

Board/Committee:	Community Board
Date of meeting:	7 th July 2021
Title:	Risk Underwriting for the Construction of the Flood defence scheme at Alverstoke
Author:	Head of Streetscene
Status:	FOR DECISION AND RECOMMENDATION TO POLICY AND ORGANISATION BOARD

Purpose

This report sets out the background information for the risk underwriting required by the Council as part of responsible project management of the contract for the Construction works.

Recommendation

That the Board gives formal support of the risk underwriting by the Council for costs in excess of the current approved funding, allocated to the Council by the Environment Agency (EA) and other contributors, for the scheme.

The Board refers the report to Policy and Organisation Board for the provision of financial allocation of the risk underwriting for the Alverstoke Coastal Defence Scheme at the recommended 30% contingency level (£212,269), with a minimum of 20% contingency level (£108,600), should costs be in excess of the current approved funding.

1.0 Background

1.1 This report provides information on the Alverstoke Coastal Defence Scheme. Work on the project is being undertaken by Coastal Partners (formerly known as 'Eastern Solent Coastal Partnership') on behalf of Streetscene.

This proposed scheme will provide tidal flood defence to a 1-in-100-year event (1% Annual Exceedance Probability) in 2060 to both areas. The Alverstoke scheme will reduce flood risk to 132 residential and 10 commercial properties.

Planning permission for the scheme was granted at the Regulatory Board meeting on the 2nd December 2020, with approval given for the award of the construction contract by the Community Board on 10th February 2021.

The scheme received formal approval for the full allocation of funding possible from the Environment Agency (EA), through Flood Defence Grant in Aid on 26th May 2021.

1.2 This report recommendation is for the Council to underwrite the remaining risk funding for the scheme. This underwriting cannot be insured against,

so funds need to be allocated from the Council. The risk underwriting is required so the scheme has the provision for the risk costs, if required, prior to works commencing on site.

2.0 Report

2.1 Scheme drivers

The need for the scheme is derived from key documents adopted by the Council, including:

- Shoreline Management Plan (SMP). This is a high-level policy document setting out a framework for future management of the coastline. It was adopted by the Council in 2010 and recommends a 'Hold the line' policy to maintain or upgrade to the level of protection required by the coastal defences in the Alverstoke area.
- The River Hamble to Portchester Strategy (RHPS). This strategy looked at how the SMP policy can be implemented at a more local level and identifies areas where work may be required over the next 100 years. The strategy recommended three priority schemes in Gosport. These are situated at Forton, Seafield and Alverstoke. The strategy identified these locations as "vulnerable areas", in which there is significant risk of tidal flooding.

In order to deliver the SMP and RHPS policy of 'Hold the Line' for Alverstoke, considerable effort was invested into selecting the preferred scheme design option. A feasibility study was carried out in 2016, which looked at all technically feasible options that could deliver the Alverstoke scheme. The feasibility study combined detailed site surveys with constraints and opportunities mapping to identify and evaluate potential alignments for the schemes.

2.2 Scheme Design

The proposed works at Alverstoke includes a reinforced concrete flood wall located at the western end of the lake, with a floodgate across Little Anglesey Road.

These defences are designed to a level of +3.7m Above Ordnance Datum (AOD), which is equivalent to the 1 in 100-year tidal flood level in 2060. The new seawall defence alignment is approximately 1m high above existing ground level, and slightly set back from the front face of the existing causeway. The lake-facing side of the reinforced concrete flood wall will have a 'textured' finish sympathetic to the existing masonry construction.

The floodgate across Little Anglesey Road will be closed by Streetscene staff during specified tidal events. Floodgate closure procedures will be incorporated into the coastal flood response management systems for the

borough.

The scheme design meets all environmental criteria needed for planning and construction - the site is within the Portsmouth Harbour Special Protection Area (SPA) and Ramsar site, the Solent and Dorset Coast SPA and therefore The Conservation of Habitats and Species Regulations 2017 apply to works undertaken in this area. The area is also part of the Portsmouth Harbour Site of Special Scientific Interest (SSSI).

2.3 Funding

The scheme is funded by Flood Defence Grant in Aid (FDGiA), which is administered through the EA. The current EA approved funding is £1,105,000, with other grants and contributions bringing the total funding to £1,135,000.

The scheme funding covers the costs for all work from Detailed Design through to the end of the Construction. At Construction contract award a budget review was undertaken, assessing all likely costs required to the end of construction. This gave an outturn cost for the scheme of £1,036,698.

This left a risk pot of £98,740 (9%) from the above funding. Coastal Partners recommend ideally 30% risk contingency is applied for projects. The minimum risk pot for construction phase works is 20%.

For a risk pot of **30%** an additional sum of **£212,269** is needed
(Total risk pot provided = £311,009)

For a risk pot of **20%** an additional sum of **£108,600** is needed
(Total risk pot provided = £207,340)

There are a number of identified risks, some of which may be realised, as the project moves to the construction phase. There needs to be a provision for a risk pot of at least 20% prior to starting on site, to mitigate against possible eventualities. This potential risk cost needs to be underwritten by the Council to provide confidence that the scheme is appropriately funded should these costs be realised, to release other allocated funding, and take the project to completion.

As the full allocation of funding falls short of the costed risks, it is being requested that any potential risk costs realised above the current 9% allocated, be underwritten by the Council.

The cost for the scheme are being carefully monitored and options for efficiencies are being investigated, such as shared project and construction management and site supervision. The procurement of the project allows for the de-scoping of the works as a whole and elements of the works.

Should the risks be realised the project team will look to manage the costs

within the contract (including de-scoping items) and allocated funding initially. Should the risk underwriting funding provision requested in this report be required, the project team can bring this request to members for release or virement within the capital budget.

3.0 Risk Assessment

3.1 The tendered construction works for the Alverstoke Scheme is within the approved budget. It is good financial planning to ensure that risks have funding allocated prior to start on site, so they are in place if required, to allow completion of the works. If not in place, the Council would not be in a strong position to deliver the flood defence and it could undermine the confidence of the community.

3.2 Failure to deliver adequate flood protection for those areas identified at risk within the borough, will lead to both residential and commercial properties being at continued risk of flooding.

4.0 Conclusion

4.1 The Community Board is requested to approve the risk underwriting for the Alverstoke Scheme for the sum of **£212,269** (30%) to ensure sufficient robust funding and confidence for the works to be completed. But as a minimum to approve no less than the sum of **£108,600** (20%)

Financial Services comments:	Contained within the report
Legal Services comments:	Contained with the report
Equality and Diversity:	The completed scheme will maintain and enhance current access for the public.
Climate Change implications:	This scheme will reduce the risk of tidal flooding to residents, the scheme will include environmental enhancements.
Crime and Disorder:	There is no change in use or non-flood infrastructure of the area following completion of the works.
Service Improvement Plan implications:	
Corporate Plan:	Enhance the unique character, environment and assets of the borough and make it a great place to live and work.
Risk Assessment:	Included in report
Background Papers:	none attached
Appendices:	
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