

Report To: Cabinet
Date of Meeting: 30th July 2019
Lead Member / Officer: Lead Member for Waste, Transport and the Environment / Head of Highways & Environment
Report Author: Wayne Hope
Title: East Rhyl Coastal Defence Scheme

1. What is the report about?

The report is about a proposal for a coastal defence scheme at East Rhyl, which will provide an appropriate standard of flood protection for around 1,650 properties.

2. What is the reason for making this report?

- 2.1 The likelihood of severe flooding is more acute at East Rhyl than at any other location in Denbighshire; an investigation into the 2013 floods showed that properties could be flooded during a 1 in 20 year event. This means that the East Rhyl Coastal Defence Scheme is the Council's highest priority coastal defence scheme. However, the cost of the project, which is currently estimated at £27.5m, will place an additional revenue burden on the Council. The table below provides an estimate of the potential revenue implications of constructing the scheme (assuming the council decides to apply the £2m already in place to East Rhyl in 20/21) and based on current (low) borrowing rates – if the rates go up then the revenue burden will increase:

| 2020_21 | 2021_22 | 2022_23 | Total |
|---------|---------|---------|-------|
| £k | £k | £k | £k |
| 29 | 176 | 81 | 286 |

- 2.2 Due to the level of financial commitment required by the council, Cabinet approval is sought to present the project to Council with a recommendation to fund the construction phase. The scheme was approved by SIG on 25th June 2019.

3. What are the Recommendations?

- 3.1 That Cabinet confirms that it has considered the content of the Well-being Impact Assessment (attached at Appendix I).
- 3.2 That Cabinet support the proposal to progress the scheme to the construction phase, using the grant aid funding model set out by the Welsh Government, and recommend to Council that the proposal be approved.
- 3.3 That Cabinet recommend to Council that authority be delegated to the East Rhyl Coastal Defence Scheme Project Board¹ to deliver the scheme, as long as the final target cost does not exceed £27.5m. The project should be brought back to Council

¹ The Project Board will be established following confirmation of Cabinet approval to proceed to the construction phase.

for further consideration should the final target cost exceed £27.5m.

4. Report details

- 4.1 The area of east Rhyl near Garford Road suffered extensive and prolonged flooding in December 2013, resulting in 140 properties being flooded and hundreds of residents evacuated. The storm served as a stark reminder of the vulnerability of the coastal defences at this location and the population living behind them. Investigations carried out following the event identified that the standard of protection provided by the existing defences is below what would normally be considered as acceptable for a highly populated urban area. In addition, beach erosion over a number of years has significantly increased the risk of the defences failing, which could lead to a breach in the coastal defences, resulting in over 1,600 properties being flooded at high tide. The impacts of climate change, that is, sea level rise and increased frequency of storms, means that coastal flooding at this location will occur more often and will eventually happen every year. The scheme will significantly reduce coastal flood risk for around 1,650 properties at east Rhyl and provide protection against a 1 in 200 year coastal storm, with an additional allowance for the impacts of climate change (sea level rise and increased frequency of storms) for up to 80 years.
- 4.2 The Welsh Government has written to the Council explaining the terms of grant aid for the construction phase of the scheme, that is, the scheme is to be funded using the Local Government Borrowing Initiative model. The grant rate for coastal defence works is 75%, therefore the project would be entirely funded by the Council, with 75% of the costs refunded by the Welsh Government over a 25 year period through the Revenue Support Grant.
- 4.3 The Welsh Government has recently raised concerns regarding the increased costs of flood and coastal defence schemes in Wales, compared with the original approved grant. WG will no longer consider requests for increased grant where costs have increased above the grant approved sum. In order to achieve adequate cost certainty for the East Rhyl scheme, it was therefore decided to procure the design and construction phases of the scheme using the Scape Public Sector Procurement Framework. In August 2016 a delivery agreement was made with the Framework Partner, Balfour Beatty. As a result of this early contractor involvement, there is confidence that the scheme can be carried through to completion within the current cost estimate. The construction period would be April 2020 to December 2022.
- 4.4 The Scape Framework supports the use of local supply chains. This is controlled through a 'Supply Chain Charter' and assessed against Key Performance Indicators (KPI's). For example, a minimum of 40% of the project expenditure should be within a 20 mile radius and 75% within a 40 mile radius. Balfour Beatty have engaged extensively with local sub-contractors and suppliers, only looking further afield when resources aren't locally available or can't provide value for money.
- 4.5 The scheme has received planning permission (19th July 2019) and a marine licence from Natural Resources Wales (5th July 2019). The Crown Estate has confirmed that it has no objections to the scheme.

5. How does the decision contribute to the Corporate Priorities?

5.1 The Council's Corporate Plan sets out the Council's ambition to provide an attractive and protected environment for its residents, supporting wellbeing and economic prosperity. Reducing the risk of flooding to homes and businesses by effective flood risk management, including investment in flood and coastal defence schemes, can play a large role in delivering this ambition. The East Rhyl Coastal Defence Scheme is specifically identified as an ambition in the current Corporate Plan.

6. What will it cost and how will it affect other services?

6.1 The cost of the scheme is estimated to be £27.5m.

6.2 Whilst the scheme is eligible for WG grant funding, the Council would be expected to fund the whole amount, with 75% of the cost of the resulting borrowing repaid to the council annually via Revenue Support Grant. Given the size of the scheme, the council would probably have to borrow the majority of this funding, although there is £2m of general funding currently earmarked for the scheme.

7. What are the main conclusions of the Well-being Impact Assessment?

The aim of the project is to reduce flood risk in east Rhyl. Provided this aim is fulfilled, the result will be a more prosperous, resilient, healthy, equal and globally responsible Denbighshire.

8. What consultations have been carried out with Scrutiny and others?

The East Rhyl Coastal Defence Scheme has previously been discussed with CET, Cabinet and Strategic Investment Group. The scheme was approved by SIG on 25th June 2019. Public drop in sessions were held at Rhyl Fire Station in October 2018 and November 2018. Consultation was carried out with stakeholders and statutory bodies through the Planning and Marine Licensing processes.

9. Chief Finance Officer Statement

If approved this would be a significant financial commitment by the council. A financial provision for the council's contribution to this scheme of approximately £2m exists within the capital plan based on an earlier, much lower, cost estimate. The scheme proposed now is significantly greater in financial terms and requires a contribution from the council of £6.87m. The Welsh Government funding model for such schemes is for councils to borrow the money to pay for the entire scheme and the government reimburses the annual cost of borrowing 75% of it to councils via the RSG. The revenue cost to the council of borrowing its proportion (assumed to be less the £2m already set aside) would be approximately £29k in 2020/21 rising to £205k in 2021/22 and a further rise to £286k from 2022/23. The actual cost will depend on the final contract sum and interest rates at the time. Therefore by approving progression of this scheme, cabinet would commit to an additional revenue pressure of the amounts noted above within the Medium Term Financial Plan. Assuming the revenue budget position does not improve by then, it would therefore increase the savings or cuts the council has to make in each of those year

10. What risks are there and is there anything we can do to reduce them?

The most significant risk associated with the project is that the terms of the WG

loan will result in a long term (25 year) revenue burden for the Council, which would have an impact on the delivery of other services. Also, as stated in 4.3, there is a risk that the Welsh Government won't increase the grant award to cover any cost increases during construction. This risk has been mitigated by choosing a procurement option that has resulted in a high level of cost certainty.

11. Power to make the Decision

Coast Protection Act 1949

Land Drainage Act 1991

Flood and Water Management Act 2010