

Report to the Cabinet

Meeting to be held on Thursday, 12 July 2018

Report of the Head of Highways Service

Part I

Electoral Division affected:
Preston City;

Preston Riversway and Broadgate Flood Risk Management Scheme

(Appendix 'A' refers)

Contact for further information:

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Executive Summary

A flood protection scheme is required to maintain flood defences along the River Ribble in Preston and South Ribble. Through Department of the Environment, Food and Rural Affairs Grant in Aid, the Environment Agency is able to fund the necessary works where they apply to people's homes but there is an identified shortfall in funding of around £15m. An opportunity has arisen to make a bid under European Regional Defence Funding PA5 Climate Change for flood defence work relating to the protection of businesses, which if successful would substantially reduce that shortfall.

Recommendation

Cabinet is asked to agree that:

- (i) The county council submits a bid to the Ministry of Housing, Communities and Local Government for £5.77m of European Regional Development Funding to enable progress with design and delivery of the flood risk management scheme shown in Appendix A and described in the report;
- (ii) The Director of Corporate Services be authorised to establish a legal agreement between the county council and the Environment Agency to ensure that all risks arising for the county council from the administration of the grant be minimised and managed responsibly; and
- (iii) The Director of Corporate Services be authorised to establish a legal agreement between the county council and the Ministry of Housing, Communities and Local Government to ensure that the administration of the grant will meet all European Union, national government and county council requirements for audit and accountability.

Background and Advice

Several areas of Preston and South Ribble developed along the banks of the River Ribble are currently protected by flood defences. The Environment Agency identifies that these defences, which provide protection to both residential and business areas, are in need of substantial upgrading at a total estimated cost of around £40m (subject to further detailed design).

Through Department of the Environment, Food and Rural Affairs Grant in Aid the Environment Agency is able to fund the necessary works where they apply to homes but there is currently an identified funding shortfall of around £15m. An opportunity has arisen in the current financial year to make a bid under European Regional Defence Funding PA5 Climate Change for flood defence work relating to the protection of businesses which if successful would substantially reduce that shortfall.

The overall flood protection project can be phased so that an initial element of the project can be delivered to protect the Riversway and Broadgate areas of Preston. This phase 1 scheme is estimated to cost in the region of £10m with a European Regional Defence Funding PA5 Climate Change bid, if successful, contributing £5.77m with the remaining scheme costs being met from the Grant in Aid and a contribution from the local flood levy.

An initial outline bid for the European Regional Defence Funding was made to the Ministry of Housing, Communities and Local Government in January 2018. This was found acceptable and an allocation of £5.77m has been identified for the Phase 1 project subject to the success of a full submission.

Officers have worked to identify the risks of a successful submission for these funds and to identify how they might be managed responsibly. These risks are set out in the Risk Management sections below.

Whilst still progressing the detailed designs for the Riversway and Broadgate phase of the project, the Environment Agency is committed to assisting in the preparation of the detailed submission and has already secured £50k funding to support a consultant.

Environment Agency project commitments include:

- responsible procurement of expertise and materials including early contractor engagement in the design of the first phase of the works;
- taking account of the implications of climate change on future sea levels and rainfall in scheme modelling work;
- early and effective engagement with communities impacted by the scheme to enable meaningful dialogue over community assets, project management (for example compounds, deliveries, operatives parking);
- early and effective engagement with other authorities who can aid delivery of the project including Preston City Council, South Ribble Borough Council, Lancashire County Council and United Utilities plc.; and
- robust appraisal of project delivery options to ensure that all audit requirements for financial and project management can be adhered to.

The county council now needs to decide whether to make a detailed submission in June 2018 to meet the Ministry of Housing, Communities and Local Government timescales for administering the European Regional Defence Funding within European Union timescales.

Consultations

A programme of community consultation on the Riversway and Broadgate project is currently underway, led by the Environment Agency and supported by Preston City Council, United Utilities plc and the county council through the Flood Risk Management service.

The Preston, South Ribble and Lancashire City Deal Executive and Stewardship Board and the Infrastructure Delivery Steering Group have received a presentation on the project and have noted its importance.

Implications:

This item has the following implications, as indicated:

Risk management

Legal – The council is required by the Flood and Water Management Act 2010 Section 13(1) to co-operate with other relevant authorities in the exercise of their flood and coastal erosion risk management functions. The Local Flood Risk Management Strategy commits the council to:

- Encourage beneficiaries to invest in local flood risk management; and
- Deliver flood risk management through effective partnership working

It is therefore appropriate for the council to make a grant funding bid such as that identified in the report, and to engage with the related activities.

A successful bid for the European Regional Defence funds would make the council the Accountable Body, responsible for administering the funds, including administration of claims from and payments to the Environment Agency in their role as Delivery Partner. An agreement with Ministry of Housing, Communities and Local Government would be required to manage this relationship, and Ministry of Housing, Communities and Local Government officers have stated that they will issue a standard form of agreement in due course.

A parallel partnership agreement (a Service Level Agreement) with the Environment Agency is proposed as an appropriate mechanism for identifying and managing the project risks where they may impact on the council's role of responsible body for the administration of the funds. Work has already commenced on preparing an appropriate partnership agreement. The partnership agreement shall contain appropriate indemnities on the part of the Environment Agency protecting the council's position in the event of default by the Environment Agency in its project delivery obligations.

Governance of the project should include representation from all relevant authorities and key partners in project delivery. A prospective project board has been identified and has held a preparatory meeting during 2017; a further programme of meetings is being prepared subject to a successful bid. Detailed management cells (covering project design and delivery, finance, planning processes, communications and technical advisors) have also been identified and early meetings have been held (or will shortly be held) for each key area of activity.

Financial – the council faces various financial risks through making the bid, in particular that of ensuring cash flow between Ministry of Housing, Communities and Local Government and the Environment Agency (which will be paying the contractor for works) and of managing any potential overspend on the European Regional Defence Funds element of the funding structure.

There are financial penalties associated with any failure to perform in regard to the Accountable Body role including submitting claims within a pre-agreed timetable, and maintaining records for future audit purposes.

These will be managed through the two key agreements identified in the recommendations. The Agreement with Ministry of Housing, Communities and Local Government will establish acceptable claim cycles to ensure smooth cash flow. The Agreement with the Environment Agency will transfer risks of overspending on the European Regional Defence Funding grant from the county council to the Environment Agency and will support the smoothing of cash flow.

Further management controls will be provided by ensuring that sufficient appropriate and experienced staff resources are made available to contribute to the project board and technical governance cells.

Experienced officers will be engaged in managing the accounts and audit role, and costs booked to the project.

In addition a project manager will be engaged to ensure the council's interests are protected at each step of the project, with costs paid by the project.

Incidental support to the project from other officers should be seen as part of their business as normal so not appropriate for recharge to the project's costs. These can be taken as a 'contribution in kind' to support the efficient working of the grant funding procedures.

There is no financial risk to the county council for supporting the project through capital funding and the risk of financial penalties will be mitigated by use of experienced officers, and the engagement of a dedicated project manager.

The county council faces a different set of risks if the project is not pursued. As well as a very genuine impact from flooding on affected businesses, community organisations and households, the impact on council services of a flooding event in Riversway and Broadgate would include emergency planning and resilience, adult

and children's services, education, economic development, highways and communications.

Flood Risk Management - 192 homes and businesses were flooded in the wider project area on Boxing Day 2015, estimated to be a 1:40 year event in the Preston area (2.5% chance of occurring every year). This was a 'near miss' event for other properties and businesses as the event only just failed to coincide with high tides, which would have generated significantly worse impacts in the affected area.

The Environment Agency's overall scheme for Preston and South Ribble will secure or directly improve the protection of over 2700 residential properties and over 600 commercial properties by raising existing defences and building new defences where these are needed to protect property and key infrastructure.

Making this bid for European Regional Defence funds towards the Riversway and Broadgate phase of works is an essential step in delivering this protection and securing additional funds to help deliver the overall project to provide better protection along the River Ribble as far inland as Samlesbury. A successful bid for £5.77m from the European Regional Defence Funding would enable up to £4.23m (total scheme cost £10m) to be secured from a combination of Grant in Aid and Local Levy. This supporting funding will only be available if the European Regional Defence Funding contribution is secured.

List of Background Papers

| Paper | Date | Contact/Tel |
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| Head of Highways Service decision - Preston Riversway and Broadgate Flood Risk Management Scheme - bid for European Regional Defence Fund Grant | 26 January 2018 | Rachel Crompton, Flood Risk Manager 01772-530150 |

Reason for inclusion in Part II, if appropriate

N/A