

31 January 2012

Defra/Canal and River Trust (CRT) grant agreement summary

The Government has reached agreement with the CRT Trustees on the long-term funding of the new charity until 2027. It is a good deal for the charity, taxpayers, waterways users and wider stakeholders.

The funding amounts to around £800m over the 15 year term of the agreement.

The Government has already announced that the £460m commercial property portfolio historically built up from surplus network property and used by British Waterways to fund the network infrastructure will be transferred to CRT for the same purposes, along with the rest of the network.

The Government is providing a one-off grant of £25m across 2011/12 and the early months of 2012/13.

Government has agreed a last resort guarantee in relation to the historic public sector pension liabilities.

The Government believes that moving the functions and assets of British Waterways in England and Wales to civil society through the creation of CRT will further liberate the potential of the waterways to provide benefits for the public, as well as offering waterways users the opportunity to play a role in their governance and bring their passion and expertise to the waterways.

Breakdown of the Funding agreement

Grant Funding: The overall value of the agreement is c. £800m, broken down into **five constituent parts** – core grant, conditional grant, pensions, one-off grant and national loan fund repayment:

- **First**, the **core grant** of £39m per year (index-linked to inflation from 2015/16 onwards).
- For years 2013/14 and 2014/15, £3m of this core annual funding will be treated as a conditional grant, subject to the conditions explained below.
- **Secondly**, the **conditional grant of £10m p.a., from 2015/16 to 2021/22 and not index linked**. The conditional grant is tied to the three performance measures which are set out in the box below (CRT must avoid reaching or crossing the threshold in each case):

Standards	Warning Threshold	Breach Threshold
Safe Waterways: CRT will try to keep the percentage of their principal assets in the least good condition (category D and E assets) as low as possible, and in any case below the thresholds opposite)	23% in Classes D & E	25% in Classes D & E
Towpath condition: CRT will try to keep the percentage of their towpaths in good condition (categories A-C) above the thresholds opposite)	60% in condition A-C	50% in condition A-C
Flood management: CRT will try to keep the percentage of principal culverts and embankments in class D and E, breach of which would cause more than £2m in damages, as low as possible, and in any case below the thresholds opposite	4% in Classes D & E	7% in Classes D & E

The conditional grant will go down in the last five years as the core grant goes up with inflation.

A review will take place in 2021/22 examining the public benefit case for Government funding beyond 2026/27.

The third element of the funding deal is pensions:

CRT will become the principal employer of the BW pension fund on the day that CRT is vested. Broadly speaking, CRT will thus inherit the liabilities and duties previously held by BW. A re-evaluation in March 2010 put the pension fund deficit at about £65m. It was agreed that the repayment of the deficit would take place over a 20 year period. Now agreement has been reached on the following points:

- The government has agreed to offer a “last resort” guarantee of the pension fund.
- The guarantee covers the historic public sector pension liabilities within the pension scheme.

- It is capped at **£125m** for a **19 year** period, at the end of which CRT plan to have repaid the pensions deficit in its entirety.
- The guarantee would only pay out once all of CRTs assets had been exhausted (i.e. the charity has become insolvent).

The fourth element is a one-off payment of £25m grant in aid spread across 2011/12 and the early months of 2012/13

The fifth element of the funding deal relates to the National Loan Fund penalty repayment:

Defra shall make a one-off payment on or before the end of the 2011/12 financial year to the British Waterways Board, to enable it to repay its National Loan Fund debts to HM Treasury, which the parties understand to be approximately **£6.2m**,

In addition to the five elements of the funding package, there are two further components to the agreement reached between Defra and CRT: agreements on public reporting and on policy provisions:

Public Reporting: CRT has committed to a public reporting strategy. This will include making available to stakeholders and the public: the Network Stewardship Score, localism strategies for each of the Waterways Partnerships, data on SSSIs, data on heritage sites, data on housing forecast figures, data on volunteer participation, data relating to safety, and data relating to towpaths.

Furthermore, CRT will maintain an information regime that mirrors the provisions of the Environmental Information Regulations and, subject to Parliamentary consent; CRT will have obligations under the Freedom of Information Act in relation to its statutory functions.

In addition to public reporting Defra and CRT agreed to the following policy provisions:

- It has been agreed that in interpreting its dredging obligations under the Transport Act 1968, CRT will have regard to use and prospects of use.
- CRT will publish a policy on access for pedestrians and other users, such as cyclists.
- CRT will ensure that its Waterways Partnerships put in place localism strategies which will commit the Partnerships to working with a range of locally based partners throughout the area covered.

Maintaining the condition of principal assets

The funding agreement will enable CRT to maintain principal assets in a satisfactory condition. Under the funding agreement CRT must maintain principal assets so that those in condition D&E do not rise above 23 %. If the number rises to 23% or more the sanctions which apply to the conditional element of the grant are triggered.

The requirement for CRT to ensure that D&E assets do not rise above 23% is consistent with the target set for British Waterways in recent years.