

Report Title:	River Thames Scheme - Funding
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Cllr Dudley, Leader of the Council
Meeting and Date:	Cabinet Regeneration Sub-Committee: 26 September 2017
Responsible Officer(s):	Andy Jeffs, Executive Director
Wards affected:	All

## REPORT SUMMARY

1. The River Thames Scheme is a major infrastructure project led by the Environment Agency providing flood protection for 15,000 homes and businesses, of which 2,300 properties are in the Royal Borough, road, rail and utility infrastructure between Datchet and Teddington.
2. This report recommends consideration of a future funding commitment to assist in delivering the project, thereby protecting residents, business and visitors from the impact of flooding.
3. The financial implications of delivering the recommendations are £10m capital funding over four years from 2020/21 and the introduction of a flood levy on Council Tax generating up to £500,000 annually.

## 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That Cabinet Regeneration Sub-Committee recommends to Council that:

- i) **£10m, spilt over four years, is added to the capital programme commencing 2020/21 (subject to delivery of the full scheme).**
- ii) **There is an agreement in principle of paying a flood levy of up to £500,000 per annum to the Environment Agency as a contribution to the operating and maintenance costs (subject to new legislation being enacted to make provision for this)**
- iii) **If recommendation (ii) is approved a delegation to the Head of Finance in conjunction with the Lead Member for Finance to develop and introduce a flood levy be approved**

## 2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 Cabinet and Council considered a report in March and April 2015 respectively and affirmed partnership support for the River Thames Scheme and approved capital annual funding of £285,000 for a four year period commencing in 2015/16.

2.2 The River Thames Scheme project, see Appendix A, is lead by the Environment Agency in partnership with:

- Elmbridge Borough Council
- Royal Borough of Kingston upon Thames
- London Borough of Richmond upon Thames
- Royal Borough of Windsor and Maidenhead
- Runnymede Borough Council
- Spelthorne Borough Council
- Surrey County Council
- Department for Environment Food and Rural Affairs (Defra)
- Thames Water
- Thames Regional Flood & Coastal Committee

2.3 The scheme is estimated to cost £476 million for the design and construction phase with funding of £248 million secured to date. Therefore, the scheme currently has a funding gap of £228 million. A cost / benefit exercise is currently underway with updated costs expected in October 2017 - overall scheme costs are likely to significantly increase further.

2.4 All partners are committed to working collectively to reduce costs and identify funding sources to enable delivery of the full scheme, which will reduce risk of flooding and the devastating impact of flooding.

2.5 A major flood is likely to impact up to 15,000 homes; up to 1,300 commercial properties; roads including the M25 – junction 13; rail network and utility infrastructure including electricity sub-stations and water abstraction points providing drinking water between Datchet and Teddington.

2.6 In 2014 around 1,000 homes and many businesses were affected by flooding – approximately 150 properties and many businesses were in the Royal Borough with 40 homes left empty after the flood event requiring building work. In addition the rail link between Windsor & Eton Riverside and Staines was closed as were parts of the road network including the link between Old Windsor and Staines at Runnymede with in excess of 100,000 sandbags distributed.

2.7 The Royal Borough is a committed partner to the scheme and is keen to see the project delivered and the benefits realised. In order to assist the scheme and demonstrate tangible support and unlock wider funding support the recommendations in this paper are before Cabinet.

2.8 It is envisaged that successful delivery of the regeneration programme will realise future capital receipts which can be reinvested, including this project, to directly benefit residents, business and visitors.

**Table 1: Option summary**

Option	Comments
Strengthen support for the project, investing £10m capital funding and the payment of a flood levy estimated to be up to £500,000 per annum as a contribution to the operating and	This option is recommended as it will improve deliverability, directly benefiting residents, business and visitors.

Option	Comments
<p>maintenance costs (Subject to new legislation being enacted to make provision for this)</p> <p><b>The recommended option</b></p>	
<p>Continue as an active partner of the project without committing further funding</p> <p>Not the recommended option</p>	<p>This option will reduce the probability of the scheme being delivered as there will be no contribution to reduce the funding gap directly or act as match matching to secure alternative funding sources</p>
<p>Develop an alternative strategy and flood protection programme for the Royal Borough.</p> <p>Not the recommended option</p>	<p>The overall project offers significant flood protection between Datchet and Teddington and has attracted significant funding and resource from partners to create a viable scheme.</p> <p>An alternative strategy for the Royal Borough may be more challenging in terms of finance and deliverability</p>
<p>Tolerate the current situation and implement minor local flood prevention measures only.</p> <p>Not the recommended option</p>	<p>Recent flood events had a huge impact on communities within the Royal Borough. Tolerating this impact and implementing minor local measures is not considered acceptable</p>

### 3. KEY IMPLICATIONS

3.1 Key Implications of the recommendations are set out in Table 2.

**Table 2: Key implications**

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Operation of flood channels commenced by:	Beyond 31 March 2026	1 January to 31 March 2026	1 August to 31 December 2025	Before 1 August 2025	31 March 2026

### 4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 Financial implications are detailed in table 3.

**Table 3: Financial impact**

REVENUE (£000s)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Addition	0	0	500	500	500	500
Income*	0	0	0	0	0	0
Net impact	0	0	500	500	500	500

<b>CAPITAL (£000s)</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Addition	0	0	2,500	2,500	2,500	2,500
Reduction	0	0	0	0	0	0
Net impact	0	0	2,500	2,500	2,500	2,500

Notes\*:

- Additional revenue to be generated for flood levy
- The indicative cost per household of a £500,000 levy would be £7.39 which represents a council tax increase of 0.8%.

4.2 Funding of £285,000 per annum forms part of the approved capital programme for this project for 2016/17; 2017/18; 2018/19 and 2019/20 as the Royal Boroughs contribution to scheme development costs.

## 5. LEGAL IMPLICATIONS

- 5.1 A 'Memorandum of Understanding' is in place between the Environment Agency and the Royal Borough pertaining to the development and delivery of this project. This is underpinned by a legal agreement which covers the approved funding contribution for scheme development.
- 5.2 A new legal agreement will be completed to cover the additional funding contribution. In parallel the overarching 'Memorandum of Understanding' will be reviewed and updated as appropriate.
- 5.3 In order to introduce the levy a full review of legislation and current provisions will be undertaken. New legislation may need to be enacted to deliver this commitment.

## 6. RISK MANAGEMENT

**Table 4: Key risks**

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
The scheme is not delivered despite the additional funding contribution	High	Legal agreement to be completed imposing conditions and safeguards around the funding contribution	Low
Capital receipts from the regeneration are not secured	Medium	Realistic, well managed, robust financial forecasting and scrutiny in place	Medium
The introduction of a flood levy is not deliverable	Medium	Specialist resource allocated to develop and deliver a robust, compliant scheme	Low
The scheme becomes unaffordable and	High	Regular checkpoint reviews and robust governance in place to	Low

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
undeliverable as the project evolves		minimise the Royal Boroughs exposure	

## 7. POTENTIAL IMPACTS

- 7.1 Reduced flood risk and reduced impact of flooding for up to 15,000 homes and 1,300 commercial premises and essential transport networks and utility infrastructure protected.

## 8. CONSULTATION

- 8.1 This report will be considered by the Highways, Transport and Environment Overview and Scrutiny Panel on 21 September 2017 with comments reported to Cabinet Regeneration Sub Committee and Council for consideration.

## 9. TIMETABLE FOR IMPLEMENTATION

- 9.1 Table 5 shows the stages and deadlines for implementation.

**Table 5: Timetable for implementation**

<b>Date</b>	<b>Details</b>
26 September 2017	Cabinet Regeneration Sub-Committee
26 September 2017	Council
Commencing October 2017	Development of flood levy proposal
1 <sup>st</sup> April 2020	Introduction of flood levy
1 <sup>st</sup> April 2020	Additional capital funding contribution

- 9.2 Implementation date: Immediately, subject to Council Decision

## 10. APPENDICES

- 10.1 Appendix A – River Thames Scheme: A Case for Investment

## 11. BACKGROUND DOCUMENTS:

- \* Cabinet Report (26 March 2015) - River Thames Scheme Update
- \* Council Report (28 April 2015) - River Thames Scheme Update

## 12. CONSULTATION (MANDATORY)

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Commented &amp; returned</b>
Cllr Dudley	Leader of the Council	11/09/17	11/09/17
		13/09/17	13/09/17
Cllr MJ Saunders	Lead Member for Finance	11/09/17	11/09/17

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Commented &amp; returned</b>
Cllr Bicknell	Deputy Leader and Lead Member for Highway & Transport (including Flooding)	11/09/17	11/09/17
Alison Alexander	Managing Director	08/09/17	10/09/17
Russell O'Keefe	Executive Director	08/09/17	
Rob Stubbs	Deputy Director Finance	08/09/17	12/09/17
Andy Jeffs	Executive Director	08/09/17	11/09/17
Richard Bunn	Chief Accountant	08/09/17	08/09/17
David Scott	Head of Highways & Communities	08/09/17	11/09/17

<b>Decision type:</b> Non-key decision	<b>Urgency item?</b> No
Report Author: Ben Smith, Highways, Parks & Countryside Manager	