

Appendix A7 - Assurance Summary

VERSION 1 24.11.2021

1 – SCHEME DETAILS

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|------------------------------|---|----------------------------------|--------|
| Project Name | Rotherham to Kilnhurst Flood Alleviation Scheme | Type of funding | Grant |
| Grant Recipient | RMBC | Total Scheme Cost | £7.54m |
| MCA Executive Board | Housing and Infrastructure | MCA Funding | £2m |
| Programme name | Gainshare | % MCA Allocation | 27% |
| Current Gateway Stage | FBC | MCA Development costs | n/a |
| | | % of total MCA allocation | n/a |

2 – PROJECT DESCRIPTION

Following the November 2019 floods, the MCA agreed that £5.5m of Gainshare funds would be allocated to Flood Alleviation Scheme projects, with these funds split across the 4 South Yorkshire Local Authorities. £2m of this has been provisionally allocated to RMBC's Rotherham to Kilnhurst Flood Alleviation Scheme (RKFAS), subject to the MCA's assurance and business case approval processes being completed.

Extending 5km along the River Don corridor through Rotherham, RKFAS includes the Templeborough, Rotherham Town Centre, Parkgate and Kilnhurst areas. Within the River Don floodplain there are:

- 20 residential properties
- 245 business properties
- 2 schools
- Sections of the strategic highways network (including A6178, A630, A633, A6132 and B6090)
- Rail and Tram/Train network (including Rotherham Central and Parkgate stations)
- Water and sewerage networks
- Critical utility company networks

The devastating impacts of flooding on the above were evident in both June 2007 and November 2019, and several 'near miss' events have also occurred in recent decades. Outside the River Don floodplain, communities and businesses are also affected because flooding closes several strategic transport networks, and cuts off local access roads. It is anticipated that climate change will increase the frequency of these impacts.

RKFAS is being delivered in several phases because a single standalone project due to the wide range of capital funding streams that are being utilised.

The Project: The phases of RKFAS associated with the proposed use of £2.00m Gainshare 2020/21 funding are:

- Phase 2A – 0.5km of new flood defences (i.e. Flood Embankments and Flood Walls) between the Ickles Lock area and the Rotherham United FC stadium, all located alongside the River Don rail corridor and canal
- Phase 2B – 0.4km of new flood defences (i.e. a Flood Wall), located on Forge Island
- Phase 2C – New Canal Barrier (i.e. a large and complex operational structure) and ancillary works (i.e. New flood defences and a towpath extension), located within the navigable canal and on land at southern end of Forge Island and within a South Yorkshire Police car park

When these 3 phases are combined, they provide a continuous 1.6km line of flood defence in the upstream part of a 3.5km long flood cell, reducing risk to employment areas near Rotherham Town Centre.

This FBC is requesting additional funds to support the higher cost of delivery of Phases 2A and the funding shortfall of Phases 2B and 2C combined, which will free up RMBC capital funds for pre-construction works on future phases, and thereby enable momentum to be maintained on these crucial future works.

3. STRATEGIC CASE

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| <i>Options assessment</i> | The remaining Phases (2A, 2B and 2C) will help to complete the RKFAS and extend the scheme a further 1.9km through Rotherham Town Centre as far as Parkgate, increasing the benefits from £22m to £76m (over a 100-year appraisal period). A partial solution is not really a credible option as it would leave the town less resilient in terms of its capacity to cope with extreme weather conditions. |
| <i>Statutory requirements and adverse consequences</i> | The latest position on planning approvals has helpfully been provided by the applicant. Traffic regulation orders are not applicable and public consultation was completed via planning consents. No major adverse consequences are envisaged, other than temporary disruption during the construction period. Where trees and vegetation need to be removed to facilitate the construction of new flood defences, mitigation is proposed to offset this impact'. |
| <i>FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).</i> | The project has good links to the MCA's SEP/RAP Core Strategic Outcomes (section 2.5), Particularly with flood alleviation ('Greener') followed by health ('Fairer') and productivity ('Stronger'). There is a strong rationale for the project as part of a series of phases designed to reduce the risk of flooding along the River Don area from Templeborough to Kilnhurst which would also help to regenerate and provide jobs and economic growth at the heart of the Rotherham. There are few alternative options, as evidenced by the floods of 2007 and 2019. The completion of |

Phases 2A, 2B and 2C would maintain the momentum for continuing the process to safeguarding the rest of the RKFAS programme.

4. VALUE FOR MONEY

Monetised Benefits:

| <i>VFM Indicator</i> | <i>Value</i> | <i>R/A/G</i> |
|-------------------------------------|--------------|--------------|
| <i>Net Present Social Value (£)</i> | £13.76m | G |
| <i>Benefit Cost Ratio</i> | 1.7 | G |

Non-Monetised Benefits:

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| <i>Non-Quantified Benefits</i> | Reduce anxiety of residents and businesses that arise from frequent flooding The project will help to create 'blue-green corridors' along the River Don by reinstating towpaths with ramp access; public realm space to previously inaccessible land; reduce the burden on emergency services during flood events; and reduce the closure of transport services and access to businesses due to flood events. |
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Value for Money Statement

The Present Social Value (PSV) of the monetised benefits is £22m over 100 years compared to PSV cost of £8.24m, resulting in a net present value of £13.76m. This means a Benefit Cost Ratio (BCR) of 1:1.7 or £1.70 return on £1 invested, which on infrastructure projects is within the 1.5 to 2.0 range that is considered to be 'medium' value for money.

5. RISK

Up to December 2021 the funding gap was £4.5m but was reduced to £2.0m when the application for a variation of the ERDF Grant Funding Agreement was approved for an additional £2.5m (section 1.2C and 4.4 of the FBC).

There continues to be a potential risk of an increase in materials and construction costs identified in Section 6.7. There is broadly little control over this possibility which is deemed to be high risk. However, potential price changes in labour and materials were incorporated in the project costs which contributed to the funding gap. Details of estimates, monitoring and forecasting of project costs are regularly conducted and will continue throughout the remainder of the delivery process. This involves RMBC working with the supply chain that has been procured. Confirmation of a £0.9m risk allowance has also been reported (5.4). If a decision on the funds is delayed price rises are more likely to come into play.

In terms of the planning applications for each of the advanced phases, four conditional permissions have been granted:

- For the Ickles Lock area, alongside the towpath as far as Centenary Way (Phase 2A)
- Along the Forge Island Flood Wall and Public Realm works already been constructed (Phase 2B)

- Application covering main barrier/abutment/gate works of canal and towpath (Phase 2C)
- Application for “Western Flood Wall and Towpath Extension” works (also Phase 2C)

RMBC expect to discharge the outstanding planning conditions through as necessary by 2022.

All contracts have been awarded and suppliers names identified. Due diligence on procurement processes was conducted on each contractor by the RMBC Corporate Procurement Team and are based on standard industry terms and conditions.

6. DELIVERY

The timetable appears to be acceptable for the start/completion of the two outstanding Phase 2A and 2C projects, although this is dependent on the MCA's funding decision.

The procurement strategy is clear and follows the project phases. Contractors have been procured through appropriate frameworks/portals for both pre-construction and construction activity. The pre-construction and construction of Phase 2B are both complete and all procurement processes were managed by RMBC's Corporate Procurement Team. It is worth noting the consultant and contractor suppliers have had to work collaboratively due the complex engineering challenges of the project during the pre-construction stages of both Phases 2A and 2C.

The level of certainty is within at 95% required at the FBC stage, as specified in Section 5.1 of the FBC. There has already been cost overruns to Ickle Lock (2A), upwardly revised cost estimates to the design of the Canal Barrier (2C) and an increase in material costs. The responsibility for funding the project broadly lies with the RMBC and to provide additional funding where there is a shortfall.

The governance and management mechanisms have been put in place to lead and carry out the project with additional expertise as appropriate. Governance is provided by the RMBC's Town Centre Projects Board, chaired by the Strategic Director for Regeneration and Environment, which oversees the RKFAS project and a number of other major projects on economic development, transport, housing and flood alleviation. RMBC's Highway Asset Management and Drainage Team have also set up a new capital projects team to deliver £52m of flood alleviation schemes across the borough including RKFAS. Depending on progress, RMBC may set up a new board that is specific to this package. The Project Leadership Team includes: the Senior Responsible Owner, the Head of Service Responsibilities, and Senior User (Operations). The Project Management Team, staffed by permanent officers of RMBC, comprises the Manager of Flood Alleviation Scheme Capitals Projects team; the Project Manager for Phases 2A and 2C; and the Project Manager for Phase 2B. There is also technical support and external suppliers provide specialist support. The SRO has been instrumental in supporting the FBC.

An interim evaluation of a substantial part of construction works is anticipated in September 2022 with a final evaluation of all construction works in December 2022 (see Milestones Section 6.1). These monitoring and evaluation reports will report on how Outputs, Outcomes and Social Value have been achieved for Phases 2A, 2B and 2C, against those parameters set out in Appendices A.1 and B.1. Section 6.9 notes that RMBC will provide a Briefing Paper to explain how the project objectives are being met and will involve organisations from the supply chain. Two Technical Notes have been prepared to assess the avoidance of flood damage costs and loss of GVA to the local economy.

7. LEGAL

RKFAS project has observed and tested the project against EU State Aid rules during the ERDF/RMBC funded Phase 2A project. The legal opinion for Phase 2A concluded that the project would be in line with EU State Aid rules because it is a public rather than commercial infrastructure project with no charge or economic gain is applicable. The same principle would apply to other ongoing and future phases of RKFAS. In the absence of a new 'domestic subsidy control regime' the EU State Aid rules are satisfied.

8. RECOMMENDATION AND CONDITIONS

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| Recommendation | Full grant award subject to conditions |
| Payment Basis | Payment on defrayal |
| Conditions of Award (including clawback clauses) | |

Conditions of Award (including clawback clauses)

The following conditions to be included in the contract.

1. Clawback on outputs, outcomes and social value indicators at the MCA's discretion

The following conditions must be satisfied before contract execution.

2. Evidence of internal Board approval to proceed.
3. Evidence of all other funding approvals required to deliver the project

The conditions above should be fully satisfied by 14.04.22. Failure to do so could lead to the withdrawal of approval.

The following conditions must be satisfied before drawdown of funding.

4. All required statutory consents including planning enquiries must be satisfied.
5. A complete risk log which includes cost estimates if risks materialise, should be provided for each project