

To: City Executive Board
Date: 6 April 2017
Report of: Executive Director for Community Services
Title of Report: Oxford Flood Alleviation Scheme

Summary and recommendations	
Purpose of report:	To request approval to increase Oxford City Council's project contribution towards Oxford Flood Alleviation Scheme by up to £1,000,000 funded from in-kind contributions in terms of land disposal and compensation values foregone.
Key decision:	Yes
Executive Board Member:	Cllr Bob Price, Board Member for Corporate Strategy and Economic Development
Corporate Priority:	Clean and Green Oxford
Policy Framework:	None
Recommendations: That the City Executive Board resolves to:	
<ol style="list-style-type: none"> 1. Approve the increase of Oxford City Council's project contribution towards Oxford Flood Alleviation Scheme by up to £1,000,000 funded from in-kind contributions from land disposal and compensation foregone; and 2. Delegated authority to Executive Director for Community Services, in consultation with the Heads of Financial Services and Law and Governance, to be able to enter a funding agreement with Environment Agency. 3. Note that a detailed report on proposed disposals to facilitate the Oxford Flood Alleviation Scheme and discounts proposed will be made to the City Executive Board in due course. 	

Appendices	
Appendix 1	Partnership Contributions- CONFIDENTIAL
Appendix 2	Risk Register

Introduction and background

1. At its meeting on 29 January 2015, the City Executive Board authorised the Council's entry into a Memorandum of Understanding ("MOU") with the Environment Agency in regard to bringing forward a major flood relief scheme for the city ("the Scheme"). Under the provisions of the MOU, the City Council indicated its general support for the Scheme and its intention to provide certain funding in support of it, subject to contributions also being made by other relevant bodies, and the contract conditions being otherwise satisfactory.
2. At its meeting on 24 March 2016, the City Executive Board authorised the Council's entry into an agreement with the Environment Agency, under which the Council would play an active role in the establishment of the business case and provide funding to a capped sum of £1.5 million.
3. In the period since March 2016 the preferred route has been identified and Outline Business Case drafted for the preferred option (medium channel and defences) which will reduce the likelihood of flooding to 1,500 properties. Total scheme cost is £121.11m, which includes £116.36m for design and construction and £4.75m for future maintenance. The cost benefit ratio is 1:10.
4. Central Government Grant is being sought for majority of cost of scheme. However in addition, substantial partnership funding contributions have been secured or still in negotiation to ensure the costs of the scheme can be met. The Outline Business Case that has been submitted has identified a number of potential sources to close the current funding gap for scheme. Without these sources the scheme is at risk of not being fully funded and therefore a risk of scheme not being approved by HM Treasury. Appendix 1 sets out the current position in respect of funding, it is held to be confidential at present as it includes sums currently being negotiated.
5. As part of the 'partnership funding contribution in negotiation', the Environment Agency is asking landowners to facilitate the scheme by gifting their land and/or land compensation. In the case of the City Council the land interests are substantial and it is proposed that a cap on any land disposal or/and compensation gifted is made. Doing so at this stage provides certainty to the scheme in terms of partnership contributions and to the Council in its land dealings. It is proposed that a cap is imposed at the value of £1m.
6. Following the Outline Business Case, the Environment Agency will develop their Full Business Case where further efficiencies could be found. It is at Full Business Case stage that the Environment Agency must be putting forward a fully funded scheme to HM Treasury in order to secure approval to commence delivery of the Scheme we expect that this will be later in 2017

Financial Issues

7. The City Council has already provided for the initial £1.5 million contribution to the scheme within its Medium Term Financial Plan. The background for which is stated in paragraph 2.
8. The additional contribution of up to £1 million will be funded from in-kind contributions by which we mean waiving land disposal and compensation costs which would be incurred to the Environment Agency by Oxford City Council in the delivery of the Oxford Flood Alleviation Scheme.

9. The in-kind contributions that would be accounted for as part of the Councils' up to £1 million does not include adoption of assets with future maintenance liability or waiving of compensation payable to tenant farmer of Manor Farm nor the tenants of allotments at Bullstake Close (Botley Road) or Cowmead. The principle will be for these tenants to seek compensation directly from the Environment Agency

Legal Issues

10. A legal agreement between the Council and the Environment Agency will be entered into under which the principles for the in-kind provision up to the value of £1 million will be explicit. This will include an agreed definition of in-kind along the lines described in paragraph 4. This agreement will be entered into by Executive Director- Communities in consultation with the Heads of Finance and Law and Governance.
11. There may be a need for separate legal arrangements for specific in-kind contributions which make up this £1 million, in particular in the case of a "*direct provision of land that will form part of the scheme*". It is proposed that this would be done via a disposal of land order under market value as approved by Secretary of State under the General Disposal Consent (England) 2003 powers. The reasons for the potential disposal of land at an undervalue would be as follows:
 - a. The Council considers that the disposal for the purposes of delivering the Oxford Flood Alleviation Scheme is likely to contribute to the achievement of:
 - i) the promotion or improvement of economic well-being;
 - ii) the promotion or improvement of social well-being;
 - iii) the promotion or improvement of environmental well-being; and
 - b. the best price reasonably obtainable for each of the parcels of land does not exceed £2,000,000.
12. In circumstances where the Council wishes to retain the freehold, the in-kind provision of land could be done via issuing a rent free lease to OFAS for the duration of construction.
13. Any specific and separate legal agreements will be entered into by Executive Director- Communities in consultation with the Heads of Finance and Law and Governance.

Other implications

14. OFAS will reduce the flood risk of 1,500 properties in Oxford. The in-kind contribution of up to £1 million will represent the Councils' continued commitment to the scheme and assist in proving the schemes affordability.

Environmental

15. Whilst the Scheme will create a new riverside environment between North Hinksey and South Hinksey, during the construction of this Scheme there will inevitably be significant environmental implications. These are being evaluated and mitigated against by the Scheme via the Planning process. Opportunities to improve biodiversity are being included within the Schemes design including wetland features, scrapes and backwaters, wet woodland planting, tree and hedgerow planting.

Equalities impact

16. No Equalities Impact Assessment is considered necessary after undertaking the screening process.

Risk

17. The risk involved to the Council is primarily financial, due to its commitment to make a substantial financial contribution to the Scheme. This risk should be mitigated by the provisions of the Agreement itself, the on-going management of agreement between the Council and the EA and the Council's on-going presence on the Sponsor and Programme Boards.
18. The secondary risk is reputational if the Council's contribution is perceived to be lacking. This risk should be mitigated by the Council's on-going presence on the Scheme as a named Partner and standing member on Programme Executive, Programme Board and Project Board.
19. There is a risk that if the Council does not contribute, along with other potential sources of funding identified to bridge the funding gap, that the scheme will not be fully funded and therefore does not go ahead and thus not reducing the flood risk to 1500 properties. This risk could be mitigated by the Council contributing and/or continuing to advocate the project to other potential funders in its capacity as a named Partner and standing member on Programme Executive, Programme Board and Project Board.

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Background Papers: None