

Report to: Cabinet



Date of Meeting Wednesday 1 February 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Sidmouth and East Beach BMP – Outline Business Case (OBC) approval, Risk Gap Funding, Project Board Reinstatement and Detailed Design Tender Stage

Report summary:

1. EDDC to fund current project funding gap.
The hybrid option was priced using construction figures from 2020 and 2021, however due to rapid construction inflation the project cost has ballooned, and the previous available funding is insufficient to progress the project. A significant rise in the project cost is the required risk budget, so it has been suggested that EDDC put £1.7m towards the project, but to sit in the risk budget, so it may not ultimately be used, or central government funding rules may change so it may not be fully needed.
2. Restarting of Project Board, and delegate authority to sign off the Outline Business Case on behalf of EDDC. The project previously had a project board made up of members, EDDC officers and other partners to guide the project through the decision making process, however the board has not been used for many years, and we want to confirm its remit and membership and place in the decision making process.
3. Requesting authority to start a tender process with a consultant to provide the detailed design and further modelling and consultation to enable us to tender a contractor in the future. The scope for the detailed design stage will be consulted on via the Advisory Group.
4. Approval of the revised Hybrid Option, now known as option 6 for submission to the Environment Agency. The OBC document is being finalised for the Project Board to approve should item 1 be approved. Option 6 has been created following feedback from the advisory group and is the best compromise for most group member's wishes of an outline plan for a project. Once the OBC is submitted and approved, it will release central government funding to enable the project to move into the detailed design stage where elements can be modelled, investigated further and consulted further.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

1. That Cabinet recommend to Council that £1.7m of funding is allocated to the Sidmouth and East Beach Project to complete funding within risk budget subject to the caveats detailed in the report, as outlined in annual budget papers.

2. That Cabinet agree to the reformation of the Project Board as detailed in the report, with them signing off the final OBC
3. That Cabinet agree that EDDC can start a tender process to appoint a new design consultant for the detailed design stage
4. That Cabinet approve the Hybrid Option for submission to the Environment Agency. The OBC is based on this option and final amendments to this will be approved by the Project Board to also be submitted to the Environment Agency

Reason for recommendation:

1. The project cannot proceed into the detailed design stage without being fully funded on paper. Due to many unknowns the project has a large risk budget which needs to be funded, however it is expected some major cost savings could be realised with further work. Although not confirmed, for other national projects to progress, the national funding rules will likely need to be changed, which may lead to a reduction in the additional funds EDDC needs to put forward.
2. A project board is required to make quick decisions for the project, and due to a period of it being inactive, we wish to reinstate it with Cabinet's agreement.
3. We are out of contract with the current consultant who has delivered the OBC to date. Therefore we will need to tender a new contract as per our procurement rules to a new consultant. This will ensure value for money and involvement from the Advisory Group to help develop the project forward.
4. The project is as well placed as it has been to proceed to the detailed design stage. However the current hybrid option still features some risks, some unknowns and is still not universally liked, but provides the best option to progress. It is important to note that submitting the OBC is a funding allocation stage and does not commit EDDC to build the option presented and there will be additional time and resource into developing the detailed design option including consultation and planning prior to construction.

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Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Democracy, Transparency and Communications
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities
- Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Climate change High Impact

Risk: High Risk; High Reputational and Financial Risk to EDDC outlined in report

Links to background information

- [Draft Document for outlining the Project Board v5.3](#)
- [Sidmouth and East Beach BMP OBC overview document of the Hybrid Option \(Option 6\)](#)

Link to [Council Plan](#)

Priorities (check which apply)

- Better homes and communities for all
- A greener East Devon
- A resilient economy

Report in full

1. **EDDC to fund current project funding gap**

1.1. **New Project Funding Gap**

The current funding gap is £1.7million. At the end of 2021, there was no funding gap with the hybrid option, however there are many factors which has led to the increased project cost outlined below:

- Higher wages/staff shortages caused by a smaller labour pool for both construction and management as part of the ongoing effects of leaving the European Union.
- Increased import costs of materials with additional paperwork and delays incurred.
- Increased Energy Costs.
- Increased diesel costs as a result of Government changes that mean construction Plant can no longer use low VAT Red Diesel
- General inflation of materials (Steel has risen 50%, Concrete 20%, Tarmac 30%).
- Higher cost risks as a result of volatile prices for materials, forcing contractors to price higher to deal with the risk.
- Ongoing covid sickness.
- Ukraine War and further energy and supply issues.

Additional operation risks, and therefore costs, have also been identified, including:

- Danger to work staff from working on East Beach from cliff falls and narrow beach
- Uncertainty over permitted working hours during the summer months.

1.2. Project Risk.

Every large project requires a risk budget. This is essentially a pot of money that needs to be funded, but is hoped not to be used. It is for overspends created by unknowns. If a project is more developed, less risk budget is required, and conversely a less developed project needs more risk budget. As there is still much to model design and consult with on the project, there are still plenty of risks that could be realised and therefore the project requires a large risk budget of £4.9m, which is 38% of design and construction costs. Typically this figure is between 20% and 40% for construction projects.

1.3. Conditions of additional funds offered and ongoing risk.

Normally the risk budget if not utilised would be split back between the contributors, with central government taking the lion's share as they have put more money into the project. However it has been agreed with the Environment Agency that due to the unusual situation the project finds itself in with rapid inflation and a large risk budget, that should the risk budget not be used, EDDC would be the first to seek reimbursement.

Although nothing has been announced, it is expected that the central government funding calculator (PF calculator) will need to be updated nationally. This is due to many projects now not being financially viable, so the government will miss its target for delivering reduced flood risk to homes. If and when this change occurs, we hope to bolster the project's finances and reduce EDDC's commitment.

1.4. Potential reduction of £1.7m contribution

Following consultation with the Environment Agency, we may be able to reduce this figure further, however this is still under development. Please see 4.4.7 for further details on this reduction. However this reduction is not confirmed, therefore we are keeping the figure at £1.7m at this time.

1.5. Recommendation

That EDDC assign an additional £1.7m to the Sidmouth and East Beach BMP, which is above and beyond the £500k already committed. It is worth noting this funding will not be needed until 2025, should it be required and has been added to the capital programme presented with 23/14 budget setting papers.

2. Restarting of Project Board.

See linked document for more information:

2.1. Previous Project Board

The previous project board operated during the BMP phase of the scheme to help make important decisions to progress that element of the work. Due to the more strategic aim of the BMP it featured representatives from more external bodies, however its purpose was to adjust membership to reflect the decisions needing to be made and the risk it involves.

2.2. Responsibilities of the Project Board

- Oversee the delivery project, in accordance to of the aims of the project
- Manages the Projects Risk (see Appendix 4.2)
- Sits below senior manager at 2.3 who reports the Project Board's activities to Cabinet, and makes decisions it is permitted to under the delegated authority set out by EDDC documents
- Receives both formal and informal advice from the Advisory Group
- Documents decisions made, and presents them back to the Advisory Group
- Able to set up sub-groups to discuss technical matters. For example a commercial group during the tendering of contracts phase.
- Make decisions in accordance with the relevant scheme of delegation.

2.3. Position of Project Board within project structure

- EDDC, as Risk Management Authority (RMA), has permissive powers to carry out the project should it wish to. It is the lead on the project.
- EDDC delegates responsibility for delivering the project to a senior manager (in accordance with its scheme of delegation).
- That senior manager oversees the delivery of the project. This is best done through or with the assistance of a project board, chaired by the senior manager.
- That senior manager or the project board delegate (when required) responsibility for managing the project to a project manager (in accordance with the Council's scheme of delegation and if necessary with clarification by the senior manager about the scope of decisions the project manager may make for the timely and effective management of the project)
- Any decisions made by the project manager will be reported to the Project Board.

2.4. Proposed Membership

The core membership will consist of:

- Project Executive: EDDC officer (Director Lead Level)
- Project Sponsor: A council Member
- Project Primary Partner : Environment Agency
- Project Secondary Partner: Single representative from other contributors (DCC, CRAG, Sidmouth Lifeboat, STC)
- Project Manager: EDDC officer

The Project Executive will chair the project board.

Further membership roles to be added if required.

- ECC (Engineering Council Contract) project manager (administering contracts and making decisions based on administering the contract only)
- Principle Designer (Required by (Construction Design Management) CDM regulations to advise on safe construction/operation
- Environmental/ lead if required
- Consultant once appointed
- Contractor once appointed.

2.5. Reinstatement of Project Board

It is recommended that Cabinet support the setting up of the project board as outlined in the section.

The project previously had a project board made up of members, EDDC officers and other partners to guide the project through the decision making process, however the board has not been used for many years, and we want to confirm its remit, membership and place in the decision making process.

3. Tender for new consultant to deliver detailed design stage

3.1. History

To date, two consultants have worked on the Sidmouth and East Beach Project. Halcrow (CH2M) were commissioned via competitive tender to produce the initial BMP document. Following this Royal Haskoning DHV won the competitive tender to deliver the OBC phase based on the BMP preferred option. Assuming the OBC is approved by the Environment Agency, we will enter the detailed design stage and will need to tender a new commission to a design consultancy to deliver this. We then anticipate once a final design is agreed, we would tender a construction contractor using the detailed design drawings.

3.2. Scoping Exercise

To ensure the Sidmouth Community are involved, we will ask the Advisory group to advise on the scope for the detailed design stage. The general requirement is as follows:

3.2.1. Detailed modelling of current option, along with viable sub alternative options to ensure the construction elements will perform to the desired level

3.2.2. Further consultation with the public on the final design via workshops/events prior to the planning stage.

3.2.3. Detailed design drawings to enable a contractor to tender for the works

3.2.3. Site supervision services.

3.3. Framework opportunities.

Our preferred approach is to tender the detailed design stage to the whole market, however we will consider if entering local government/EA frameworks may be beneficial for expediting the design and construction.

3.4. New procurement for detailed design consultant

It is recommended that Cabinet agree for the project to tender for a new detailed design consultant to abide by EDDC procurement rules and to ensure best value

4. Approval of the Hybrid Option to submit to the Environment Agency.

Please refer to OBC overview document under background information

4.1. Background

The original BMP was completed, which indicated the preferred option following public consultation being balanced with the then available likely funding. The original preferred option was a recharged Town and East Beach, a 120m groyne at East Beach and other improvements to existing coastal structures. This was taken to the OBC stage with a new consultant and further modelling. During the development of the option, it was found that the recharged beach would not reduce flood risk to Sidmouth Town as much as would be required to gain central government funding. Therefore the existing splash wall was proposed to be

raised to a new height of 1m from the esplanade. This project was not fully funded, with a funding gap of around £1.5m. The raised splash wall was also unpopular.

In May 2020, central government released an updated funding calculator which removed the funding gap, and combined with improved economics, further funding eligibility was possible. The preferred option was a product of the then available funding envelope, so it was decided at Cabinet on 31 March 2021 to pause the preferred option's OBC production, and investigate previously dismissed options (due to budget constraints) This exercise was carried out, with the Advisory Group and a scoping sub-group and a new Hybrid option was created, which uses some of the preferred option, but with the addition of an offshore rock island(s). This hybrid option recommended to be taken forward by the Advisory Group and on 3 Nov 2021, Cabinet agreed to take it forward to the OBC stage. Given the OBC is nearly complete with final figures, but requiring further redrafting, we wish to confirm that Cabinet are happy with the Hybrid Option, the principles of the project and OBC overview, and agree to expedited the project that the Project Board agree final wording of the OBC, maintaining the core principles of the option.

To reduce confusion, the hybrid option that is being taken forward in the OBC is known as 'Option 6' within that document.

4.2. OBC purpose:

The OBC is a technical document and is aimed for professional project reviewers. It is to enable the Environment Agency to make a decision on investing significant central government money on the Sidmouth and East Beach BMP. It highlights the current risk, and cost to the economy, and the benefits through damage avoided. It features the outline hybrid option and the selected option, as it needs to present a viable option to progress through the detailed modelling and design stage, however this can change through the detailed design stage, so the outline option presented is not likely to be the fixed final design.

The OBC is a funding decision document, and does not commit EDDC to building the outline design, but is a required stage process. It is expected that EDDC deliver something similar to what has been outlined in the OBC, however if a significant change becomes likely, we can apply for a technical appraisal to ensure the Environment Agency are still happy with the project. Following further modelling, detailed design and consultation, the planning permission application and decision associated will ultimately decide what is to be constructed. The OBC is a technical document of over 80 pages and requires further redrafting, therefore we have produced an OBC overview document to aid Cabinet with its decision. Once the OBC has been finalised, we will ask the Sidmouth and East Beach Advisory Group to view the document and their recommendation to proceed with it. If we have Cabinet's agreement as per recommendation 2, the Project Board will approve the OBC for EDDC. The OBC and its appendices will become a public document once finalised.

4.3. OBC benefits:

Aside from progressing the project to the next stage, it offers further benefits to EDDC and members of the Advisory Group.

A new contract for a design consultant will be let, which will ensure better value to the tax payer instead of extending the existing commission which has been a necessity due to changing funding rules, the ongoing nature of the OBC stage of the project and the desire to find a better accepted all round option.

EDDC and the Advisory Group will have a chance to shape the scope for detailed design to ensure elements can be modelled and designed in a way that the process is more open to ensure better transparency buy in from the group and residents. It will also reflect what we have learnt in the last few years.

Updated modelling will be carried out, which may lead to modifications of the less popular elements, and potential future maintenance savings.

Finally central government funding will be accessible to fund the development of the detailed design. Currently all expenditure to date has been from EDDC funds.

4.4. Overview of recent OBC delays

It was originally planned to get this report and finalised OBC to an autumn Cabinet, but due to unforeseen delays this Cabinet is the first suitable date to bring an overview of the OBC forward.

The reasons for the delays in production are as follows:

- 4.4.1. Due to the lifespan of the project, the template (and requirements) for the OBC had been updated. Therefore the old OBC document had to be completely rewritten
- 4.4.2. Due to the newness of the updated template, multiple questions to its authors were needed to fill out the template correctly.
- 4.4.3. The new template requires more information than the previous template. The main change was it requires a much deeper carbon analysis using the latest provided tool.
- 4.4.4. The carbon analysis took time, but also has no calculations built in for off shore breakwaters, so we have been awaiting an answer of how to move forward (currently we have extrapolated a land based rock revetment).
- 4.4.5. Whilst rewriting the document, a small error was identified regarding economics, which had been carried forward from the original BMP. We have now updated the OBC to reflect this, and it has further improved the finances. Prior to this, we were looking at EDDC needing to fund the funding gap of £3million plus, through the update, this has been reduced to £1.7m. The error was due to a Do minimum option being used as the baseline, rather than a 'do nothing' as is required. Maintenance of the seawall had been included, however the 'do nothing' option now means it would fail within 100 years, so the benefits through damages avoided increased.
- 4.4.6. It has taken time to draft the document carefully to promote the hybrid option which is the better long term option, and dissuade the former preferred option which is cheaper up front but has larger ongoing costs, as well as being unpopular. This is important, as we could be challenged through the OBC review process to deliver the former preferred option, not the hybrid if it could be shown to be cheaper and technically viable.
- 4.4.7. The OBC document has been submitted to the local office of the Environment Agency for comments. To aid the business case they have suggested significant changes to the narrative which has meant a further redraft of the OBC. However based on their experience of other similar projects, they have suggested amendments to the future maintenance costing. Due to the way the funding calculator works, reducing future maintenance estimated values, increases capital eligibility, which may potentially reduce EDDC's additional funding figure in recommendation 1. Subject to further approvals, and

wording within the OBC, it could be possible to claim further central government funding in the future to part fund major capital maintenance costs such as future beach recharge. This would reduce EDDC's future maintenance costs. Given the opportunity to reduce EDDC's financial commitment to the scheme, it is felt right to delay the OBC completion until these opportunities have been fully explored and written up.

4.5. Further OBC changes and risk of further delay

The attached OBC overview document features the latest figures. These figures in terms of EDDC's financial commitment up front and future costs are the current worst case, with ongoing work to reduce these further. This along with redrafting of the OBC to sell the project better to the reviewers is still ongoing, however the fundamental outline design option indicated in the overview document remains the same.

Although it may have been more straightforward to wait to bring a finalised OBC to Cabinet to approve, this would add further delay to the project as future planned Cabinets either do not have EDDC key officer availability for the meeting date, or would fall within the purdah period prior to the local election. Therefore it could be a June Cabinet before a finalised version could be signed off, delaying the project still further.

For this reason we advise Cabinet to review the principles of the OBC and the hybrid option (option 6), agreeing that the Project Board can sign off the finalised OBC wording in order to expedite the project and because they are the technical experts

Financial implications:

The financial details are contained in the report. The £1.7m has been factored into future capital projections but as members will be aware this is significant sum and will have a bearing when members consider the 2024/25 capital programme with less resources being available if this project is approved.

Legal implications:

There is no direct comment to be made in relation to this report, each and any individual issue will need to be considered as it arises.