



**Author/Lead Officer of Report:** James Fletcher

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**Report of:** Laraine Manley, Executive Director of Place

**Report to:** Julie Dore, Leader of the Council

**Date of Decision:**

**Subject:** **Upper Don Valley Flood Protection Scheme  
Phase 1 – Allocation of Corporate Investment  
Fund Contributions**

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input checked="" type="checkbox"/>	
- Affects 2 or more Wards	<input checked="" type="checkbox"/>	

Which Cabinet Member Portfolio does this relate to?  
Environment, Streetscene and Climate Change

Which Scrutiny and Policy Development Committee does this relate to? Economic and Environmental Wellbeing

Has an Equality Impact Assessment (EIA) been undertaken? Yes  No

If YES, what EIA reference number has it been given? 513

Does the report contain confidential or exempt information? Yes  No

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

*"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."*

**Purpose of Report:**

To obtain approval to allocate Corporate Investment Fund contributions up to a maximum of £3.75 million to the Upper Don Valley Flood Protection Scheme Phase One. These funds will ensure that the scheme is within budget and enable the award of the construction operator contract. Once this is complete the scheme can progress to its detailed design and construction stage in February 2020. A decision to allocate these extra funds is needed to enable the scheme to proceed in line with a programmed timetable agreed with the Council's partner investors. This will ensure that the Council retains secured external partner funds amounting to £5.435 million to support delivery of the scheme.

**Recommendations:**

It is recommended that the Leader of the Council:

1. Approve the allocation of Corporate Investment Funds of up to a maximum of £3.75 million to the Upper Don Valley Flood Protection Scheme Phase 1 budget, to enable the scheme to proceed as outlined in this report.
2. Notes that officers will work to secure additional direct government funding, including further flood defence grant in aid, to reduce the allocation requested above.

**Background Papers:**

*(Insert details of any background papers used in the compilation of the report.)*

None

<b>Lead Officer to complete:-</b>		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Paul Schofield
		Legal: Nadine Sime
		Equalities: Annemarie Johnston
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	<b>EMT member who approved submission:</b>	Laraine Manley
3	<b>Cabinet Member consulted:</b>	Councillor Mark Jones
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
<b>Lead Officer Name:</b> James Fletcher		<b>Job Title:</b> Service Manager (Flood and Water)
<b>Date:</b> 29 <sup>th</sup> January 2020		

## **1. PROPOSAL**

- 1.1 The Council has tendered the design and construction of the Upper Don Valley Flood Protection (UDVFP) Scheme Phase 1 contract that aims to protect homes and vital manufacturing businesses in the Hillsborough and Owlerton districts of Sheffield from flooding from the River Loxley.
- 1.2 The proposed scheme involves building flood defence walls at various locations along the River Loxley from Holme Lane at Malin's Bridge to Penistone Road. Proposals also include enhancing the riverside setting and access to the river at 3 locations by creating public realm pocket parks – adjacent to the Malin Bridge Park and Ride site, at the Penistone Road/Bradfield Road intersection and at Livesey Street. The plan at Appendix 1 provides further details of scheme proposals.
- 1.3 The scheme design and build contract, originally estimated at £4m, was intended to be funded wholly from Sheffield City Region Infrastructure Funds (SCRIF) and Defra Flood Defence Grant In Aid (FDGiA). However, the scheme tender price is £7.75 million, which is £3.75 million higher than the original estimate. The original estimate of £4 million was approved via the capital approvals process and Cabinet in February and March 2019 respectively. The scheme cost has increased because site investigations have revealed more onerous ground conditions, requiring more sophisticated and expensive design solutions. In addition, several areas of “public realm” landscaped areas have been introduced to improve public accessibility and connectivity to the riverside.
- 1.4 The new proposal, since the project obtained approval via the capital approvals process, is to allocate Corporate Investment Funds (CIF) up to a maximum of £3.75 million to secure the extra funding needed to enable the scheme to progress and, following a competitive process, to award the contract to design and build the scheme to the contractor, NMCN.
- 1.5 In order to maximise the opportunity of retaining the full amount of the SCRIF contribution the scheme must proceed to design and construction by February 2020. Should the £3.75 million CIF not be made available then there would not be sufficient budget to allow the award of the design and build contract. Also the SCRIF money received to date by the Council (£866,103) would need to be repaid and the scheme would not be able to proceed as planned.
- 1.6 Securing sufficient budget and progression of the scheme will :
  - safeguard the secured external funds amounting to £5.435 million to support delivery of the scheme. If the project does not progress this funding will be lost.
  - ensure the continuation of good working relations between the Council and its strategic partners in the city’s flood protection field and with vital manufacturing businesses who will benefit from the scheme.

- demonstrate the Council's commitment to delivering the wider Sheffield flood protection capital programme of schemes thereby supporting external funding bids for future phases.

## **2. HOW DOES THIS DECISION CONTRIBUTE ?**

- 2.1 The scheme is part of the Cabinet approved Sheffield Capital Flood Programme which is vital to protecting homes, businesses, critical assets and growth in the city's major river valleys and making Sheffield resilient to increased flood risk brought about by climate change.
- 2.2 The UDVFP Phase 1 scheme will raise flood protection to a high standard in parts of Hillsborough and Owlerton benefitting 63 homes and 152 businesses, some of which recently experienced main river flooding to their property in November 2019.
- 2.3 As noted in section 1, the scheme is part financed by the Council's strategic partners and the decision to allocate Council funding to this phase shows a clear commitment that the Council places a high priority on delivering its objectives in this area. A decision that will help to support further bids for external funding for future schemes within the capital programme.

## **3. HAS THERE BEEN ANY CONSULTATION?**

- 3.1 The Council has engaged with its strategic partners, Sheffield City Region and the Environment Agency, in order to secure external funds to part finance the scheme.
- 3.2 The Council has developed the scheme proposals in consultation with key manufacturing businesses and landowners in the area benefitting from the scheme. Reaction to the scheme proposals within the local community has been overwhelmingly supportive.
- 3.3 Officers propose to undertake informal consultation with the local business community to determine whether there is support for private business contributions to the capital cost of the scheme.

## **4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

### **4.1 Equality of Opportunity Implications**

- 4.1.1 This scheme supports the Council's flood protection strategy for Sheffield that is being delivered together with the Environment Agency. It will have an overall positive impact on all social groups within the city with the highest benefit being for those groups most vulnerable to flooding. Government guidance outlines that those groups are: the elderly, disabled, long-term sick, financially deprived, single parents, children, BAME community and the homeless.

- 4.1.2 Engagement on scheme proposals has been taking place within the area and further engagement will be carried out with the Contractor prior to construction. This will cover engaging with vulnerable groups to determine any specific requirements.
- 4.1.3 Towards scheme completion, it is intended to engage with the local community on aspects such as emergency planning and river stewardship to lock in the benefits of the scheme.

#### **4.2 Financial Implications**

- 4.2.1 The post tender estimated scheme costs total £9.185 million. Details of these costs and the variances between the original and current forecast costs are shown in Table 1 below :

**Table 1**

	Original forecast costs (Outline design stage) £000	Current forecast costs (Tender stage) £000	Increase in costs £000
Original Design and build contract scope	4,000	4,000	-
Increased cost of design solutions due to challenging site conditions	0	3,064	3,064
Increased scope of "public realm" landscaped areas	0	686	686
Consultants fees	285	285	-
SCC staff costs	180	180	-
Survey costs	100	100	-
Contingency/risk allowance	870	870	-
Total Cost	5,435	9,185	3,750

- 4.2.2 As noted at 1.3, the estimated scheme cost has increased by c£3.1m because site investigations have revealed more onerous ground conditions, requiring more sophisticated and expensive design solutions. In addition, several areas of "public realm" landscaped areas have been introduced at an increased cost of c£0.7m to improve public accessibility and connectivity to the riverside.
- 4.2.3 The Council has secured external scheme funding from Sheffield City Region (£3.46 million) and Defra flood grant in aid (£1.975 million) totalling £5.435 million. The proposal is, therefore, to allocate £3.75 million of CIF to meet the revised costs and enable the design and build contract to proceed. This CIF allocation would ensure that the scheme retains the full amount of secured external funding.
- 4.2.4 The Council has entered into a contract with Sheffield City Region to deliver the scheme outputs by 31 October 2021 and has expended

£866,103 of SCRIF to date on scheme development consultant fees, surveys and ground investigation work. Should the scheme not progress to construction, then the Council would need to find funds to pay this expended sum back to the City Region.

- 4.2.5 Further funding may be secured to offset the CIF allocation. The Council has included the scheme within a South Yorkshire wide request to Central Government for capital flood defence investment following the November 2019 floods in the County. This request to Government is being co-ordinated by Sheffield City Region.
- 4.2.6 If approval is received to progress this project, the project team intends to work with the appointed contractor and consultants to explore ways in which the cost of the works may be reduced without reducing the standard of flood protection offered by the scheme.
- 4.2.7 The Council will benefit financially by improving the standard of flood protection within the scheme benefit area through the uplift in value of Council owned brownfield land. This benefit will be realised as and when the individual parcels of land come forward for development.
- 4.2.8 The current strategic commissioning exercise identified a potential ask for CIF of circa £11.5m for the next stages of the Sheffield's Flood Defence Programme. As this project was not originally envisaged as requiring support from the CIF it follows therefore that in approving these funds it will be necessary to make good the shortfall through one or a combination of the options below:
  1. Re prioritise items in the programme should these funds be granted;
  2. Defer projects to a later date to stay within the current funding. Funding may be found from subsequent allocation rounds or other sources; or
  3. Make compensating savings elsewhere in the scope or cost of other projects. Profiling of future elements of the programme may be required.
- 4.2.9 Future maintenance costs arising from this project will be dealt with in the following ways :
  - works within Highways assets will be the subject of commuted sums and will require managing within the Highways PFI budget
  - those "public realm" landscaped areas which are not Highways assets will be maintained by Parks service within its existing budget
  - the costs of maintaining the remaining assets will be met from a combination of Environment Agency funding, contributions from

private businesses and SCC Flood and Water Management revenue funding

#### 4.3 Legal Implications

- 4.3.1 Approvals for the scheme as a whole, including the original funding of £5.48m, have already been obtained via the Council's capital approvals process.
- 4.3.2 As noted at 1.5 and in the financial implications the decision to allocate the Council's Corporate Investment Fund to the scheme will enable construction to take place as programmed, ensuring that the Council complies with the conditions of the funding agreement it has already entered into with the Sheffield City Region, for funding in the sum of £3.46 million.
- 4.3.3 As detailed at 4.2.4, £866,103 of the SCRIF monies have already been received and spent by the Council. There are various clawback and repayment provisions detailed within the SCR funding agreement. Therefore should the Council not secure the extra £3.75 million needed to progress with the scheme, under the terms of the agreement, the Council would have to repay the money expended to date. Any sums due would also be subject to interest.
- 4.3.4 There would also be reputational damage to the Council in not progressing a scheme of this stature. SCR would also be less likely to agree to any future funding applications made by the Council for such schemes.

#### 4.4 Community Relations and Future Investment Implications

- 4.4.1 Together with Sheffield City Region and the Environment Agency, the Council issued a press release in 2018 indicating its intention to deliver phase 1 of the scheme. Should the Council not deliver the scheme, then its commitment to protecting Sheffield from flooding would be questioned at a time when communities in the city, including businesses located in the specific area protected by the scheme, have recently experienced main river flooding.
- 4.4.2 The recent flooding event demonstrated the considerable benefits of the city's newly built defences in protecting the lower Don Valley as far as Meadowhall. The decision to allocate funds to this further flood defence scheme would send a clear statement of the Council's commitment to support residents and improve the resilience and productivity of existing businesses.
- 4.4.3 This decision would also continue to show effective delivery to partner agencies and potential housing/commercial developers, paving the way for external investment in future capital schemes and supporting new development and growth within the city's major river valleys.

## **5. ALTERNATIVE OPTIONS CONSIDERED**

Do nothing and lose the funding secured/ spent to date:

- 5.1 The Council does not have a legal duty to reduce the risk of main river flooding within the city through investment in capital infrastructure and can choose not to allocate funds to the scheme; however the Corporate Plan outlines a clear intention to prioritise investment in this area and external partner investors including Central Government expect a suitable level of local financial commitment.
- 5.2 The project could be terminated at this stage. This would not deliver the proposed benefits to the homes and businesses in the area and the Council would incur financial penalties as follows :
  1. The Council would have to find funds to repay £866,103 of SCR funding already expended.
  2. The Council would lose £5.435 million of secured external scheme funding.

## **6. REASONS FOR RECOMMENDATIONS**

- 6.1 An allocation of CIF to the scheme in January 2020 combined with the start of the design and build contract in February 2020 will allow the scheme to proceed in line with the programmed timetable and ensure that the Council retains £5.46 million of external funding. This decision will ensure that the Council complies with its contract with Sheffield City Region to deliver the scheme outputs by 31<sup>st</sup> October 2021 and avoid penalties of :
  1. The Council would have to find funds to repay £866,103 of SCR funding already expended.
  2. The Council would lose £5.435 million of secured external scheme funding.

