

STROUD DISTRICT COUNCIL**AGENDA
ITEM NO****CABINET****11 March 2010****18**

Report Title	CANAL RESTORATION PROJECT
Purpose of Report	To provide an update on the progress of the development of Phase 1A of the Cotswold Canals.
Decision(s)	Cabinet RESOLVES to note the report.
Consultation and Feedback	As set out in the report below.
Financial Implications	<p>There are no direct financial implications arising from this update report, though clearly as a major project the financial position needs to be closely monitored to keep within the overall project budget. There are also a number of financial variables in respect of forecast costs that will gradually be firmed up as the project progresses. This will be matched with the agreed funding streams including HLF, other external sources, development proceeds and the Council's own capital contribution as shown in the 'Income Profile' on page 3. The aim of the project team is to realise savings against the current forecast of gross cost to come in within budget, as detailed in 'Cost Management' on page 4.</p> <p>Des Knight, Interim Finance Manager Tel: 01453 754344 Email: des.knight@stroud.gov.uk</p>
Legal Implications	<p>The Funding Agreement entered into by this Council with Stroud Valleys Canal Company and the South West Regional Development Agency (SWRDA) for £7,686 million contains conditions as to the provision of funding and detailed monitoring arrangements for Brimscombe Port. For example, there are conditions that the Council reasonably expects to have sufficient funding to meet the Project expenditure, to complete the Project by 2014 and to achieve the milestones, outputs and objectives in Schedule 2 of the Agreement. The CPO for the Canal Ironworks has been drafted in accordance with the conditions set out in the National Heritage Lottery Fund Agreement dated 27th July 2009 ('NHMF') which triggered the release of funds on 31st December 2009. The NHMF Agreement also contains detailed monitoring arrangements with strict timetables for land acquisitions by 31st December 2010.</p> <p>Lisa Jones, Principal Solicitor Tel: 01453 754364 Email: lisa.jones@stroud.gov.uk</p>

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Options	N/A
Performance Management Follow Up	N/A
Background Papers/ Appendices	N/A

Programme

As a live document, the project programme continues to be updated and refined as the project goes on. Based on the latest revision to the programme, the completion date for the project remains at January 2014.

The critical tasks driving this final delivery date are:

- Brimscombe Port development agreements and planning
- Canal Ironworks land acquisition
- Capel's Mill Japanese Knotweed treatment

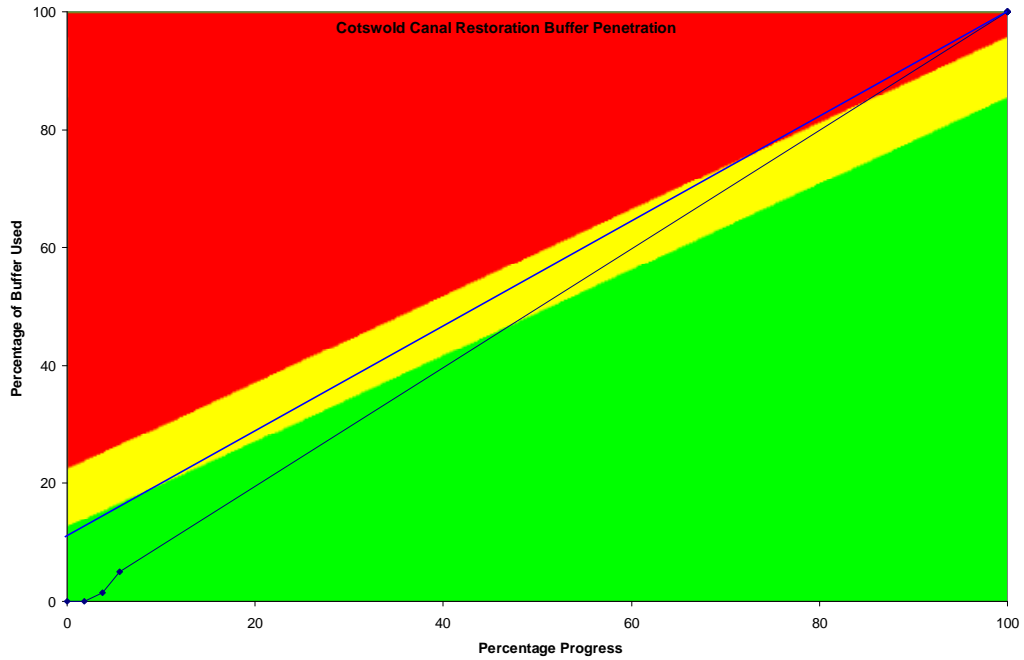
A contract has now been placed for treatment of Japanese Knotweed which is an item on the critical path of the programme.

A number of issues have led to delays in elements of the project, however as these are not on the programme critical path, they do not have an overall effect on the final completion date for the project. These are:

- Delay in placing of Upper Mills Bridge contract due to delay by Gloucester County Council in tendering the A46 Merry Walks Bridge replacement contract.
- Delay in commencement of dredging works between Ocean Bridge and Ryeford Double Lock due to delay in receipt of waste exemption license from the Environment Agency for disposal of silt to an adjacent field. It should be noted that when the risk of this delay occurring was identified a contract to carry out reed clearance was tendered and awarded in order to mitigate the flood risk as bridge end. This work on site was successfully carried out in December.

For both of these packages, tenders have been carried out with contracts ready to be awarded and site works commence as soon as the issues are resolved.

Other works are progressing well though slightly behind programme as illustrated in the graph below.



Cost

The overall income and expenditure on the project remains as reported in the previous SOSOC report. This is summarised in the tables below.

INCOME PROFILE		
SOURCE	VALUE	
HLF	£11,924,000	
SWRDA	£7,480,000	Brimscombe Purchase Cost
BRIMSCOMBE DEVELOPMENT	£5,500,000	Income from developer and Mill sale
BRIMSCOMBE RENTAL INCOME	£120,000	Assume 15% of £275k over 3 years
CCT	£800,000	
WATERWAY TRUST	£350,000	
GCC	£1,086,000	Includes £800k for Wallbridge
SPORT ENGLAND	£225,000	
SDC CAPITAL	£3,862,000	
Total	£31,347,000	

FORECAST COSTS		
ITEM	VALUE	SUB-TOTALS
CAPITAL COST		
- Ocean to Wallbridge	£5,094,000	
- A46 to Arundel Aqueduct	£4,107,000	
- Arundel Aqueduct to Ironworks	£1,530,000	
- Ironworks	£1,411,000	
- Ironworks to Brimscombe Hill	£2,051,000	
- Brimscombe Basin	£2,905,000	
SUB-TOTAL		£17,098,000
PROJECT MANAGEMENT COSTS		
- SDC Staffing Cost	£1,845,000	
- Consultancy services (planning, environmental, engineering)	£1,645,000	
- Provelio costs for procurement management	£20,200	
- Arup costs for planning strategy and environmental scoping	£45,000	
- Environmental Statement	£50,000	
- Engineering Management	£230,000	
- Programme, Risk and Cost Management	£343,000	
SUB-TOTAL		£4,179,000
OTHER COSTS		
- Brimscombe Land Acquisition	£7,480,000	
- Other Land Acquisition	£400,000	
- Risk Allowance	£2,925,000	
- Arts and Interpretation	£50,000	
- Inflation Allowance	£1,500,000	
SUB-TOTAL		£12,355,000
Total cost of project		£33,632,000
Current SDC Budget		£31,347,000
Variance cost		£2,285,000
Variance percentage		7.29%

Cost Management

Costs on the project continue to be closely managed. The cost plan is updated on a weekly basis as works are costed in more detail or as plans and risks change. Actual costs are added in as they are incurred and monitored against planned costs.

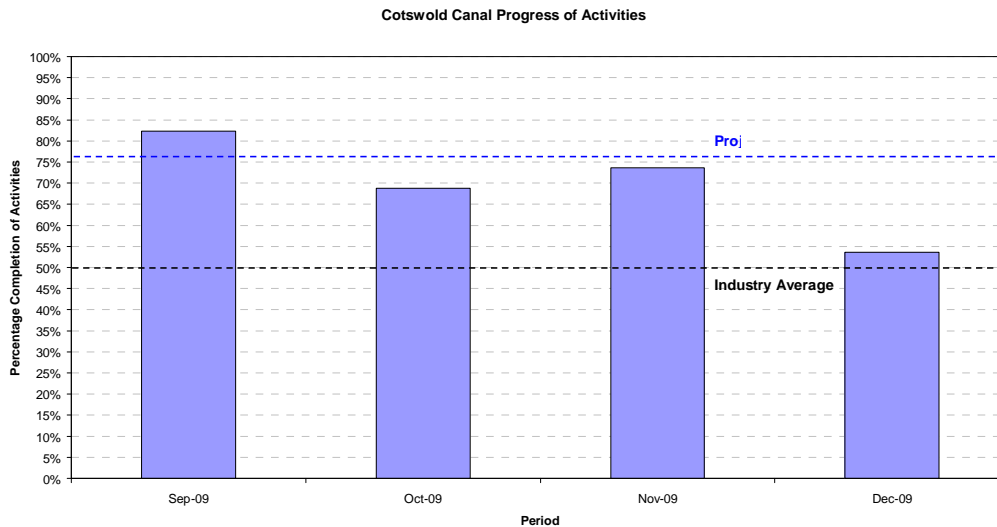
At time of writing works undertaken are on budget with a total spend to date of approximately £590k.

Work continues to identify project cost savings in order to meet the forecast variance in the cost plan. An example of this is a volunteer project in final process of being agreed with an organisation called REACH, who will be undertaking an initial phase of towpath surfacing work between Ocean Bridge and Stonehouse Bridge.

Project Monitoring

Project progress is monitored monthly against programmed activities. This is done through estimating the percentage completion of tasks within the programme and completion of tasks within the programme to target date. The current average percentage progress on this project is 76%. The industry average is 50%, which indicates that only 50% of programmed tasks on any project are completed by the programme deadline, hence leading to project delays.

This shows that good progress is being made towards achieving the programme milestones, though some programme slippage has occurred in the last 6 weeks. It should be noted that only delays on the critical path will affect the overall completion date for the project.



As part of the monthly reporting, a root cause analysis is carried out on any delays in progress to determine what areas should be focussed on in order to prevent future delays. A copy of the latest root cause analysis is shown below. It is not intended that this root cause analysis will be presented in each report, but is shown here to demonstrate the application of best practice being used on this project.

Risk

Monitoring and management of risk continues to be a key item to ensure efficient delivery of the project. The top 10 project risks and top 10 risks requiring action in the next month are shown in the table below.

Risk ID	Risk Owner	Risk Description		Response Action Plan	Impact	
		Source of Risk	Consequence	Specific Action	Probability of Risk Occurring	Worst Case Outcome Cost
O1	S Osborne	Seek Early Developer Involvement for Brimscombe Port and other opportunities	Integrated plans for specific sites, potential for contributory funding, tax breaks associated with contaminated land	Identify and map all development sites along route (assess potential for developer involvement). Also a risk where project is reliant on developer interest.	30%	£2,500,000
DS9	P Coupe	SDC required to cover full risk cost of A46 bridge	Additional money from project not available	Ensure project is not covering overspend on site works out side of the project teams control. Project Executive to discuss A46 at high level with GCC and take robust position on costs.	50%	£400,000
PM8	S Osborne	Land Acquisition (Negotiation/CPO)	Variable item with potential for significant costs; difficulty in securing land required to deliver project; potential delay to individual elements; Budget allocation for SDC and legal services	Land Acquisition Strategy needed to be developed following on from Project Strategy. Identify and map all potential land requirements and initiate early negotiation / CPO. Will help inform issues associated with dredge volumes and contamination	30%	£600,000
C3	D Marshall	Sites for disposal of dredged material (KL)	Difficulty in securing disposal sites; potential to limit volume removed (not always beneficial); Escalated costs and potential delay	Thorough investigation and testing of potential disposal /beneficial use sites to ensure suitability of sites offered . Sites with sufficient area for spreading material have been offered by landowners, need to test to assess suitability to accept material and assess impact of haulage costs due to sites not being adjacent to canal.	25%	£600,000
DS4	S Osborne	Iron Works' Develoment Agreement	Difficulty in securing ideal solution	Alternative Solutions to be conceived to support decision making	30%	£500,000

D4	S Dowling	Unknown Service/Utilities and unknown costs for crossings/diversions	Potential for delays and high costs at short notice	Update known utilities and service mapping and review with CCT. Early engagement to identify; opportunity for Canal Trust to divert for minimal costs. Progress obtaining quotes for diversions early in programme.	25%	£500,000
DS3	P Williams	Capels Mill Contamination (KL)	High cost solutions, delay in agreeing and designing solutions	Alternative Solutions to be conceived to support decision making	25%	£500,000
E3	D Marshall	Dealing with Invasive Species (Japanese Knotweed) (KL)	Additional effort for treatment / re-treatment	Typical actions as part of Programme already planned)	30%	£300,000
DS5	P Williams	Brimscombe Hill (need to cross River Frome)	Difficulty in securing ideal solution associated with River Frome; inherently expensive solutions required	Alternative solutions to be conceived and costed to support decision making (recognising Flood Risk and ongoing maintenance liabilities)	30%	£250,000
C2	P Williams	Accuracy of dredging quantities	Potential for escalated costs (variability)	Develop cut/fill models to support disposal requirements. Additional check survey to assess extent of change since previous surveys.	20%	£250,000
CURRENT TOP TEN PRIORITY RISKS FOR NEXT MONTH						
DS9	P Coupe	SDC required to cover full risk cost of A46 bridge	Additional money from project not available	Ensure project is not covering overspend on site works out side of the project teams control. Project Executive to discuss A46 at high level with GCC and take robust position on costs.	50%	£400,000
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D4	S Dowling	Unknown Service/Utilities and unknown costs for crossings/diversions	Potential for delays and high costs at short notice	Need to update known utilities and service mapping and review with CCT. Early engagement to identify; opportunity for Canal Trust to divert for minimal costs. Progress obtaining quotes for diversions early in programme.	25%	£500,000
DS3	P Williams	Capels Mill Contamination (KL)	High cost solutions, delay in agreeing and designing solutions	Alternative Solutions to be conceived to support decision making	25%	£500,000
S1	P Coupe	Grant Conditions (from HLF)	Difficulty in meeting Grant Conditions (from HLF) will potentially create cash flow issues for SDC	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. Agreements for Conservation Management Plan and approved planning strategy.	20%	£100,000
	S Osborne			Submission and agreement of land acquisition strategy		
D5	P Williams	Interaction with Existing Rivers	Greater effort to develop and agree design	Alternative conceptual designs prior to agreement on way forwards (whilst managing flood risk)	35%	£50,000
C1	S Osborne	No Section 106 input to access ramp at Upper Mills Bridge	Additional costs	Pursue Section 106 with adjacent developer, Agreement with GCC and Wycliffe	20%	£50,000
DR12	P Williams	Delays in start up cause difficulties with interaction with contractor for Upper Mills Bridge	Addition cost, delays	Ensure dredging starts as soon as possible	15%	£50,000
DR14	S Dowling	Need to re-tender Upper Mills Bridge due to the delays caused by A46 tender process	Additional cost, delays	Liaise with contractors to ensure tender validity can be extended	25%	£20,000

Consultation

The following local consultation has been carried with the public by the project team:

- Meeting of the Stroud & District Heritage Network
- Mini canals exhibition at Museum in the Park
- Quarterly meetings of Western Canals Consultative Committee
- Assisting Gloucestershire County Council with A46 bridge consultation
- Meetings with owners of land needed for canal restoration

In addition to this, updates on the canal project have been released in a number of ways, including:

- Piece about the canal written for Stonehouse Newsletter
- Monthly updates in SDC E News
- Frequent articles published in SNJ and Stroud Life between October and January
- BBC Points West item on reed clearance (15th December)
- Cotswold Canals Partnership website (www.cotswoldcanalsproject.org)
- Working with the Cotswold Canals Trust to make best use of its new Heritage Centre at Wallbridge