** – an advisory panel 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.
- **Basingstoke Canal Society** memorandum of understanding with both landowning authorities setting out working relationships between BCS and BCA.
- **Wider partnership of riparian authorities** – Service Level agreement demonstrating commitment from HCC & SCC and by funding partners. Annual report and meeting, summer member event and regular engagement.
- **Other stakeholders and user representatives** – Forum to be established meeting on annual basis.

Proposed Operating Model - Finances

If the landowning authorities were to do nothing it was projected that the Canal Reserves would fall under the minimum unallocated reserve balance of £200,000 by 2025/26 and run out in 2026/27.

At the time of the Mace commission the recommended approach was projected to improve financial sustainability. Since then the financial position of the canal has continued to deteriorate with a further reduction in partner contributions meaning that this outcome is only delayed by one year.

The proposed approach still minimises the ongoing annual deficit in providing statutory services; reduces the risk involved from income generation and offers the best opportunity to move towards financial sustainability.

	Do nothing £'000 2024/25	Preferred Option £'000 2024/25
Canal Centre costs (including staffing, premises etc)	200	0
Canal Centre income	(156)	0
Staffing, premises, supplies and services, transport	537	537
Maintenance and Surveys	172	172
Hampshire and Surrey County Council contributions*	(306)	(306)
Other Riparian Partner contributions	(120)	(120)
Commercial income	(187)	(187)
Annual draw on reserves	140	96
Year in which unallocated reserve falls below £200k minimum	2025/26	2026/27
Year in which unallocated reserve is fully depleted	2027/28	2028/29

Proposed Operating Model - Finances

- Riparian authorities funding contributions have reduced to £120,000 per annum (from the original sum £240,000) and are expected to reduce further still and potentially be removed altogether.
- Without the partner contributions reserves will be fully depleted in 2026/27 and it is likely that Hampshire and Surrey County Councils as the landowning authorities will need to increase their contributions to ensure that a minimum statutory responsibilities are met.
- Ongoing capital funding will also be required from the landowning authorities. A Hampshire contribution of £500,000 per annum agreed up to 2024/25 and currently no allocation beyond 2025. The minimum requirement for HCC capital to undertake priority works to keep the Canal safely operational has been identified as £300,000 per annum.

Consultation

- Consultation with BCA staff impacted by changes to the operation of the Visitor Centre has taken place with a plan to transfer.
- All JMC members will be invited to provide comment on the proposed changes to the Canal's Operating Model by 30th January 2024.
- Letters were sent to the Chief Executives of riparian funding partners seeking confirmation of the onward contribution by the riparian owners and review the financial plan accordingly.
- The management of the Canal Centre at Mytchett will transfer from the BCA to SCC on 1 April 2024. No further consultation was undertaken as there will be continuity of service in the immediate future after this change.

Summary

- The proposal to retain the BCA to manage the Canal on behalf of the landowning authorities and to deliver statutory minimum activities, along with leisure navigation, means that the Basingstoke Canal can continue to be managed safely by the BCA.
- This is the most cost effective approach to the future management of the Canal and yet there are only 3 years of reserves left to cover the shortfall in contributions due to our partners withdrawing their funding.

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