

Our City Our River progress update

SUMMARY

- 1.1 This report presents an update on the Our City Our River regeneration/flood defence scheme.
- 1.2 Much has happened over the last 15 months to significantly advance the project. The administration has successfully secured £36.3m of indicative funding to start and complete the first package of works stretching from Darley Abbey Mills to the City centre.

RECOMMENDATION

- 2.1 To update Scrutiny Members about the latest progress with the project.
- 2.2 For Scrutiny to consider what role they would like to play in adding value to OCOR once the business case is approved.

REASONS FOR RECOMMENDATION

- 3.1 The OCOR project is progressing on an accelerated timeframe to take advantage of the £36.3m indicative funding so it is imperative that members are kept informed of progress on a regular basis.
- 3.2 Until the funding is confirmed and the project is given the green light it is difficult and in some ways premature to identify a useful role for Scrutiny.

SUPPORTING INFORMATION

- 4.1 Our City Our River is a flood risk management and regeneration scheme through the City of Derby in the East Midlands. The core objectives of the scheme as set out in the Masterplan that was approved by Cabinet in July 2012 include:
 - Reduce flood risk to protect people, property (1,450 homes and 800 businesses) and jobs.
 - Maximise regeneration and sustainable development opportunities along the river frontage.
 - Release economic potential of brownfield sites currently at significant risk of flooding.

- Enhance the significant heritage assets of the city, which include the Derwent Valley Mills World Heritage Site, to promote tourism to the city.
- Enhance ecology, wildlife and biodiversity along the river and deliver the objectives of the Water Framework Directive.

- 4.2 In relation to the first point the City's existing flood defences only provide a low level of protection which would be 'overtopped' even in a moderate flood event. The problems associated with flooding and extreme weather events have been further exacerbated over the Christmas break. The existing defences, some of which are in a poor condition and are coming to the end of their life, are only designed for a 1 in 25/50 event as opposed to a 1 in 100 event that would be attained under the OCOR scheme.
- 4.3 In order to commence the project approximately £36.3m of funding has been secured that will considerably advance the project. This funding will effectively be allocated on the approval of a business case which was submitted to the Environment Agency's Large Project Review Group on the 8th November following Cabinet approval. This funding is made up of Growth funding and traditional flood defence funding – Flood Defence Grant in Aid (FDGiA).
- 4.4 The business case provides the details behind the scheme and is a very comprehensive document covering a variety of issues including:
- The nature of the flooding problem and its potential consequences
 - The history of flooding and the current approach to flood risk management;
 - An assessment of flood risk and economic benefits to the area;
 - Details of the proposed scheme;
 - Costs of the proposed scheme;
 - Project governance;
 - Phasing and approach;
 - Assessment of risks.
- 4.5 If the business case is approved, the £36.3m will fund the first package of works stretching from Darley Abbey Mills to the city centre. The sites included in all three packages are outlined below:

| Package 1 | Package 2 | Package 3 |
|---|--|---|
| Jan 2014 to March 2017 | April 2017 to Nov 2019 | May 2020 to May 2021 |
| 2 City Road 14-18 City Road Alfreton Road Industrial Estate Aida Bliss Bridge Inn Included in St Marys Bridge Darley Abbey Duke Street Etruria Gardens | Ambaston Breadsall Bus Depot Darley Abbey New Bridge Derby Junction Railway Bridge Exeter Bridge North Riverside Pride Park | Alvaston Park Raynesway Pumping Stations Derwent Parade outfall Pumping Stations Chaddesden Brook Chaddesden Sidings Chaddesden Triangle |

| | | |
|--|--|--|
| Little Chester Magistrates court Sowter Rd | Pumping Station Mill Fleam Riverside Gardens Shardlow | |
|--|--|--|

- 4.6 The detailed costings in the business case identified a total scheme cost of £94.9m over a projected delivery timeline line of 7 years. This leaves a significant funding gap of approximately £58.6m to complete packages 2 and 3. This presents a significant risk to the project that will need to be managed very carefully if the business case is approved.
- 4.7 On submission of the business case in November the project has been assessed by a panel of senior EA and Defra officials which has taken the form of approximately 30 detailed questions. The responses to these questions are being addressed and the business case will be re-considered by the LPRG in early February with an expected decision by the end of the month.
- 4.8 If the project is given the green light by the end of February a planning application will need to be submitted in late February and work to appoint a suitable contractor will need to run alongside this timeline to ensure that work starts on the scheme this calendar year.

OTHER OPTIONS CONSIDERED

5. Not delivering the OCOR scheme. If the Council decides not to take on the responsibility as lead agency for OCOR this will jeopardise the £19 million Growth funding coming into the project which will be directly allocated and controlled by the Council. The scheme will then fall down the priority list for the EA resulting in a considerably larger funding need and delivery timeline. The City will then be more exposed to a severe flooding incident where the current defences are only designed for a 1 in 25 event as opposed to a 1 in 100 event. Over the coming decades climate change is likely to exacerbate the situation leading to more frequent and severe flood events potentially affecting 1,450 homes and 800 businesses.

This report has been approved by the following officers:

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| Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s) | Stephen Teasdale Amanda Fletcher Christine Durrant |
| For more information contact: Background papers: List of appendices: | Andy Hills 01332 642014 andy.hills@derby.gov.uk None Appendix 1 – Implications |

IMPLICATIONS

Financial and Value for Money

- 1.1 The main body of this report outlines the funding for the project and the importance of managing the funding gap. A funding strategy is currently being produced to support the business case and to provide a planned approach to bridging the gap.
- 1.2 Although there appears to be little risk attached to the grant conditions, the following points must be taken into account.
 - the funding is specifically for Capital expenditure and therefore doesn't provide for revenue related costs. There will inevitably be revenue costs associated with the Project and therefore a budget will need to be established. Work is on-going to quantify the revenue figures and to establish whether or not some flexibility between revenue and capital can be approved with the grant.
 - To comply with the Growth Fund conditions, work must have commenced on site and the first phase of funding (£6m) be spent by March 2015.

Legal

- 2.1 The project will involve operating in partnership with the Environment Agency the terms of reference which are to be formalised in a legal agreement. Delivery of the project will be achieved by both authorities exercising a variety of powers including compulsory purchase powers as appropriate for each specific stage of the project scheme under the overarching objective of improving flood defences and providing regeneration within the City.

Personnel

- 3.1 The Council's Climate Change Manager is currently the designated OCOR Project Manager with other staff brought into the project as and when required. The staffing resources needed to develop and implement this project will increase considerably over the next few months if Members agree to support the project and approve the business case. The staffing implications of properly resourcing this project will become clearer in the next few months, but as a minimum requirement the core OCOR team will need at least 4 FTEs including a dedicated professional post to proactively respond to the development opportunities that reside within the OCOR project.

Equalities Impact

- 4.1 None directly arising from this report.

Health and Safety

- 5.1 None directly arising.

Environmental Sustainability

- 6.1 OCOR will provide the City with more resilient flood defences to help cope with more extreme and intense flooding events brought about by climate change. As mentioned in Section 4.2 the current level of flood protection for Derby is inadequate compared to similar sized cities throughout the UK.

Property and Asset Management

- 7.1 Implementation of the scheme will require the use of Council owned assets. The assets used can be categorised into four categories:
- operational land, principally public open space;
 - land currently leased out to third parties;
 - surplus land either currently reserved for or likely to be reserved for sale;
 - land being considered Council/Derby Homes development.
- 7.2 It will be necessary to construct or enhance existing flood defences on Council operational assets. This will principally be undertaken on public open space or existing parks. The impact of the new or enhanced defences will need to be carefully considered and where possible the design of the defences should aim to enhance the use or appearance of these assets. Where the siting of new defences enables the facilitation of an adjoining development then the Council should seek to obtain a share of the value of the development site.
- 7.3 There will be some assets where in the incidence of a severe flooding event the asset, or parts of it, will be rendered unusable for a period of time following the flood. Assessments will need to be undertaken to minimise risk on the use of these assets and ensure that only low value items and uses are located at any buildings or land affected. Measures should be put in place to ensure that the time taken to bring these assets back into beneficial use is minimised.
- 7.4 Where land is being leased to a third party then the Council will need to have regard to the terms of the lease agreement and serve any appropriate notices. The Council will also need to consider any benefits or detriments to the operation of the lease once the works are completed. This may have implications for the rent we will receive.
- 7.5 There may be instances where land is used for defences which has been ear-marked for sale or is being considered to be sold in the future. The Council will need to have regard to the likely impact upon capital receipts from sites being used,

wholly, or in part for the scheme. The value of the land lost in this way can be considered part of the Council's financial contribution to the scheme. Again, as in 7.2 above, where the siting of new defences enables the facilitation of an adjoining development then the Council should seek to obtain a share of the value of the development site.

- 7.6 In a similar way to 7.5 there may be instances where land is used for defences has been ear-marked for or is being considered to be developed in the future. This will principally affect housing schemes being brought forward by Housing Strategy or Derby Homes. Where the siting of new defences enables the facilitation of an adjoining housing scheme then the Council may be able to secure a share of the properties to develop and enhance the City's housing stock.
- 7.7 Long term maintenance of the flood defences forming part of our own assets will be the responsibility of the Council.

Risk Management

- 8.1 The main financial/reputational risks are outlined in the business case.

Corporate objectives and priorities for change

- 9.1 OCOR will support the key priorities of economic growth and promoting the city centre.