

Report To: Cabinet

Date of Meeting: 7th June 2021

Report Title: Buckshole Reservoir Safety Improvements - Update

Report By: Mike Hepworth – Assistant Director Environment and Place

Key Decision: Yes

Classification: Public – Part One

Purpose of Report

To update councillors on progress with this mandatory project to improve the safety of the reservoir and dam (as required by Reservoirs Act 1975 and subsequent guidance), including the results of the tender process highlighting the shortfall in the approved programme budget, and seeking approval to increase the budget to enable the project to proceed.

Recommendation(s)

Authorise the capital and revenue budgets for this project to be increased as detailed in the associated part 2 report on this agenda.

Reasons for Recommendations

1. The original estimates for the costs of the project were carefully developed by specialists before approval by cabinet on 6th January 2020. They included a 10% contingency sum and were also adjusted to take account of potential inflation between Autumn 2019 and Summer 2021, when the works were likely to be carried out. However, the tenders obtained through the East Sussex Procurement Hub in 2021 are significantly higher than the original estimates. There are well understood reasons for this and these are set out in this report. They include the need to amend the specification to secure planning approval, and the significant financial impact of the pandemic and EU-exit on the UK construction and civil engineering sectors.
2. It is essential that this project goes ahead as the works are mandatory, and necessary to reduce the risk to life and property associated with a failure of the reservoir infrastructure. In addition, the council would be the subject of enforcement action by the Environment Agency were it not to comply with the guidance and complete the works as required by spring 2022.

Introduction

1. The aim of this report is to provide councillors with an urgent update on the Buckshole Reservoir Safety Project, and the cost implications following the return of tenders for the main construction and civil engineering works. From the tender returns it is clear the cost of the works exceeds the budget estimates approved in good faith by cabinet on 6th January 2020.
2. The report identifies the reasons for the shortfall and seeks approval to increase the capital programme allocation and associated revenue budget, to cover the updated cost of the project.

Background

3. The council has a legal obligation to undertake annual and ten-yearly inspections of qualifying reservoirs under the Reservoirs Act 1975. The inspections are undertaken by our specialist reservoir engineers, Stillwater Associates, against national standards for reservoir safety and flood risk. Buckshole is categorised as a category 'A' dam, meaning that there is likely to be loss of life if the dam fails.
4. The national standards enforced through the Act are periodically reviewed and updated to reflect current thinking on flood risks, especially in relation to safety and climate mitigation. They were updated in 2015 and 2017 through the Floods & Reservoir Safety Guidance, published by the Institution of Civil Engineers, and guidance issued by the Environment Agency, which is the Enforcement Agency.
5. The works are mandatory and time constrained. The council has until Spring 2022 to complete this work. The original deadline for compliance was 2020, but this was deferred as the council was able to demonstrate that it was committed to a scheme of works to secure compliance.
6. The council received comprehensive safety improvement assessments from Stillwater Associates in 2018 and 2019. The 2 assessments cover different aspects of the overall scheme required to ensure compliance with the updated standards. The first being the options for a new emergency drawdown facility to enable the water level to be safely reduced in an emergency. The second being the options for 'upgrading' the spillway channel on the dam so it is better able to deal with serious storm flow conditions.
7. The implications of these studies and the nature of the works required were considered by Cabinet on 6th January 2020. The 2 comprehensive reports containing the safety assessments and options for securing compliance were attached to the 2020 cabinet report, to enable cabinet to understand the full complexities of the project, and the details of the various options under consideration.
8. At the cabinet on 6th January 2020 (in summary) cabinet unanimously:
 - a. Agreed the scope of works for the project
 - b. Authorised the Director of Operational Services to work with the Sussex Procurement Hub to procure and let a contract to deliver the agreed options

- c. Authorised the Director of Operational Services to contract Stillwater Associates to provide the main specialist technical support to the council throughout the project
- d. Agreed a capital programme budget of £837,000, and the associated revenue budget of £62,775 pa.

Project Update and Tender Returns

9. Following Cabinet in January 2020, a project team and project board were established, and work undertaken to submit a planning application. Planning permission was granted in January 2021.
10. In March 2021 the Sussex Procurement Hub invited tenders from suitable and experienced companies. The normal tender process was followed, and returns received in May. All due diligence and quality assurances were carried out by the Hub and the tenders evaluated by the project team, facilitated by the Procurement Hub, on 13th May.
11. Unfortunately, the returned tenders are significantly higher than had been estimated back in 2019/20. Leaving a shortfall in the available capital budget and associated revenue budget. However, there are very good reasons for this, which are outlined below.

Reasons for the Project Budget Shortfall

12. The estimates presented to Cabinet in January 2020 were prepared in Autumn 2019, and were realistic at that time, and had been adjusted to include a 10% contingency and for future predicted inflation. It was also clear that for a specialist project of this nature the actual cost would only be known once the Sussex Procurement Hub had been through a formal procurement process and the suppliers in this limited market had submitted their bids.
13. The UK construction market has been impacted by the pandemic and it is well reported that costs are predicted to increase dramatically over the next few years. Examples of these articles include:
 - a. For example in Summer 2020 the Royal Institute of Chartered Surveyors (RICS), forecast that tender prices could rise by 30%. Material prices could increase due to difficulty in obtaining materials due to COVID-19, oil prices, tariffs on imports and Sterling exchange rates. Labour costs could also be affected by the increase in demand as the COVID-19 restrictions are lifted, and due to restrictions in the availability of European labour due to EU-exit.
 - b. The Guardian recently reported that UK homeowners face higher bills for renovation work as builders grapple with soaring material costs and shortages of essentials such as timber and concrete.
 - c. According to the Government's Department for Business, Energy and Industrial Strategies (BEIS) monthly statistics of building materials and components report for April 2021, the cost of materials for repair and maintenance work rose 1.5% between February and March, and increased by 9% between March 2020 and March 2021.
 - d. At the time of writing this report, the BBC were reporting that industry sources are saying building projects are now being hit by a lack of supplies and price rises, citing chiefly an 'unprecedented demand' together with supply shortages and large shipping cost rises.

- e. The Office for National Statistics (ONS) are reporting 7-8% increases across most material prices, and the Federation of Master Builders are experiencing 10-15% average rises, up to as much as 50% for timber (80% comes from Europe) and 30% on cement.
- f. Anecdotally, through discussions with colleagues from other public bodies, it appears that many public sector construction and engineering projects are being adversely affected by these market pressures.
14. It is therefore clear that despite the best efforts of officers to ensure that the original approved project estimates were realistic, the trading environment within the UK construction and civil engineering sector has changed dramatically since then.
15. Our specialist reservoir consultants, Stillwater Associates, have also confirmed that these factors are undoubtedly relevant to this project. There are also other factors responsible for the increased project costs. These include:-
- The estimates used in Autumn 2019 were based on feasibility specifications which have needed to be changed following the more detailed work that was commissioned to draw up the detailed specifications required for the tender process this May. Detailed site investigations resulted in the need to increase the complexity and height of the new sections of the spillway channel, and this has led to a knock-on effect of increased earthworks, backfilling and landscaping.
 - During the process to obtain planning consent, the original proposals for the spillway channel were required to be changed to provide covered sections at the upper and lower ends of the proposed new structure, and again more extensive associated landscaping.
 - The planning approval process also resulted in more demanding measures needed to manage access to and from the site during construction.
16. The net result is that the construction programme is now more complex and longer, with associated increased overheads and site set-up costs, and therefore more expensive.
17. The Project Board has reviewed the current position and is confident that the process followed was the only reasonable option i.e. to seek approval for the project and estimate a budget, then undertake the further detailed work and to achieve the planning approvals. The overall cost of the very specialised works required would still be as they have now been identified.

Steps taken to seek assistance with legacy assets

18. Hastings has a number of assets which it is responsible for maintaining. For example the council is required to spend significant sums in maintaining and making safe the cliffs owned by the council, many of which stretch over a large area of the town. The reservoir is another legacy asset, which is no longer needed for drinking water, but still cost millions to maintain. The cost of maintaining these assets is not recognised in the funding the council receives from the government as it is not a cost pressure many councils are required to meet. The council does not receive new burdens funding for this activity and is simply in the unfortunate position of inheriting the reservoir and its associated costs. The council's current financial position means that the requirement to spend significant sums on this, means funding is not available to support other projects and programmes that could improve the quality of life of residents or the regeneration of our town.

19. The council has therefore written to the Secretary of State for Environment, Food and Rural Affairs setting out its case for additional support for both the costs of maintaining the reservoir and the cliffs. The suggestion to the Secretary of State is that this work could be funded through a ring fenced grant as the number of local authorities facing these costs pressures for legacy assets is relatively low, but the impact on those council's finances is significant.

Financial, Risk Management and Legal Implications

20. The financial, risk management and legal implications are set out in the associated part 2 report on this agenda.

Timetable of Next Steps

21. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
Obtain approval to increase the project budgets	Report to cabinet for approval and referral to full council	7 th June 2021	Mike Hepworth – Asst Director Environment and Place
Obtain approval to increase the project budgets	Report to full council for approval	14 th July 2021	Mike Hepworth – Asst Director Environment and Place

Wards Affected

Parts of Silverhill, St Helens, Baird, Braybrook, Gensing and Castle.

Policy Implications

Reading Ease Score:

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	N
Crime and Fear of Crime (Section 17)	N
Risk Management	Y
Environmental Issues & Climate Change	N
Economic/Financial Implications	Y
Human Rights Act	N
Organisational Consequences	N
Local People's Views	N
Anti-Poverty	N
Legal	Y

Additional Information

Insert a list of appendices and/or additional documents. Report writers are encouraged to use links to existing information, rather than appending large documents.

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