



Portfolio Holder Report

The portfolio holder will make a decision on this item after seven days have elapsed (including the date of publication).

Report of:	Portfolio Holder	Date of publication
Mark Billington, Corporate Director Environment	Councillor Alan Vincent, Resources Portfolio Holder and Councillor Roger Berry, Neighbourhood Services and Community Safety Portfolio Holder	12 April 2021

Support to the Wyre Natural Flood Management Proposal

1. Purpose of report

- 1.1 To seek Portfolio Holder approval for support to the Natural Flood Management (NFM) proposal by the Rivers Trust.

2. Outcomes

- 2.1 Wyre will become a partner in this new innovative funding model for nature based solutions, to build flood resilience and provide wider social and environmental benefits to Garstang, Churchtown, St Michaels and Great Ecclestone.
- 2.1 Successful scheme delivery will help meet the council's climate change objectives.

3. Recommendations

- 3.1 That approval is given to support the River's Trust Wyre NFM Catchment £10,000 'Buyer' proposal for eight years and for legal services to enter into a contract to enable this.
- 3.2 That Wyre Council supports the Rivers Trust in approaching Garstang Town Council, Churchtown, St Michaels and Great Ecclestone Parish Council's when inviting them to become buyers in the scheme.

4. Background

- 4.1** Hard-engineered flood-risk management solutions alone will not address present and future flood risk. Flood defences should be supplemented with natural solutions that reduce the impact of flooding to people, businesses and infrastructure. Natural Flood Management (NFM) involves slowing the flow of water over the land and increasing storage in the catchment to reduce the height of flood peaks. This also has benefits for the environment by reducing pollution and restoring natural habitats.
- 4.2** Initial modelling of the River Wyre catchment has shown that the development of approximately 70 hectares of NFM features could reduce the frequency of flooding for up to 120 properties in Wyre by reducing peak flows at Garstang by up to 10%.
- 4.3** This project will test initial flood modelling; work with the relevant landowners to get permission for the works; identify the mechanisms and beneficiaries to repay the capital investment; and build a business case for sustainable long-term investment.
- 4.4** At a time when we are facing a climate emergency, this new mechanism for funding natural solutions, could help protect and support the local community and its catchment, at a scale and pace that can make a difference. The scheme will provide 283 biodiversity credits (Biodiversity credits are generated from management actions that improve biodiversity values and can be used to offset the loss of biodiversity values on development sites. The Environment Bill proposes mandatory biodiversity net gain from developers of at least 10%). The scheme will also store 25,000 tonnes of carbon.
- 4.5** Wyre officers have been involved in the planning of the project throughout and are supportive of the overall concept. The Rivers Trust are keen that the council become an active partner alongside the Environment Agency, United Utilities and the Woodland Trust.

5. Key issues and proposals

- 5.1** The Wyre Catchment NFM project is one of four pilot “natural capital investment” projects being grant funded by Defra, the EA and the Esmée Fairbairn Foundation (EFF) across England. The aim of these pilot projects is to test whether and how private investment capital can be blended with public sector funding to finance natural landscape restoration through development of monetisable ecosystem services such as NFM, carbon sequestration and biodiversity gain.
- 5.2** The Wyre Catchment NFM project will involve the implementation of a series of conventional NFM interventions (leaky dams, earth bunds, ponds, tree planting re-wetting peat etc.) on around 12 farms and estates across 90 hectares of the upper Wyre catchment.

- 5.3** The Rivers Trust will establish a special purpose vehicle in the form of a Community Interest Company (“CIC”) limited by guarantee. The CIC will finance and deliver the project and all contractual relationships will be through this vehicle. Any retained profits generated by CIC will be reinvested in the Wyre catchment and local communities. The CIC will raise around £1.5m of up-front capital to finance the project. £1m of private repayable investment (at c.5% p.a. interest rate over eight years) and £0.5m of tree planting grants (through an agreement with The Woodland Trust).
- 5.4** The CIC will enter into “payment for ecosystem services” contracts with a group of buyers of NFM services.
- 5.5** It is proposed that the council supports the projects as a buyer through an initial eight year contract between the CIC and the council for NFM ecosystem services at an annual fee of £10,000 (plus applicable VAT and RPI linked). Should the council wish to extend the contract agreement from year nine to year 20, and then 21 to 50, there is an option for the council to do so at an 80% reduced fee of around £2,000 per annum (plus applicable VAT and RPI linked).
- 5.6** The council may also look to invest in the project either through an environmental impact investment fund, direct local investment or through a community bond offer. The details of these options are not currently available and will be explored as they are provided. Any investment opportunities will be required to comply with the council’s policies on Treasury Management (TM) and advice from our TM consultants would be sought as appropriate.

6. Delegated functions

- 6.1** The matters referred to in this report are considered under the following executive function delegated to the Neighbourhood Services and Community Safety Portfolio Holder (as set out in Part 3 of the Council’s Constitution):

“To consider any matter relating to the Council’s responsibilities for land drainage, water courses or the prevention of flooding.”

- 6.2** The matters referred to in this report are considered under the following executive function delegated to the Resources Portfolio Holder (as set out in Part 3 of the Council’s Constitution):

“To consider departures from Rules relating to financial and contractual matters if appropriate”, on the ground that the “goods, works or services are of a specialised nature carried out by only one or a limited number of firms with no reasonably satisfactory alternatives available.”

Financial and legal implications	
Finance	<p>The council will enter into an initial eight year contract with the CIC for NFM ecosystem services at an annual fee of £10,000 (plus applicable VAT and RPI linked). Based on RPI at 2%, this would mean an overall estimated cost of £85,830 (excluding VAT) over eight years.</p> <p>All annual payments will be contingent on delivery on the ground and confirmation that NFM interventions are being maintained to agreed standards.</p> <p>Should the council wish to extend the contract agreement from year nine to year 20, and then 21 to 50, there is an option for the council to contract with the CIC at around £2,000 per annum (plus applicable VAT and RPI linked). This will effectively contractually bind the landowners to maintain the NFM interventions as permanent land use features. The CIC aims to be debt free by year nine having repaid its external investment. Landowners may also have access to ELM subsidies at this point to top-up (or replace) CIC payments.</p> <p>The estimated cost can be met from a combination of budget set aside for climate change initiatives and engineering budgets (approximately 50/50).</p>
Legal	<p>If the council join as a buyer, a detailed non-binding MoU expanding the summary contract terms described in the letter will be provided and used as a template for the contract. Legal services will consider, approve and enter into the contract.</p>

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	✓
equality and diversity	x
sustainability	✓
health and safety	✓

risks/implications	✓ / x
asset management	✓
climate change	✓
ICT	x
data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

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List of background papers:		
name of document	date	where available for inspection
None		

List of Appendices

None

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