

Economics Note on revised PF calculator scoring:

Author: Tom Buxton-Smith Date: 23/02/20 Revision 3

1. Background

- 1.1. By far the biggest source of funding is from central government, via the Environment Agency. To ensure these funds are assigned fairly across the whole country, the project's economics must be placed into the (Partnership Funding) calculator. This works out the total eligibility for funding a scheme may have, while incorporating any contributions into the scheme to make it more affordable. In short, a scheme must have an adjusted PF Score of 100% or higher for it to proceed. The higher the PF score, the higher the priority the scheme will take within the overall country wide funding budget.
- 1.2. In 2020, the PF calculator was significantly updated, which essentially increased the funding from central government the scheme was eligible for. In summer 2020, we carried out a conservative estimate of the additional funding, and found it to have covered the then funding gap of £1.5m. We were also asked to look at the value of Sidmouth once more, discovering basements and other benefits which had not been included in the original calculations.
- 1.3. Once we knew the original OBC proposal was easily affordable (solid concrete wall) we asked to have allowance in the revised economics to include more allowance for a more expensive/acceptable wall, of design to still be decided. For the economics, it was assumed to have a 0.5m stone clad splash wall, and a 0.5m glass top section at the top, which will give us sufficient budget for a splash wall design, yet to be approved.

2. OBC construction costs for the Working Draft Option

Although there is a desire to move the Working Draft option to an adaptive approach, the PF calculator has used the below working draft option.

Note risk budget and design work not included

2.1. Working Draft as per original OBC bar change in splash defence design (Half stone clad splash wall, with glass top to bring to full height)

- A) Work at Jacobs ladder £100k
- B) Splash wall plus gates (stone clad and glass) £2.475m
- C) Town and East Beach Recharge £2.635m
- D) Supergroyne £1.004m
- E) River training wall/ramp £270k

Total construction £6.485m

3. The latest PF calculator has been run and at this point makes the following assumptions:

- 3.1. It is assumed the scheme will be implemented / construction in year 2 (i.e. 2 years' time). If this is actually year 1 or year 3 will make little difference to the overall score.

3.2. Two versions have been produced. One 'conservative' and one 'best case' as often recreational damages (in the best case version) are challenged by the Environment Agency.

3.3. Road damages are high (as they often are) so this may be challenged by the Environment Agency, however this is not unusual.

3.4. The costs include for 50% of the splash wall to be partially glass, and stone clad.

3.5. The PV appraisal costs are based on the value provided by the former EDDC project manager. This will have increased since then, due to addition consultancy works, and revising the economics for the new PF so needs a further review by EDDC.

4. Two PF calculators produced in draft.

4.1. Conservative. 111% funded. - However additional cost increases to dilute the % down to 100% would need to be justified.

4.2. Best Case PF. 133% funded - However additional cost increases to dilute the % down to 100% would need to be justified.

5. Additional funding could be used for future maintenance pot.

5.1. Of the £1.8m non FDGIA contributions pledged to date, we could move up to £1.5m into a future maintenance pot, and the scheme is still over 100% funded.

5.2. Significant funds could be put aside for future maintenance to ensure regular beach recycling or recharges occurs. This is pending on the restrictions of the money currently assigned for capital expenditure.

5.3. It worth noting that FDGIA money cannot be used for future maintenance. So it is contributions moving from the capital pot to a maintenance pot.

6. Risks relating to the additional funding eligibility being found:

6.1. Closer to 100% we are, the more questions asked at NPAS (more scrutiny)

6.2. Low contributions attracts questions from NPAS (but we can demonstrate set aside from maintenance)

6.3. Inflating costs for no reason (such a super expensive splash wall, or ineffective offshore structure) will raise questions. Just because we may be eligible for the funding, if a viable cheaper option is available, we may be forced to go for that.

6.4. Higher % funded schemes are placed at the front of the queue for money allocation. Diluting the %, may mean a wait for the allocation.

6.5. May open up original options to be revisited again. However a modelling exercise to test technical feasibility will delay the project at least 6 months, and cost in the region of £50k. If that option is proven to be favourable, we would be adding another two years onto the project, and £150k of additional design and consultation costs.

7. Options going forward and arguments for and against :

7.1. **Adaptive Working Draft Option.** Continue with the working draft option, as per 2.1, but without the permanent glass top up, but instead a temporary top up panel. This option would make use of the additional funds to put towards future maintenance.

- 7.1.1. Could be building within 2 years if OBC submitted and approved soon.
- 7.1.2. Modelled enough for OBC submission, and further opportunity to refine the detailed design.
- 7.1.3. Some additional funds could be put towards a future maintenance reassuring the public that ongoing beach recharge and recycling will occur.
- 7.1.4. Gets permanent erosion protection on East Beach as soon as possible – super groyne built within 2 years.
- 7.1.5. Scheme relies on future recharge and recycling
- 7.1.6. Any amendment of the current splash wall is not popular
- 7.1.7. Long term sustainability concerns
- 7.1.8. Additional funding can only be used to reduce flood risk/erosion

7.2. **Stop and re-investigate BMP options.** Pause the OBC's production and carry out technical feasibility modelling of another BMP option achievable within the projects funding window.

- 7.2.1. Could see if another option is technically viable given the increased funding envelope
- 7.2.2. May reduce future ongoing beach recharge/recycling costs
- 7.2.3. May reduce the need/height/length of splash wall
- 7.2.4. Consideration needed for temporary solution on East Beach, if alternate option chosen resulting in 4 year delay (pending permissions, consents, licences, and approvals)
- 7.2.5. Will cost at least £50k for the modelling study
- 7.2.6. Will cause at least 6months delay for modelling to be carried out (following cabinet approval, scoping and carrying out the work)
- 7.2.7. If another option is chosen, it will add another 2 years onto the project to update the BMP and OBC. (so construction around 4 ½ years from now)
- 7.2.8. If modelling does not prove alternative option works as well as required, the modelling may be challenged further delaying any progress.
- 7.2.9. Additional funding can only be used to reduce flood risk/erosion (not for Jetty's or regeneration)
- 7.2.10. Other BMP options not as publically tested as the working draft option. For example, if offshore rock islands are chosen to be modelled, will they be acceptable to the public and view/look of Sidmouth?
- 7.2.11. Any option modelled will need to provide the same (or better) benefits (in terms of flood risk) as the preferred option. Any reduction in flood risk protection will reduce the damages, and thus the funding. So an option may be modelled and proven to be technically viable, but not as effective as the preferred option, therefore unaffordable.
- 7.2.12. Other options have not had as in depth consultation with designated bodies as the working draft option, so they may be unfeasible on other grounds.

Any alteration from our current course comes with big risks and uncertainties and time delays associated, but could provide a more palatable solution with lower ongoing maintenance.

The decision for the advisory group is therefore whether to delay the current OBC process for 6 months to undertake modelling of alternatives and environmental feasibility, as alternatives may now be affordable due to the revised PF calculator.

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