



House of Commons
Environment, Food and Rural
Affairs Committee

**British Waterways:
follow-up: Government
Response to the
Committee's Eighth
Report of Session
2007–08**

**Fourth Special Report of Session
2007–08**

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Environment, Food and Rural Affairs Committee

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The current staff of the Committee are Chris Stanton (Clerk), Nerys Welfoot (Second Clerk), Sarah Coe (Committee Specialist—Environment), Marek Kubala and Joanna Dodd (Inquiry Managers), Andy Boyd and Briony Potts (Committee Assistants) and Mandy Sullivan (Secretary).

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Fourth Special Report

The Environment, Food and Rural Affairs Committee reported to the House on *British Waterways: follow-up* in its Eighth Report of Session 2007–08, published on 1 July 2008 as HC 438. The Government's response to the Report was received on 4 August 2008. The letter to the Chairman of the Committee from the then Minister for Marine, Landscape and Rural Affairs is referred to in the response and is appended to it.

Government response

Introduction

The Government welcomes the recognition in the report of the positive relations between Defra and British Waterways and the greater clarity about Defra's priorities and BW's autonomy to manage itself. We are pleased that the report acknowledges that in the circumstances the 2008/09 CSR settlement of £56.6 million was an acceptable one that reflects Defra's commitment to the waterways and recognition of the value of maintaining the integrity of the canal network for delivery of a wide range of public benefits.

Defra and BW are committed to developing and strengthening this partnership, working together to secure the continued and sustainable revival of the waterways and their contribution to the wealth, health and wellbeing of communities across the country. To this end, the following is a joint response on behalf of both the Government and BW to the Committee's report.

We will continue to progress points raised by the Committee through the Inter Departmental Working Group on Inland Waterways chaired by Jonathan Shaw.

Please also note that we have taken mention of waterways within this report to refer to those owned and operated by British Waterways in England and Wales.

Response to the Committee's conclusions and recommendations

Defra's priorities for BW

1. We welcome the improved relationship between Defra and British Waterways since our Report in 2007. Their commitment to improved communication is very helpful, as is the greater clarity about Defra's priorities for the network and the extent of BW's autonomy to manage itself. (Paragraph 22)

Government response

The Government and British Waterways are grateful for these comments which recognise the progress made since the last EFRA report on British Waterways. The Government welcomes acknowledgement of the usefulness of the Strategic Steer to BW.

Interdepartmental Working Group

2. We welcome the formation of the Interdepartmental Working Group, and expect Defra to ensure that other Departments send appropriately high level representatives to its meetings. We look forward to receiving a report from Defra on its work and achievements before Parliament rises for the summer recess. (Paragraph 26)

Government response

Jonathan Shaw's letter of 17 July to Michael Jack refers.

British Waterways' budget for 2008–09

3. BW's grant under the CSR settlement is not enough to prevent continued underspending on its major works programme, but the CSR round was a tight one. In the circumstances a "flat cash" settlement for BW is acceptable. However, given the gains that have already been made in improving the condition of the canal network, Defra and BW should now jointly produce a strategy indicating how the improvements will be sustained against a background where current property market trends will make it more difficult for BW fully to realise its income potential from waterside developments. (Paragraph 34)

Government response

The Government is committed to continuing to work closely with BW to ensure the sustainability of our inland waterways. Later in 2008 BW will undertake a public consultation on its long term business strategy. Working with customers and stakeholders, the consultation will consider BW's priorities as well as alternative funding mechanisms. Officials will engage closely with the review and the strategy emerging will be subject to wide ranging consultation and agreement by Ministers.

British Waterways Status Options review

4. We are unconvinced by the need for BW to spend up to £600,000 on a report by consultants on its future structure when it is by its own admission short of money. We find it hard to believe that analytical capability does not exist within BW, Defra or other public sector organisations that could have conducted this study at lower cost to public funds. BW should now explain why it was necessary to spend money of this order at a time when it was facing significant pressure on its finances sufficient for it to withdraw its support for the Cotswold Canals project. (Paragraph 41)

Government response

BW, with the backing of Defra, commissioned an external review to see whether a change to its institutional status could provide a better long term financial framework for the waterways. BW commissioned the review (which cost £350,000 not £600,000) before the decision to withdraw from the Cotswolds Canal Project. At a time of potentially increasing

costs and declining income it makes good sense to invest in researching opportunities for alternative structures which might better secure the financial sustainability of the waterways.

Our (EFRA Committee) views

5. Defra, in cooperation with British Waterways and other interested government departments and public bodies, should develop a transparent mechanism to score and prioritise public investment in canal restoration according to the external benefits that such spending would create, and should agree principles as to how the financial risks of such projects should be borne. (Paragraph 65)

Government response

Government does not agree with the first part of this recommendation. Decisions on restoration projects are best taken at a local/regional level, not least because funding has to be raised at the local/regional level. It is right that local organisations should be responsible for making such decisions and for putting in place the necessary partnership working arrangements to ensure the projects' success over what can be a very lengthy period. Involving central government and a potential new tier of bureaucracy to the process to achieve a national framework would not therefore be appropriate or practical. However we agree that further consideration should be given to how financial risks are borne and this will be discussed in the Interdepartmental Working Group.

BW investment in restoration projects is a matter for the BW Board because it is their job to manage risk and to balance their books. BW has provided the Committee with a report on how they prioritise their contribution to such projects and how financial risks are borne. Under the Defra Deal with BW, Defra has agreed not to seek to micromanage British Waterways and the British Waterways Board has agreed to manage risk and be accountable for its decisions.

We note that Stroud District Council has now stepped in as the lead partner for the Cotswolds Canal project given its importance to the local community, which in our view is entirely appropriate.

6. BW should also reappraise the implications for its long term financial strategy of constraining its enthusiasm for restoration projects. Such ventures can provide BW with new income streams when canalside developments on BW land are associated with such projects. It is likely that BW will need increasingly to rely on income from canalside developments in the future. A reduction in restoration projects involving BW may therefore in the long term adversely affect BW's move towards achieving an even greater degree of financial self-sufficiency. (Paragraph 66)

Government response

Unlike regeneration projects adjacent to the existing network restoration projects rarely produce new income streams and usually impose additional costs on BW. Most of the regeneration activity in which BW is involved is on its existing network where it does own some land. The organisation rarely owns land adjacent to canal restoration projects and the

regeneration benefits of these schemes tend, as the Committee points out, to go to local communities and councils not to BW. Nevertheless BW has not constrained its enthusiasm for restoration and remains committed and engaged in a number of projects across the country. BW will consider future restoration project proposals on a case by case basis balancing Defra's strategic priorities of maintaining the existing network, achieving greater self sufficiency and delivering additional public benefits. BW's strategic review referred to at 3 above will also consider how BW can move closer to financial self-sufficiency.

BW's decision to withdraw from the Cotswold Canals Partnership

7. BW should have consulted earlier with its partners to enable them to consider whether alternative funding could have been put in place before BW's withdrawal from the project was put into the public domain. (Paragraph 67)

Government response

BW notes the Committee's comments but feels that there was no single ideal way to break such difficult news to stakeholders, considering these included its own staff employed on the project whom it believed had to hear the news first. All the project partners were fully aware of the funding pressures on the project particularly following a partnership funding issues meeting in July 2007. BW had led the partnership in seeking alternative funding. There was no reason to believe at the time BW announced its withdrawal from the project that alternative funding might have been secured through further consultation.

Department for Environment, Food and Rural Affairs

July 2008

Appendix

Letter from the Minister for Marine, Landscape and Rural Affairs to the Chairman of the Committee, 17 July 2008

Environment, Food and Rural Affairs Committee Report—‘British Waterways: Follow-up’

I am grateful for the EFRA Committee Report ‘British Waterways: Follow-up’.

We will be providing the Committee with a formal Government response to the Report but in the meantime I welcome the acknowledgement of progress, notably in the work we have done with British Waterways to improve relationships, the benefit of having set out policy guidance to BW through the Strategic Steer and the allocation to BW following the CSR settlement which was seen as acceptable in the present financial climate.

This letter addresses the request in the Report for a note before the summer recess on the work and achievements of the Inter-Departmental Working Group on Inland Waterways (IDG) which the department set up last year.

The membership of the IDG comprises senior representatives from the Department for Communities and Local Government, Department for Transport, Department for Children, Schools and Families, Department of Health, Department for Culture, Media and Sport, Department for Business, Enterprise and Regulatory Reform, Wales Assembly Government, British Waterways, the Environment Agency, the Association of Inland Navigation Authorities and the Inland Waterways Advisory Council. (The Local Government Association has also been invited to be a member.)

As the Committee Report notes, the IDG met for the first time on 7 December 2007. It was a productive meeting under the Chairmanship of Robin Mortimer, a Director in this Department. The IDG agreed its Terms of Reference; namely

To provide a focal point for

- More effective cross government co-ordination on inland waterways matters.
- A fuller understanding and recognition of the contribution that the inland waterways can make to government policies for climate change, environmental improvement, public health, recreation, regeneration, heritage, planning, transport and community cohesion.
- Discussion on proposed research into the social and economic value of the waterways and undertake a refresh of government policy for the waterways.
- Discussion on key strategic issues.

Agreement was reached that the IDG should meet 3–4 times a year.

The initial meeting provided an opportunity for Departments and navigation authorities to discuss the potential contribution of inland waterways to achieving cross Government

objectives within PSA targets. There was discussion about the scope of a proposed research project into the social and economic benefits of inland waterways. The IDG meeting prompted the setting up of a Programme Board and Project Team to manage the project which has new Defra funding for 2008/09 and 2009/10. Finally, the IDG discussed how the review of Waterways for Tomorrow, recommended by the EFRA Committee, should be taken forward. Some IDG members subsequently helped to develop draft Terms of Reference for the review for agreement at the Working Group's next meeting.

The IDG met for a second time on 18 June 2008 under my Chairmanship (and given the importance the Government attaches to it, I intend to Chair further meetings). This was again a productive meeting. There was detailed discussion about the planning system and inland waterways and this provided an opportunity for British Waterways to discuss with DCLG elements of proposed changes including a new Community Infrastructure Levy (CIL) and revisions to a number of Planning Policy Statements. CLG reported that they were examining responses to their consultation on new Planning Policy Statement 4 on economic development, and that they would aim to take into account British Waterways' views in preparing a final document. In relation to the CIL, CLG advised that the Planning Bill contained provision to allow CIL proceeds to be spent on recreational and transport facilities to support the development of a local area. While it would be for local authorities to decide how to spend CIL funds, this did hold out the possibility that waterways would be a beneficiary.

The IDG agreed that it would be useful for the navigation bodies to engage more effectively with Chief Executives and other senior staff in the RDAs on the contribution inland waterways can and do make to regional economic policies. My officials will consider how central Government can best help secure effective engagement with RDAs and this will be on the agenda of the next meeting, possibly with RDA and/or Government Office presence.

The IDG then considered a report from DfT about the freight potential of inland waterways. DfT Ministers had decided that given the role of the IDG it was appropriate to allow it the chance to discuss the report and to make comments prior to its publication. The report mapped waterways with the greatest potential for freight use, either in their current condition or with minor infrastructure improvements. DfT explained that inland waterways with the greatest potential were generally those related to the larger estuaries. There were other inland waterways with local more specialised potential and these were generally those with longer lock free sections. While the IDG welcomed the report, the meeting provided the opportunity for DfT to address concerns from navigation authorities that they might be placed under undue pressure by private sector operators to make infrastructure improvements and provide additional expenditure to maintain waterways for freight use where this could not be justified. DfT explained that developing opportunities for freight was a matter for the commercial market, though facilities grants were available to support the development of freight infrastructure on inland waterways where a promoter can prove there is a financial need and a quantifiable environmental benefit. The DfT report has now been published.

There was a very useful discussion about proposed Terms of Reference for the review of Waterways for Tomorrow. The IDG agreed that the outcome of the review had to be realistic in acknowledging what was possible within the constraints of current policy

priorities and funding availability centrally and locally. As a result of comments from the IDG I agreed that an updated document should be produced if possible rather than just a supplement to WfT as originally envisaged. This will mean a more thorough review but I remain hopeful that it can be concluded early in the new year. Members of the IDG will continue to be closely involved as work on the review goes forward and the IDG will consider the outcome in due course.

Finally, the IDG considered the detailed project specification for the research project on the social and economic benefits of inland waterways. A number of useful comments were made which will be used to refine the specification before it is put out to tender shortly.

We are planning for the next meeting to take place in early/mid November. Agenda items are likely to include engagement with RDAs, given the benefits of the waterways are felt most regionally and locally; the waterways aspects of heritage; and the opportunities inland waterways can offer in helping to achieve sustainable recreation and improved public health.

In conclusion, I believe that the IDG will make a strong contribution to cross Government understanding of the benefits inland waterways can bring in helping achieve public service agreement objectives. Ensuring the IDG delivers tangible gain for the waterways will of course be challenging given Departments' need to focus resources on their specific policy objectives. But I have been impressed with the constructive approach they have demonstrated so far and the commitment to delivering a refreshed and realistic Waterways for Tomorrow that will again raise the profile of the waterways and demonstrate the cross Government value of continuing to ensure they thrive.

Jonathan Shaw MP, Minister for Marine, Landscape and Rural Affairs
Department for Environment, Food and Rural Affairs

17 July 2008