

Report to Accountability Board	Forward Plan reference number: FP/AB/127
Date of Accountability Board Meeting:	16th March 2018
Date of report:	7th March 2018
Title of report:	Strood Civic Centre Flood Mitigation Works
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1. Purpose of report

- 1.1 The purpose of this report is to make the Accountability Board (the Board) aware of the value for money assessment for the Strood Civic Centre Flood Mitigation Project (the Project) which has been through the Independent Technical Evaluator (ITE) review process, to enable £3.5m Local Growth Fund (LGF) to be devolved to Medway Council for Project delivery.
- 1.2 The ITE report sets out the detailed analysis of the Project. This report is included in Appendix 1, of Agenda Item 5.

2. Recommendations

- 2.1 The Board is asked to:
 - 2.1.1 **Approve** the award of £3.5m Local Growth Fund to support the delivery of the Project identified in the Business Case and which has been assessed as presenting high value for money with high certainty of achieving this.

3. Strood Civic Centre Flood Mitigation

- 3.1 Medway Council has identified the 3.4ha brownfield Civic Centre as a mixed use regeneration site to meet the high demand for housing in Medway, and to contribute towards aspirations to become a Waterfront University City by 2035.
- 3.2 The Civic Centre site (the Site) is identified within the emerging Medway Local Plan. However, the Site is currently at considerable risk of river tidal and surface water flooding. As such, to convert its use from a car park into a site suitable for redevelopment, flood protection works are required.
- 3.3 Whilst there are existing flood defence structures at the Site, much of the Site is low lying, at less than 4.0m Above Ordnance Datum (AOD) or above sea level.

- 3.4 To enable the regeneration of the Site it is necessary to raise the flood defence level of the Site to provide flood defence for a 1 in 200 year storm threat, with flood levels at +6.0m AOD, as has been agreed between Medway Council and the Environment Agency.
- 3.5 The LGF investment in the Project will:
- 3.5.1 Deliver a new piled wall, raised to +6.0m AOD, in front of the existing wall and river defence along the riverside; and
 - 3.5.2 Raise land up to a height of 6m, to increase the level of flood protection.
- 3.6 The completion of these flood mitigation works will enable a mixed use regeneration to be unlocked at the Site. Due to residual flood risks, ground floor space can be used for commercial premises. This will complement the nearby Innovation Studios Strood as a satellite of Innovation Centre Medway, and provide employment land targeted at SMEs.
- 3.7 The delivery of new employment space will encourage local cafes, restaurants and independent retailers to locate at the Site, enabling job creation and innovation through sector clustering.
- 3.8 Above the ground floor will be multi-storey apartments, in keeping with the waterfront developments in Medway including Chatham Waters, and Rochester Riverside on the opposite banks of the River Medway.
- 3.9 This will enable the delivery of up to 564 units of housing, depending on density. The combination of the construction of flood defences, housing development and commercial use will create an estimated 1033 jobs (902 direct and 131 indirect).
- 3.10 The redevelopment of the Site will make a significant contribution towards increasing employment in the area, supporting the objective of adding to the housing stock to accommodate the increasing population level and helping Medway's Regeneration Strategy for the area.
- 3.11 In addition, the mixed use development will encourage a vibrant environment where people will enjoy living and socialising, which will grow the local economy and attract £86m of private sector investment.
- 3.12 In addition, the investment will provide 1.1km of new cycle and pedestrian links around the perimeter of the Site to encourage greater levels of active travel for both pedestrians and cyclists. The link will connect key sites in the area and be segregated/off road. It will include lighting, CCTV coverage and signage, and support the wider Medway Cycle Action Plan.

4. Options considered

- 4.1 The options appraisal for the flood defence works was completed in August 2015, with the feasibility study having been completed in June 2016.

4.2 The assessment option is considered as part of the Business Case development and include:

4.2.1 **Do nothing** - No action being taken

If no action is taken then Medway Council will not be able to redevelop the Site, Strood High Street will remain exposed to tidal flooding and the impact of forecast sea level rise will exacerbate the flood risk for the area.

4.2.2 **Do Minimum** – This option would be to repair and re-secure the existing capping beam. The cost of this option would be £2,000,000.

The repair of the existing flood defence would maintain the existing level of flood protection but would not provide sufficient flood protection required by the Environment Agency to enable the land to be brought forward for development. Strood High Street would also remain exposed to tidal flooding.

4.2.3 **Do Something (Recommended Option)**– This option would involve flood defending the Site via land raising and a new flood defence wall at an estimated cost of £4,700,000.

This option will:

- Enable 3.4 ha of mixed use land to be brought forward on the ground level which will support the regeneration plan for the area;
- Create 564 housing units that will help accommodate the forecast increase in local population, according to ONS research;
- Contribute to the aims of the Medway Waterfront Regeneration Strategy through the development of a dynamic mixed use waterfront environment stretching from Temple Waterfront, through the former Site and onward to Strood Riverside;
- Enable the creation of a river walk/cycle path linking Medway's key regeneration sites and encourage an increase in physical activity leading to health benefits;
- Alleviate pressure to develop on greenfield sites;
- Population and skills retention through new housing and job opportunities; and
- Create a more productive workforce through improved skills training.

The option will also result in the loss of car parking provision, although it is Medway Council's view that alternative provision can be made.

4.2.4 **Do Maximum** - This option would involve flood defending the former Site and the land to the south of Janes Creek. It would also include land raising to a level specified by the Environment Agency for residential purposes. This option would also involve the new cycling and walking link. The estimated cost of this option would be £7,935,000 (including optimism bias).

In addition to the benefits stated for the Do Something scenario, the Do Maximum scenario would enable the ground floor units to be used for residential purposes. However, the cost of the flood remediation works is considered too high to enable a variable housing development at the Site.

- 4.3 The recommended option presented in the Business Case is ‘Do Something’, as set out in Section 3 above. While the Do Maximum would provide additional benefits beyond that provided by the Do Something scenario, the cost associated with this option outweighs the additional benefits generated.

5. Public Engagement

- 5.1 As part of the planning process, public consultation was undertaken on the flood defence proposals. Some comments were received on the proposals and further work was undertaken in conjunction with the Environment Agency and Rochester Bridge Trust regarding design and construction methodologies to ensure that all parties were satisfied with the proposals. The end result of this process was planning consent was granted in November 2017.

- 5.2 Further to this the proposals for development of the Site were included in the Strood Waterfront Development Brief, which was out for consultation between 4th December 2017 and 29th January 2018. The feedback from this consultation on the proposed development is currently being collated, but some of the concerns which have been identified through the public consultation have been set out in Table 2 below.

Table 2 Concerns raised through Public Consultation and action to address

Concern	Action to address
Building height (particularly raised as a concern by residents of neighbouring properties)	The Development Brief identifies that future development proposals must complement the historic setting and the buildings height should take into account views from surrounding housing development and greenspace e.g. Broomhill park in Strood.
Highway Capacity	<p>An initial Transport Statement has been carried out in tandem with the Development Brief and the Illustrative Masterplan, providing a scoping exercise for future Transport Impact Assessment, which will accompany future planning applications.</p> <p>The Transport Statement has identified measures which residents supported, such as: timeslots for business deliveries, mitigating the impact of parked vehicles along the high street; expansion of traffic monitoring, to divert traffic away from incidents/congested areas; parking guidance to prevent cars circling to find parking spaces; junction modifications to improve access; low car parking ratios, which is supported by policy due to</p>

	its town centre location and proximity to major sustainable transport modes, with high speed rail links to London.
The impact of the number of houses on existing resources/infrastructure e.g. schools and doctors.	The Development Brief highlights the that S106 contributions will be needed to invest in existing infrastructure, the NHS have identified their needs which will be reflected in the document. The increased investment will expand and improve the existing infrastructure.
Impact of new houses on greenspace provision	The Development Brief increases the amount of accessible and usable greenspace. A walk/cycle route along the waterfront was greatly supported with communal/public greenspace situated along the waterfront. The Development Brief also identifies the importance of improving existing greenspace (Watermill Gardens) to enable use by all of the community.

- 5.3 On the whole the public comments were positive with people glad to see the Site being improved. The final version of the Strood Waterfront Masterplan will be adopted as a Supplementary Planning Document in June 2018.

6. Project Funding

- 6.1 The total cost of the Project is estimated at £4.7m, as set out in Table 3 below.
- 6.2 The Project funding breakdown comprises a £3.5m LGF contribution. The remaining £1.2m Project cost will be funded through prudential borrowing by Medway Council. This prudential borrowing has been approved by the Strood Regeneration Board in November 2016, which comprises elected members and senior Medway Council officers.
- 6.3 The £1.2m prudential borrowing by Medway Council has been confirmed and committed within the Councils budget; having been approved at both Cabinet and Full Council.
- 6.4 In addition, there will be £86.5m private sector follow-on investment in the redevelopment of the Site once the flood mitigation works have been completed.

Table 3 Project Funding Breakdown (£m)

£m	2017/18	2018/19	2019/20	2020/21	2021/22	Total
SELEP LGF sought	0.750	2.450	0.300			3.500
Medway Council Borrowing		1.200				1.200
Total funding requirement	0.750	3.650	0.300			4.700
Follow on private sector investment			5.000	10.000	71.500	86.500

7. Outcome of ITE Review

- 7.1 The SELEP ITE has assessed the Project Business Case through the Gate 1 and Gate 2 process and has recommended that the Project achieves high value for money with a high certainty of achieving this.
- 7.2 The economic appraisal has evidenced a Benefit Cost Ratio (BCR) of 3.36:1. This BCR has been calculated following the latest Ministry for Housing, Communities and Local Government Appraisal Guide 2016 to demonstrate how the Land Values will increase on the riverside in Strood as a result of development which can only be achieved if flood mitigation measures are put into place.
- 7.3 In addition, the benefits of the Project in delivering new cycle and pedestrian links have been assessed and included as part of the Project's economic case. These benefits have been assessed following the Department for Transport's (DfT) Active Mode Appraisal Travel guidance.
- 7.4 The ITE review confirms that a sensible and proportionate methodology has been applied. The robust analysis provides high certainty that value for money will be achieved.

8. Compliance with SELEP Assurance Framework

- 8.1 Table 4 below considers the assessment of the Business Case against the requirements of the SELEP Assurance Framework.
- 8.2 The assessment confirms the compliance of the project with SELEP's Assurance Framework.

Table 4 Assessment of the Business Case against the requirements of the SELEP Assurance Framework

Requirement of the Assurance Framework to approve the project	Compliance (RAG Rating)	Evidence in the Business Case
A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan	Green	The business case identifies the current problems and why the scheme is needed now. The objectives presented align with the objectives identified in the Strategic Economic Plan.
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account	Green	The expected project outputs and outcomes are set out in the Business Case and detailed in the economic case. Ministry of Housing, Communities and Local Government (MHCLG) Appraisal Guidance and the DfT's Active Mode Appraisal Toolkit have been used to assess the expected outputs and outcomes of the intervention.
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)	Green	The business case demonstrates clear experience in delivering similar schemes. A comprehensive risk register has been developed which provides an itemised mitigation
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions	Green	A BCR has been calculated as 3.36:1 which indicates very high value for money.

9. Financial Implications (Accountable Body comments)

- 9.1 Any funding agreed by the Accountability Board is dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations beyond 31st March 2018 are yet to be confirmed. However, funding for this Project is included in the indicative LGF Programme allocations provided by HM Government for future years. It should also be noted that the

Government are currently undertaking a Deep Dive review into the Governance arrangements of the SELEP; at the time of writing, it is not known whether the outcome of this review will impact on future funding allocations to SELEP.

9.2 In considering allocating funding to this Project, the Board should take into account the following:

9.2.1 The significant amount of slippage within the overall programme previously reported to the Board in December 2017, this is currently forecast to be £39m by the end of 2017/18; this presents a programme delivery risk due to the increased proportion of projects now due to be delivered in the final years of the programme; and it presents a reputational risk for SELEP regarding securing future funding from Government where demonstrable delivery of the LGF Programme is not as expected.

9.2.2 There is a LGF funding profile risk in 2019/20; whilst there is sufficient funding for all LGF projects across the duration of the programme, in 2019/20 there is currently a funding gap of £13.9m (including the requirements of this Project); it is noted that this risk is being carefully monitored by the SELEP Capital Programme Manager with potential options for mitigation being considered.

9.3 There are SLAs in place with the sponsoring authority which makes clear that future years funding can only be made available when HM Government has transferred LGF to the Accountable Body.

10. Legal Implications (Accountable Body comments)

10.1 There are no legal implications arising from this decision.

11. Staffing and other resource implications (Accountable Body comments)

11.1 None at present.

12. Equality and Diversity implication

12.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

- 12.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 12.3 In the course of the development of the project business case, the delivery of the Project and their ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

13. List of Appendices

- 13.1 Appendix 1 - Report of the Independent Technical Evaluator (As attached to Agenda Item 5).

14. List of Background Papers

- Business Case for Strood Civic Centre Flood Mitigation Project

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off Stephanie Mitchener (On behalf of Margaret Lee)	 08/03/2018