



## **Accounting Officer Memorandum: Oxford Flood Alleviation Scheme**

It is normal practice for accounting officers to scrutinise significant policy proposals or plans to start or vary major projects, and then assess whether they measure up to the standards set out in Managing Public Money. From April 2017, the government has committed to make a summary of the key points from these assessments available to Parliament when an accounting officer has agreed an assessment of projects within the Government's Major Projects Portfolio.

### **Background and context**

#### **Oxford Flood Alleviation Scheme**

Situated within the floodplain, the city of Oxford is undefended from the River Thames and its tributaries. There are 2,500 households at risk from a 1% annual event probability flood today and the effects of climate change are projected to increase the number to over 3,400. Roads into the City and the strategic rail network are vulnerable to floods lasting a week or more and this deters inward investment and economic growth. The EA in partnership with Oxfordshire County Council propose a scheme to substantially reduce the risk to households and critical infrastructure.

The proposed scheme will reduce flood risk to 1157 households plus businesses and infrastructure and avoid £1.1bn of damage over 100 years (PV). Originally outlined in the Oxford Strategy, 2010. The scheme proposes a new by-pass channel to the west of the City. Since 2010, understanding of the hydrology and climate impacts, and the support of funding partners has improved the business case.

This assessment was made at the Outline Business Case (OBC) stage in April 2017.

### **Assessment against the Accounting Officer tests**

#### **Regularity**

- The scheme cost exceeds Defra and Environment Agency delegated authority from HMT (£100m whole life costs). Investment in the project therefore requires business case approval from HM Treasury to ensure compliance with Managing Public Money.
- In promoting the project the Environment Agency has responsibilities under the Flood and Water Management Act 2010 (FWMA) and Water Resources Act (WRA). Section 165 of the WRA gives the EA the power to carry out "flood risk management work" if the EA considers the work desirable having regard to the national flood and coastal erosion risk management strategies under Section 7 and 8 of the FWMA and that the

purpose of the work is to manage a flood risk (within the meaning of the Act) from the sea or a main river.

- Natural England has provided a letter stating that in respect of the Oxford Meadows SAC and the Iffley Meadows SSSI, the “proposal is likely to lead to an environmentally acceptable solution”.
- Planning applications will be made to three local planning authorities under the Town and Country Planning Act 1990.

### **Overall assessment**

The test is met for this OBC stage.

### **Propriety**

- There are no specific concerns that the project is outside of Parliament’s intentions. The business case demonstrates alignment with the Defra Policy statement “Appraisal of Flood and Coastal Erosion Risk Management, 2009”. Public funding from grant in aid follows the principles in the Defra policy statement “Flood and Coastal Resilience Partnership Funding: 2011”.
- The capital funding required to develop the full business case is included in the EA Flood and Coastal Erosion Risk Management Investment Programme 2015 to 2021. This includes for both design and procurement activity, the purchase of land needed to promote the scheme and commencement of construction.
- The long term operational and maintenance funding requirement falls to the EA and provision will be made in the revenue budget. Network Rail and Oxfordshire County Council will maintain the culverts under their assets and remove accumulations of silt.

### **Overall assessment**

The test is met for this OBC stage.

### **Value for Money**

- Economic appraisal was undertaken in accordance with the Flood and Coastal Erosion Risk Management Appraisal Guidance (EA 2010) including supplementary guidance notes. The guidance follows the provisions of the HMT Green Book. The OBC appraises a short list of 14 options that have been derived from a long list of 100 options considered during development of the Oxford Strategy. A diversion channel Official: Sensitive to the west of the City in combination with localized defences was identified in the Strategy as providing the highest net present value. The OBC confirms this choice.
- Cost estimates include optimism bias of 12% to reflect uncertainty and a risk contingency based on a statistical evaluation of the risk register. The combined allowance for risk and uncertainty is 32% of the base cost which is realistic at OBC

stage. The preferred option demonstrates a cost benefit ratio of 10:1 and an NPV of £1bn. Sensitivity tests demonstrate that the choice of option is robust. In addition, the project is committed to making efficiency savings that support the overall six year investment programme target of 10%.

### **Overall assessment**

The test is met for this OBC stage.

### **Feasibility**

- The technical challenge is understood well and learning from a wide range of Environment Agency projects including the Maidenhead, Windsor and Eton flood alleviation scheme is embedded in the design. The Environment Agency has high confidence in the accuracy of hydraulic modelling that predicts negligible increase in downstream flood risk.
- Defra estates experts will continue to secure land for the scheme by agreement with the risk of delay mitigated by serving notice to compulsory purchase.
- Resources from the Water and Environment Management (WEM) Framework including designers and constructors, cost managers, communications specialists and Defra procurement specialists will deliver the scheme by the autumn of 2021. The WEM Framework enables the EA to comply with the Government Construction Strategy and the EA Sustainable Engineering Procurement Strategy.

### **Overall assessment**

The test is met for this OBC stage.

### **Affordability**

- A little over half of the capital cost of the scheme qualifies for government funding through Defra grant in aid. The balance of funding will largely come from five separate contributions; the Thames RFCC (11%), Oxford LEP (21%), Oxfordshire County Council (5%), Oxford City Council (2%) and Thames Water (2%). Negotiations continue with a number of potential beneficiaries to secure the 4% of the cost that is outstanding.
- The capital cost includes an allowance for a commuted sum to meet the first ten years operation and maintenance cost as recommended by HMT and the Infrastructure Projects Authority.
- The project team have demonstrated their ability in financial negotiations and have already secured £51.05m. There is a clear funding strategy that supports how the remaining high likelihood contributions referenced in the business case will be secured. Financial sensitivity tests show that the top 8 risks could be realised to their maximum value or the top 15 risks realised to their most likely value without the further contributions. There are further opportunities for efficiencies and cost savings within

the conservative costing estimates. Therefore, whilst not fully funded, the scheme construction is affordable at this point in time.

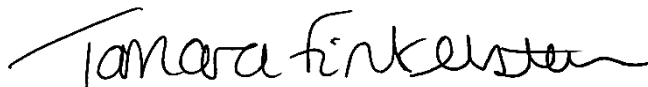
**Overall assessment**

The test is met for this OBC stage.

**Conclusion**

The Defra Executive Committee includes the Accounting Officers for both Defra and the Environment Agency. The Defra Executive Committee recommended this Accounting Officer Assessment on 2<sup>nd</sup> June 2017.

This summary will be published on the government's website (GOV.UK). Copies will be deposited in the Library of the House of Commons, and sent to the Comptroller and Auditor General and Treasury Officer of Accounts.

A handwritten signature in black ink that reads "Tamara Finkelstein". The signature is written in a cursive, flowing style.

Tamara Finkelstein

02/09/2021