

4.3 The Case for Investment

See technical note Table 1 for further guidance.

4.3a Please provide evidence of the local challenges/barriers to growth and context that the bid is seeking to respond to. (Limit 500 words)

Regional Economic Challenges in Context:

Powys County Council has undertaken extensive research which has identified the challenges and needs of the project locality.

The impact of Covid 19:

- The impact on the Powys economy is still being realised and has already had a major impact on productivity and a doubling of unemployment.
- Significant impact on hospitality and tourism sector with 60% reduction in tourism economy 2020/21 compared to 2019
- Total visitor days and staying days are down 61% and 60% compared to 2019
- Total visitor numbers down 63% with a decline in staying visitors of 60.5% and day visitors 64.6% compared to 2019

Deep rural isolation means residents are:

- Facing much higher basic living costs leading to high levels of poverty
- Less able to access public services increasing deprivation
- Poor public transport networks creating heavy dependency on personal motor transport, resulting in significant reduction in disposable income.
- Substantially longer travel distances for work and essential travel.
- Limiting access to leisure for those in transport poverty.

Hospitality and tourism businesses face constraints fueled by:

- Transport and infrastructure that can limit business growth and productivity and create long travel distances discouraging tourism.
- A static economy with limited productivity (the county is in the lowest 25% of UK administrative areas for GVA per head of population).
- Heavy reliance on part-time workers with multiple jobs, and seasonality of the hospitality sector
- Ageing population with 16% decline in the working age population and 37% increase in the 65+ age group to 2039.

Local Challenges – Newtown and Welshpool.

Newtown and Welshpool are key industrial centres for Powys, several large businesses as well as a large proportion of the county's medium sized businesses

are found in this locality along with a large proportion of the country's working population. Montgomery is the tourist destination of choice within the county compared with Breconshire and Radnorshire due in part to its accessibility and proximity to urbanised localities, access to the coast, and Snowdonia national park.

The local issues faced by these towns include:

- Limited retail choice resulting in residents and tourists travelling out of county to neighbouring retail parks in Chester and Shrewsbury. Lack of competition decreases visitor spend per head in county. Visitor survey suggests a missed opportunity with shopping rated high with 28% of respondents
- The need for better marketing and promotion of the tourism offer in towns and local area to turn day visitors into stay visitors
- Need to improve the urban environment within the towns.
- Claimant count in the project locality is the highest in Powys, Newtown and Welshpool have some of the highest levels of poverty in Powys as per Welsh Governments Welsh index of multiple deprivation
- Some Middle Layer Super Output Areas in North Central Powys have relatively low rates of life expectancy for males compared with Powys as a whole. The lowest levels of life expectancy are mostly concentrated within the Welshpool area. North East Powys has lower levels of participation in physical activity relative to elsewhere in Powys

4.3b Explain why Government investment is needed (what is the market failure)? (Limit 250 words)

Powys is one of the most remote, rural counties in the UK. Its economy has significant challenges, market failure is prevalent, underlying structural economic weaknesses following decades of under-investment by the public sector has exacerbated market failure and structural decline. Whilst there have been encouraging signs of employment and business growth in key sectors across the region (construction, tourism, food & manufacturing), there remains a significant productivity challenge owing to the underlying structural weaknesses of the economy (comparatively narrow economic base, poor transport links, changing population demographic) that could continue to reinforce a cycle of decline unless addressed.

The area has significant opportunities both to strengthen existing economic sectors and stimulate economic drivers that will create growth and investment in regional businesses and the labour market. At a time when there is considerable economic uncertainty due to a range of externalities, it is crucial that all parts of Wales and the UK play their part in strengthening the economic resilience and productivity of their regional economies to build back better and greener.

Government investment in large scale infrastructure such as the Montgomery canal can unlock significant opportunity acting as a catalyst for rural regeneration, connecting communities, cultural heritage, and attractions along the canal corridor. Various case studies evidence how canal restoration can enact significant economic regeneration and business growth alongside improved community wellbeing and health benefits. Investment in the canal will support Powys to build back better post

covid whilst levelling up the hidden potential of rural communities historically overlooked in favour of urban localities.

4.3c Please set out a clear explanation on what you are proposing to invest in and why the proposed interventions in the bid will address those challenges and barriers with evidence to support that explanation. As part of this, we would expect to understand the rationale for the location. (Limit 500 words)

Montgomery Canal Vision

Restoration of the historic Montgomeryshire Canal creating a regionally important asset and strategic visitor destination. Providing a flagship model and catalyst for sustainable rural regeneration with the canal at its heart, creating distinctive, accessible, prosperous, attractive and sustainable communities.

The Montgomery Canal underpins this vision with five core **investment objectives** aligned to our theory for change. These investment objectives encompass the types of changes we envisage for people and communities sought through the restoration of the canal.

Distinctive communities: Create community ownership, sense of place and landscape through renovation and enhancement of key historic built and natural heritage assets enhancing our cultural identity.

Accessible communities: Broaden Montgomery canal access to a wider audience for walking and outdoor recreation, creating active, resilient and cohesive communities that are happier and healthier.

Prosperous communities: Building resilient and prosperous communities connecting towns and waterways, restoring our built heritage, providing an attractive setting to stimulate economic development and regeneration.

Attractive communities: Development of a flagship nature-based tourism offer, raising the quality and perception of Powys and Mid Wales as a visitor destination, increasing visitor numbers and expenditure/income throughout the season.

Sustainable communities: Responsible action by all to conserve, and enhance wildlife through creation of new habitats, species and habitat management and local education and training, providing opportunities for local participation in conservation and natural resource management.

The Canal is uniquely placed to introduce economic and social benefit along a corridor through a dispersed population in a rural area with limited opportunities for development. The interventions deliver much of the works required to reopen navigation of the Montgomery Canal from the border at Llanymynech to Arddleen connecting to the 12 miles already restored either side of Welshpool.

Case studies of canal restorations elsewhere evidence significant economic impact. For example, restoration work to 7.5 miles of the Droitwich Canals 2008-2011 created a 21 mile cruising ring for boaters. The £13m investment is estimated to have created over 50 person years of temporary employment. By 2014 spending of

boaters was estimated to support 11 additional jobs. Pedestrian use increased, with an uplift of 19 – 32%. A quarter of towpath users were only visiting the area because of the canal. Users felt their experience had improved because of the restoration. Footfall to the town's Heritage Information Centre increased, and businesses located in the vicinity of the canal reported increased footfall and revenue from canal users.

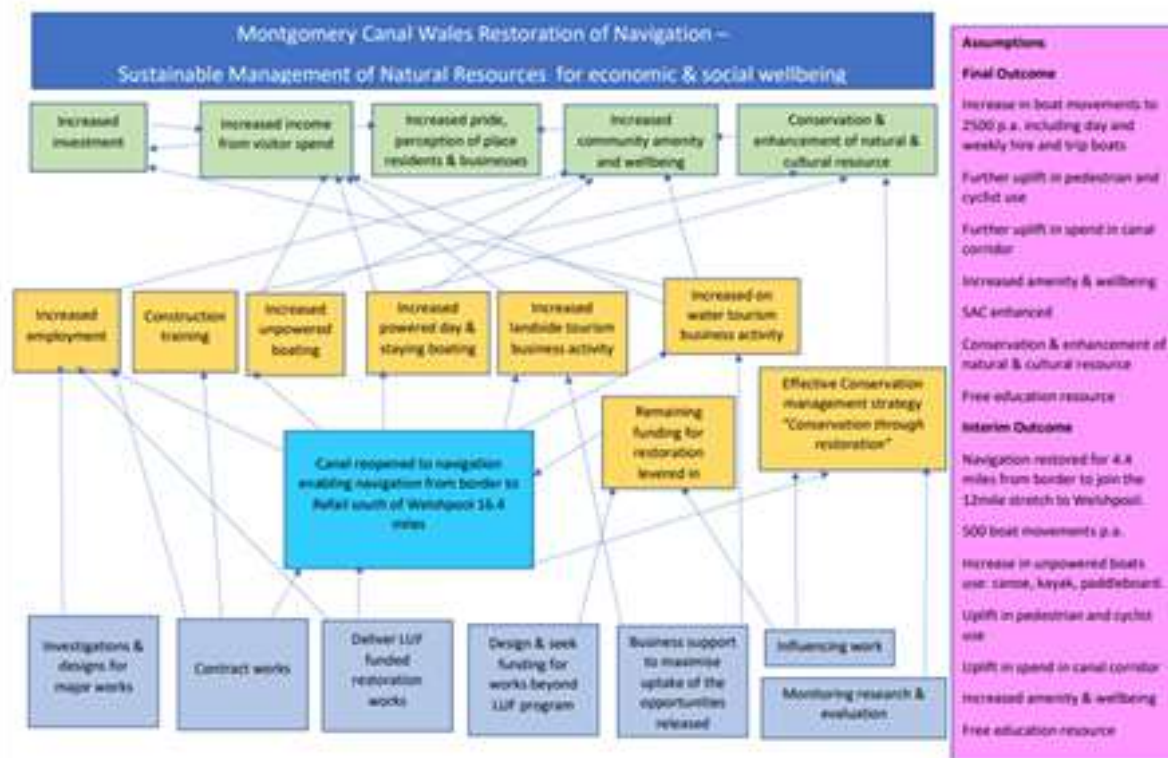
Social benefit will enhance green and blue space for residents in a deeply rural area. Although well served by public footpaths/ rights of way most are through farmed land presenting barriers to even those with mildly limited mobility: stiles, rough ground, steep slopes, difficult conditions in wet weather. The Canal towpath provides accessible and extensive recreation network accessible to those with mobility limitations, and confidence and perception barriers to enjoying wider countryside. The enhancements to navigation in the project provide increased amenity value and the bank protection works will support the towpath which in places threatens to collapse.

4.3d For Transport Bids: Have you provided an Option Assessment Report (OAR)

Yes

No

4.3e Please explain how you will deliver the outputs and confirm how results are likely to flow from the interventions. This should be demonstrated through a well-evidenced *Theory of Change*. Further guidance on producing a Theory of Change can be found within [HM Treasury's Magenta Book](#) (page 24, section 2.2.1) and [MHCLG's appraisal guidance](#). (Limit 500 words)



This is the Theory of Change for the complete restoration of navigation, for which this LUF proposal forms the major part, as described in 3b.

Process:

This ToC was developed through a review and synthesis of existing evidence to produce an outline ToC. This is largely derived from similar restoration projects elsewhere on the UK Canal Network. This was followed by an iterative process with the involvement of Canal and River Trust key staff and the chair of the Montgomery Canal Partnership, leading to changes.

Intended Impact:

The aim of the initiative to restore the canal to navigation and carry out supporting works so ensure the sustainable management of natural and heritage resources can bring economic and social wellbeing benefits to communities in the canal corridor.

Need & Context:

Need is to enhance economic and social wellbeing in rural north Powys. Context is the opportunity of the Canal corridor, providing a uniquely attractive resource in the local context with potential for the project to enable the link to UK wide canal-based tourism.

Outcomes leading to the impact:

Initial outcomes are increased employment and construction training associated with the works. Opening navigation is expected to increase unpowered on water activity (particularly canoeing and paddle boarding), powered boating (day and staying boats), water-based tourism activity and landside tourism activity. The wider outcomes expected from the project are, increased investment in local tourism business, increased income from visitor spend (tourism businesses and particularly retail), increased pride/perception of place by residents and businesses, increased community amenity and wellbeing, conservation and enhancement of the unique natural and cultural asset on which these are built.

Outputs:

- Canal reopened enabling navigation 16.4 miles border to Refail south of Welshpool
- Road crossings for the above
- New nature reserve creation as a condition for the above reopening
- Restoration of 2 key aqueducts- underpinning future navigation and heritage
- Welshpool Wharf enhancement for visitors and community

Working with others:

The restoration project is a partnership The Montgomery Canal Partnership with a number of partners including Powys County Council, Canal and River Trust, Montgomery Waterways Restoration Trust, NRW, Wildlife Trusts and others. And partner organisations on the English Canal section. All have a role to play in enabling success.

Timelines:

The majority of the works will be undertaken by March 2023 as part of this project. The outstanding works to reopen the navigation will be subject to further funding and it is hoped to complete this within a few years. The increase in on water activity will require the full navigation. From this the economic and wellbeing outcomes will follow rapidly.

Critical assumptions:

- The remaining outstanding work to reopen the navigation will be funded to be completed soon after the LUF works.
- These works will be attractive to funders offering the opportunity to support the restoration completion.
- The regulators give permission for increased boat movements as described in the Conservation Management Strategy.
- Canal based tourism and watersports continue to be popular and demand increases.
- Existing hospitality and small retail along the Canal corridor remain trading until restoration completes and increased visitor activity develops.

