
NORTH AYRSHIRE COUNCIL

1 November 2022

Cabinet

Title:	Millport Coastal Flood Protection Scheme: Update
Purpose:	To update Cabinet on the latest position in respect of the award of contract for the construction of the Millport Coastal Flood Protection Scheme.
Recommendation:	<p>It is proposed that Cabinet:</p> <ul style="list-style-type: none">i. notes the tender position for the Millport Coastal Flood Protection Scheme.ii. notes the importance of the scheme.iii. notes the position in respect of the volatility in construction costs resulting in tender returns significantly exceeding the budget.iv. Approves the use of flexibility funding already included in the Capital Programme to fund the additional contribution to the Scheme from North Ayrshire Council of approximately £4m and Cabinet to note the additional Scottish Government funding of approximately £17m.

1. Executive Summary

- 1.1 The requirement for a coastal flood protection scheme for Millport was included within the Ayrshire Local Flood Risk Management Strategy and Plan produced in 2015 and 2016 respectively. Since then, significant work has been undertaken and the design for the proposed scheme has been completed.
- 1.2 Over 600 properties have been identified at risk of flooding and potential flood damages are estimated to be more than £77m. In extreme events there is also a danger of risk to life.
- 1.3 The preferred design solution is the provision of offshore breakwaters connecting the small islands in Millport Bay, plus onshore flood walls along the Millport shoreline. The proposed scheme will not only provide the required flood protection, but it will also create an area of sheltered water which could allow the future development of a marina supporting the potential for step ashore facilities under the auspices of the Ayrshire Growth Deal.
- 1.4 An extensive consultation process has been conducted with the local community. On 10 November 2020 Cabinet agreed confirmation of the scheme.

1.5 Following confirmation of the scheme the design for the project was finalised and a tender exercise was conducted in the early part of 2022. Regular ongoing consultation with the local community has continued throughout the development of the scheme and has played a significant part in shaping the final design.

2. Background

2.1 Funding for agreed flood protection schemes is funded 80% by the Scottish Government and 20% by North Ayrshire Council.

2.2 A pre-qualification process for tenders was undertaken in 2021 which resulted in a tender list of 5 contractors. Tenders were issued in April 2022 to all five tenderers, but two contractors declined to tender at that point due to other commitments.

2.3 3 tenders were returned at the end of June 2022 and a tender evaluation process began and is still being concluded.

2.4 However, during the tender evaluation process, it became clear that the existing budget of £27.053m was not adequate to permit a contract for the construction to be awarded and tender prices significantly exceeded the budget.

2.5 The Covid crisis created material shortages and uncertainty which caused high inflation in the construction industry. In addition, the invasion of Ukraine has created further uncertainty and supply issues which has driven prices even higher. Many projects with historical cost estimates are now discovering that the allocated budgets are inadequate.

2.6 A substantial shortfall has been identified, which is in the region of £21m. However, that figure may vary slightly due to the allocation of risk between the Client (NAC) and the contractor. The degree of risk that is assumed by the Client will determine the contingency that is required to be included in the budget.

2.7 It is vital that the contingency is determined at this stage because the Scottish Government settle its contribution to the Scheme at tender award and any Scheme costs arising after tender award are required to be met in full by North Ayrshire Council.

2.8 As part of the 2022/23 Budget process, to help address the financial risk to the Council from the cost volatility in the construction sector, the sum of £10m additional flexibility was approved in the capital programme. It is therefore recommended that the additional costs of approximately £4m required from North Ayrshire Council for the Scheme will be met from this provision. This equates to 20% of the additional funding required.

2.9 The Scottish Government have formally indicated their support for the Scheme and have confirmed they will commit additional funds of approximately £17m, which is 80% of the extra funding required.

2.10 It had been planned that work would start in October 2022, but this will no longer be possible. Based on an award of contract in November 2022, work is expected to begin on site in February and continue until summer 2024. The offshore breakwaters will be constructed in Autumn and Winter 2023.

- 2.11 The sheltered water created by the scheme will allow the construction of a marina, which is an Ayrshire Growth Deal project. The marina proposals are currently being developed and the intention is that the marina construction will follow on shortly after the completion of the flood protection scheme.
- 2.12 Following a contract award, an update will be provided to the community regarding the timing of the works. The community will also be given the opportunity to communicate with the contractor about how the works will be carried out and the impact the works will have on the community.

3. Proposals

- 3.1 That Cabinet notes the tender position for the Millport Coastal Flood Protection Scheme.
- 3.2 That Cabinet notes the importance of the scheme.
- 3.3 That Cabinet notes the position in respect of the volatility in construction costs resulting in tender returns significantly exceeding the budget.
- 3.4 That Cabinet approves the use of flexibility funding already included in the Capital Programme to fund the additional contribution to the Scheme from North Ayrshire Council of approximately £4m and Cabinet to note the additional Scottish Government funding of approximately £17m.

4. Implications/Socio-economic Duty

Financial

- 4.1 It is anticipated that the total additional costs will be in the region of £21m. The Scottish Government has formally confirmed that they will continue to support the Scheme and will provide the additional funding based on their 80% contribution which will be in the region of £17m. The balance of £4m additional funding (20%) requires to be met from North Ayrshire Council and this has been identified from existing capital resources set aside in the form of £10m additional flexibility included in the 22/23 Budget process.

Human Resources

- 4.2 Human resource implications to deliver the scheme have been identified and the cost will be met from the available budget.

Legal

- 4.3 The Scheme has been developed in accordance with the Flood Risk Management (Scotland) Act 2009. Scottish Ministers have directed that planning permission for the development has been deemed to be granted.

Equality/Socio-economic

- 4.4 An Equality Impact Assessment has been carried out during the development of the Scheme.

Climate Change and Carbon

- 4.5 Flood risk management forms part of the Council's Environmental Sustainability and Climate Change Strategy by supporting the sustainability of our communities.

Key Priorities

- 4.6 Flood mitigation and protection of our communities addresses the Council Plan key priorities of 'protecting and enhancing the environment for future generations' and providing 'sustainable and effective infrastructure'.

Community Wealth Building

- 4.7 A package of community wealth building measures has been incorporated into the tender and Community Wealth Building measures will be developed and implemented once a contract has been awarded.

5. Consultation

- 5.1 An extensive consultation process has been carried out and is ongoing. All statutory consultation requirements have also been met.
- 5.2 The Council's Head of Finance and the Scottish Government have been consulted on, and have agreed, the allocation of the required additional funding.

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