

# CABINET

## LANCASTER FLOOD MANAGEMENT SCHEME – RIVER LUNE PHASE 3

14<sup>th</sup> February 2017

### Report of Chief Officer (Regeneration and Planning)

PURPOSE OF REPORT			
To provide information on a proposed project to improve the River Lune flood defences and to agree that the City Council make a bid for ERDF funding in outline to attempt to assemble the funds required to progress a scheme.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision	5 <sup>th</sup> January 2017		
This report is public			

#### RECOMMENDATIONS OF COUNCILLOR JANICE HANSON

- (1) That Officers be authorised to submit an outline bid for ERDF Funding by the target date of 17<sup>th</sup> February 2017, on the basis that:
  - there is no commitment to allocate capital or revenue funding to the scheme;
  - that any move into further project development would require costs/any other financial risk exposure to be underwritten by the Environment Agency and/or other stakeholders; and that
  - the Council would withdraw from project development at any early stage if it transpires that reasonably, there is no prospect of securing sufficient stakeholder buy-in and/or financing for the project.
- (2) That a progress report be presented back to Cabinet on the above, at the appropriate time.
- (3) That the Chairman of Overview and Scrutiny Committee be asked to waive Call-In on this occasion because a call in period would pass the deadline for submission of an outline bid for ERDF funding.

## 1.0 Introduction

- 1.1 The banks of the Lune provide a long established employment area which has been located on Caton Road for at least 100 years since the construction of the old Standfast Works (the paper mills and feed mill require proximity to a water source). The industrial estates sit on a strategic gateway into Lancaster City Centre and have excellent accessibility to the M6 and the Port of Heysham, increased further upon the completion of the new link road.
- 1.2 Members will be aware that the serious flooding in December 2015 as a result of Storm Desmond badly affected the business parks along Caton Road. Business was heavily disrupted and it has taken time for activity to return to normal following major insurance claims and repairs. While most businesses have largely remained in situ during the flood recovery period there have been some individual moves away from the area into other parts of the District. Businesses have reported serious difficulty in securing ongoing flood insurance and this is now a major consideration for their ongoing operational plans.
- 1.3 The Environment Agency (EA) has in response proposed an extension of earlier phases of flood defence works along the south bank of the River Lune. This scheme known as “Phase 3” works along the cycle/footpath from the M6 Bridge to Skerton Weir. The scheme would reduce the flood risk across the area from the current 1 in 20 event to a 1 in 100 event, providing effective protection for the industrial estates and the electricity sub-station currently at risk.
- 1.4 While Lancaster city centre was also flooded the emerging view from the EA is that this was predominantly an issue of:
  - Flooding from surface water run-off;
  - Overloading of the combined sewer capacity (including the underground Mill Race watercourse);
  - The impact of the Lune high tide.

The EA have identified a separation between the city centre flooding event and the inundation/overtopping from the Lune which affected the industrial estates. They are investigating separate mitigation measures for Lancaster city centre and its catchment – known as “Phase 4” - and believe that the Lune defence measures along Caton Road known as Phase 3 can proceed as a stand-alone initiative. Members will be provided with an update on city centre Phase 4 progress as information is received. It is understood that the County Council as Lead Local Flood Authority (LLFA) will be leading on that phase.

## **2.0 Proposed details**

- 2.1 The initial scheme design and feasibility work has been undertaken by consultants working on behalf of the EA who have advised that the preferred option is to construct a dwarf flood defence wall with seepage cut off along left bank between motorway slip road and A6 Eastbound (Skerton Bridge). It has been assumed by EA that this option will protect the Riverside Park Industrial Estate, the Holiday Inn, Lansil Industrial Estate, Caton Road Retail Park and the A683 against a 1 in 100 (1%) chance of flooding each year. The City Council is the owner of the land upon which a scheme would be built.
- 2.2 The estimated project cost, including design development and contingencies, is around £11M. It had initially been thought EA would undertake all of the project work (from design, obtaining statutory consents, scheme approval through to supervision, construction and aftercare) However, the scheme has recently been scored as “low” in EA’s priority criteria which is mainly concerned with delivering flood protection to existing and planned residential areas. The EA cannot therefore provide further direct project management beyond the current stage.
- 2.3 In order to deliver this proposal with more priority the EA have asked if the City Council could take a leading role and begin by making an application for outline ERDF funding for a scheme. The LLFA (Lancashire County Council) is already dealing with Phase 4 and its resource stretched across the County so could not take on this phase of the project in the near future. Assistance and information will be provided from the EA’s local Lancashire team and design/development funding could be available if an appropriate case is made.
- 2.4 This is similar to the role the City Council has taken in the £9.9M Morecambe Wave Reflection Wall sea defences upgrade, of which the council has handled all aspects from design through to implementation. However the Phase 3 River Lune scheme has an added risk in the potential use of European funding which has strict rules and where the penalties for non-compliance can be severe, and the full financing arrangements for the scheme are currently unclear.
- 2.5 In their work to date the EA has not had any detailed funding discussions with other strategic bodies such as County Council and Lancashire Enterprise Partnership (LEP). The EA cannot by itself apply for ERDF funding in this instance and requires a willing partner to do so. If this Council were to agree to make an outline funding bid for an ERDF it would be on the basis that there is no commitment to allocate capital funding to the scheme, and that any move into further project development would require costs/any other financial risk exposure to be underwritten by the EA. Furthermore, the Council would withdraw from project development at any early stage if it transpires that reasonably, there is no prospect of securing sufficient stakeholder buy-in and/or financing for the project.

### **3.0 Implications for the City Council**

- 3.1 It is clear that there is a great deal of further work is needed on designing and developing the project and there is not a firm funding package or route defined at the current time. As the EA cannot take on further core project development duties, the only body equipped to progress the project in all its aspects and with some priority is the City Council. In our role as lead for the recovery process following Storm Desmond, and as the local Economic Development Authority it is entirely appropriate that this council consider doing this.
- 3.2 From a purely technical point of view the Council has a track record in designing and delivering major flood defence schemes and the proposal has a relatively simple engineering concept at its heart. This is the preferred option to protect the Caton Road employment sites from the risk of future flooding from the Lune. Due to the lack of availability of comprehensive insurance a future flooding event has the potential to end much of the business activity and sterilise a large area of land with resulting impact on the local economy and extensive dereliction.

### **4.0 Details of Consultation**

- 4.1 The overall idea of a flood defence scheme along the Lune has been raised with the businesses along Caton Road who are in full support of a scheme being developed and delivered.

### **5.0 Options and Options Analysis (including risk assessment)**

- 5.1 The following options can be considered:

	<b>Option 1: Do nothing</b>	<b>Option 2: Agree to be submit outline bid for ERDF funding.</b>
Advantages	The City Council does not have to take on a major capital scheme.	Gives the best chance of a scheme to be delivered and begins to put down formal 'markers' for core funding from key sources.  Begins the process of embedding the project in strategic programmes and securing a financial package.
Disadvantages	Long term uncertainty over viability of Caton Road industrial estates.  No realistic proposition of a scheme being undertaken in short to medium term.	Whilst Outline ERDF application does not commit the council to accepting funding there is an expected timetable for a full application, with added workload (although informal discussions with LEP indicate that the timetable can be flexible).

Risks	<p>Divestment from industrial estates; leakage of employment and business from the sites potentially to outside Lancaster district.</p> <p>Reputational risks of being seen to not support the scheme</p>	<p>Reputational risk increases through raising delivery expectations by the council.</p> <p>Engaging in strategic fund raising processes without certainty of the scheme, costs and funding package, may raise stakeholder expectations that ultimately, cannot be met (as the scheme may prove undeliverable). Alternatively, it may raise expectations that the Council will 'step in' financially. It is sought to manage these risks by the conditions reflected in the recommendations.</p>
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## 6.0 Officer Preferred Option (and comments)

- 6.1 The preferred option is Option 2. This decision has to be about priorities, whilst managing the Council's financial risk exposure. Currently the EA and the County Council (LLFA) are concentrating on developing the Phase 4 project for the City Centre. Left to the LLFA and the EA's own priority scoring mechanisms a scheme to improve protection for this significant and important industrial area may not come forward for a number of years.

## 7.0 Conclusion

- 7.1 There remains an acute need to promote this scheme to help secure its delivery and the proposed course of action represents the next most appropriate route towards achieving a positive outcome, both meeting the council's regeneration objectives for the having wider social, economic and environmental impact.

### RELATIONSHIP TO POLICY FRAMEWORK

**Economic Growth is a high level Corporate Priority for the City Council. The flooding risk for this important industrial areas undermines business and investment confidence. The emerging Local Plan cannot identify extensive new areas for employment development to replace such an area therefore the priority approach should be to increase the level of protection to restore business confidence.**

### CONCLUSION OF IMPACT ASSESSMENT

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)**

Severe impact from flooding on health and safety of employees and customers to commercial premises. Wider community impact where electricity supply threatened due to flooding. Evidenced as severe from Storm Desmond events.

## **LEGAL IMPLICATIONS**

Legal Services have been consulted and comments inserted within the body of the report where appropriate. However, specifically in relation to the Options would make the following further observations:

### Design/Construction Contract - EA Framework/Agreement

The EA through their Next Generation Supplier Arrangements project has established a Water and Environment Management (WEM) Framework. Formalised in 2013, the Water and Environment Management Framework provides access to the best suppliers in Flood and Coastal Risk Management. The WEM Framework is a commercial agreement between the EA, consultants and contractors ('suppliers') with agreed terms for the award of individual contracts to deliver projects for Flood and Coastal Risk Management (FCRM). The framework is also available for use by Local Authorities and, in particular, Lead Local Flood Authorities (LLFAs), as well as other Risk Management Authorities in the Defra family.

If the Council progresses this scheme further it is intended to use this framework to procure a partner contractor which will comply with the Lancaster City Council contract procedures rules and importantly, is OJEU and European funding compliant.

### Other matters

Planning approval will be required for the implementation of the scheme.

## **FINANCIAL IMPLICATIONS**

There are no additional financial implications arising for the council at this stage in submitting an outline bid for ERDF funding for this scheme, i.e. the Council will not be contractually bound to undertake delivery of the scheme or act as accountable body for subsequent full funding bids.

The City Council is being asked to take the lead on this occasion by the EA, rather than the LLFA (i.e. County) as the LLFA are working up another flood defence scheme also benefitting the Lancaster District as outlined in this report and who have advised that they cannot manage both. Similarly, EA have advised that due to their role in assessing ERDF flooding funds nationally, this then precludes them for bidding for ERDF funds on a project by project basis / directly delivering themselves.

At this stage, it has not been possible for City Council officers to undertake a full financial or operational appraisal of the scheme due to the short timescales involved, i.e. from the point of being asked to take the lead for the outline bid by the EA and ERDF's submission deadline. It is re-iterated therefore, that due to the uncertainty and risk associated with the total funding package required, a detailed report would need to be brought back to members outlining the full financial, procurement, legal and operational implications, prior to progressing this scheme any further.

## **OTHER RESOURCE IMPLICATIONS**

**Human Resources:** From existing staff resource.

**Information Services:** None

**Property:** The land upon which flood defences could be constructed is in City Council

ownership.

**Open Spaces: The Millennium Cycleway would be impacted during construction.**

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer had been consulted and her comments reflected in the report.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

None

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**Storm Desmond – Caton Road Industrial estate Impacts**





