

REPORT TO: ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SERVICES COMMITTEE ON 17 JUNE 2008

SUBJECT: ROTHES FLOOD ALLEVIATION SCHEME STAGE 1 – SCOPE CHANGE AND PROGRAMME TO WORKS START

BY: DIRECTOR OF ENVIRONMENTAL SERVICES

1. REASON FOR REPORT

- 1.1 To ask Committee to approve changes to the scope of the Rothes Flood Alleviation Scheme Stage 1 and note the programme to works start. The Committee is also asked to note indicative costs.
- 1.2 The report is submitted to the Committee in terms of Section D (23) of the Council's Administrative Scheme relating to the functions of the Council under the Flood Prevention (Scotland) Act 1961 as amended by the Flood Prevention and Land Drainage (Scotland) Act 1997.

2. RECOMMENDATION

2.1 It is recommended that the Committee: -

- (i) approve the changed scope of Rothes Flood Alleviation Scheme Stage 1 as set out in the Appendix and note the programme to works start.**
- (ii) note indicative costs for Stage 1 and implications for the whole scheme.**

3. BACKGROUND

- 3.1 The Moray Council approved the Rothes Flood Alleviation Scheme on 22 November 2006 (para 2 of the Minute refers). Following resolution of objections, Scottish Ministers confirmed the scheme on 22 February 2008 and planning permission was granted on 16 January 2008.
- 3.2 The Flood Alleviation Sub-Committee on 17 October 2007 (para 6 of the Minute refers), to expedite the start date, approved the revised detailed programme, based on a phased approach, for the Rothes Flood Alleviation Scheme.
- 3.3 For the first Stage – Back Burn – detailed design is complete and the process of developing a target cost, in accordance with the approved Target Cost Setting Methodology, commenced. Total costs for this Stage, based on the target cost submitted, would be in the Order of £8.9 million. This is considerably more than previously forecast, and if applied across all, three Stages, would suggest a scheme cost of around £31.2 million – well above the £21 million previously reported. Broad assumptions have been taken in reaching the figure so it is indicative only.

- 3.4 Members have been made aware through several reports to various Committees that the cost of construction projects is increasing at a rate much higher than background inflation. The factors affecting this are not mutually exclusive and include: -
- Skills shortage
 - Commodity prices – e.g., steel, cement and fuel.
 - Market factors (tender price index)
 - General construction inflation
- 3.5 There has also been a gradual increase in work scope to deal with issues arising through detailed design and the Controlled Activities Regulations (CAR) licence process.
- 3.6 Key team members attended a Value Engineering Workshop on 23 and 24 April 2008 to examine the scheme in detail from a cost perspective and identify significant savings. The outcome led to a new issue of Works Information for target costing. The changes identified, cost savings and implications are contained in the **Appendix**. Strategic implications are contained in Section 4 of this report.
- 3.7 The proposed changes were presented to Members of the Flood Alleviation Sub-Committee together with Ward Members at an informal meeting on 30 May 2008. Those present were supportive of the proposals.
- 3.8 The proposed programme to works start is as follows:
- 6 June 2008 – Morrison Construction submit target cost.
 - 17 June 2008 – Report to this Committee.
 - 23 June 2008 – Audit, benchmarking and value for money report from EC Harris, independent cost consultants.
 - 2 July 2008 – The Moray Council to be asked to authorise award of work package for Stage 1 of Rothes Flood Alleviation Scheme.
 - 7 July 2008 – Contract start.

4 SUMMARY OF IMPLICATIONS

(a) Corporate Development Plan/Community Plan/Service Improvement Plan

The Corporate Development Plan 2004 – 2007 states that providing effective flood alleviation schemes is a priority.

(b) Policy and Legal

There are no policy and legal implications. The changes to work scope are within the terms of the Flood Prevention Order and Planning Consent. The CAR licence has been delayed owing to staff shortages at SEPA. SEPA have undertaken to issue the licence no later than 16

June 2008. Thereafter the work scope revisions, which will tend to reduce environmental impact of the works, will be considered and amendments to the licence sought where necessary.

(c) Resources (Financial, Risks, Staffing and Property)

The table below indicates the financial implications, by comparing costs before and after the proposed scope changes. These figures are provisional and indicative of what will be reported to The Moray Council on 2 July 2008.

| Cost Heading | Before | After | Saving |
|--------------------------|----------------|----------------|----------------|
| Cost to March 2008 | £1,185k | £1,185k | £0k |
| Third party costs | £500k | £300k | £200k |
| Utility diversion | £330k | £232k | £98k |
| Construction target cost | £5,090k | £3,936k | £1,154k |
| Site Supervision | £450k | £300k | £150k |
| Design fees etc | £50k | £100k | £- 50k |
| Council staff etc costs | £200k | £150k | £50k |
| Council risk allowance | £1,113k | £600k | £513k |
| Total | £8,918k | £6,803k | £2,165k |

- (i) Reducing the work scope mostly results in attendant savings in other costs, including significant reductions in both Council and Contractor risk. The exception is consultant's fees associated with redesign and re-issue of works information.
- (ii) The implication for the full scheme, on the same basis as stated in 3.3 above, would be a cost of £24.0 million. However this would require similar levels of savings through reducing the scope of Stages 2 and 3. This work is underway, as it is on the Elgin and Forres (River Findhorn and Pilmuir) schemes.
- (iii) Should the cost of the whole scheme exceed £20.9 million the Financial Plan will require adjustment.
- (iv) There are some future operation and maintenance implications in that costs will be a little higher as a result of these changes. These costs are minimal when compared against the reductions in the capital cost.

(d) Consultations

A Scott, Principal Solicitor (Commercial and Conveyancing) has been consulted and comments included in the report. Lorraine Paisey,

Principal Accountant, and Angus Burnie, Principal Planning Officer were unavailable but any comments will be put to the meeting.

5 CONCLUSION

- 5.1 The scope changes are necessary to bring the scheme cost down significantly. The changes will not compromise the effectiveness of the scheme.**

Author of Report: Consultancy Manager
Background Papers:

Ref: A.16.01.04