

**Distribution Sub-Group (2021) Paper 05 – Coastal Risk Management
Programme adjustment 2022-23**

This discussion paper has been written by officials of the Welsh Government. Ministers have not had an opportunity to comment on the contents. Exemplifications of changes are provided simply to inform discussion by DSG members. They are not Welsh Government proposals or statements of Government policy for or against changes.

Coastal Risk Management Programme Adjustment 2022-23 onwards for Neath Port Talbot Council

Summary

1. The purpose of this paper is to obtain agreement from members of the Distribution Sub-Group (DSG) to make an adjustment to the Revenue Support Grant to Neath Port Talbot Council in respect of payments against their scheme within the Coastal Risk Management Programme and for this approach to be applied, consistently, for any future adjustments under this scheme.

Views sought

2. This paper requests agreement to adjust the RSG payment to Neath Port Talbot Council for the Aberavon coastal scheme under the Coastal Risk Management Programme to £139,591.50 annually from 2022-23 to 2043-44.
3. The paper also requests future adjustments, relating to other authorities, are dealt with in the same way. Adjustments will only be reductions as Local Authorities have been informed that under this programme, any increase in costs needs to be funded by the Local Authority.

Background

4. The Coastal Risk Management Programme was announced by Ministers in December 2014. It supplements the core flood programme, supporting investment in local authority capital schemes and helps address a significant funding gap in meeting the recommendations within the Shoreline Management Plans.
5. The programme was established to respond to the challenges of climate change and manage current and future risks as identified in the Shoreline Management Plans. It aims to enable a concentrated three year period of investment in the construction of coastal schemes led by Local Authorities commencing from April 2019 to March 2022, reducing risk to people, properties and infrastructure whilst also delivering wider benefits.
6. The following objectives have been agreed for this Programme to be achieved by March 2022:
 - To have accelerated the delivery of Welsh Government's National Strategy for Flood and Coastal Erosion Risk Management from an average annual capital spend of £19 million (2010-2015) to an average annual spend of £50 million capital over the three years 2019-2022.

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- To have achieved at least 15,000 properties benefitting from extended or enhanced levels of protection from coastal flooding and erosion where assets are already in place; or new protection where new assets are built.
 - To build wider benefits into project design and construction. Before each project proceeds to construction, each to have proportionately considered the potential for wider benefits including consideration of Welsh Government's Community Benefits policy and the Wellbeing of Future Generations Act.
7. Funding for the programme is prioritised based on risk to life, focussing on schemes reducing risk of flooding and/or coastal erosion to homes and businesses whilst also providing additional wider benefits where these could be achieved, such as reducing risk to infrastructure or providing amenity/regeneration benefits.
 8. Welsh Government will contribute up to 85% towards the cost of the works. The design phase of this programme is funded through the FCERM Capital Budget at 100% and for construction, this is revenue funding through RSG at 85%.
 9. Local authorities are expected to fund 15% of the project costs for construction. They have flexibility in how they do this which could include borrowing, use of capital and/or third-party contributions. Welsh Government will provide its 85% contribution for construction over a 25 year period through the local authority's Revenue Support Grant (RSG).
 10. In February 2019, the Minister for Environment, Energy and Rural Affairs agreed 25 schemes to progress to construction phase through this Programme from 11 Local Authorities, however these remained subject to completion of Business Cases, obtaining relevant consents/permissions and confirmation of match funding. Since this agreement, some schemes have been removed from the Programme, meaning there are now 21 schemes from 9 Local Authorities currently in the Programme.
 11. Collectively, the schemes agreed by the Minister would benefit over 18,000 homes and businesses when complete, exceeding the Programme Objectives of 15,000. Their wider benefits include recreational and tourism improvements, ecological enhancements, provision of regeneration opportunities and reduction in risk to infrastructure.
 12. The original intention for funding Local Authorities was via transfer into the RSG from FCERM Revenue budgets starting from the year in which schemes are expected to start construction, however, due to the timing of decisions to include funding in the RSG and the availability of detailed costing information, it was agreed that the allocations for the first year of funding be paid as a specific grant from FCERM budgets, before transferring into the RSG in the second year for the remaining 24 years. This mechanism was agreed with the DSG, in principal, in July 2018.
 13. In 2020-21, it was agreed by the DSG that £150,654 be transferred into the settlement in respect of a coastal defence scheme in Neath Port Talbot Council, on a fixed distribution for 24 years. The first year payment being made directly from FCERM budgets.

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Aberavon Coastal Defence Scheme

14. Since the transfer agreement was made, Neath Port Talbot Council have now completed the coastal scheme at Aberavon sea front with final outturn costs of the works being £639,807.11 lower than forecast and lower than the amount for which RSG payment was calculated.
15. In addition, the intervention rate at which Welsh Government will provide funding has increased from 75% to 85%.
16. Now the scheme is complete, an adjustment needs to be made to the RSG payments to account for the reduced costs and the increased grant rate.
17. The following calculations justify the new figure to be included within the RSG for Neath Port Talbot County Borough Council for the remaining 22 years.

A	Current RSG payments for 75% of the cost of construction plus interest at 2.59%	£150,654
B	RSG payments for 85% of the revised outturn cost of construction plus interest at 2.59%	£140,919
C	Total revenue due over 25 years (B x 25)	£3,522,975
D	Amount paid to date (years 1-3) (A x 3)	£451,962
E	Total revenue remaining to pay (C-D)	£3,071,013
F	Remaining annual payments to be made over years 4-25) (E/22)	£139,591.50

18. It is therefore requested the RSG payment to Neath Port Talbot County Borough Council is reduced to £139,591.50 per year from 2022-23 to 2043-44. Welsh Government officials will seek to transfer the surplus £11,000 out of the settlement from 2022-23.

For agreement by the Distribution Sub-Group

19. We are seeking agreement from the DSG for the following:
 - To reduce the RSG payment to Neath Port Talbot Council in respect of their coastal scheme at Aberavon to £139,591.50 for the next 22 years (from financial year 2022-23 to financial year 2043-44) from FCERM revenue budgets.
 - To agree that adjustments for future schemes are considered in the same way and adjustments made on completion of the scheme.

**Water, Flood and Coal Tips Division
Welsh Government**