

STROUD DISTRICT COUNCIL
STRATEGIC OVERVIEW AND SCRUTINY
COMMITTEE

24 September 2009

AGENDA
ITEM NO

5(c)

Report Title	CANAL DEVELOPMENT PROGRESS REPORT
Purpose of Report	To provide an update on the progress of the development of Phase 1A of the Cotswold Canals.
Decision(s)	RESOLVED to note the report.
Consultation and Feedback	Consultation has started with land owners and statutory bodies such as the EA. Internal consultations begun with planning, finance and legal teams.
Financial Implications	<p>Considerable work has been done to properly assess the project costs following on from the estimates originally prepared by British Waterways and updated by Thameside. The table on page 3 shows a shortfall in funding for the project of approximately £1.7million. This is due in the main to the fall in the development land values around Brimscombe Port. As stated in the report, this is a significant risk to the project. Savings in the capital costs or further fund raising will be required to meet this shortfall. Progress in achieving this will need to be monitored frequently to ensure this cost is not borne by the Council.</p> <p>It should also be noted that the Council is currently spending 'at risk'. The NHMF will not release any grant until the special conditions set out in the agreement have been met. These are summarised on page 6 of the report. It is anticipated that all conditions will be met and a 'Certificate to Proceed' issued by NHMF early in the new year. Any costs incurred between now and then will fall on the Council if the conditions are not met. These are currently project management costs and the dredging works from the Ocean to Ryeford, which by December will total approximately £500k. It is not recommended that any other major contracts are let until such time as the certificate to proceed has been issued by NHMF.</p> <p>Sandra Cowley, Head of Finance Tel: 01453 754136 Email: sandra.cowley@stroud.gov.uk</p>

Legal Implications	<p>The agreement which has been entered into with the Trustees of the National Heritage Memorial Fund and British Waterways Board and Stroud District Council and Stroud Valleys Company contains conditions which must be met prior to the Heritage Lottery Fund grant being paid.</p> <p>Legal services have drafted a Legal Service – Instruction Plan for the Canal Project. The plan is intended to be a working document which identifies the date by which legal work is to be completed and the date by which instructions are to be received. It will also enable the team to identify which instructions have been received, which firm legal work has been outsourced to and to keep track of that work. The Canal Project Team is in the process of ensuring that this Plan is aligned with the Canal Project Plan.</p> <p>There are some aspects of work where external Solicitors are advising the Canal Company and in those matters the Council also needs to protect its interests.</p> <p>Patricia Adley, Head of Legal Services Tel: 01453 754369 Email: patricia.adley@stroud.gov.uk</p>
Report Author	<p>Paul Coupe, Canal Project Manager Tel: 01453 754260 Email: paul.coupe@stroud.gov.uk</p>
Portfolio Holder	<p>Councillor Chas Fellows, Leader of the Council Tel: 01453 731296 Email: cllr.chas.fellows@stroud.gov.uk</p> <p>Councillor Keith Pearson, Lead Member for the Cotswold Canals Development Tel: 01452 617349 Email: cllr.keith.pearson@stroud.gov.uk</p>
Options	<p>Scheme options currently being analysed in detail for Canal Iron Works and Capel's Mill areas. Disposal of dredgings strategy being formulated.</p>
Performance Management Follow Up	
Background Papers/ Appendices	<p>Appendix 1 – Implementation Programme Appendix 2 – Statement on Risk</p>

Programme

An initial implementation programme for the whole project has been produced based on an assessment of the package of work required and is attached to this report. The programme includes for lead – in periods for environmental and planning issues but is a draft and subject to ongoing review.

This programme currently shows a completion date of January 2014. The critical tasks driving this final delivery date are:

- Brimscombe Port land agreements
- Hope Mills land acquisition
- Ebley to Dudbridge stretch – land acquisition from encroachment
- Capel's Mill Japanese Knotweed treatment
- Bowbridge Japanese Knotweed treatment
- Thrupp Japanese Knotweed treatment

If these issues can be resolved more quickly than has currently been programmed, it may be possible to reduce the project completion date to December 2012 or possibly sooner which is the end-date specified within the HLF Agreement. However, this end-date is subject to negotiated review with the HLF which would rather we start with a realistic programme based upon best information to date.

As further work is undertaken to inform the details in the programme, this will be revised with more accurate risk buffers included based on the risk register.

Cost

An initial income and expenditure assessment was made and approved at the Council Extraordinary Meeting on Tuesday 16 December 2008. These figures are shown in the tables below.

Income profile from Council Extraordinary Meeting – Tuesday 16 December 2008

Income source	Sum	Note
HLF	£11,924,000	Committed – legal agreement now complete
Cotswold Canal Trust	£800,000	Committed
Waterway Trust	£469,000	Committed
GCC	£286,000	Value of land
Sport England	£225,000	Time limited grant – committed
SDC/Sec 106	£920,000	Capital programme and Section 106
SDC	£600,000	Capital programme – unallocated
SDC	£2,342,000	Capital programme
Brimscombe	£7,984,000	
Total	£25,540,000	

Expenditure Profile from Council Extraordinary Meeting – Tuesday 16 December 2008

Item	Expenditure – Ocean to Iron Mills	Expenditure – Brimscombe Port
Construction	£9,452,000	£4,448,000
Risk	£1,632,000	£768,000
Inflation	£3,060,000	£1,440,000
Project Management	£2,822,000	£1,328,000
Land acquisition	£600,000	
Total	£17,566,000	£7,984,000
Grand Total		£25,550,000

Since this produced a more detailed cost plan has been produced, based initially on the existing cost plan produced by British Waterways. The values in this cost plan have then been revised based on current knowledge of the scheme.

In addition to this, a revised income assessment has been made as shown below.

Income Profile - May 2009		(Committed)
Income Source	£000's	
HLF	11924	
SWRDA	7480	Brimscombe purchase cost
Brimscombe development	5500	
CCT	800	
Waterways Trust	350	
GCC	1086	Includes £800k for Wallbridge
Sports England	225	
SDC Capital	2342	
SDC/106	920	
SDC	600	
Total	<u>£31,227</u>	

The revised expenditure plan is broken down into approximately 50 different packages of work along the route of the canal. A feasibility/design cost and capital cost for each of these packages has then been determined with an allowance made.

Cost Item	Value	Comments
Original BW cost 2007 assessment		
Capital cost	£15,210,000	
Risk allowance	£3,275,000	
Other costs	£7,500,000	
Total	£25,985,000	
Current SDC Budget	£31,227,000	
Current Forecast cost		
Capital cost	£16,789,322	
Brimscombe land acquisition	£7,480,000	
Risk allowance	£2,700,000	
Other costs	£5,993,916	
Total	£32,963,238	
Variance cost	£1,736,238	
Variance percentage	5.27%	

This shows that allowing for expenditure and income at Brimscombe, current forecast costs are broadly in agreement with the latest cost plan as assessed by British Waterways, with some redistribution of costs from risk to capital cost, chiefly at the A46 crossing and at Capel's Mills where ECI has been carried out by Birse to produce cost estimates.

However, the forecast does show a variance of approximately £1.7M on the current proposed SDC budget. This will be tackled in two ways, by further funding raising through both TWT and CCT and through further work to address the key spend areas

in order to bring down the capital cost of the project and to mitigate key financial risks before they arise.

The income figure used for Brimscombe development is based on assessments made by Savills in 2007 and includes land sale and building sale. Since this time, development works have seen a significant downturn leading to a risk that this value cannot be realised. This is a significant risk to the project on which further work will be undertaken to gain a greater understanding of and to allow steps to be taken to mitigate.

Examples of how capital costs will be reduced are through identification of land available to receive dredged materials at little or no compensation cost and through innovative solutions to engineering challenges such as Capel's Mill, where Birse have proposed a ground engineering solution without the need to use concrete. Should this approach prove viable, this may make a saving of around £200k.

It is also believed that savings beyond that currently shown in the cost plan have will be made in the first dredging contract, in the order of £50k. Identification of 500 acres of land which may be used for future dredging disposal may also realise significant cost saving on future dredging works.

Further work will be carried out on areas of cost uncertainty in order to inform this cost plan. The risk allowance within the cost plan is based on the risk register which will also be refined as work is carried out.

Work must now been undertaken to address areas of risk and develop solutions to drive down the forecast cost to below the available budget.

Based on the current programme, this cost plan has been used to produce a project cashflow, with a front end summary page developed. The cost plan is appended to this report.

Risk

An initial risk workshop was held on 7th August 2009 at Ebley Mill in order to inform the production of a project risk register. Those present included the HLF Monitor, members of two contractor companies (Birse Construction and Morrison Construction), SDC officers including Development Control officers, the Cotswold Canals Trust Chief Executive and by the project Team, including consultants. The purpose of this workshop was to identify likelihood of risks occurring along with the potential cost and programme implication.

An "at-Risk" analysis has been carried out on this data, which has identified the 50%tile risk value as **£2,700,000**. This sum has been included in the cost plan.

Based on the risk analysis carried out, the 10 top risks to the project, are:

	Risk	Mitigation
1	Land acquisition required prior to HLF draw-down	SDC funding available for early gearing of project - Project Finance Plan to be developed (based on viable programme) - before debt exposure can be understood. Immediate discussion with HLF to clarify Grant Conditions
2	Un-budgeted overspend on A46 crossing	Project executive to discuss A46 at a high level with GCC and take a robust position on project costs.
3	Capel's Mill contamination	Alternative solutions to be conceived to support

		decision making. ECI sought on possible solutions.
4	Brimscombe Port development	Develop approach to heritage 'interpretation'; Needs to tie in with developer over development of the Port area.
5	Brimscombe Hill and Frome crossing	Alternative solutions to be conceived and costed to support decision making (recognising Flood Risk and ongoing maintenance liabilities)
6	Ironworks development	Alternative solutions to be conceived to support decision making
7	Delays due to planning application constraints	Facilitate agreement with Development Control through Agreement on Strategy
8	Waste management – greater quantities require excavation than planned	Early investigation and planning of depth and width to be excavated with back-up plan for excavation minimisation should budget not be available.
9	Waste management – less land available for disposal than required	Waste management plan to be developed with land identified as disposal sites.
10	Cost and delay due to environmental constraints, protect species, Japanese Knotweed, etc.	EIA scoping studying being undertaken for whole length of canal. Programme to include times and risk buffers for key risk such as knotweed. Works to minimise environmental impacts.

It can be seen that the top risk shown above is the inability to draw down on HLF funding. In order for this funding to be available a number of key conditions must be met. These conditions are shown below along with the measures being undertaken to meet them.

1. HLF approval of an updated Conservation Management Plan – this has now been redrafted and discussed with the HLF monitor
2. HLF approval of a planning strategy – this has now been approved within SDC and discussed with the HLF monitor
3. Acquisition of a number of key sites along the route of the canal. It has been agreed with the HLF that commencement of CPO procedures will satisfy this requirement. Initial consultation has been carried out with landowners as required and the formal procedures will be presented to cabinet.

Engineering Progress and Planned Works

Upper Mills Bridge

The planning application for the fixed bridge deck has been submitted.

Design and Build tender documents have now been issued to:

- Grimshaw Group
- Britannia Construction
- Birse

These are companies who have already pre-qualified from a larger list of local companies chosen on the basis of their experience and ability to carry out the work.

Issues regarding the gas main in the towpath along this section are being progressed with a legal review being undertaken to ensure SDC legal position is understood.

The Environmental Appraisal concludes that particularly during the construction phase the works could potentially result in a range of temporary minor adverse impacts. Therefore appropriate measures would be identified in the site Code of Construction Practice to reduce impacts due to the construction works.

It is anticipated that site works should commence in November subject to planning.

Ocean to Ryeford Dredging

Cross section survey work has been undertaken to determine the level of siltation in the canal. The results of this survey along with a review of lock cill levels has resulted in a lower than anticipated amount of dredging being required, in the order of 1,300 m³.

This may mean that rather than dredging only Ocean to Haywards Bridge, it is possible to dredge Ocean to Ryeford Lock this financial year.

Ecological update surveys are currently being undertaken by Arup, to provide a constraints mapping of reaches and identify mitigation measures for the existing ecology. Mitigation at this time is likely to consist mainly of in channel options that can be achieved through best practise dredging measures such as bank profiling and vegetation strips.

It is anticipated that an appropriate scale of mitigation would need to be developed through the strategic environmental scoping process and associated studies.

A contract for silt sampling and testing has been placed with Hyder. This will then allow a planning application and waste exemption license to be submitted. The EA have confirmed that they are happy with the proposed sampling and testing.

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Three potential areas of land have been identified for disposal of the dredged material. It is anticipated that a site adjacent to the canal at Haywards Bridge will be used for this section. A meeting was held with the land owner and tenant on Monday 17th August. There was a very positive outcome from this meeting concluding that the landowner and tenant farmer have agreed to it being used for disposal of dredgings in exchange for ploughing costs and subsequent reinstatement (re-seeding) being met by SDC. This provides a saving of at least £60 to £70 per cubic metre on disposal to landfill option.

It is anticipated that site works should commence in November or December, dependent on planning and the outputs of ongoing environmental screening and liaison with Gloucestershire Wildlife Trust/Natural England, both organisations having an interest in these operations.

Ocean Bridge

An initial site visit and assessment of the existing bridge has been made.

The possibility of installed a fixed deck bridge has been assessed and discounted due to the existing ground levels.

A quick assessment of the existing bridge deck has identified that based on HA standards, this is likely to have a capacity of around 3T only, though is likely to be used by heavier vehicles.

A review of third party access rights is currently being undertaken by SDC.

Planning and Environmental Progress and Planned Works

Planning Application Strategy

The proposed approach to environmental considerations and the Planning Application Strategy (PAS) were presented at a workshop held on 4th of August at Stroud DC offices.

Following this workshop with Development Control the final PAS was submitted for approval on the 21st August to SDC.

The report sets out the application strategy and EIA approach based on experience from other projects of similar scale and type, and drawing from requirements set out in national policy, regulations, guidance and case law.

Strategic Scoping Report (SSR)

At the PAS workshop it was agreed in principle to undertake a Strategic Scoping Report (SSR) for the proposed Phase 1a Cotswolds Canal Restoration Scheme in support of the PAS. This would provide a 'Level 1 & Level 2' Environmental Impact Assessment (EIA) approach.

It was agreed that the finalised SSR would go to the October Planning committee for approval. A first draft for comments is to be submitted by the end of August 2009 to Development Control.

The SSR will identify potential significant environmental effects of the individual schemes making up the Phase 1a Cotswold Canal Restoration Project. Where potential effects are identified this report will recommend either an informal Environmental Appraisal (EA) or a formal Environmental Impact Assessment (EIA) to support the planning process.

Additionally, the SSR will aim to identify the potential for cumulative effects to arise across the project as a whole. Where potential cumulative effects are identified, this report will recommend further studies to confirm the scale and significance of these potential effects and identify an appropriate mitigation strategy to address these effects.

Conservation Management Plan Review and Update

The Conservation Management Plan (CMP) sets out the broad overarching policies and principles across a range of topics in order to guide the restoration, maintenance and future management of the Canals. A review and update of the CMP is required to 'badge' the document for SDC, before it can be formally adopted.

Arup will undertake a broad review of the CMP, to confirm the detail in the CMP is current and ensure it is identifiable as a SDC owned document. The review will also ensure there are cross references within the CMP with appropriate appendices, policies and plans and these are inline with SDC's aims and objectives.

The deliverable will be an updated core CMP document by Mid September 2009. Where appendices require significant revision Arup would identify appropriate mechanisms for update (e.g. utilising volunteer groups) subsequent to submission of the core CMP.

Works to be undertaken in the coming quarter

Both Upper Mills Bridge and the Ocean to Ryeford dredging works will be progressed.

Tender documents are to be prepared for the dredging works and a contract let.

The flood risk assessment for the Wallbridge to Ryeford section will be undertaken with an engineering review of the possible options carried out.

Further work will be undertaken to revised and refine the cost plan, risk register and programme.

Consultancy Support

The project team is currently being supported by two consultancy groups, one dealing with engineering and one with environmental issues (Halcrow and Arups respectively). These were appointed following a tendering process amongst those companies with previous knowledge of the scheme in order to maximise value for money by buying-in the knowledge already built up within those organisations.

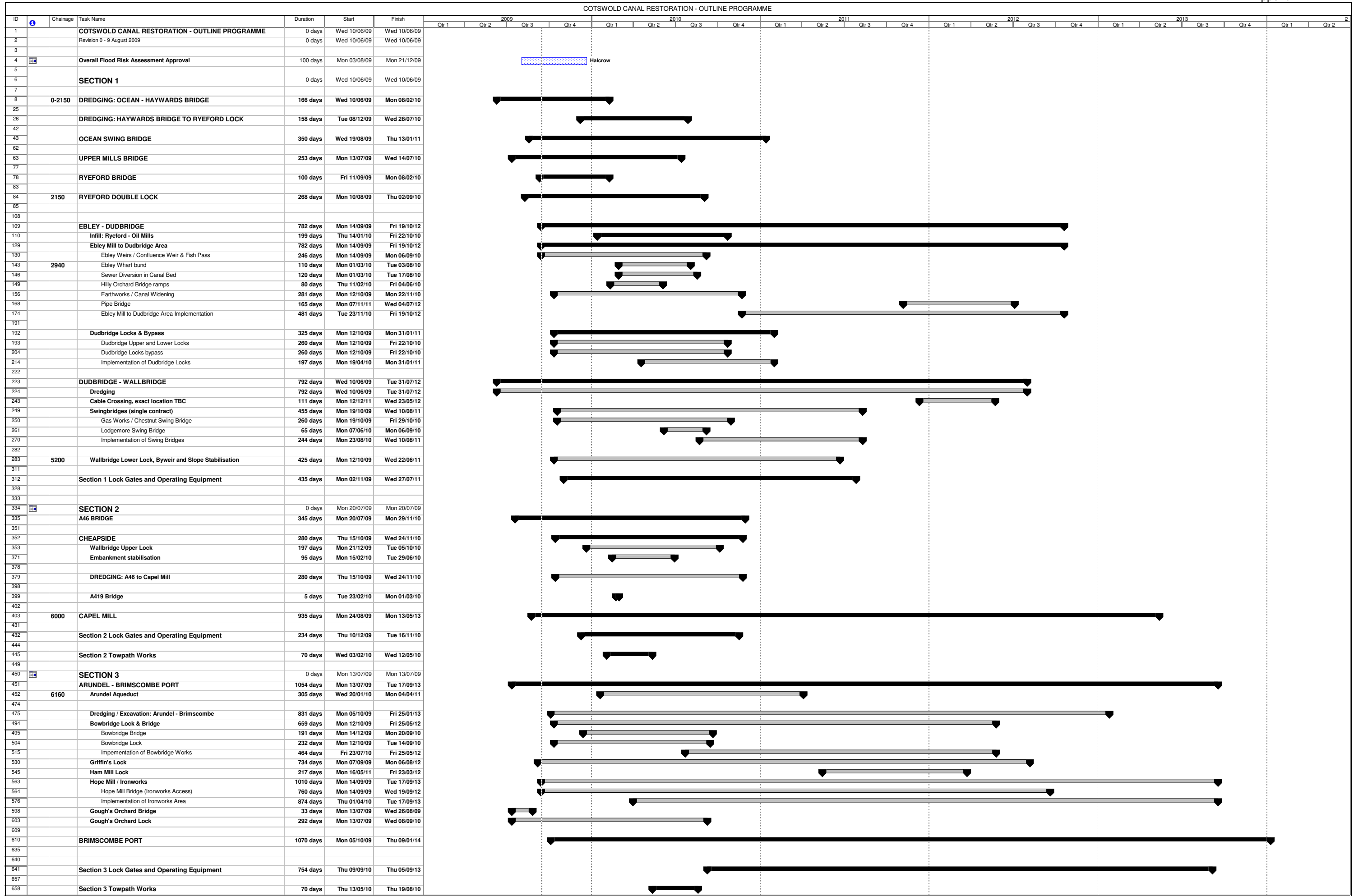
However, the total value of consultancy services will exceed that value permitted under Local Government Authority Guidelines (£140K) requiring the services to be tendered in Europe under an O-JEU notice. This in itself entails paying a specialist procurement consultant a total (estimated) of £25K to undertake both engineering and environmental procurement processes.

The engineering O-JEU has already been published and a shortlist of the top 6 tenderers drawn up for interview in September following which a single appointment to cover the whole project will be made.

The environmental O-JEU will now be progressed as confirmation has been given from the current scoping work that likely total cost of environmental services will also exceed the threshold.

The HLF monitor has approved the current appointment regime.

The project needs to be careful not to lose programme, so an overlap will be necessary for outgoing consultants to brief incoming ones as appropriate. The issue of unfair competition (due to those currently in post applying through OJEU) has been dealt with by a fair scoring regime and the offer to tenderers of access to all current project information should they find it to be advantageous, plus direct access to the HLF monitor.



Project: CanalsProject1Apjm Task: Split Progress Milestone Summary Project Summary External Tasks External Milestone Deadline

COTSWOLD CANAL RESTORATION

Statement on Risk

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Based on the risk analysis carried out, the 10 top risks to the project, are:

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