

EXECUTIVE CABINET

THURSDAY, 28TH AUGUST 2014, 6.00 PM
COUNCIL CHAMBER, TOWN HALL, CHORLEY

I am now able to enclose, for consideration at the above meeting of the Executive Cabinet, the following report that was unavailable when the agenda was printed.

Agenda No Item

**ITEM OF DEPUTY EXECUTIVE LEADER AND EXECUTIVE MEMBER
(RESOURCES) (INTRODUCED BY COUNCILLOR PETER WILSON)**

- 10 **CROSTON FLOOD RISK MANAGEMENT SCHEME UPDATE**
 Report of Director of Public Protection, Streetscene and Community.

(Pages 187 -
194)

GARY HALL
CHIEF EXECUTIVE

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Report of	Meeting	Date
Director of Public Protection, Streetscene and Community (Introduced by the Executive Member for Resources)	Executive Cabinet	28 August 2014

CROSTON FLOOD RISK MANAGEMENT SCHEME - UPDATE

PURPOSE OF REPORT

1. To provide a further update on the flood risk management scheme for Croston and to seek approval for an approach to raise a £1.1M funding contribution.

RECOMMENDATION(S)

2. That the update provided in the report is noted.
3. That the Council continue to proactively seek contributions from other partners and central government in order to bridge the gap.
4. That the Executive Cabinet recommends to Full Council that Chorley Council contribute £600,000 to the project, in the event of partners and central government funding not bridging the gap.
5. That the Council consults with Croston Parish Council and all Croston residents regarding the possible introduction of a local levy, or equivalent recharge, to fund the remaining £500K, in the event of partners and central government funding not bridging the gap.

EXECUTIVE SUMMARY OF REPORT

6. Following the Executive Cabinet meeting on 26th June 2014 the Council has written to partners and central government to seek further contributions towards the Croston scheme.
7. Unless agreement on how to fund the £1.1M is reached and confirmed by November 2014, the Croston flood scheme will not go ahead and the funding already secured will be allocated to other schemes.
8. A number of options to secure this funding gap, including an option to consult with Croston Parish Council and Croston residents regarding the introduction of a local levy or equivalent recharge, are detailed in the report.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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Reason Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

- 9. To support the proposed flood risk management scheme for Croston and to seek approval for an approach to raise a £1.1M funding contribution.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 10. Not to contribute any funding. This would mean that the scheme would be unlikely to proceed, the £4.5M funding would be allocated to another scheme, and Croston residents would not benefit from improved flood protection.

CORPORATE PRIORITIES

- 11. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all	✓	A strong local economy	
Clean, safe and healthy communities	✓	An ambitious council that does more to meet the needs of residents and the local area	✓

BACKGROUND

- 12. Croston village is located on the River Yarrow, just upstream from where it meets the Rivers Lostock and Douglas. This meeting of rivers combined with a series of culverted (underground) watercourses, drains, sewers and surface water runoff means that Croston has experienced flooding several times. Major historical flood events were recorded in September 1946, February 1966, August 1987, December 1999, May 2000, October 2000, January 2008 and June 2012. The worst flood in recent history occurred on 22nd August 1987 when around 205 properties, mostly residential, were flooded. On the 22nd June 2012, 30 homes and businesses flooded in Croston after torrential rainfall in what became one of the wettest summers on record.
- 13. Following the Executive Cabinet meeting on 26th June 2014 the following recommendations were agreed:
 - 1. That the update provided in the report be noted.
 - 2. Support granted to the scheme to construct a Flood Storage Area as detailed in the report, subject to planning approval.
 - 3. That the Executive Cabinet write to the Government, the Department for Environment, Food and Rural Affairs and the Member of Parliament for South Ribble requesting that the £1.1 million funding gap to deliver the Scheme. (This decision was made with cross party support).

4. The decision on consultation with local stakeholders regarding the budget gap be brought back to the Executive following the receipt of the responses to the letters referred to in recommendation 3.

UPDATE

14. Letters have been sent out as per the recommendation to:
 - 10 Downing Street
 - Department for Environment, Food and Rural Affairs
 - Members of Parliament for South Ribble and Chorley
15. Letters also have been sent out to:
 - Lancashire County Council (LCC)
 - United Utilities
16. A reply has been received from Elizabeth Truss MP, Secretary of State for the Environment, Food and Rural Affairs outlining the Government position confirming that no further funding will be made available for the scheme.
17. A reply from LCC has also been received together with a commitment to provide £80K of additional funding subject to budget approval. Together with the £266K previously committed to the scheme, this would bring LCC's total contribution to £346K and would reduce the funding gap to £1.02M
18. No other replies have been received to date.
19. Unless agreement on how to fund the £1.1M is reached and confirmed by November 2014 the Croston flood scheme will not go ahead and the funding already secured will be allocated to other schemes.
20. It is proposed that the following options to secure this funding gap are now considered:
 1. That the Council continue to proactively seek contributions from other partners and central government in order to bridge the gap.
 2. That the Executive Cabinet recommends to Full Council that Chorley Council contribute £600,000 to the project, in the event of partners and central government funding not bridging the gap.
 3. That the Council consults with Croston Parish Council and all Croston residents regarding the possible introduction of a local levy, or equivalent recharge, to fund the remaining £500K, in the event of partners and central government funding not bridging the gap.
21. A local levy for £500K over 25 years covering Croston would cost each property approximately £32 per year (Band D average if charged through Special Expenses element of Council Tax).
22. The Environment Agency (EA) has confirmed that the scheme would benefit Croston residents financially through lower insurance premiums, increased property values and savings from not having to pay for flood damage.
23. The consultation will be by letter and involve all Croston Parish residents.

RISKS

24. The key risks associated with the delivery of the scheme are as follows:

- Securing the required funding – £1.1M funding still required and the core EA funding of £4.5M is conditional on the scheme starting in March 2015.
- Securing planning permission – Pre-meetings have been held with the Local Planning Authority.
- Landowner support – Landowners affected by the construction and operation of the scheme have been consulted and have agreed to allow the scheme to progress subject to legal agreement.

IMPLICATIONS OF REPORT

25. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal	✓	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

26. To date no further contributions from partners have been committed, though LCC has identified £80K of additional funding subject to approval of the budget. If approved, this would reduce the funding gap to £1.02M. The effect of this potential reduction in the funding gap has not been reflected in estimated financing costs because the impact is marginal.
27. The scale of the funding gap at present is £1.1M, and options to fund this are detailed in the report. The recommendation is that the Council should contribute £600K to the project, and that Croston Parish Council and Croston residents should be consulted about contributing the remaining £500k, in the event that funding from partners or central government is not available to meet the shortfall. Should this approach be agreed, the Council would need to add a £1.1M budget to its Capital Programme, to be financed by prudential borrowing. The financing costs of Croston's £500K share would be recharged over an appropriate period.
28. Appendix 1 presents the cost per year of various levels of contributions from Chorley Council and Croston taxpayers. Figures are presented for funding over 25 years and 50 years. A contribution of £600K would cost the Council £37K per year over 25 years, and £28k per year over 50 years. The Band D average cost of £500K would be £32 over 25 years, and £24 over 50. If financed over 50 years rather than 25, more interest would be payable.
29. The estimated period of benefit of the flood risk management scheme is 100 years, but financing the contribution over a maximum of 50 years may be considered more prudent. This issue would be discussed with the Council's external auditor, as would be the calculation of charges to Croston residents, and the calculation of the Minimum Revenue Provision (MRP).
30. The illustrative figures for the cost per Croston Council Taxpayer per year assume that the financing cost would be recovered through the Special Expenses element of Council Tax.

However, should Croston residents make a contribution to the scheme, other methods of recharging costs may be possible.

COMMENTS OF THE MONITORING OFFICER

31. Seeking funding from residents who benefit from the scheme is appropriate given the financial benefits they will gain via savings on insurance premiums and the improved quality of life this scheme will provide. The funding arrangements will need careful consideration and can be personal to each resident. Other alternatives can be considered. All will carry risks (empty properties and recovery of sums being the obvious ones). Residents can be consulted on this with a variety of offers including paying a higher sum over a shorter period which may appeal to some, and will limit risk to the council concerning longer term recovery..
32. Over time recovery would become more difficult as people moved out of the area, became difficult to trace and less willing to contribute to a scheme from which they no longer perceive any personal benefit. The loss to the Council is increased over a longer period of time if the contribution is not index linked.

JAMIE CARSON
DIRECTOR OF PUBLIC PROTECTION, STREETSCENE AND COMMUNITY

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Jamie Dixon	5250	07-08-2014	EC Croston Flood Scheme update

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ESTIMATED ANNUAL COSTS FOR CONTRIBUTIONS TO SCHEME

CHORLEY COUNCIL				CROSTON TAXPAYERS					
25 years		50 years		25 years			50 years		
Contribution £	Cost per year £	Contribution £	Cost per year £	Contribution £	Cost per year £	Band D average cost per year £	Contribution £	Cost per year £	Band D average cost per year £
600,000	36,990	600,000	27,700	500,000	30,830	32	500,000	23,080	24
700,000	43,160	700,000	32,320	400,000	24,660	26	400,000	18,470	19
800,000	49,320	800,000	36,930	300,000	18,500	19	300,000	13,850	14
900,000	55,490	900,000	41,550	200,000	12,330	13	200,000	9,230	10
1,000,000	61,660	1,000,000	46,170	100,000	6,170	6	100,000	4,620	5
1,100,000	67,820	1,100,000	50,780	0	0	0	0	0	0

Assumptions:

Costs are based on 25-year and 50-year Public Works Loan Board (PWLB) fixed rate (certainty) loans as at 7 August 2014 and include repayment of principal and interest.

The cost per year to the Council and Croston Taxpayers would be calculated over 25 or 50 years, not a combination of the two. Other financing periods could be considered.

Illustrative charges to Croston taxpayers are based on use of the Special Expenses method and the 2014/15 Tax Base. Other recharge methods may be possible.

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