



Title: **Needs & Redistribution Technical Working Group**

Paper: TWG NR 16/26 Local Authority Flood Funding by the Department for Environment, Food and Rural Affairs

Date: 10 January 2017

Venue: **Southwark Council - 160 Tooley Street, SE1 2QH**

NOT A STATEMENT OF GOVERNMENT POLICY

INITIAL IDEAS ON FUTURE BASIS FOR LOCAL AUTHORITY FLOOD FUNDING¹

Issue

DCLG have asked us to suggest the basis on which flood related needs should be represented in a new formula for distributing local government funding. Nothing is ringfenced, but it is nonetheless important for our policy delivery that local authorities have sufficient funding to carry out their flood responsibilities.

Defra has been asked to draft and present paper on all its local authority interests to the Needs and Redistribution Technical Working Group. This group meets monthly and is chaired jointly by DCLG and the LGA. All types of authority are represented with experts from Districts, Counties, Unitaries, etc. attending. The initial ask is for our suggestions for the “cost drivers” in relation to flooding, i.e. the factors which determine a local authorities’ level of need.

Key points

The table below summarises local authorities roles in flood risk management, the current arrangements for distribution of funding, and initial suggestions on future distribution.

In summary the suggestions are:

- Future distribution for upper tier authorities would be based on an updated assessment of local flood risk. (We would not separately reflect Flood Directive responsibilities, Regional Flood and Coastal Committee levies or the statutory consultation role on development.)²
- Future distribution for lower tier authorities would be based on an assessment of a) need for maintenance of ordinary watercourses and b) level of coastal erosion risk. (We would not separately reflect Internal Drainage Board levies).³

¹ This is a discussion paper. It sets out some initial ideas but is not a settled Defra view. We are seeking comments on these ideas from local authority and Environment Agency contacts. It does not yet reflect them either.

² Just an initial view to generate discussion. There are differing views and this hasn't yet been discussed with our LA contacts, so is far from a settled position.

In terms of the “cost drivers”, local authorities’ level of need in relation to flood risk management will mainly depend on:⁴

1. The level of national funding for flood risk and coastal erosion management. We are beginning work looking at national flood funding from 2021 onwards (when the existing 6 year settlement ends). This will include asking Ministers fundamental questions about the extent to which they wish to fund flood risk management, and whether they would like to alter the balance between national and local funding.
2. The level of risk of flooding from surface water, ordinary watercourses and groundwater in their area.
3. The need for maintenance of ordinary watercourses and land drainage in their area.
4. Their need in relation to coastal erosion protection
5. Development pressure and numbers of planning applications
6. Climate change

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³ Just an initial view to generate discussion. There are differing views and this hasn't yet been discussed with our LA contacts, so is far from a settled position.

⁴ Again, an initial list for discussion

LOCAL AUTHORITIES FLOOD ROLES, CURRENT FUNDING DISTRIBUTION AND SUGGESTIONS ON FUTURE DISTRIBUTION.

Roles	Explanation of role	Approx spend pa	Current approach to distribution	Future approach to distribution?
Higher tier authorities				
Lead Local Flood Authorities	<p>All county councils and unitary authorities are Lead Local Flood Authorities (LLFAs).</p> <p>They lead on managing flood risk from surface water, ordinary (i.e. smaller) watercourses and groundwater. (The Environment Agency leads on flood risk from main rivers and the sea.)</p> <p>LLFAs have to have a strategy for local flood risk management, coordinate activity across all risk management authorities (water companies, highways authorities, Internal Drainage Boards, Environment Agency), maintain a register of assets that affect flooding (eg walls, bridges), investigate flood incidents, and issue consents for altering certain features on ordinary watercourses.</p>	£22m from authorities returns [Visible line is £31m]	Introduced in 2011/12, the formula for distribution is based on numbers of properties at risk from surface water flooding plus number of properties in flood zones 3 and 2. The calculation was a bit complicated. It was 70% based on surface water figures and 30% on flood zones. There were floor and ceiling amounts of £110,000 and £750,000.	<p>Make a similar assessment of local flood risk, and this time</p> <ul style="list-style-type: none"> - use the Environment Agency’s updated surface water information - add in information on groundwater risk - something to representing risk associated with ordinary watercourses (approximated by flood zones 3 and 2 last time I think). Is there something better? <p>Are we are still happy with number of properties at risk as the metric? The EA also has data on area of land at risk of flooding. The former would benefit urban authorities, the latter benefit rural. EA hasn’t combined the two in any way previously – should we try some kind of hybrid?</p> <p>We are only being asked about distribution not amount of funding at present, so I don’t think floor and ceiling elements are relevant</p>

EU Flood Directive	LLFAs also have responsibilities under the EU Flood Directive to assess their areas for local flood risk, identify Flood Risk Areas (FRAs) where there is significant risk, and then complete flood hazard and risk maps and then plans for those identified FRAs.			<p>Don't reflect these separately.</p> <p>The numbers and locations of identified Flood Risk Areas will change for the second cycle of the Flood Directive which begins in 2017. EU exit does not mean these responsibilities are likely to change in the short term but we are seeking to integrate the process more with local strategies, so we probably don't need to represent Directive responsibilities separately in the distribution mechanism.</p>
Regional projects	LLFAs must contribute to a pooled regional fund to deliver flood management projects (including maintenance). This is the Regional Flood and Coastal Committee levy. They pay in according to the number of properties in their area (irrespective of flood risk). The levy is spent on flood risk projects in the region. They might be ones to mitigate flood risks where either LLFA or EA leads	£34m	<p>This uses a formula based on levy payments made to the Regional Flood and Coastal Committees (RFCCs) in 2012-13. It is raised as revenue and can be spent as either revenue or capital works.</p> <p>The amounts of levy paid vary significantly between years and regions depending on what is decided locally.</p>	<p>We could just use the assessment of flood risk and not reflect RFCC levy separately in the distribution formula.</p> <p>The local authorities on the RFCCs determine the amount of the levy so, although there is a duty to pay, they set the amount and they also benefit from the levy spend in their area.</p> <p>So this is more about mechanism for payment than about degree of risk. It seems sensible that local authorities can decide how much of their funding they wish to pool through the RFCC route and how much to spend individually, but this decision shouldn't affect how much they receive.</p>
Surface water drainage advice	LLFAs have to provide technical advice on surface water drainage to the Local Planning Authority in relation to 'major development' (10 dwellings or more).	£2m	This was a new responsibility from April 2015. Each LLFA receives one of three amounts (roughly £9k,13k,17k) depending on whether we categorised the number of planning applications for which it was expected to provide technical advice as small, medium or large. This was based on the size of the authority, not on any assessment of likely future development activity.	<p>A relatively small amount so it may be well enough represented by flood risk. Alternatively we could add a factor to reflect expected level of development (no of planning applications?)</p> <p>Local authorities have collected evidence to make the case that the funding for this is insufficient. Spend varies widely. They have not so far raised concerns about the approach to distribution.</p>
Lower tier authorities				
Maintenanc	Borough and district councils are	£23m	Formula based on 2012-13 levy payments to	Make an assessment of need for maintenance of ordinary

<p>e and land drainage</p>	<p>responsible for maintaining ordinary watercourses and undertaking land drainage (outside of Internal Drainage Board (IDB) areas).</p> <p>In IDB areas, lower tier authorities have to pay a special levy to the IDB to carry out drainage on their behalf.</p>		<p>Internal Drainage Boards and length of ordinary watercourses not covered by an Internal Drainage Board.</p>	<p>watercourses (is there something better than length?)</p> <p>There are plans for more “demaining” ie watercourses which are currently “main rivers” and so the responsibility of the Environment Agency, are reclassified to become “ordinary watercourses” and the responsibility of local authorities. We need to ensure these changes are reflected in funding distribution updates.</p> <p>We could take the same approach whether there is or isn’t an Internal Drainage Board, and not reflect the levy separately Although there is a duty to pay the levy, the local authorities have some involvement in setting the amount and whether there is or isn’t an IDB doesn’t change the need, just the party carrying out the work.</p>
<p>Coastal protection</p>	<p>Coastal lower tier authorities are responsible for protecting land against coastal erosion and sea encroachment through construction, maintenance and replacement or removal of sea defence measures. They are also responsible for planning future objectives and measures, through the collaborative development of Shoreline Management Plans.</p>	<p>£14m</p>	<p>Formula based on 2012-13 coast protection expenditure</p>	<p>Base the distribution on an assessment of the level of coastal erosion risk. Is there an assessment we can use for this?</p>

NB Local Authorities are ‘category 1’ responders under the Civil Contingencies Act 2004. This means they have duties to plan for preventing, mitigating and controlling emergencies, including flood related emergencies. They also play a lead role in recovery after a flood. As it goes wider than flooding, we have assumed this will be covered elsewhere in the Fair Funding Review.

ANNEX

Some questions

Approach

1. Have we got all the local authority flood functions listed?
2. Should we particularly try to target those at high risk? We have data for 1:30, 1:100 and 1:1000 risk probabilities.
3. Incentives – is it better to focus on residual risk? National Assessment of Flood Risk takes into account defences but surface water flood risk map doesn't. Is it a better incentive not to, especially as defences have maintenance costs?
4. Can we do something better for levy payments than basing on previous year? Do we need to reflect them at all? Perverse incentives if we signal that future funding would be based on a particular year's levy baseline?
5. What do we need to do to make the future approach to local authority funding fit with any revised future approach for national GIA funding?
 - It seems too ambitious to attempt to take into account national spending levels when assessing local needs. We can't predict how national spending will change over time, so can't predict "residual" local needs on that basis.
 - If we are reviewing the basis for national spend post 2021, which of the principles should read across to local spend? (eg heavily based on number of properties?)
 - LGA are calling for devolution of national GIA spend or at least more local involvement in the GIA spend. If some of the GIA spend was devolved, would we want the same distribution approach to apply to it as for locally sourced funding?

Practicalities

6. Can we actually assess these things? Do we have the data?
7. Which year would we want as the baseline? DCLG will probably select this - likely 17/18 or 18/19? There is a new project to develop National Assessment of Flood Risk 2 which will cover all sources of flooding, by end 2018 though it's a challenging timetable. It would be good to use this latest data – can we make the timescales work?

Future trends

8. How should we reflect future trends which might affect the relative risks between authorities as well as the overall scale of the risk – in particular climate change, development (creating demands for LA planning advice, and increasing surface water flood risk), demanding, more upstream natural flood management, new IDBs, call for more focus on coast?
9. How often would be sensible to review/update the information?
10. What devolution deals related changes are we expecting to flood responsibilities? How do we deal with funding implications of this?
[The business rates consultation covered devolution implications and asked about how often baselines should be reset]