

ITEM 9d

Somerset Rivers Authority Board Paper

Title: Funding Plan to cover the Sowy/KSD Enhancements funding shortfall

RECOMMENDATION

The SRA Board is asked to:

1. Note the funding options available at present to cover the Sowy/KSD shortfall and set aside the underspend of £1,080k to be used for either the Sowy/KSD or further pioneer dredging.
2. Endorse the funding strategy of drawing down LEP funds first
3. Approve setting aside £200k of contingency and £150k from next year's shadow precept for the Sowy/KSD scheme. This latter figure would be subject to review as soon as an agreed scheme has been costed.

Purpose of the item:

To agree an approach to cover the anticipated funding shortfall for the KSD/Soway Enhancements project, in the event that agreement to a scheme can be reached.

Background and context

At the Board meeting last June 20th, the Board resolved to:

Task the SRA Team and the Management Group to acquire additional funding to achieve all the benefits of the Soway-KSD enhancement project identified in the appraisal (circa £2m, but not tested in the market place).

In June the intention was to have reached agreement on the scheme to enable the EA to go out to tender at Christmas. This would have meant that a firm cost, and therefore a more robust figure for the funding shortfall, would have been available early in spring 2017. This programme has slipped, as although progress has been made in resolving many of the issues outlined at the Board meeting, there is still no agreed or legally compliant scheme. A special Board meeting was held on January 16th to discuss the issues and agree a way forward. At this meeting it was resolved that the Environment Agency continue to work with Natural England to develop a legally compliant scheme and go out to tender as soon as possible, with the aim that tenders, and therefore a firmer figure for the shortfall, would be available by July 2017.

Irrespective of the size of the shortfall, the delayed implementation agreed in June means that the shortfall would not be required until 2019/20. That means one of the options to cover the shortfall is to set aside funds from 'shadow' or actual precept in the intervening years. As we are now finalising the proposed programme for 2017/18, it is therefore important to agree whether set-aside funds for the Soway/KSD should be part of that programme, and if so how much.

There are two further options that on their own are insufficient, but could contribute to covering the shortfall. Firstly the remaining unallocated monies – contingencies from 2015/16 and 2016/17, and LEP funding, originally earmarked for further pioneer dredging - and secondly underspends from the existing Enhanced Programme (maintenance and pioneer dredging).

Latest status

Latest figures provided by the Soway/KSD project team suggest that the shortfall required to be covered is £2,568k as a result of a further increase in Beer Wall costs, however as SCC has

covered the cost of the lump of concrete, the remaining shortfall requiring cover is in the region of £2,318k.

There is £235k of contingency funds available (from this year and last) and at this stage of the year, there is little risk that this will be needed. There are two significant underspends, both in relation to dredging; this year's maintenance dredge will be delivered as part of the trials and therefore £654k is now available. In addition the Parrett pioneer dredge (750m) is now forecast to be underspent by £426k. These latter funds are LEP funds.

There is also £694k of unallocated LEP money, however were we to allocate this to the Sowy/KSD, this would mean that the Dredging Strategy and trials would become ineligible expenditure for LEP purposes and so provision to cover this, together with the proposed next stage of Parrett pioneer dredging, would need to be made from local partners funding. The other consideration regarding the LEP funds is deliverability and timing; we risk losing LEP funds if they are not spent soon. There is a proposal for additional Parrett pioneer dredging (current proposal £50k next year, followed by £2.3m in 2018-19), which would suggest we should use LEP funds for this, we are some way off from agreeing the dredging strategy and programme (including a procurement strategy) and it is uncertain what, if any, additional pioneer dredging will actually be deliverable and/or agreed.

With this much uncertainty, it would not be sensible to decide an exact funding plan at this stage. Furthermore with so much underspend already available, setting aside a further large sum might be considered over cautious. It might be better to review the situation again, once we have an agreed scheme with a better cost estimate, by which time we hopefully will have a clearer idea of how much will be required and when for pioneer dredging, and in the meantime set aside a minimum figure. At this stage, the range of top up from precept that would need to be set aside is as follows:

Minimum Option: £150k/year over 3 years, starting next year. This assumes all underspend and LEP unallocated funds, plus £200k contingency is set aside for the Sowy/KSD scheme.

Maximum Option: – £625k/year over 3 years, starting next year. This assumes all the underspend and unallocated funds (£1,775k) are kept for pioneer dredging and only £300k contingency and precept is available to cover the shortfall.

Recommendation:

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Date: 9th December, 2016

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