

DECISION-MAKER:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE
SUBJECT:	RIVER ITCHEN FLOOD ALLEVIATION SCHEME: PROJECT UPDATE
DATE OF DECISION:	12 DECEMBER 2024
REPORT OF:	COUNCILLOR KEOGH - CABINET MEMBER FOR ENVIRONMENT AND TRANSPORT

<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY	
None	
BRIEF SUMMARY	
This report provides an update on the progress of the River Itchen Flood Alleviation Scheme, following recommendations made following the Scrutiny Inquiry titled ' <i>Protecting, Preserving and Promoting the River Itchen in Southampton</i> ' concluding in April 2023. This includes an update on the scheme costs and current position.	
RECOMMENDATIONS:	
	(i) That the Committee note the update on the progress of the River Itchen Flood Alleviation Scheme (RIFAS)
REASONS FOR REPORT RECOMMENDATIONS	
1.	Understand progress on the RIFAS since the Scrutiny Inquiry titled <i>Protecting, Preserving and Promoting the River Itchen in Southampton</i> that concluded in April 2023.
2.	Note the current situation on the continued development of the RIFAS.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
3.	None – Paper for information only.
DETAIL (Including consultation carried out)	
	Summary of the Scheme
4.	The RIFAS is a major flood defence infrastructure project consisting of 3.7km flood defence on the west bank of the River Itchen between Mount Pleasant Industrial Estate north of Northam Bridge to just south of the Itchen Bridge (see Appendix A - figure 1 and figure 3). The defence is required to reduce the immediate present-day risk of flooding to over 153 existing homes

	<p>(including the Northam Estate), 288 businesses and sections of critical road and rail links. As a result of climate change and sea level rise, the area at risk and depth of flooding expected increases and will impact over 1150 homes and 900 businesses by 2120. These figures only include property constructed pre-2012 as post-2012 development is subject to strict planning policy requirements to assess, manage and mitigate flood risk. This includes sites such as Meridian Gardens and Chapel Riverside, both approved with site specific flood mitigation measures in place for short term benefit, but will become fully reliant on completion of the RIFAS to avoid flooding as tidal water will by-pass the defences. For Chapel Riverside, some external areas of the site including car parking areas, plus one non-residential ground floor block remain at risk of shallow flooding present day and experienced flooding in April 2024, and for Meridian Gardens, parts of the site will become vulnerable from 2040 onwards.</p>
5.	<p>The RIFAS is phase one of Southampton’s strategic flood defence needs. Land levels of Southampton’s waterside are low which means, over time, a continuous raised defences will be required for ~22km of coast from Woodmill, St Denys and Northam, through the city centre and on to Redbridge (see Appendix A - figure 4). The timing of flood defence infrastructure need is dependent on the level of risk and how this risk changes over time, however without the RIFAS, defending the active city centre against tidal flooding due to climate change and sea level rise will become a challenge. This is because over time flood flow routes from the Itchen Estuary and Test Estuary merge into a singular flood cell. Simply put, the RIFAS and future city centre defences are interdependent, with both sections of defence required to secure a long-term sustainable future for the city.</p>
	<p>Scheme Delivery</p>
6.	<p>The RIFAS is being delivered in partnership between the Environment Agency (as design and construction lead) and Southampton City Council (as investment lead). A Memorandum of Understanding was agreed and signed in September 2019, marking the start of the partnership agreement. The project has built upon the Council’s first attempt to deliver the flood defence needs which paused in 2017 due to lack of staff resources and funds to deliver, and has increased understanding of flood risk, ground conditions on site and stakeholder needs, all of which have substantially furthered the design development.</p>
7.	<p>A project governance structure is in place to guide the partnership and make core decisions that impact delivery or spend that are in the best interests of both organisations and those impacted by the risk of flooding. This includes representation at:</p> <ul style="list-style-type: none"> • <u>The Project Board</u> – Head of Transport and Planning with support from Finance Business Parter (SCC) and Flood and Coastal Risk Management Lead and Project Executive (EA) • <u>The Project Sponsors Group</u> – Chief Executive (or delegation to Executive Director for Growth and Prosperity) and Chief Finance Officer (SCC) and Area Flood and Coastal Risk Manager and Project Sponsor (EA).

	Scheme Costs
8.	Since the project partnership formed in 2019, the RIFAS has come up against several challenges owing to the complex nature of the Northam area and competing needs of users today vs capturing growth over time. Most notably, project costs have increased from £29.8m presented at Outline Business Case (OBC) in early 2022, to £80.5m post OBC (autumn 2022, comprised of £65.2m build cost plus £15.m future costs (e.g. maintenance)).
9.	<p>The current best estimate of cost is ~£96.7m (including uplift of OBC figures to Spring 2023 pricing including inflation). This rise is attributed to:</p> <ul style="list-style-type: none"> • Changes to the alignment, including SCC’s decision to amend the alignment at Drivers Wharf from setback (dividing the site in two west to east) to frontline to obtain benefit of regeneration potential and replacing a failing quay wall in SCC ownership. • Refinement of the design, better understanding of costs (e.g. flood gates), programme alterations to accommodate additional site investigation, and • External factors including, rising material costs, impacts of global affairs (e.g. Covid and Ukraine war) and resultant unprecedented inflation from recent economic instability.
10.	It is noted that costs are still preliminary estimates based on outline designs. A clear picture of cost will not be available until detailed design work, including innovation work packages have been completed later in 2025/26. The innovation work package seeks to identify savings through design refinement and aspects such as fully understanding the requirements of sheet piles to manage groundwater and tide interaction.
	Scheme Funding
11.	Partnership Funding rules for Flood Defence Grant in Aid (FDGiA) are set nationally by Defra, with allocations administered by the EA. At present, eligibility for funds is limited to protecting existing homes, defined as residential dwellings constructed prior to 2012 ¹ , based on their level of flood risk, and people including Indices of Multiple Deprivation and impact to mental health and wellbeing. Businesses at risk receive a much lower rate as they are covered indirectly via allowances for economic losses (damages avoided over the scheme life). Calculations have determined that the RIFAS is eligible for a maximum of £34.8m FDGiA, which will deliver £244m of damages avoided over the scheme life (100 years).
12.	Current Partnership Funding rules do not make allowances for the value that future regeneration can bring to an area post flood defence completion as are set for present day land uses centred around existing homes. For coastal cities such as Southampton where there is strong potential for economic growth and regeneration of brownfield sites once flood risk constraints are reduced, this can unfortunately mean that allocations are fairly low as achieving the required cost benefit ratio is harder to demonstrate.

¹ Homes granted planning permission and built after 2012 should be designed to include flood resilience measures or defences managed through the National Planning Policy Framework. If resilience is not included and the required planning tests are not met, planning permission should be refused.

13.	<p>In November 2021, Cabinet and Full Council agreed a £10.2m Capital commitment spread over a 5-year period from 2025/26. This was to be fulfilled through future Community Infrastructure Levy (CIL) receipts. This comprised of:</p> <ul style="list-style-type: none"> • £3m towards unlocking the FDGiA (£34.8m), and • £7.2m to amend the alignment at Drivers Wharf to encompass the required replacement of the existing quay wall in SCC ownership.
14.	<p>SCC will also provide approximately £1m of in-kind contributions (calculated over design and construction phase) through staff time, co-location space and use of land for compound space during site investigations.</p>
15	<p>These investment sources, including an additional £500k of Local Levy from the Southern Regional Coastal Committee, leaves a total funding gap of around £50.5m.</p>
16.	<p>The Outline Business Case (OBC) was approved by the EA Large Project Review Group in August 2022. This enabled draw down of a portion of Flood Defence Grant in Aid to progress the scheme to Full Business Case. Due to the increase in scheme costs impacting the strength of the business case, the EA requested that a project ‘Health Check’ was to be undertaken in September 2025. This would be used to assess the refined scheme costs based on findings from value engineering works to inform design, and progress on obtaining investment, essentially acting as a stop/go point in the project and determine the best way forward and support the EA in its decisions relating to national funding priorities.</p>
	<p>Current Position</p>
17.	<p>Up-front investment sources for flood defences are extremely limited. An Investment Strategy was prepared in June 2023 to help support opportunities to close the funding gap. This indicated that a majority of sources would be based on the ability to bring forward regeneration post flood defence completion, such as securing Section 106 contributions from developers, CIL receipts that SCC could choose to direct towards flood defence infrastructure and direct delivery of flood defence by developers such as what has occurred at Chapel Riverside.</p>
18.	<p>Alternatives such as securing of private investment from direct beneficiaries (e.g. businesses or key stakeholders who benefit from reduced risk) or introducing new levies on Council Tax or Business Rates presents challenges that would require further consideration. As such, to date securing the full investment required has not been successful, and further work is required. This includes discussions with organisations such as the UK Wealth Fund which are underway.</p>
19.	<p>In Summer 2024, the EA’s own national delivery programme received scrutiny from Defra, indicating there is insufficient funding available nationally to support all schemes on the current programme. The reason largely cited as inflationary costs impacting a majority of the large schemes. At a local level, the RIFAS was identified as a scheme within the top ‘high-risk’ schemes due to the large funding gap, with the EA asking the Council to provide additional assurance that the full investment needs would be met, to enable the £34.8m GIA allocation to remain in their current national funding programme.</p>

20.	<p>This recently culminated in a review by the Project Sponsors during a meeting that took place on 24 September 2024, 12 months ahead of the original project ‘Health Check’ deadline. During this meeting it was been agreed that there is currently no certainty in the ability to close the funding gap and as a result, several options are being assessed. These include:</p> <ul style="list-style-type: none"> • Continuing with project development work that seeks to reduce costs through innovation and design choices, supported by outputs of ground and site investigation works, • Prioritising flood defence works to the most at-risk areas, phasing development where possible, • Seeking opportunities to deliver flood defence works through a wider regeneration package, and • Pausing project development until partnership funding is identified.
21.	<p>Discussions around the most suitable option to proceed with are ongoing, and will require careful balance of funding, the future vision for the area, and most importantly, how present day flood risk can be managed for the people who live and work in the area.</p>
	<p>Next Steps</p>
22.	<p>Confirmation on the EA’s funding position will require review at the Southern Regional Flood and Coastal Committee in January 2025. This will confirm the EA’s capital programme, with decision relayed to SCC shortly after. This will trigger the final decision on direction of the scheme.</p>
23.	<p>On 13 November 2024, a statement by the Government’s Flood Minister, Emma Hardy, acknowledged that the current mechanisms in place around partnership funding allocations are outdated, with an announcement that a consultation would be launched in 2025 to understand and review the partnership funding rules. This may result in changes to how allocations of GiA are made and may have a positive impact on funding the much-needed flood defences in Southampton.</p>
24.	<p>In the meantime, SCC is continuing with discussions with organisations such as the UK Wealth Fund and Homes England to help understand the parameters for funding that may be available. The Council commissioned Southampton Renaissance Masterplan will support these discussions. Joint collaboration across the Growth and Prosperity Directorate will be critical in developing an alternative flood defence delivery strategy should funding to continue development of the current RIFAS no longer be available.</p>
25.	<p>Opportunities to link to wider scale regeneration plans will provide better support to achieving objectives of the River Itchen Scrutiny Inquiry, including enabling and opening up access to the waterside.</p>
<p>RESOURCE IMPLICATIONS</p>	
<p><u>Capital/Revenue</u></p>	
26.	<p>To date approximately £5.2m has been spent on the development of the RIFAS. This includes various work packages required to support the development of the detailed design such as flood modelling, utilities verification, site ground investigations and interpretive reports essential to understanding ground conditions to inform critical design elements, along</p>

	with staff resourcing from across the partnership which includes contractor and consultancy costs. These costs have been drawn down from the Flood Defence Grant in Aid (FDGiA) and Local Levy funding.
27.	None of the £10.2m Capital allocation (approved November 2021) has been spent on the development of the RIFAS. Once SCC has received confirmation on GiA funding from the EA in January, a decision may be required as to whether the £500k capital allocation (from SCC) in 2025/26 will be spent on continuing development of the RIFAS in its current form, or utilising this to assess alternative delivery options linked to wider regeneration aspirations.
28.	Regardless of whether the RIFAS continues in its current form now, or a suitable alternative delivery model is identified, funding to deliver strategic defences will still be required. The longer delivery is left, the greater the risk of flooding will become, and the more expensive delivery will be. In addition, SCC will likely incur direct costs associated with flood damage to SCC owned properties, roads and other assets sited within the area of present-day flood risk, and supporting those communities directly impacted.
<u>Property/Other</u>	
29.	A majority of the homes carrying the highest risk of flooding are located within the Northam Estate. This is one of the largest housing stocks owned and managed by the Council and is home to residents that fall into the category of 10% most deprived in England (based on 2019 Indices of multiple deprivation). Should a significant flood occur, the Council will incur costs associated with repairs, plus alternative accommodation for those unable to return home. It remains recommended that the Council's Property and Housing services have a contingency plan to manage the recovery post flood incident. This will be particularly important as deprived communities contain higher percentages of individuals whose ability to recover financially may be limited, and where flooding often carries a heightened impact to mental and physical health and wellbeing.
Other – Staff Resources	
30.	The Flood Risk Management (FRM) service is critically under resourced. Following departure of the Flood Risk Officer in November 2023, and inability to recruit to fill this post due to national skill shortage, the FRM team has been running with 1 FTE to cover statutory minimum only, including all Statutory Duties assigned to the Lead Local Flood Authority, and delivery of other flood risk management projects. Additional resource allocations are likely to be required to support development of the RIFAS as a large-scale critical infrastructure need.
31.	Since conception, the scale and complexity of the RIFAS has grown. It has been identified that the FRM team do not necessarily hold the specialist skill sets to successfully take forward the Investment Strategy, particularly where there is a reliance on regeneration (including master planning and land assembly). To support with immediate mitigation, it is proposed that a project Steering Group is set up with key representatives of services including Economic Development, Strategic Planning and External Funding Manager to access skill sets that may already exist within the Council and exploit work packages where there may be similar objectives or outcomes. This will be

	critical in supporting the options to support closing the current funding gap, and in particular the regeneration focused delivery options.
32.	A critical element in support of the RIFAS scheme is to articulate the regeneration potential through an updated master planning framework. This could in turn generate future investment opportunities either via development enabling grants or developer led flood defence – as is the case with recent developments e.g. Meridian and Chapel Riverside, which will both form part of the RIFAS. This work is now progressing via Prior & Partners, concluding later this year. The next stage is the development of a Delivery Plan and more detailed commission for specific development briefs centred on SCC owned sites following the March 2024 Cabinet decision on the Asset Development and Disposal Programme (ADDP).
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
33.	Within the Flood and Water Management Act 2010, the EA remain the Risk Management Authority (RMA) with the responsibility for the management of flood risk from main rivers and the sea (the risk the RIFAS seeks to address), and SCC RMA for management of surface water, ordinary watercourses and groundwater.
34.	All powers and duties are permissive therefore there is no legal obligation to provide or maintain, flood defences. Whilst there are homes and businesses at immediate risk of flooding, with several incurring losses, there is no legal right to the provision of publicly funded flood defences. It remains the responsibility of the property or landowner(s) to defend their own property or land.
<u>Other Legal Implications:</u>	
35.	Implications on the Council are most likely to be reputational rather than legal. A pause on the delivery of the scheme will be the second time that development of flood defence infrastructure has been abandoned, leading to a potential loss of stakeholder trust, in particular with those stakeholders who have recently accommodated site investigation works to progress design.
RISK MANAGEMENT IMPLICATIONS	
36.	Flood risk remains a real threat to the city. Overnight of 08/09 April 2024, Southampton experienced the most significant flooding in over 20 years of records. Within the RIFAS area, 5 businesses reported serious internal flooding with some incurring damages in excess of £100k damages to buildings, equipment and materials on site (Appendix A - figure 2). It is highly likely that other businesses were flooded, but not reported to either SCC or the EA. In addition, approximately 25 vehicles were written off as flood water inundated basement car parking of nearby residential dwellings and the local highway network. Sadly, access to affordable insurance for those in flood zones is limited, often with those impacted required to fund repairs themselves.
37.	For context, the April 2024 flood equated to a flood that has a 2% chance of occurring in any given year (1 in 50 year). Had the tide peaked just 15cm higher, this would have resulted in the flood extent of the 0.5% chance of flooding (1 in 200 year), impacting 153 homes and 288 businesses.

38.	It is noted that regeneration is a piecemeal approach and will not manage flood risk until the full 3.7km of raised defence is achieved, as tidal flooding will simply flow around a defence until ground is higher than the tide level. As regeneration is a longer-term ambition, people, homes and businesses will remain at direct risk of flooding. This will require careful management from the EA and SCC's Emergency Planning to ensure that flood risk is communicated, and adequate response arrangements are in place to reduce impact.
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POLICY FRAMEWORK IMPLICATIONS

39.	Without a clear plan to provide a strategic flood defence, it is likely that the Local Plan and associated site allocations for housing will need to be reviewed in order to demonstrate that proposed new development in the area is compliant with National Planning Policy and remains safe for those occupying the site over the development lifetime. Having a robust local planning policy will be vital in ensuring a balance can be struck to enable regeneration to come forward with strategic flood defences integrated.
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KEY DECISION?	No
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WARDS/COMMUNITIES AFFECTED:	Bevois Ward / Bargate Ward
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SUPPORTING DOCUMENTATION

Appendices

1.	Appendix A: Map showing approved flood defence alignment and flood risk
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Documents In Members' Rooms

1.	None
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Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
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Data Protection Impact Assessment

Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
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Other Background Documents

Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	Protecting, Preserving and Promoting the River Itchen in Southampton - Final Report
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