

<b>Board/Committee:</b>	COMMUNITY AND ENVIRONMENT BOARD
<b>Date of meeting:</b>	10 <sup>TH</sup> JANUARY 2023
<b>Title:</b>	CONSTRUCTION OF FLOOD DEFENCE STRUCTURES AT ALVERSTOKE
<b>Author:</b>	HEAD OF STREETSCENE
<b>Status:</b>	FOR NOTING

## **Purpose**

This report updates Members on the Alverstoke coastal defence scheme since the update in September 2022 and sets out the next stages for the project.

## **Recommendation**

**That the Board notes that:**

- **The project remains paused until there is a significant change in the funding prospects.**
- **Ongoing funding applications and work to manage scheme risk around buried services will be concluded.**
- **A decision may be required in 2023/24 whether to continue to pursue the construction phase of the approved scheme.**

## **1.0 Background**

**1.1** The proposed scheme at Alverstoke will reduce flood risk to 130 properties in Alverstoke over the next 50 years. The scheme will provide flood defence to a 1 in 100-year event (1% Annual Exceedance Probability) up to 2069 through provision of a flood wall and road flood gate.

**1.2** The preferred works contractor was approved by the Community Board 10 February 2021. Construction of the scheme started in January 2022, with an estimated six-months duration.

**1.3** During construction several risks were realised, including high voltage cables which significantly impacted the safety of the construction, delayed the programme and increased costs. The site work also coincided with unprecedented challenges from cost inflation and supply of construction materials. A decision was made in April 2022 to pause construction works and to reinstate the site to ensure the mandated budget was not exceeded.

**1.4** A status update was given to the Community and Environment Board on 14 September 2022. This report provides a further progress update to the Board.

## **2.0 Report**

### **2.1 Progress Update:**

Over the past four months the following actions have been completed:

- The site has been reinstated to pre-works condition with full public access.

- The current works contract has been closed out. Any future construction will require a new works tender process.
- The project budget has been reassessed, covering outstanding contractor payments and project overheads. Further details are contained in Section 2.3.
- Funding sources have been explored; however no further funding has yet been secured.
- There has been further engagement with Scottish & Southern Electricity Networks (SSEN) over their buried apparatus.
- An Exception Plan has been developed and is presented in Section 2.4.

## **2.2** Stakeholder communications:

- A brief update has been issued on the project webpage and responses provided to enquiries from the public.
- Stakeholders have been updated and future stakeholder communications will be developed and delivered through the Exception Plan.
- Information on the ongoing programme pause will be provided to the local community and public.

## **2.3** Funding:

The scheme is primarily funded from Environment Agency Grant Aid totalling £932,238. Since 2018, £903,847 has been spent to complete the detailed design, licenses and consents, procurement and site works, with £28,390 of grant aid remaining.

By aborting construction work, the project has avoided exceeding its approved funding limit. This has protected the following funds which have been ring-fenced, including a Grant Aid contingency fund of up to £181,000 and £212,269 of underwriting by Gosport Borough Council.

The available funding remains insufficient to meet the expected outturn costs of the construction which have risen through inflation. Furthermore, there are insufficient funds to progress any new investigations to de-risk the project and close the funding gap. The remaining funds are however sufficient to enable ongoing discussions with potential funders and the risks around the high voltage cable to be concluded.

## **2.4** Way Forward:

An Exception Plan has been developed by the project team which comprises a high-level forward plan for the scheme delivery using an adapted existing design, the existing procurement documents and consents already secured. However, there are insufficient remaining funds to enable the plan to be put into action.

Therefore, the project remains on pause, with the exception of ongoing discussions related to the funding gap and the high voltage cable.

### 3.0 Risk Assessment

#### Finance

- The costs of the recommended actions in Section 2.4 will be met from the remaining project budget of circa £28,000 and as the upper limit of spend. The spend will be monitored using the project finance tools.
- The remaining project budget may not be enough to obtain a comprehensive outturn cost estimate.
- The risk pots (Environment Agency, GBC) are to remain ring-fenced.

#### Programme

- There are significant remaining project risks from underground utilities and design optimisation around these and other physical constraints. The costs of work to reduce or fully mitigate these risks would exceed the current remaining budget. Therefore, the programme remains uncertain.

### 4.0 Conclusion

- 4.1** The Alverstoke scheme was paused, and site reinstated due to the realisation of project risk. This has avoided the project exceeding its approved budget. Discussions are ongoing with respect to the project funding gap and underground utilities.

An exception plan has been developed to hopefully allow the project to return to site, however there is insufficient budget remaining to implement this.

Our recommendations are that the remaining funds are used to conclude ongoing design and funding discussions. The project should then remain paused until there is a significant change in the funding prospects.

<b>Financial Services comments:</b>	As contained within the report.
<b>Legal Services comments:</b>	Legal Services comments received and incorporated into this report.
<b>Equality and Diversity:</b>	None for the purposes of this report.
<b>Climate Change implications:</b>	None for the purposes of this report.
<b>Crime and Disorder:</b>	None for the purposes of this report.
<b>Service Improvement Plan implications:</b>	To improve coastal defences.
<b>Corporate Plan:</b>	Develop the economy by encouraging investment, protecting and improving infrastructure and land use by developing a programme of coastal defences.
<b>Risk Assessment:</b>	Contained within paragraph 3 of the report.
<b>Background Papers:</b>	<p>Community Board 10<sup>th</sup> February 2021 – Award of contract to the preferred bidder.</p> <p>Policy &amp; Organisational Board 20<sup>th</sup> July 2021 - Support of the risk underwriting by the Council for costs in excess of the current approved funding.</p> <p>Community and Environment Board, 14 September 2022 – status update: Risks and inflation have put project budget under pressure. Works paused, site</p>

	reinstated and future delivery of scheme to be assessed.
<b>Appendices:</b>	None.
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