

# HAMPSHIRE COUNTY COUNCIL

## Report

<b>Committee/Panel:</b>	Culture and Communities Select Committee
<b>Date:</b>	25 February 2019
<b>Title:</b>	Basingstoke Canal Future Management Options
<b>Report From:</b>	Director of Culture Communities and Business Services

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### 1. Recommendations

That the Culture and Communities Select Committee recommends to the Executive Member for Recreation and Heritage that he:

- 1.1. Supports the decision not to pursue an asset transfer to the Canal and Rivers Trust at this time.
- 1.2. Supports the proposal to produce a strategy for investment in partnership with Surrey County Council and to consider potential investments for the benefit of the Canal operation beyond the Hampshire county boundary.
- 1.3. Approves the continuation of revenue funding contributions at the same level, as set out in section 3.8 of this report, for the next three years.
- 1.4. Fully endorses the ongoing 3 year capital investment programme orientated at tackling the asset maintenance backlog and managing associated risks in a prioritised manner.

### 2. Executive Summary

2.1. The purpose of this paper is to: -

- provide an update on progress on the preferred option to transfer the ownership of the Basingstoke Canal, along with Surrey County Council, to the Canal and Rivers Trust;
- consider the existing options for the sustainable financial future of the Basingstoke Canal;
- set out the financial implications and liabilities of managing the Basingstoke Canal.

### 2. Contextual information

2.1. Basingstoke Canal was purchased by Hampshire County Council and Surrey County Council in the late 1960's following a number of flooding incidents attributed to the state of the Canal.

- 2.2. The 32 miles of the Canal is almost equally split between Surrey and Hampshire County Councils. The Surrey section contains almost all of the locks whilst the Hampshire section has large stretches of embankment (where the Canal is raised above the surrounding land).
- 2.3. Restoration of the Canal was undertaken during 1970's and 1980's by both authorities and a large workforce of volunteers. It was largely completed and officially opened to navigation in 1991.
- 2.4. The Greywell Tunnel and 29 of the 32 miles of Canal channel are designated as a Site of Special Scientific Interest (SSSI) – the Canal channel in respect of unusual water chemistry and the diversity of aquatic plants and the dragon flies which inhabit it. The Canal is botanically the most diverse freshwater body in England & Wales. A limit has been set on the number of powered boat movements in order to protect the wildlife and habitats.
- 2.5. The Canal has become a well loved recreational asset with an estimated 1.5 million visitors per year<sup>1</sup>. The majority of these visitors are to the towpath – walking, jogging or cycling. In Surrey the Woking section of towpath has been integrated into the town's cycle path network and there are plans to extend this and improve the Aldershot section as a greenway linking to new public open spaces. There are 4 million people living within 60 minutes drive of some part of the Canal. The Canal is particularly popular with, and highly valued by, local residents (those living within 30 minutes walk of the Canal) for informal recreation.
- 2.6. The Canal is widely used for canoeing with three prominent canoe clubs as well as public hire being offered in two locations. The angling rights are also let to a local fishing club.
- 2.7. The Canal is also available to powered boats with 60 resident, and up to 150 visiting, private boats per year, together with a holiday boat hire company and charity offering disabled visitors waterborne holidays being based at Odiham. The Canal Society and Basingstoke Canal Authority (BCA) both have successful boat trip offers.
- 2.8. The BCA offices are at the Canal Centre, Mytchett near the midpoint of the Canal where they operate a visitor centre and campsite which support the Canals running costs. This site is part of SCC's ownership.

### **3. Governance and Financial Arrangements**

- 3.1. The Basingstoke Canal Authority (BCA) was formed in 1990 effectively as a management partnership to operate the Canal on behalf of both landowning authorities.
- 3.2. Between 1991 and 2009 no capital was made available for the maintenance and renewal of assets and by 2009 part of the Canal in Surrey was closed for public safety reasons.

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<sup>1</sup> JBA Consulting – based on HCC / SCC counter data and estimates from other similar canals

- 3.3. The initial £768,000 allocated by each owner was primarily spent on a backlog of repairs. A further £2m each was allocated in 2012 to continue with repairs and safety improvements based on priorities highlighted through a detailed engineering survey. In order to maximise effectiveness the works were procured jointly and collaboratively between both authorities. Unfortunately in Hampshire half of this allocation was required to respond to an unforeseen landslip event at Dogmersfield.
- 3.4. In February 2018 HCC approved a further £1,500,000 core capital contribution for the Canal over three years, £500,000 for each year 2018/19 to 2020/21. The planned works for this capital have included works to stem a leakage at Laffans Road and bed lining of the Crookham Deeps Embankment (£230,000). Preparatory surveys have been conducted to determine the scale of the bank stabilisation works for a part of the Canal known as Swan 'cutting'. An initial allocation of £250,000 has been identified for these works however it may require a more extensive engineering solution of a similar scale to the Dogmersfield landslip.
- 3.5. The Basingstoke Canal Asset Management Plan indicates that there is an arrears of maintenance totalling £6.8m of which £3m is in the Hampshire owned section. The recent capital allocation will assist in reducing this arrears of maintenance unless unplanned works are required (such as a landslip) or if the scale of the works increases following detailed surveys. It is likely that ongoing capital investment will be required in future years to address the residual and ongoing maintenance issues associated with responsible asset and risk management.
- 3.6. The turnover of the Basingstoke Canal is just over £800,000 per annum (forecast 2019/2020) with a partner contribution of £547,682 and income of £253,000 which is approaching a third of the turnover. The level of income generated by the Canal has increased over the past 3 years as the Canal team have introduced new activities such as boat hire, consistently reviewing the charges as well as reducing costs wherever possible.
- 3.7. The BCA partnership consists of 12 local authorities in addition to the two landowning councils, who contribute revenue funding towards the running of the Canal according to an agreed calculation. This contribution should amount to £240,000 however two of these authorities (Surrey Heath and Runnymede) do not contribute the full amount resulting in a shortfall of £25,000.
- 3.8. Both Surrey and Hampshire County Councils contribute £178,000 a year (£153,000 revenue contribution and £28,000 for a jointly funded post).

#### **4. The Financial Challenge**

- 4.1. Consultants JBA Consulting Ltd, commissioned on behalf of both landowning authorities, undertook a valuation exercise and assessed the most cost effective and suitable options for the future level of navigability and long term management of the Canal. They considered all of the potential management options including reducing or stopping navigation.
- 4.2. The importance of the Canal for wildlife and recreation along with its role in managing water levels resulted in the conclusion that continuing the current level of management was the preferred option. The consultants also concluded

that it was likely that there would need to be continued public subsidy to sustain the efficient and safe operation of the Canal unless there is a significant increase in direct income.

- 4.3. Almost a third of the revenue funding is contributed by the riparian District and Town Councils. The partnership agreement does not place any legal obligation for these authorities to continue to contribute to the Canal or to continue to fund at the level they currently do so. If they were to reduce or remove their contribution the shortfall would become a financial pressure for the two landowning authorities.
- 4.4. There is an identified arrears of maintenance that has been verified by the Canal and Rivers Trust. It is estimated that a sum of £1m a year would be required (£0.5m per landowning authority) to start to reduce this arrears without any unforeseen capital expenditure. Hampshire County Council has approved a capital allocation of £500,000 a year for the next three years (2018/2019 – 2020/2021). Surrey County Council have approved a smaller capital allocation of £150,000 per year for the same period. This is the first occasion when the authorities have not provided an equal contribution.
- 4.5. Once the arrears of maintenance have been met an annual maintenance budget is required to keep the assets in a safe and serviceable condition. This amount has been estimated at £168,000 per annum (2016 figures).

## **5. Sustainable Management Solutions**

- 5.1. Both authorities, working with the BCA, have been working together over the past 3 years to secure the long term financial future of the Canal; to reduce the reliance on local authority funding whilst ensuring the safe operation of the Canal.

- 5.2. Three main options were considered and presented to the Culture and Communities Select Committee in November 2017.

Option A - both landowning authorities divest entirely of the Canal to an appropriate body who can safeguard the future of the Canal with no further involvement.

Option B - Targeted investment and the landowning authorities continue to operate the Canal continuing with the current partnership or similar delivery model.

- 5.3. Option C - The landowners enter into a contract with a private sector partner to wholly or partly develop and run the Canal.

This option was discounted following the response to enquiries made through Knight Frank to establish if there was any commercial interest. Knight Frank concluded that the Canal as a whole was not an economic proposition and transfer to any other party would be the transfer of a liability, not a commercial asset. This mirrored the valuation assessment undertaken by Hampshire Property Services and consequently this option was discounted.

- 5.4. Option A was the preferred long term solution and has been pursued with Surrey County Council and the Canal and Rivers Trust (CRT) over the past year.

## **6. Preferred Option - Transfer to CRT**

- 6.1. Potential partners with the required skills, knowledge and expertise to safely operate the Canal are limited. The Canal and Rivers Trust are a charity established in 2012 when all the British Waterways canals (2,000 miles) in England and Wales along with assets were transferred.
- 6.2. A transfer of the Basingstoke Canal to the CRT was the preferred option for all the partners, landowning authorities and the Canal Society. Over the past year due diligence was undertaken along with a review of the asset management plan.
- 6.3. The CRT were satisfied with our asset assessment and the priorities for the capital programme. They also undertook some additional risk modelling to help inform the asset transfer.
- 6.4. Whilst the annual operational revenue costs were deemed to be broadly similar the CRT have an annual asset maintenance and renewal programme to keep the assets in a safe condition which differs from the landowning authorities approach. The arrears of maintenance would also need to be accounted for as part of the transfer. Finally, the CRT Trustees could not support a transfer that would pass significant risk to CRT and therefore would require a level of investment that would reflect that.
- 6.5. Despite positive relationships, a broad agreement over the operational requirements of the Canal and support from all parties it was eventually agreed that on financial grounds the transfer was not viable. Different arrangements and agreements were explored however no suitable alternative to a full asset transfer could be identified. In November 2018 a communication was sent to the BCA Joint Management Committee informing them that the transfer between SCC, HCC and the CRT would not be viable.

## **7. Other Options**

- 7.1. Option B mentions targeted investment in the Basingstoke Canal to generate greater income. Opportunities have been identified by the Basingstoke Canal JMC and partner organisations. These include: redeveloping the campsite, creating moorings at Farnborough Road and a larger scheme of redeveloping the Mytchett site.
- 7.2. The campsite redevelopment at Mytchett is moving ahead. This is an investment of £500k of which 80% is expected to be contributed from the RDPE (Rural Development Programme for England) Growth Programme with the remainder from the BCA reserves. This is expected to increase the campsite income and made a contribution of £100,000 per annum after 5 years of being fully operational.
- 7.3. These investments taken together or individually will all contribute to the operational costs of the Canal and will make any transfer in the future more economically viable however it will not be enough to meet the total operational costs of running the Canal.

## **8. Future Direction**

- 8.1. The collapse of the transfer of the Basingstoke Canal to the CRT has led to a re-examining of the available options by both landowning authorities.
- 8.2. The asset holding along the Canal differs between both authorities. In Hampshire there are some small landholdings such as Ash Lock beside the Canal, whilst Surrey County Councils ownership includes the site at Mytchett. The Mytchett site hosts the operational centre (offices and work depot) and main visitor facilities for the Canal including the campsite, toilet facilities, café, trip boat and boat hire. Surrey County Council investigated developing the Mytchett site and produced some outline plans a few years ago.
- 8.3. Hampshire County Council has been investing in their country parks over the past 3 years to create a suite of modern parks that will be operationally self-financing by 2019. This is now an £18.5m programme with 40% from external funding sources. The programme is on course to meet the aim, reducing the reliance on HCC funding by £0.5m per annum, and in doing so will also address some of the asset condition liabilities.
- 8.4. Utilising the learning from the Country Parks Transformation programme, it is recommended that Hampshire and Surrey County Council's work together to produce an investment strategy with the aim of reducing the reliance on local authority funding.
- 8.5. This strategy would focus on the visitor facilities and build on the commercial activity that has already begun at the Canal. It would consider the whole length of the Canal and highlight areas of opportunity for generating more income within Hampshire and Surrey county boundaries.
- 8.6. Where there is an opportunity to invest within the Surrey county boundary, Hampshire County Council could consider a joint or sole investment, if Surrey County Council were not in a position to fund exclusively.
- 8.7. The Joint Management Committee have proposed an informal working group to consider the long term financial solutions for the Canal and report back to the JMC. This group would be best placed to provide overview and scrutiny of the investment strategy as it develops.
- 8.8. It is recommended that the production of a strategy is funded by the Basingstoke Canal Association, subject to approval by the JMC.
- 8.9. Once completed the outcomes of the strategy will be reported to the Executive Member for Recreation & Heritage and presented to the Select Committee Culture and Communities later in the year.

**CORPORATE OR LEGAL INFORMATION:****Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	yes/no
<b>People in Hampshire live safe, healthy and independent lives:</b>	yes/no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	yes/no
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	yes/no

**Other Significant Links**

<b>Links to previous Member decisions:</b>	
<a href="http://democracy.hants.gov.uk/documents/b10256/Item%208%20presentation-%20Basingstoke%20Canal%20Future%20Direction%2013th-Nov-2017%2010.00%20Culture%20and%20Communitie.pdf?T=9">http://democracy.hants.gov.uk/documents/b10256/Item%208%20presentation-%20Basingstoke%20Canal%20Future%20Direction%2013th-Nov-2017%2010.00%20Culture%20and%20Communitie.pdf?T=9</a>	<u>13 November 2017</u>
<b>Direct links to specific legislation or Government Directives</b>	
<u>Title</u>	<u>Date</u>

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

## **IMPACT ASSESSMENTS:**

### **1. Equality Duty**

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;

Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;

Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

#### **Due regard in this context involves having due regard in particular to:**

The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;

Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;

Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

### **1.2. Equalities Impact Assessment:**

Not relevant to this particular report into the management options for the Canal.

### **2. Impact on Crime and Disorder:**

2.1. Not applicable.

### **3. Climate Change:**

3.1. No impact.

## BASING STOKE CANAL

## APPENDIX A

## OUTTURN FORECAST 2018/19 &amp; FORWARD BUDGET 2019/20

Final Outturn 2017/18 £		Original Budget 2018/19 £	Forecast Outturn Sep-18 £	Over/ (Under) Budget £	Actuals Actuals 31 Aug'18 £	Forward Budget 2019/20 £
	<b>Expenditure</b>					
440,899	Employees	456,000	442,000	(14,000)	172,564	462,000
37,894	Premises	33,000	33,000	0	12,605	33,000
127,747	Canal Maintenance	196,000	213,000	17,000	80,484	189,000
0	Principal Survey of Sluices & Weirs	50,000	50,000	0	0	0
49,554	Transport	50,000	43,000	(7,000)	14,729	45,000
44,126	Supplies & Services	46,000	45,000	(1,000)	9,849	47,000
2,177	Campsite Development	0	4,000	4,000	2,253	0
25,151	Shortfall In Partner Contributions	25,000	25,000	0	0	25,000
<b>727,548</b>	<b>Total Revenue Expenditure</b>	<b>856,000</b>	<b>855,000</b>	<b>(1,000)</b>	<b>292,485</b>	<b>801,000</b>
	<b>Income</b>					
115,126	General Fees & Charges	105,000	127,000	22,000	77,506	105,000
547,682	Grants & Contributions - Partner	548,000	548,000	0	522,531	548,000
15,315	Grants & Contributions - other	11,000	55,000	44,000	1,234	11,000
79,438	Rental Income	86,000	45,000	(41,000)	45,317	64,000
66,656	Sales Income	66,000	71,000	5,000	47,255	73,000
101	Other Miscellaneous Income	0	0	0	11	0
<b>824,317</b>	<b>Total Revenue Income</b>	<b>816,000</b>	<b>846,000</b>	<b>30,000</b>	<b>693,854</b>	<b>801,000</b>
<b>(96,770)</b>	Contribution from/(to) Reserves	<b>40,000</b>	<b>9,000</b>	<b>(31,000)</b>	<b>(401,370)</b>	<b>0</b>
	<b>Partner Contributions</b>					
153,188	Surrey County Council	153,188	153,188	0	153,188	153,188
39,076	Guildford Borough Council	39,076	39,076	0	39,076	39,076
8,000	Runnymede Borough Council	16,869	8,000	(8,869)	8,000	16,869
10,000	Surrey Heath Borough Council	26,282	10,000	(16,282)	10,000	26,282
53,276	Woking Borough Council	53,276	53,276	0	53,276	53,276
153,188	Hampshire County Council	153,188	153,188	0	153,188	153,188
30,924	Hart District Council	30,924	30,924	0	30,924	30,924
3,048	Crookham Village Parish Council	3,048	3,048	0	3,048	3,048
6,750	Church Crookham Parish Council	6,750	6,750	0	6,750	6,750
240	Dogmersfield Parish Council	240	240	0	240	240
18,309	Fleet Town Council	18,309	18,309	0	18,309	18,309
4,036	Odiham Parish Council	4,036	4,036	0	4,036	4,036
250	Winchfield Parish Council	250	250	0	250	250
42,246	Rushmoor Borough Council	42,246	42,246	0	42,246	42,246
<b>522,531</b>		<b>547,682</b>	<b>522,531</b>	<b>(25,151)</b>	<b>522,531</b>	<b>547,682</b>
	<b>General Reserves</b>					
(486,309)	Opening Balance	(586,329)	(586,329)	0	(586,329)	(580,329)
(96,770)	Contribution from/(to) Reserves	40,000	9,000	(31,000)	0	0
(3,250)	Interest on Balances	(2,000)	(3,000)	(1,000)	0	(3,000)
<b>(586,329)</b>	<b>Closing Balance</b>	<b>(548,329)</b>	<b>(580,329)</b>	<b>(32,000)</b>	<b>(586,329)</b>	<b>(583,329)</b>

**Basingstoke Canal - Budgeted Capital Projects 2018 - 2021****APPENDIX B**

	<b>Surrey County Council Countryside</b>	<b>Hampshire County Council Capital Fund</b>	<b>Total</b>
	£	£	£
<b>Balance as at 31<sup>st</sup> March 2018</b>	<b>(452,959)</b>	<b>(150,586)</b>	<b>(603,545)</b>
<b>Core Capital Contribution</b>	(150,000)	(500,000)	<b>(650,000)</b>
<b>Contribution from Woking BC*</b>	(96,140)	0	<b>(96,140)</b>
<b>The Basingstoke Canal Society*</b>	(12,000)	0	<b>(12,000)</b>
<b>Expenditure</b>			
Bank Works	136,500	85,800	<b>222,300</b>
Water Management	30,106	17,600	<b>47,706</b>
Equipment	0	0	<b>0</b>
Canal Structure	431,185	319,000	<b>750,185</b>
Contingency	26,672	57,600	<b>84,272</b>
<b>Total cost of planned starts 2018/19</b>	<b>624,463</b>	<b>480,000</b>	<b>1,104,463</b>
<b>Balance as at 31<sup>st</sup> March 2019</b>	<b>(86,636)</b>	<b>(170,586)</b>	<b>(257,222)</b>
<b>Core Capital Contribution</b>	(150,000)	(500,000)	<b>(650,000)</b>
<b>Expenditure</b>			
Bank Works	0	275,000	<b>275,000</b>
Water Management	450	231,000	<b>231,450</b>
Equipment	70,000	70,000	<b>140,000</b>
Canal Structure	139,810	0	<b>139,810</b>
Contingency	9,855	79,500	<b>89,355</b>
<b>Total cost of planned starts 2019/20</b>	<b>220,115</b>	<b>655,500</b>	<b>875,615</b>
<b>Balance as at 31<sup>st</sup> March 2020</b>	<b>(16,521)</b>	<b>(15,086)</b>	<b>(31,607)</b>
<b>Core Capital Contribution</b>	(150,000)	(500,000)	<b>(650,000)</b>
<b>Expenditure</b>			
Bank Works	50,000	55,000	<b>105,000</b>
Water Management	5,686	302,500	<b>308,186</b>
Equipment	0	0	<b>0</b>
Canal Structure	95,810	93,500	<b>189,310</b>
Contingency	11,031	61,500	<b>72,531</b>
<b>Total cost of planned starts 2020/21</b>	<b>162,527</b>	<b>512,500</b>	<b>675,027</b>
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>(3,994)</b>	<b>(2,586)</b>	<b>(6,580)</b>

\* Contribution in relation to the Woking Town Wharf