

	<b>REPORT TO CABINET TO BE HELD ON 13 SEPTEMBER 2016</b>
<b>NOT FOR PUBLICATION – APPENDIX B of this report is not for publication because it contains exempt or confidential information relating to the financial and business affairs of any particular person (including the authority holding that information).</b>	<b>Key Decision</b> <b>NO</b>  <b>Forward Plan Ref No</b>
<b>Corporate Priority:</b>  <b>Developing safer and stronger communities</b>	<b>Cabinet Portfolio Holder</b> <b>Cllr. Mike Cockerill</b>

**REPORT OF CHIEF EXECUTIVE – 16/72**

**WARDS AFFECTED: ALL**

**SUBJECT: COAST AND FLOOD PROTECTION FINANCE STRATEGY**

**RECOMMENDATION (S):**

Cabinet is recommended to approve the Coast and Flood Protection Finance Strategy as set out in this report and use the Council's allocation of £3m to underwrite risk and make contributions to enable all of the Council's current coast and flood protection projects to proceed when matched with grants and contributions from other beneficiaries.

**REASON FOR RECOMMENDATION (S):**

To ensure continued funding and underwriting of essential coast and flood protection works.

**HIGHLIGHTED RISKS:**

- Projects could overspend, requiring further financial contributions ore reductions to the planned programmes of works.
- Projects may not proceed if other beneficiaries do not contribute.

## **1. INTRODUCTION**

- 1.1 At its meeting on 19 January 2016, Cabinet considered the Council's draft revenue and capital budget 2016/17 and endorsed it being re-presented to Full Council for approval in February. The budget contains provision for £3 million to be allocated towards a coast and flood protection budget
- 1.2 Council subsequently approved the budget at its meeting on 26 February 2016 (report ref 16/49 refers).
- 1.3 The coast and flood protection schemes identified within this report have all been previously identified by the Council as essential for the future wellbeing of the Borough. However the significant cost of the schemes means that without careful management of the available financial resource, the Council would need to delay or, at worst, fail to carry out, some or all of the schemes. Fortunately, officers have been able to identify a strategy to ensure delivery of all the schemes referred to through the prudent use of the coast and flood protection budget, supported by grant and beneficiary contributions.

## **2. CORPORATE AIMS/PRIORITIES AND THE COMMUNITY PLAN**

- 2.1 This report will support a number of the Council's Corporate Plan aims:

Aim 1: Developing a Safer Community  
Aim 2: Building a Prosperous Community  
Aim 3: Creating a Quality Environment

## **3. BACKGROUND AND ISSUES**

- 3.1 The Borough of Scarborough has a largely ageing coastal defence system, much of which is in poor condition and is subject to an aggressive wave climate. Furthermore the defences are backed by steep coastal slopes which show evidence of both instability and climatic denudation. These factors, together with environmental considerations of predicted climate change scenarios and sea level rise, focus the need for constant proactive attention in order to minimise the potential risks to public and private coastal assets in the Borough.
- 3.2 The Council has a Shoreline Management Plan and Coast Protection Strategies in place for the majority of its coastline which have all been adopted as policy by the Council :
  - Shoreline Management Plan 2, 2007
  - Runswick Bay Coastal Strategy, 2015
  - Whitby Coastal Strategy, 2012
  - Robin Hoods Bay Coastal Strategy, 2012
  - Scalby Ness Coastal Strategy, 2006
  - Scarborough Coastal Defence Strategy, 2009

- Cayton Bay Coastal Strategy, 2002
- Filey Bay Coastal Defence Strategy Study, 2002

- 3.4 However, when the majority of these Policies were adopted the system of funding coastal defence works was very different to that in place today. Members adopted these policies and prioritised projects in the knowledge that at that time any proposed works would be eligible for 100% grant aid provided by DEFRA under the Coast Protection Act 1949.
- 3.5 Now the funding regime for coastal protection measures has been cut back as part of the austerity measures and the funding landscape is very different. There have been significant changes to the way funding for Coast Protection works are secured, and Coast Protection schemes are no longer automatically attracting 100% central Government funding.
- 3.6 Under Defra's new "Partnership Approach" contributions from "beneficiaries" of schemes must be sought to supplement the Government funding available where the scheme has a low overall benefit. In reality this has meant that where the Council wishes to carry out flood or coastal protection works for the benefit of the Borough the Council has been required to provide funding as a beneficiary to each scheme, even though the Council may not have been the sole beneficiary to the scheme. Clearly at a time of financial austerity this requirement has led to a significant strain on the resources of the Council and real concerns about the deliverability of some of the schemes identified as priorities for the Council.
- 3.7 That being said, the option to do nothing, when the homes and livelihoods of the residents of the Borough are at risk, is not one that the Council wishes to take. Bearing this in mind, officers have worked to develop a strategy whereby the reduced resources of the Council can be best utilised, in common with support from other responsible bodies, to enable the successful delivery of the schemes identified within the SMP.

## **4. CONSULTATION**

- 4.1 Full public consultation has taken place in respect of each and every one of the above coastal strategies.
- 4.2 Consultation with elected members has also taken place through the Corporate Strategy and Finance Group and the Coast and Flood Protection Project Board.

## **5. ASSESSMENT**

- 5.1 At its meeting on 26 February 2016, Council approved a budget of £3 million to be allocated towards a coast and flood protection budget. Clearly the ongoing coast and flood protection challenges faced by the whole of the Borough require significant financial resource. However, officers have identified that by maximising the resources available from other partners with responsibilities for supporting flood and coast protection, together with prudent

- financial and project management, the budget should be sufficient to deliver all the schemes currently identified as priorities for the Borough.
- 5.2 As mentioned above, the Council has been faced with increasing pressure to find financial resources from its own budgets to fund essential coast and flood protection schemes which would hitherto have been funded by grant funding. Faced with this pressure, officers have identified means by which the Council's stretched resources can best be managed to ensure the delivery of those schemes. This has meant working with other partners and contractors.
- 5.3 The Council currently carries out coast protection works by virtue of its permissive powers under the Coast Protection Act 1949. To be clear, under this Act, the Council has the **ability** but not the **duty** to carry out coast protection works. This means that the Council, whilst mindful of any common law duties as a landowner, could simply not carry out the works identified within the SMP and associated schemes. However, as stated earlier in this report, the Council does not view this as an acceptable position and will continue to work towards delivery of those schemes.
- 5.4 The Flood and Water Management Act 2010 also gives the Council the powers to seek contributions from beneficiaries of schemes to enable the Council to raise the necessary finances to carry out coast protection schemes. This means that the Council has the right to request financial contributions from those persons whose properties will benefit from the completion of a particular scheme. The Council has already sought to use these powers in relation to the South Cliff Stabilisation Scheme in Scarborough and to support the coast protection works proposed in Runswick Bay and Robin Hoods Bay. The Council is grateful to those affected landowners who have contributed to these schemes. The Council will also be contacting beneficiaries of any future schemes to seek contributions.
- 5.5 Whilst acknowledging the ability of the Council to seek additional funding from affected residents and businesses, it is recognised that in reality, the Council is unlikely to secure substantial amounts of funding from ordinary homeowners and local businesses. However, where affected land is owned by other public sector partners and utilities providers, the funding opportunities are more likely to provide the support needed to fulfil the projects. Again an example of this support is shown by the contribution towards the contingency fund for the South Cliff Stabilisation project which has been put forward by North Yorkshire County Council as the joint local authority of the area and also the beneficiary highways authority. In addition, the County Council has additional responsibilities as a flood protection authority which can be used to support schemes to reduce flooding in the Borough, for example the Filey Flood Alleviation Scheme. Again, the Borough Council is under no duty to carry out flood protection schemes within the Borough and the primary responsibilities lies with North Yorkshire County Council as the lead local flood authority.
- 5.6 It is therefore the intention of officers to continue to seek ongoing financial support from public sector partners including North Yorkshire County Council to ensure that the Borough Council is not left alone in footing the bill for these

schemes which are so important for the wellbeing of the economy and also the residents of the Borough.

- 5.7 In order to bolster further the finances available for the Council to contribute, officers have also looked at ways in which the Council's contributions to projects can be safeguarded to ensure that they can wherever possible be recycled into future schemes. Members' attention is drawn in particular to the fact that the Council has agreed with the Environment Agency that the £1.877 million commitment from the Council to the South Cliff Slope Stabilisation Scheme is in relation to contingency only. Although at this stage, the monies are allocated from the agreed coast and flood protection budget, the Council's project team are hopeful that, at the least, the full extent of this contingency will not be required. This means that the monies will then become available to be reallocated to another coast/flood protection project as another scheme nears delivery.
- 5.8 The next scheme which is closest to delivery is the Filey Flood Alleviation Works. This scheme is expected to be approved this financial year. This £5.1 million project should attract an EA grant of £3.0m based on estimated benefits of £23.863 million and 167 properties protected. The project also attracts a contribution from the RFDC local levy of £1.7m, and a contribution has also been promised by Filey Town Council. In a similar context to the Scarborough Slope Stabilisation Project, £361k is required from the Council to be allocated towards underwriting risk. Again, upon completion of this scheme, it is anticipated that this contingency sum will be released to be recycled into the coast protection budget and consequently become available to fund another scheme. This scheme will be subject to further reports to Cabinet.
- 5.9 A key priority for this Council is the Whitby Piers Coast Protection Works. This £8.622 million project will attract an EA grant of £4.812 million based on benefits of £128.082 million and 497 properties protected. A £3.810 million total contribution is required towards the works. At this stage, final tenders for the scheme are being developed, and, as such, do not yet require the Council to confirm its full contribution. It is pleasing to report to members that the timing of the scheme means that the Council intends to utilise the contingency funding reallocated from current schemes to cover the delivery of the project. In addition as further financial security for the scheme, officers will request that North Yorkshire County Council consider the reallocation of any unused part of their contingency contribution towards the scheme and officers will be seeking the County Council's agreement to this principle shortly.
- 5.10 In addition to this funding and as further financial security for the scheme, the Council is submitting an application for grant aid to the Marine Maritime Organisation. An application has also been made for an allocation from £350m nationally that has recently been made available by the Government for flood protection. If successful, this contribution would significantly reduce the financial risk to the Council presented by this scheme.

- 5.11 A further project is the refurbishment of Robin Hoods Bay Sea Wall which is expected to be approved later this financial year. A £132k contribution towards the works is required. This £626k project attracts an EA grant of £444k based on benefits of £9,288k and 62 properties protected.
- 5.12 Therefore the funding profile for the Council's contributions for each of the projects is as shown in the table in Appendix B.
- 5.13 This strategy in itself, should deliver all of the coast and flood defence projects from within the agreed coast protection budget. However coast protection projects carry of a higher degree of risk and therefore to ensure delivery in all instances the Council will be pro-active in continuing to make requests to other beneficiaries to either share the risk or contribute financially to the projects to enable them to proceed as programmed. In some instances early contributions from beneficiaries could assist to accelerate certain projects.
- 5.14 The delivery of the Coast Protection Financial Strategy is predicated on recycling of contributions for delivery and officers and Members have established a Project Board who will put in place strong governance arrangements to ensure good project management and project assurance over financial arrangements and risk monitoring.

## **6. IMPLICATIONS**

### **(a) Policy**

- 6.1 There are no policy implications as a result of this report.

### **(b) Financial**

- 6.2 There are no financial implications as a result of this report.
- 6.3 The decisions arising from this report set out a strategy for how the Council's budget of £3m will be allocated and managed. It is anticipated that the £3m budget, when it is required, will be funded from the additional borrowing factored into the Council's budget in 2017/18 and future capital receipts.

### **(c) Risk**

- 6.4 The risks are as set out in Appendix A.

### **(d) Legal**

- 6.5 There are no legal implications as a result of this report..

### **(e) Others**

- 6.6 I have considered whether the following implications arise from this report and am satisfied that there is no identified adverse implications that will arise from this decision.

Environmental  
Equalities and Diversity  
Staffing  
Planning  
Crime and Disorder  
Health and Safety



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**Background Papers:**

Please give details of all publicly accessible (non private) background papers applicable to the report.

Appendix A

Risk Matrix

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
1	26.2.16	Environment Agency does not approve funding.	Projects do not progress. Council may expend more in ongoing maintenance. Assets may fail.	Preparation of robust applications for funding.	B4	B4	Chris Bourne/ Stewart Rowe	Continue engagement with EA.
2	26.2.16	Beneficiaries contributions are not forthcoming.	Projects do not progress. Council may expend more in ongoing maintenance. Assets may fail.		D4	D4	Nick Edwards	Early engagement with beneficiaries.
3	26.2.16	Project costs increase.	More funding is required from beneficiaries including the Council.  If other beneficiaries do not contribute the Council will be left with the liability as the accountable body.	Funding agreements in place before commencement.	C4	B4	Chris Bourne	Develop procurement strategies that mitigate risk of cost increase.
4	26.2.16	No further Council funding available to make SBC contribution.	Projects do not progress. Council may expend more in ongoing maintenance. Assets may fail.  Potential for legal liability to third parties.		D4	D4	Nick Edwards	



## Glossary of Terms

Risk	An event which may prevent the Council achieving its objectives
Consequences	The outcome if the risk materialised
Mitigation	The processes and procedures that are in place to reduce the risk
Current Risk Score	The likelihood and impact score with the current mitigation measures in place
Corporate Objectives	An assessment of the Corporate Objectives that are affected by the risk identified.
Target Risk Score	The likelihood and impact score that the Council is aiming to achieve
Service Unit Manager	The Service Unit or Officer responsible for managing the risk
Action Plan	The proposed actions to be implemented in order to reduce the risk to the target score

## Risk Scoring

Impact	5					
	4					
	3					
	2					
	1					
		A	B	C	D	E
	Likelihood					

### Likelihood:

A = Very Low  
 B = Not Likely  
 C = Likely  
 D = Very Likely  
 E = Almost Certain

### Impact

1 = Low  
 2 = Minor  
 3 = Medium  
 4 = Major  
 5 = Disaster