



Report subject	<b>Flood and Coastal Erosion Risk Management Service structure</b>
Meeting date	1 September 2021
Status	Public Report
Executive summary	<p>A new Flood and Coastal Erosion Risk Management (FCERM) staffing structure is required after a Dorset Council change of direction with shared partnership line management.</p> <p>Over the last couple of years a Dorset Wide Partnership to tackle the issues of Flood and Coastal Erosion Risk was set up in response to encouragement from the Environment Agency wanting to see more projects delivered, as well as recognition of the success of FCERM Partnerships in other authorities.</p> <p>On that journey, BCP have employed key skills able to create that model, both from a managerial perspective as well as technical. Dorset Council, although wanting to have independent teams, still wish to work collaboratively and it is recognised that many of the skills required to deliver Dorset based projects are employed by BCP. Also, the increase in capability has resulted in requests for collaborative support for other authorities (Devon, Cornwall, New Forest and the Environment Agency).</p> <p>Formation of an independent BCP Council Centre of Excellence is recommended, building on existing reputation and allowing delivery of collaborative working opportunities.</p> <p>The business model changes to FCERM over the last couple of years have demonstrated the ability to deliver more projects, increase income, attract quality staff and reduce reliance on consultancy support. Not only does this direction achieve more on the ground, it will result in longer term savings.</p> <p>The basics of the business model with a broader team (either via Partnership or Centre of Excellence):</p> <ul style="list-style-type: none"> <li>• Key skills can be targeted</li> <li>• More attractive in the market for quality staff</li> <li>• More able to bid for grant funding (under permissive powers, so many authorities don't realise they could be bidding to do more)</li> <li>• More able to deliver the projects in-house</li> </ul>

- Grant funding provides income offsetting the staff costs
- Communities get more projects delivered making them more resilient to climate change
- Reputation increases ability to recruit and retain staff
- Reputation also gives confidence to our funding partners who support our delivery (Environment Agency

These key facts have already been demonstrated very clearly. Employment has seen staff joining who are very well recognised in the industry sector. This in turn has led to project funding following them, or other authorities requesting support where once they sought it from consultancies.

Grant funding has increased considerably, e.g. Poole Bay Beach Management (£36m), Poole Bridge to Hunger Hill (£12.5m), Christchurch Bay and Harbour Strategy (£450k – will lead to £m's on project delivery). At a recent national funding meeting, the EA's Area Flood Risk Manager described BCP as 'best in class' for the Wessex region also demonstrating the reputation that has built with our funding partners.

This proposal sets out a new FCERM service structure that delivers a much higher quality of service, able to address the increasing risk from climate change and at no additional cost to the Council.

On the face of the tabulated budget figures in section 11, the salary expenditure has risen. However, the budget for the Surface Water Team sat separately (£290k) which has now been moved into the salary pot. Also, considerable expenditure on consultancy support has historically been spent directly against capital budgets, the cost of which is not shown within salaries. The new model reduces that need by employing staff where appropriate. Not only does that increase income, it also retains the skills and knowledge. The FCERM team increased their income from £40k to £400k last year. Employing internally also drastically reduces the staff costs on the projects.

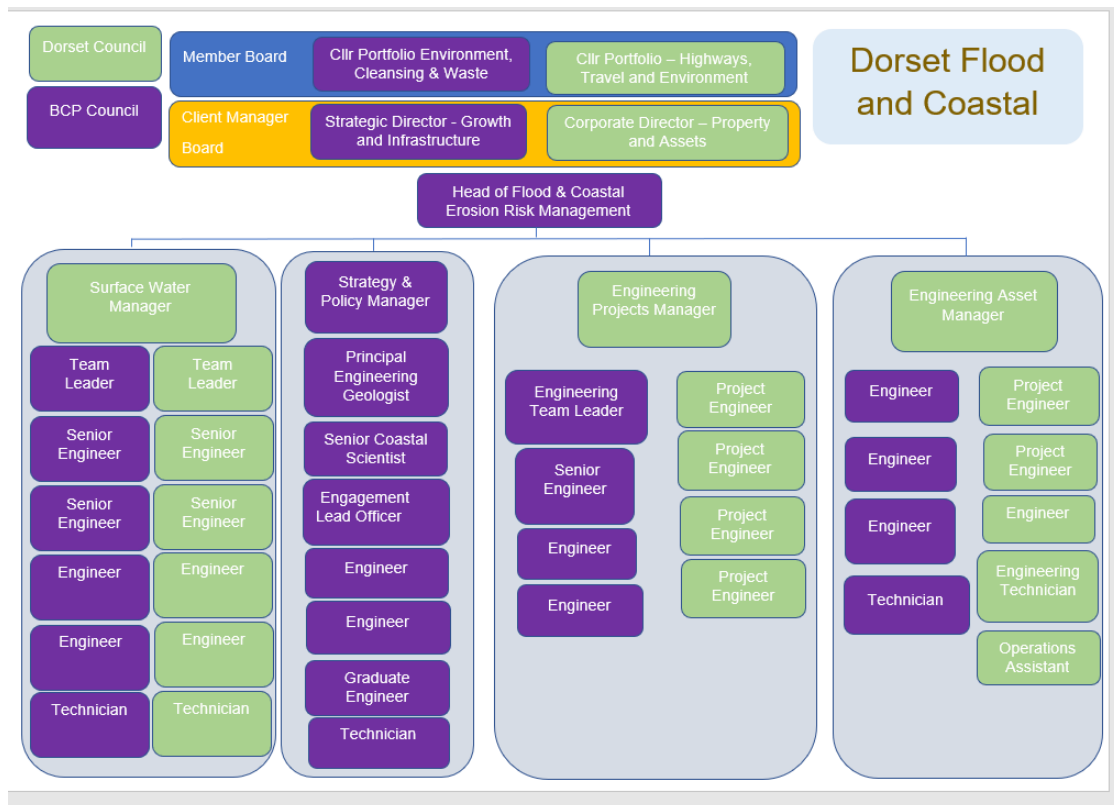
The proposal to change the model at no extra cost is conservative and the FCERM team are confident it will lead to bigger savings in the longer run. Nationally, the budgets for Flood Defence Grant in Aid have doubled from £2.6bn to £5.2bn over the next 6 years. The new model will give us the best chance of bidding for those funds and preparing ourselves and our communities for climate change.

<b>Recommendations</b>	<p><b>It is RECOMMENDED that:</b></p> <p><b>(a) Approval be given for the proposed FCERM service structure.</b></p> <p><b>(b) Support be given to the principle of a ‘Centre of Excellence’ approach and taking up requests to support neighbouring authorities and FCERM delivery bodies for the South West region.</b></p>
Reason for recommendations	<p>To allow formation of an independent FCERM service in BCP Council, no longer recognising a single line management structure across BCP and Dorset Councils, but facilitating a collaborative working arrangement.</p> <p>To enable decisions to be made to take on additional external income related work for regional authorities and the Environment Agency.</p>
Portfolio Holder(s):	Councillor Mark Anderson – Portfolio Holder for Environment, Cleansing and Waste
Corporate Director	Julian McLaughlin – Service Director, Transport & Engineering
Report Authors	<p>Matt Hosey – Head of Flood and Coastal Erosion Risk Management (FCERM)</p> <p>Alan Frampton – FCERM Strategy &amp; Policy Manager</p>
Wards	Not applicable
Classification	For Decision

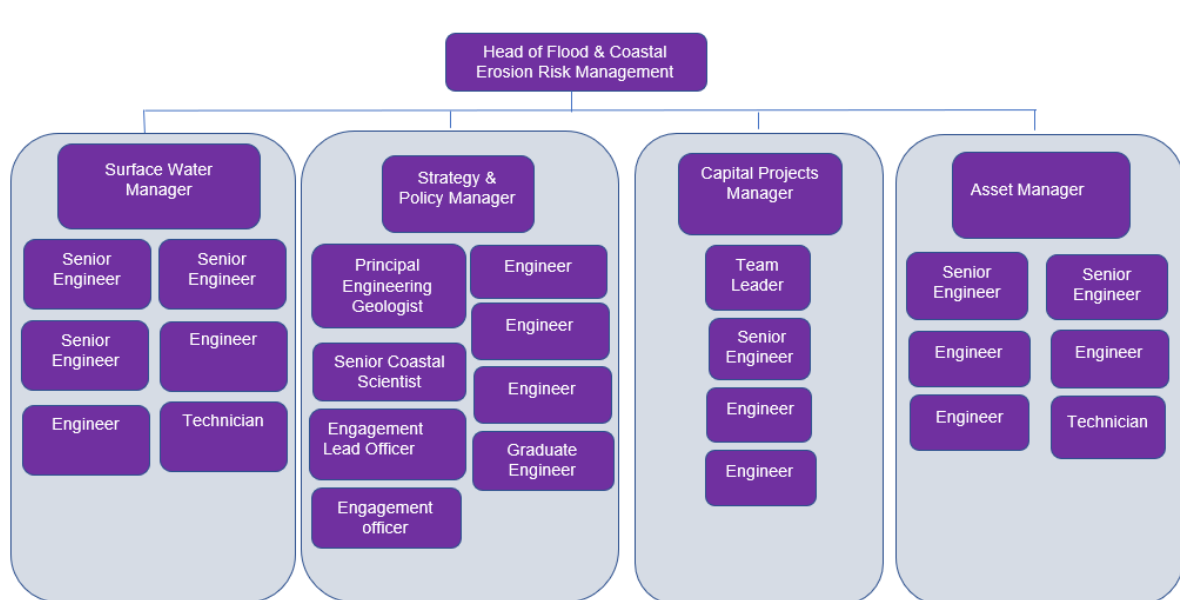
## Background

- Over the last couple of years, BCP Council have been working under a signed partnership agreement with Dorset Council, including shared line management, as part of a process to form a single FCERM Service for the entire coastline of Dorset, from Chewton Bunny in the east to Lyme Regis in the west. On preparing a recommendation to create a full shared service, with shared staffing budget, a change in approach was requested from Dorset Council to move to a position whereby BCP and Dorset have independent FCERM teams that work in collaboration, rather than forming a single team.
- A formal letter was received from Dorset Council on 25 May to make this change in approach clear and to withdraw from the existing partnership agreement.
- The BCP Council FCERM service therefore needs to adapt their line management structure to ensure staff are managed effectively and the growing portfolio of projects as well as external requests for support can be delivered.

- Both the original Dorset wide Partnership structure and the proposed structure are shown below.
- Original Structure:



- Proposed structure:



7. The proposals see the employment of an additional six members of staff in the team, required to cover for the increasing number of grant funded projects as well as replacing expenditure on consultancy support.

### **Options Appraisal**

8. The original proposal to have a single FCERM team serving all of Dorset would have been the best position in terms of management efficiencies and allowing available budget to be focussed on recruitment of technical staff. The change in direction requested by Dorset Council to have fully independent FCERM teams that work in collaboration means that both councils now need to have full management teams. In considering the options for BCP Council in this regard, they were considered to be:
  - a. Establish an FCERM 'centre of excellence' with a line management structure to ensure staff are managed effectively and the growing portfolio of projects as well as external requests for support can be delivered.
  - b. Operate an FCERM service with reduced staffing levels and rely on external consultant support, which has been demonstrated to cost more longer-term so is not the best use of available resources.
9. Based on the two options available, option (a) provides the best value approach to BCP Council, ensuring BCP communities are served by a high-quality, expert FCERM team with local knowledge and experience.
10. The BCP 'centre of excellence' approach gives the following key advantages (many of which have already been demonstrated over the last 2 years since the business model changed):
  - Retention of in-house knowledge, fully integrated with other BCP services (e.g. Planning)
  - Attracts better quality staff due to career prospects and broader work portfolio
  - Increases ability to bid for funding and to deliver more projects for our residents
  - Increases income, offsetting salary expenditure
  - Increases reputation in the industry sector, particularly giving confidence to our funding partners
  - Reduces reliance on more expensive consultancy support.

### **Summary of financial implications**

11. The proposed budget changes will not result in a pressure on the budget or on-going MTFP. The table shows the comparison between the current 2021/22 budget and the proposed structure.

## Budget Changes as a result of the proposals

	21/22 Current £	21/22 Proposed £
Salaries	696,600	1,345,925
Premises	19,200	19,200
Transport	2,200	5,000
Supplies and Services	65,100	65,100
Third Party Payments	290,000	0
Total Expenditure	1,073,100	1,435,225
Recharges to Capital	(210,800)	(572,925)
<b>Net Budget</b>	<b>862,300</b>	<b>862,300</b>

12. The current 2021/22 net service budget is £862k. The proposed staffing structure is estimated to cost £1.346m, an increase of £649k. The FCERM capital team averaged a return of 130% of their cost last year demonstrating value in quality internal recruitment as opposed to using consultancy support; the proposed structure increases employed staff and reduces the need for using external consultants. This means that the £290k third party payment budget currently used to purchase resources from WSP for Lead Local Flood Authority duties (Surface Water Flood Risk) can be transferred to salary budgets and fill some of the salary budget gap.
13. Considerable funding has historically been spent on consultancy staff directly against capital budgets. This would not show against the salaries budget above as they are not directly employed. Bringing those roles in house increases our salary budget but directly provides additional income to offset, not only for the role, but also support services as part of their recharge rate. For example, in 20/21 the staff working on the Poole Bay Beach Management scheme averaged a return of 130% of their salaries. They were also a far lower cost against the scheme budgets.
14. Much of the work carried out by the service is on projects and is recharged to capital. In 2020/21 the income budget for capital recharges was originally £40k, the outturn position was £396k. With increased staff numbers undertaking more projects, and with government funding to support these projects increasing (government have doubled the funding for FCERM delivery from £2.6Bn to £5.2Bn for the next 6-year period) the proposed capital recharge budget is set to increase to £573k to cover the remaining salary budget gap. This will allow for the net budget position of £862k to be maintained.
15. Additional BCP Council projects such as the Poole Bridge to Hunger Hill Scheme, Christchurch Bay and Harbour Strategy and the Dorset Coastal Asset database all need significant staff input giving a high level of confidence to the increase recharge target. Undertaking further work for external authorities will only add to that income

potential. There will also be a greater ability to bid for funds under our permissive powers and being able to recharge staff time against those budgets. This also gives high confidence that FCERM will in continue to increase income against budget.

16. The structure has been developed with a transitional employment model in mind, whereby recruitment will only be undertaken once projects have been accepted and appropriate funding identified and anticipated. This mitigates the risk of taking on and having to pay staff without achieving the required income levels and also means that redundancy is highly unlikely, only if the government determined that Flood and Coastal Erosion Risk was no longer a priority would exit costs become an issue under this proposal. If the capital budgets available are significantly reduced in the future, then appropriate management action to reduce the staffing costs would be required.

Recruitment will be approached in a controlled manner in line with regular financial monitoring. However, budget forecasts are already showing an income level that would support full recruitment of the new structure, even without income against additional staff (hence the high confidence).

### **Financial risks**

17. CIPFA accounting permits the capitalisation of all direct costs relating to the construction of an asset, which includes allowance for direct staff time, provided supporting evidence for the basis of this charge exists. Recharges to capital will therefore be supported by detailed timesheets.
18. Grant funding for capital projects should be applied to capital spend as outlined in project specific business cases approved by grant provider. All future business cases should therefore continue to include appropriate allowance for staff time as well as tangible costs of asset construction.
19. There is sufficient capital grant secured within the coastal protection capital programme to cover the immediate term of the FCERM proposal.
20. There is some longer-term risk around recruiting staff in advance of future capital grant being secured. The capital programme will need to be monitored over the next 5 years to ensure the FCERM service continues to be managed within budget. This could mean future redundancy costs if insufficient new capital grant funding is secured. Based on previous experience, including turnover levels this risk is likely to be manageable.

### **Value for Money**

21. The proposal presents the opportunity to realise efficiencies and savings from reduced use of external providers. Even after competitive tendering processes are followed, the cost of external contractors is higher than using internal staff.
22. The FCERM service will continue to access external specialist technical support if and when required.

### **Summary of legal implications**

23. Any work undertaken for external authorities will need a legal agreement in place to cover liabilities associated with each task/project. Historically, with Dorset Council, this has been via the existing Partnership Agreement, but this will be moving to a Public Sector Collaboration Agreement (PSCA). It is anticipated the approach will involve BCP Council staff effectively delivering as being 'on secondment' to any

external authority. Legal services are currently working with us to establish an agreement template before any external work is undertaken.

24. Each project/task will also be assessed in its own right regarding any potential liabilities.

#### **Summary of human resources implications**

25. This request results in 6 additional posts, allowing for growth with the FCERM Centre of Excellence approach. This also recognises the need to have managers in place where they were once provided by Dorset Council and ability to deliver against the growing portfolio of projects.
26. A Job Evaluation has already been completed for the Surface Water Manager role and recruitment to that team to enable BCP Council to fulfil their Lead Local Flood Authority responsibilities is a high priority (currently a heavy reliance on consultancy support). Job Evaluation will be needed for the remaining 2 managerial roles.
27. The proposed approach will see us continue to attract good quality staff.

#### **Summary of sustainability impact**

28. There is no sustainability impact.

#### **Summary of public health implications**

29. There are no public health implications.

#### **Summary of equality implications**

30. There are no equality implications of this recommendation.

#### **Summary of risk assessment**

31. A change to the FCERM Structure has to happen to reflect the fact that Dorset staff are no longer participating in a single line management partnership, therefore a new independent BCP Council FCERM Service structure is proposed.
32. BCP Council FCERM have been very successful with both recruitment and project delivery over the last 2 years and we continue to enhance our reputation. Neighbouring authorities as well as the Wessex Region Environment Agency are looking to BCP Council for support and a move to create a 'Centre of Excellence' in Flood and Coastal Erosion Risk Management. This is an opportunity to clearly demonstrate we are taking the climate change emergency seriously.
33. The proposed structure will not result in any additional budget requirement. If the business model were to become less affordable (e.g. reduction in available capital budgets), then staffing would be tailored to suit. However, FCERM track record on budget management clearly demonstrates this is a low risk.
34. It is recommended to allow the FCERM service to continue growth in capacity through implementation of the proposed structure. Importantly, this will result in more flood and coastal erosion risk initiatives being implemented for our communities.

#### **Background papers**

None

#### **Appendices**

There are no appendices to this report.