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Paper Title	Flood Risk Management Capital Programme update
Paper Reference:	NRW B B 54.15
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Purpose of Paper:	Information
Recommendation:	To note: - progress of the Flood Risk Management capital programme and plans for 2016/17, - risks and impacts associated with uncertainty on future years capital budget
Decision Required:	N/a

Impact: To note – all headings might not be applicable to the topic	Impact on the Environment: We invest the flood risk management (FRM) capital budget to reduce flood risk to the people of Wales. We do this with full regard to the environment, looking for environmentally favourable options with multiple benefits as much as possible. Where we have an adverse impact on the environment, we mitigate this impact by, for example, providing mitigatory habitat as near as possible to the site. Impact on the Economy: Flood risk management and flood defences have a positive impact on the economy, providing jobs during design and construction, and reducing the impact (and cost) of flooding on businesses, infrastructure and properties. Impact on Community: Flood risk management interventions have a largely positive impact on communities, by reducing the risk of flooding. There can be local negative impacts e.g. noise and disturbance during construction, or visual impacts of new defences, but these are hugely outweighed by the benefits. Impact on Knowledge: We seek to utilise new approaches and new technology where they are proven, appropriate and cost-beneficial.
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Issue

1. The purpose of this paper is to inform Board of the key projects funded from the Flood Risk Management (FRM) capital budget, and to highlight the risks arising from uncertainty of future years' budgets.

Summary

2. Flood Risk Management (FRM) capital programme is a significant activity for Natural Resources Wales. FRM interventions, including building and maintaining flood defences or other ways to reduce flood risk, have a high profile with the public and also politically. The FRM capital programme is a significant proportion of Natural Resources Wales annual budget, and staff activity, with the 2015/16 budget at £20m. It is important that Board are informed on the key projects that this programme delivers. Examples are included in Annex 1 to this paper.
3. There is considerable uncertainty on next year's (and future years') capital programme budget, and this is having a significant impact on planning and delivering an efficient capital programme. This is because the development and delivery of capital projects typically span several financial years.

Background

4. The FRM capital programme principally funds investment in assets to reduce flood risk to communities. This includes refurbishing existing assets and building new flood alleviation schemes, utilising both 'hard' and 'soft' engineering techniques where appropriate. It also includes investments in other activities such as modelling work to analyse flood risk, and investment in flood forecasting and warning infrastructure.
5. In terms of major projects, in 2015/16 we are scheduled to complete construction at Portland Grounds (Severn Estuary) (£2.1m total value), Dolgellau (£5.3m) Caerleon (£0.6m).
6. We are progressing this year on schemes at Pontarddulais (£4.9m total value), Tabbs Gout (£1.6m), Risca (£1.7m), St Asaph (£7.0m), Crindau (£10.5m), Roath (£11.3m). All of these projects are scheduled for completion in later years.
7. Annex 1 to this paper is provided for information and includes examples of recent and ongoing projects. Annex 2 provides information on the timelines for ongoing key projects (note that these timelines are subject to confirmation of budgets from Welsh Government; some of these projects may have to slip if we do not have sufficient budget).
8. The programme is managed on a 'rolling' basis, and needs to be planned over a medium term timescale. Large flood alleviation schemes typically take at least three or four years to take from initiation, through options appraisal and detailed design, through to construction. It is important that in any one year there is a mix of projects at different stages of delivery, and a mix of projects in terms of size and complexity.
9. It is also important that we have confirmation of budgets for future years as early as possible. Capital programme budget is mainly Welsh Government (WG) Grant in Aid

(GiA). In previous years, this has been supplemented by European Union (WEFO) funds, and by WG Wales Infrastructure Investment Programme (WIIP) funds. Both of these sources are ceasing in 2015/16, though there may be further rounds of WIIP funding (but no announcements have been made). It is possible in 2016/17 that we are solely reliant on GiA, and it is possible that GiA will be reduced next year as WG's budgets as a whole are reduced. It is likely we will have a smaller FRM capital programme budget in 2016/17 compared to previous years, but we are unlikely to know until very late on in 2015/16 financial year.

10. Uncertainty on budgets is having a major impact on project and programme planning and delivery, not just for future years, but now. For example, we need to go to tender in 2015/16 for construction contracts that commence in 2016/17, but we are not, at this point, certain we will have the budget next year for the construction.
11. Approval for all projects follow our Financial Scheme of Delegation. Projects greater than £5m value require approval from our Chief Executive and from Welsh Government. Projects between £1m and £5m require the approval of the Executive Director, National Services.

Next Steps

12. We continue to manage the capital programme as best we can, faced with uncertainties and risks. We will give an annual briefing to the Board on the FRM capital programme to keep Board aware of the work that is progressing.
13. On lack of certainty on future budgets, we have highlighted the risks and issues with sponsors in Welsh Government. What we want is security of funding over the medium term, so that we can plan and deliver an efficient programme of works that maximises outcomes and is the best use of public money. Understandably, at the time of writing before Spending Review settlements, this certainty is difficult to obtain.

Risks

14. There are programme risks and uncertainties including having sufficient sight of future budgets to be able to manage the programme most efficiently, as large construction projects span several years. More certainty on budgets and more flexibility, for example between years, between projects, and between capital and revenue budgets, would greatly improve our ability to deliver a more efficient programme. In England, Defra have reached a 6 year capital funding settlement for capital with the Environment Agency, which allows for far more efficient programme delivery.
15. There are project level risks, most obviously around the uncertainties that come with significant construction projects. Natural Resources Wales staff have strong experience in managing the risks and a good track record in delivering to budget and schedule.

Financial Implications

16. There are financial challenges ahead, in the face of likely reductions in budget. If we do not gain sufficient capital and revenue budgets, flood risk to people and property will increase. It is important that revenue budgets, that fund routine maintenance and other staff costs, keep pace with capital budgets.

17. There is the risk of under-utilisation of capital budgets in future years if we continue to have year-by-year capital allocations, especially if the allocations for the following year are made very late in the preceding year.

Communications

18. We have good communication (and management) channels in place to keep the main stakeholders informed of the FRM capital programme. We seek to continuously improve the information we share and how we communicate it.

Equality impact assessment (EqIA)

19. This is not applicable to the paper.

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Annex 1: Flood Risk Management Capital Programme – summary of major projects.

Annex 2: Flood Risk Management Key Projects 2015-2017