



Taunton Deane Borough Council

Special Full Council 8 September 2015

The Somerset Rivers Authority (SRA) and Flood Action Plan – Update Report

Report of the Director – Growth and Development

(This matter is the responsibility of the Leader of the Council, Councillor John Williams.)

1. Executive Summary

The report updates Council on the development of the Somerset Rivers Authority (SRA) since the report to the Corporate Scrutiny and the Executive in November / December 2014. The report sets out progress since that date along with the ongoing discussions for future funding and governance. It seeks approval for a recommendation to Full Council, relating to TDBC's preferred long term funding option for the SRA.

2. Background

- 2.1 The flooding across a wide area of Somerset in the winter of 2013-14 brought widespread distress. Many homes were flooded for long periods, and many roads were closed. The impact was therefore felt by the many of Taunton Deane residents and businesses.

The flooding attracted national government interest and Somerset partners were requested by the Defra Secretary of State to develop a Flood Action Plan and, at a later date, to form the Somerset Rivers Authority.

The Government (Defra and DCLG) have now conducted a review of the options for ongoing funding of the SRA and have asked Somerset partners to respond to them on which is their preferred option

- 2.2 The Levels & Moors 20 Year Flood Action Plan (2014), developed at the Government's request and signed off by the Secretary of State in March 2014, included a proposal to create a Somerset Rivers Authority to:

- Provide a renewed, co-ordinated and joined-up approach to addressing flooding and resilience issues.

- Develop new approaches to the management of the drained areas and the wider catchment, and
- Enhance local leadership.

Many of the other actions within the Flood Action Plan are completed and a review of the plan is currently underway. The plan has short and long term actions, and the review is looking at what has been achieved so far, which of the long term options identified in the plan should still be pursued and what other actions are necessary to ensure there is a sustainable plan for the future.

Some highlights of the delivery of the Flood Action Plan include:

Dredging and River Management

- The construction of the new Thorney Village Ring Bank, and construction work to improve the existing Thorney Pottery Ring Bank, are complete.
- The 8km dredge on Rivers Parrett and Tone, to the 1960's profile, has been completed.
- A project looking at 10 other potential dredging locations is complete and the next dredging location has been identified for downstream of Northmoor Pumping Station.
- A pre-flood standard of flood protection has been established at 50+ locations, in a multi-million pound programme of works. This has involved extensive repairs to flood banks on the Rivers Parrett and Tone. Spillway repairs at Middlemoor and Allermoore were completed; flood defence works to protect properties at Aller Drove is complete; temporary pump platform and compound at Dunball, and conversion of existing pumps at Northmoor, are now complete.
- Permanent protection at Westonzoyland is complete.
- Phase 1 of river modelling work to assess the impact of the various Flood Plan actions, is complete.
- The Parrett Barrier multi-agency project team has been set up to deliver the preliminary work prior to construction, now that that the SRA has secured Growth Deal funding for this phase of the project.
- Trigger documents for 10 agreed sites, explaining what, when and why certain operational decisions are undertaken in extraordinary flood conditions, have been rolled out at 30 public/partner meetings and were well received.
- Work to develop options for increasing the capacity of the Sowey/Kings Sedgemoor Drain system has been undertaken; a preferred option is now being developed further.

Land Management

- £100k has been secured to complete survey work and £550k to deliver a programme of small scale on-farm schemes in 2015/16.

Land Management involves a range of ways to encourage land use that stops or slows water entering river courses and maximises natural flood management.

- An advisory team for land management advice and support is now in place.
- Farm visits have begun and the first Capital Grant Scheme been applied for and completed.

Urban Run-Off

- An initial feasibility study for £16m flood storage upstream from Taunton has been published. Planning for the next stage of the project is underway, and a funding bid is being submitted.
- Flooding 'hotspots' identified, working with other agencies
- Work continues with partner authorities to develop Sustainable Urban Drainage Systems (SUDS) guidance for developers and planners for new developments
- Reviewed / identified sample sites to evaluate effectiveness of existing SUDs schemes

Resilient Infrastructure

- A 500m stretch of the Muchelney to Drayton road was re-opened, having been raised over a metre in places, to ensure it remains open even in flooding on the scale of 2013/14.
- Improvement scheme for Sovey/King Sedgemoor Drain: Phase I of the Beer Wall project was completed with a 60 tonne temporary bridge lowered into place on the A372, to ensure the road stayed open throughout winter. Road works were then completed, and the final phase of work started this summer.
- Deep clean of system including review and survey of gullies and culverts
- 20 of 26 minor flood alleviation management schemes have now been completed, the rest will be completed next financial year.

Building Local Resilience

- A Community Recovery and Resilience Officer was appointed and has been working with flood affected communities to develop flood plans; the first ones are now nearing completion, a second phase will be developed.
- Support meetings for flood affected communities have been held at a number of locations.
- Support given for access and take-up of grants for homes, farms and businesses.
- A Somerset community resilience website has been developed, to provide accessible resilience and flood risk information.

Business Case & Delivery of Long Term Solutions

- An Economic Impact Assessment of the 2013/14 flooding in Somerset has been undertaken, and is now being finalised.

3. Somerset Rivers Authority (SRA)

- 3.1 A key change from the early days of the Flood Action Plan is that the SRA's remit includes the whole of Somerset, not just the flooded areas of the Levels and Moors. This is to ensure that all areas have the potential to benefit from the joint working and any funding available for flood alleviation measures.

A further change is the 'hierarchy' of the SRA and the Flood Action Plan. As stated previously the setting up of the SRA was an action with the Flood Action Plan. The position now is that the work of the Somerset Levels and Moors Flood Action Plan is still carried forward but does so now as part of the SRA programme.

It is important to note that the existing flood management responsibilities, accountabilities and funding will continue unchanged for the SRA partners – the Environment Agency, the Internal Drainage Boards, Somerset County Council (the Lead Local Flood Authority), and the five county district councils of South Somerset District Council, Mendip District Council, Taunton Deane Borough Council, Sedgemoor District Council, West Somerset District Council. It also does not diminish the responsibilities of riparian owners. More detail about the Somerset Rivers Authority can be found here <http://www.somersetiversauthority.org.uk> .

Since January 2015 the SRA has developed:

A **Common Works Programme** (2015-16) for Somerset, to plan, deliver and share information about all Flood Risk Management work in the county. This is core work for all partners but brought together and co-ordinated where possible and efficiencies developed for joint delivery. The Common Works Programme for this period is available on the Somerset Rivers Authority website here <http://www.somersetiversauthority.org.uk/our-work/common-works-programme/>

Currently, all Somerset's Flood Risk Management Authorities are discussing their future joint work programme for 2016/17.

A new **Enhanced Maintenance Programme** for 2015/16 using interim funding has also been produced and this undertakes a range of prioritised new flood risk management activity across all districts in Somerset, including maintaining the 2014 dredge on the rivers Parrett and Tone. The detail of this programme can be seen here <http://www.somersetiversauthority.org.uk/our-work/enhanced-maintenance-programme/>

Our representative on the SRA is the Leader of the Council. The Director – Growth & Development sits on the SRA Management Group and, currently, also on the SRA Key Partners Group which focuses solely on developing the SRA, with representation from the Internal Drainage Boards (IDBs), the County and District Councils, the Department for the Environment, Food and Rural Affairs, the Department for Communities & Local Government, Natural England and the Environment Agency (EA).

3.2 Funding options

The SRA itself has been set up with interim funding for 2015-16 from a mixture of Central Government and local partners. A major area of work this year has been developing options for long-term funding, carried out through a Strategic Funding Review with the Department for Environment, Food and Rural Affairs and the Department for Communities and Local Government. This report has now been released and a stakeholder workshop has been held, to which all our councillors were invited and were able to input into the discussion.

The optimum outcome for TDBC would have been to set up the SRA with all funding from central government. However, this has never been accepted by Central Government and is not an option given to us as part of the Strategic Funding Review.

The funding review is attached as **Appendix A** to this report. The review does not recommend a particular option and we also are told that there is no presumption that any of these options will be taken forward. TDBC representatives contributed to the review after discussion with the Principal Accountant, Director Growth and Development and Director Operations.

There are four options:

1. Creating a new precepting body. This requires primary legislation but gives the ability for all households in Somerset to play a part in the raising of funds. Monies raised are transparent and are ring-fenced for the SRA and its work. This option will take several years to deliver but gives long term sustainability and does not impact on existing council budgets and hence their services. The six Somerset local authority partners (including TDBC) have said that this is the only acceptable funding solution.
2. Creating a new levying authority. Primary legislation is still needed and the levy could be on both the County and the District Councils. Any additional levy charge on TDBC and WSC would limit our ability to raise council tax for our other services within the current 2% referendum threshold and hence puts an increasing risk on our budget setting over future years. This option is not recommended.
3. Raising funds through council tax. If agreed this could be implemented by April 2016. It is suggested that the County Council are within this funding mechanism, however this would still have an impact of between £106,000 on TDBC and £38,000 on WSC by increasing our council tax within the 2% threshold. Again, this limits our ability to raise council tax for our other services within the current referendum threshold and increases the medium to long term risk on our budgets. Although this is a quick option to implement, the funding is not ring-fenced and would be subject to annual re-negotiation which gives no sustainability to the SRA. This option is not recommended.

4. Internal Drainage Boards (IDBs) extend boundaries or increase levy. Currently the Drainage Boards levy £20,738 on TDBC and £2,739 on WSC which is equivalent to £0.21 per household across TDBC and £0.06 across WSC. Levies and rates are approved by the IDB Board each year and can increase the levy if they show that their expenses have increased. The Land Drainage Act and a document known as the Medway Letter set out water levels to define the boundaries of an IDB Board, broadly that of land with the EA's Flood Zone 2. If the IDB extend their area to Flood Zone 2, they could raise £580k with £120k of this being levied on TDBC and £42k on WSC. This is not sufficient for the enhanced work programme of the IDB in future years. This would not give the SRA any ability to raise, hold or spend funds and limits the role for the Districts and County Council. In addition, it is difficult to see how the ongoing support for the important community and local flood resilience measures within the 20 year plan could be managed through this option. There are also concerns about a lack of wide accountability and representation. While the IDB have already voted to support this option and wish to push for primary legislation to cover the whole of Somerset, this option is not recommended.

More detail can be seen in the body of the funding report.

3.3 Summary of TDBC position

Having looked carefully at the funding options review and heard the views of local stakeholders, the Council's preferred option is still to set up the SRA as a separate precepting body.

The IDBs would continue to set budgets for their work programmes as at present, but any additional levy would, in future, be placed on the SRA. Existing sources of capital funding for flood risk management would need to continue to be available to the individual partner organisations.

TDBC has made its position clear on its preferred funding option before. Firstly through a joint letter with all other council leaders to the Defra Secretary of State on 14 October 2014 and a resolution at the Leaders Implementation Group on 6 November 2014 and at the Executive on 3 December 2014. The report to the Executive stated that

"In selecting mechanisms for implementing the Flood Action Plan, the proposal to establish the Somerset Rivers Authority as a precepting body has the advantage of raising additional funding locally in a transparent way, and one which would not be constrained by the restrictions which apply to the existing local authorities."

"The underlying principle of any precept would be "locally raised, locally administered, locally spent".

"Alternative proposals to progress a catchment-wide funding mechanism through the extension of the boundaries of the IDBs have been considered. However, with IDB levies on District Councils needing to be funded through

the councils' own budgetary processes, this option would neither be deliverable, due to the constraints on councils, nor transparent."

Ministers are keen that a solution to the long-term funding be one that is not imposed from the centre but is one that works locally. They have now requested that the SRA consider the Strategic Funding Review and decide, in the light of the report, what option they wish to pursue and respond to Ministers. They indicate that they will then have discussions with the SRA about the approach to implementing that solution and what should happen in the interim, in particular next financial year.

4. Comments from Corporate Scrutiny

This report was considered by the Corporate Scrutiny committee 13 August 2015 – a summary of the discussion is listed below:

- The funding gap for 2015/16 was discussed. It was considered what could be done to maintain what's needed in terms of flood alleviation.
- It was recognised that a conversation would need to be had with central government to address and negotiate with them in relation to the budget gap.
- Concern was expressed on the effect any increase would have on local Households and that the funding should be met from general taxation. Criticism was stated that the government were sidestepping their responsibilities and were using the rivers authority to pass the costs onto ratepayers.
- The costs of the enhanced maintenance programme was considered along with the upper tone flood alleviation scheme. Funding for this would come from a number of sources along with a bid to the LEP.
- To ensure clarity the enhanced maintenance programme would be published along with the costs.
- It was questioned if there would be a partnership along with funding and support from Network Rail, considering the impact the floods had on the trains.
- It was detailed that the internal drainage board supported the precepting options.
- Central Government hadn't offered total funding due to other areas in the country being in the same need of flood alleviation measures.
- The amount lost to the local economy from the winter 2013/14 flood event in terms of damage and lost revenue was estimated to be up to £140 million. The amount added onto Council tax was small in relation to potential losses that could occur if the same scenario were to happen again.
- The objectives of the flood action plan were to mitigate flooding by reducing the frequency, severity and duration of flooding.

Resolved that the Corporate Scrutiny Committee seek the formal approval of Full Council on 8 September 2015, for the creation of a separate precepting body as TDBC's preferred funding option, noting that the Councils position will be confirmed to the SRA board meeting in late September.

5. Finance Comments

At this stage there are no direct financial implications. Progress in the current financial year will be funded from resources already allocated to the SRA. Any future financial implications will be the subject of a subsequent report and decision.

6. Legal Comments

At this stage there are no direct legal implications. However, there will be significant legal consequences associated with establishing a separate precepting body, and these will be addressed in any subsequent reports brought forward for decision.

7. Links to Corporate Aims

The Flood Action Plan links closely with the vision set out within the Somerset County Council's County Plan. In particular the objectives which seek to create a thriving local economy, improving key infrastructure and creating better links by joining up with partners, to ensure that services are more effectively delivered to Somerset's residents.

This also links to TDBC's Corporate Business Plan, specifically:

Aim 1) Quality sustainable Growth & Development:

- Objective 1) Facilitate a significant increase in the number, quality and range of available houses within the Borough, including the highest achievable proportion of affordable housing
- Objective 2) Deliver the infrastructure necessary to bring forward development opportunities (which includes identifying and implementing a flood solution)

Additionally, the '*Growth Prospectus for Taunton*' includes within the 'Place and Infrastructure' category, the key project: Delivering a long term strategic flood solution for Taunton, offering additional protection to existing development and enabling future growth.

8. Environmental and Community Safety Implications

The aim of the project is to improve community safety and well-being, by providing a long term sustainable funding solution to flood risk management.

9. Equalities Impact

None directly arising from this report.

10. Risk Management

If new collaborative arrangements for the funding, co-ordination and delivery of flood risk management in Somerset are not developed and agreed, there is

a significant risk that the intensity and duration of flooding events will continue to adversely affect local communities and businesses, and the County and District Councils in the delivery of services. The Council's budgetary planning would be likely to be adversely affected, along with its reputation.

Key risks also apply to the support from Government, retaining the current County-wide consensus on the principles and the timescales associated with making the changes required. Unless momentum is able to be maintained in the delivery of this project, there are risks that the new funding arrangements proposed will not be in place for financial year 2016/17.

11. Partnership Implications

The report has been brought forward from the Somerset County Council Leaders Implementation Group which oversees the Flood Action Plan. A Project Key Partners Group has been established to advise on developing the project, with representation from the Internal Drainage Boards (IDBs), the County and District Councils, the Department for the Environment, Food and Rural Affairs, the Department for Communities and Local Government, Natural England, the Environment Agency (EA) and the Wessex Regional Flood and Coastal Committee (WRFCC). Each of the local partners are represented on the SRA Board.

12. Recommendations

Full Council is **recommended** to:

- 12.1 Note progress to date in the development of the Somerset Rivers Authority and Taunton Deane Borough Council's position on the way forward, as set out in the report.
- 12.2 Note progress in the delivery of the Levels & Moors 20 Year Flood Action Plan (2014).
- 12.3 Seek the formal approval for the creation of a separate precepting body as TDBC's preferred funding option, noting that the Council's position will be confirmed to the SRA Board meeting in late September.

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Somerset Rivers Authority Local Funding Options

- 1.1 This document is a summary of potential local funding options for the Somerset Rivers Authority (SRA). It does not recommend a particular option or mechanism and there is no presumption that any of these options will be taken forward.
- 1.2 The funding options were identified through engagement with the SRA and other stakeholders. During that engagement some respondents raised the possibility of creating a Somerset Regional Flood and Coastal Committee, central government funding in the form of a grant or through business rates retention. As these options do not constitute a local funding solution they are not described here.

Creating a new precepting body

Mechanism

- 1.3 Under this option, the SRA would be established as a new statutory body with precepting powers using primary legislation. The body could additionally be given powers to charge landowners/land occupiers or landowners/land occupiers outside internal drainage board areas. This option would require primary legislation. Legislation could be introduced in Parliament using a public (government) bill or as a private bill sponsored by an external body like Somerset County Council.
- 1.4 The precepting authority would be able to raise funds directly through council tax, with district councils collecting the precept on the SRA's behalf. The SRA could be funded by all households in the five district council areas of Somerset. Somerset partners have proposed that one district council, Sedgemoor, be exempt from any precept on householders in recognition that the majority of the internal drainage districts fall within Sedgemoor. A charge of £12.60 per band D household (2015/16 figures) in four of the five district council areas and £3.50 per hectare for land occupiers would raise £2.7million.
- 1.5 In order to exempt Sedgemoor district council from any precept, a different rate could, in theory, be precepted to tax payers in different district council areas. This would make the SRA different to other existing precepting authorities in England, which charge the same level of precept across all the billing authorities within its area. Providing the SRA with the ability to precept at different rates would require special provision within the legislation setting up the SRA.

Discussion

- 1.6 The new charge would be identified on the council tax bill and it would be directly evident to tax payers that this element of council tax is exclusively for the SRA. Funding would be directly hypothecated for and ringfenced for the SRA. This option would have no implications for local authority budgets although it would result in increased bills for council tax payers. The SRA's funding would not be subject to annual negotiation with local authorities in Somerset.
- 1.7 The SRA would become a new tax-raising authority. Under the proposal put forward by local authorities in Somerset it would not be directly elected, relying on the local authority representation on the SRA board for its democratic accountability. It would have a power to collect directly from householders a charge it decided based on a programme of work it created.
- 1.8 If a precepting body were to be created, government would wish to consider whether a referendum seeking a mandate for the body was needed. It could be

practically and politically difficult to gain agreement to a precepting authority as it constitutes a new tax-raising body.

- 1.9 This option would require primary legislation, and may take several years to enact. Inclusion of a Bill to set up the SRA as a precepting body in a Government's programme of legislation would be subject to cross-Government agreement. In order for the bill creating this power to become law, parliamentarians in both Houses would have to be convinced of the need for a new, tax-raising power and that there was no better way to achieve the same outcome.
- 1.10 On 6th November 2014, members of the Somerset Levels and Moors Flood Action Plan Leaders' Implementation Group agreed that their preferred option was a precepting authority. During the course of the stakeholder engagement days, several partners explained that it was the only acceptable funding solution and that unless they could set up a precepting authority they could not support the SRA. Other members of the SRA Board stated that they would prefer alternative options so this option is no longer unanimously supported.

Creating a new levying body

Mechanism

- 1.11 An alternative to a precepting body is a levying body. There are existing precedents for flood risk management levies in the form of internal drainage board levies and the Environment Agency's local levy. Primary legislation would be needed to set up the SRA as a statutory body with new powers to charge all Somerset local authorities, or only the county council, a flood risk management levy. A levying body could either cover the whole of Somerset or it could be limited to areas not currently covered by internal drainage districts.
- 1.12 The levy raising powers could share many of the features of a precept, such as ring-fencing and direct hypothecation and could be set at the same rates. Unlike a precept, levies regularly raise different amounts in different areas so this feature would not be new. Levies are not currently outlined separately on council tax bills. Additional information on levies can nevertheless be provided by billing authorities in accompanying council tax documents. If a levy of £2.7m was placed on Somerset County Council this would not raise council tax above a 2% referendum threshold.
- 1.13 Unlike the precepting proposal, a levying body provides a more direct democratic accountability as the levy is taken into account by the elected council when it sets its council tax. An additional levy charge on councils would, however, limit their ability to raise their council tax for all their other services within the referendum threshold.
- 1.14 As with the precepting option, this proposal will require primary legislation. It could not be set up immediately and would require cross-Government agreement.
- 1.15 This option has not been considered by local partners as it has emerged during this review

Council Tax

Background

- 1.16 Council tax is a charge applied to households by a council to provide local services. Local authorities determine their own level of council tax. In doing so, they will have regard to the council tax referendum threshold, which is set by central government subject to approval of the House of Commons.
- 1.17 The council tax referendum threshold is determined annually, usually between December and February. The referendum threshold was set at 2.0% for 2015/16. There is no limit on the amount of council tax a local authority can raise if it obtains the approval of its local electorate in a referendum. Council tax freeze grants equivalent to a 1% council tax increase were provided by central government to local authorities in the previous Parliament. There is no commitment to provide funding for any new freeze schemes from 2016/17.

Mechanism

- 1.18 Somerset County Council and the 5 district councils could fund the SRA at the same level as in 2015/16 from council tax. The councils could use a one-off increase in council tax, within the referendum threshold (which was 2% in 2015/16), to generate additional funding for the SRA from households. This could apply from April 2016. In subsequent years the funding would be considered part of the baseline and would not require future council tax increases.
- 1.19 Table 1 below sets out the increase in council tax income ('council tax requirement') which would accrue to local authorities in Somerset in 2016-17 based on an increase of 2% and assumptions about the tax base. The figures do not assume any freeze grant in 2016/17; if there were to be a freeze grant in 2016/17, the estimated additional revenue would be less than indicated in the table.
- 1.20 Table 1 below shows an estimate of how much extra council tax revenue could be raised by councils in Somerset within a 2.0% referendum threshold.

Table 1: Somerset councils' Council Tax requirement for 2015/16 and the estimated extra revenue for 2016-17 with a 2% increase¹.

Authority	2015-16 Council Tax Requirement	Extra revenue available from a 2% rise assuming an increase in the Tax Base²	Extra revenue available from a 2% rise assuming no increase in the Tax Base³
Somerset County Council	£189.4m	£7.06m	£3.79m
Mendip District Council	£5.6m	£0.20m	£0.11m
Sedgemoor District Council	£5.3m	£0.19m	£0.11m
South Somerset District Council	£8.4m	£0.32m	£0.17m
Taunton Deane Borough Council	£5.3m	£0.21m	£0.11m
West Somerset Council	£1.9m	£0.06m	£0.04m
District Councils total	£26.5m	£0.98m	£0.54m
Combined total	£215.9m	£8.04m	£4.33m

1.21 Table 2 shows the percentage council tax increase the county and district councils could apply to collectively raise additional funding of £2.7m per year for the Somerset Rivers Authority, assuming no change in the tax base. These figures are for illustration only. The figures show that the councils would be able to increase their council tax within a 2% threshold while still allowing some scope to increase funding for other services.

¹ Department for Communities and Local Government figures

² Figures assume an average Tax Base increase in 2016-17 of the same level as in 15-16. Figures exclude parish precepts

³ Figures assume Tax Base remains constant at 2015-16 level. Figures exclude parish precepts.

Table 2: Council tax percentage increase required to raise £2.7m, assuming no increase to Tax Base

Authority	2015-16 Council Tax requirement	% increase (no Tax Base change)	Additional amount raised
Somerset County Council	£189,389,700	1.25	£2,368,389
Mendip District Council	£5,603,077	1.25	£70,069
Sedgemoor District Council	£5,255,424	1.25	£65,721
South Somerset District Council	£8,442,979	1.25	£105,583
Taunton Deane Borough Council	£5,330,400	1.25	£66,659
West Somerset Council	£1,885,584	1.25	£23,580
Total	£215,907,164	-	£2,700,000

1.22 Table 3 shows the additional revenue the authorities would raise assuming their tax base grows at the same rate as in 2015-16. It is recognised, however, that any tax base increase would lead to an increase in demand for services.

Table 3: Council tax increase assuming Tax Base grows at 2015-16 rates

Authority	Estimated percentage tax base increase⁴	Additional council tax revenue generated
Somerset County Council	1.7	£3,211,552
Mendip District Council	1.6	£89,313
Sedgemoor District Council	1.6	£86,084
South Somerset District Council	1.8	£150,825
Taunton Deane Borough Council	1.8	£97,032
West Somerset Council	1.4	£26,483
Total	-	£3,661,290

⁴ Tax based increase: Somerset County Council 1.7%, Mendip 1.6%, Sedgemoor 1.6%, South Somerset 1.8%, Taunton Deane 1.8% and West Somerset 1.4%

Discussion

- 1.23 Councils set their tax rate annually and the initial increase would then be added to the baseline for all future years meaning that further annual increases are not required. Changes could be applied at the next council tax rate setting so funding could be agreed in advance of 2016/17.
- 1.24 The tables above show the additional funding that could be raised through council tax. If this route were to be used there may have to be a process for establishing local agreement on the best way of dividing the funding between the councils. Contributions through council tax could be varied between councils to reflect the amount of work to be carried out in each district, the amount of special levy already paid to internal drainage boards or in reference to other factors, such as pressures on the existing budget.
- 1.25 Increasing council tax specifically to fund the SRA would be subject to local authorities agreeing to allocate to the SRA part of their increased budget from the higher council tax. However, it would limit their ability in 2016/17 to raise council tax for other services without a referendum. Any increased funding would not be ring-fenced or hypothecated directly for the SRA and would be subject to annual renegotiation.
- 1.26 An agreement or memorandum of understanding could be drawn up between the SRA and local authorities to ensure there is a long term funding commitment. Information about the agreement could be provided with council tax bills.
- 1.27 This option could be used in combination with other proposals outlined below to ensure that sufficient funding was raised and to include contributions from landowners/land occupiers and businesses.
- 1.28 This option is already open to local partners. There is, however, no support for this option from local partners.

Internal Drainage Boards (IDBs) extend boundaries or increase levy

Background

- 1.29 Under s36 of the Land Drainage Act, the expenses of IDBs are met by drainage rates from agricultural land and special levies issued on district and unitary authorities in internal drainage districts.
- 1.30 The two internal drainage districts in Somerset (the Axe Brue IDB and the Parrett IDB) span all of Somerset's district council areas. The drainage districts do not cover the whole of Somerset. District councils are levied by the internal drainage boards according to the total value of agricultural and non-agricultural land and buildings within those district council areas that lie in an internal drainage district. This means that each district council is levied a different amount.
- 1.31 Table 4 shows the different amounts levied on each district council and the percentage this represents in terms of each authority's council tax requirement. In practice the district councils spread the cost of paying the special levy across their whole council tax base. Table 5 shows, for illustration only, the average equivalent amount for each Band D household in each district reflecting the different amount and value of land in each district which falls within the IDB area. Table 6 outlines the different drainage rates charged to land occupiers.

Table 4: Total amount levied on each district council in 2015/16 (note the IDBs currently raise funds from North Somerset Unitary Authority as well as Somerset district councils)

District Council	Levy amount and (% of Council Tax requirement)
Mendip District Council	£100,065 (1.8%)
Sedgemoor District Council	£1,238,071 (23.6%)
South Somerset District Council	£58,215 (0.7%)
Taunton Deane Borough Council	£20,738 (0.4%)
West Somerset Council	£2,739 (0.1%)
North Somerset Unitary Authority	£12,379

Table 5: 2015/16 Special Levy charges – expressed as an average charge across all band D households in each district for illustration⁵

District Council	Charge
Mendip	£2.63
Sedgemoor	£33.15
South Somerset	£0.95
Taunton Deane	£0.52
West Somerset	£0.21

Table 6: 2015/16 Drainage rates on agricultural land for Parrett and Axe Brue Internal Drainage Boards

Internal Drainage Board	Charge (average £/hectare)
Axe Brue	7.05
Parrett	6.83

Mechanism

- 1.32 Internal drainage boards charge rates and levies to cover their annual expenses. This means that levies and rates are reviewed and approved by the Board each year. Under this option both the internal drainage boards in Somerset would have to show that their expenses had increased and would generate the additional £2.7m funds by increasing special levies and charges paid by districts and agricultural land occupiers. As the proportions collected through agricultural rates and special levies are fixed it is not possible to increase funding from one source without the other (unless land types change).
- 1.33 Any increase in special levy would have a direct impact on council's decisions on council tax and would be subject to the referendum threshold.

⁵Figures provided by Somerset Rivers Authority. Table 6 figures show, for illustrative purposes, Table 5 levies as equivalent Band D charges. These vary by district as each local authority paying Special Levy passes on the cost to all households in their area including those outside drainage board areas.

- 1.34 The existing budgets of the internal drainage boards amount to £1.762m in total (£1.432m from special levies on districts (including North Somerset) and £0.33m from agricultural charges). Increasing total funds raised by £2.7m would require a 153% increase in charges and levies. As the current Drainage Board area falls predominantly within Sedgemoor, their existing levies, as shown in Table 4, are higher, and represent a higher proportion of their total council tax requirement. This level of increase in special levy in Sedgemoor District Council would result in an increase in their council tax of 36%. Mendip District Council would also see an increase above the referendum limit, of 2.7%. The increase in other districts would remain within the referendum limit.
- 1.35 Any agreement to raise levies would be subject to the agreement of the internal drainage boards, on which district council members and land owners/land occupiers are represented.
- 1.36 Alternatively, or in addition to increasing current rates and levies, the internal drainage boards could work with the Environment Agency and Defra to seek to extend their boundaries under the Land Drainage Act.
- 1.37 The Land Drainage Act provides that Internal Drainage Districts can be in areas, or can be extended to areas, which 'derive benefit, or avoid danger, as a result of drainage⁶ operations'.
- 1.38 Guidance on identifying areas which will derive benefit or avoid danger as a result of land drainage activities was set out in the *Medway Letter*, written by Ministers in 1933. The letter sets out guideline heights above last known flood levels and high tide marks which are used to set water levels to define the boundaries of a Board. The principles set out in the *Medway Letter* have come to be seen as the benchmark on whether an area can be seen as one which will derive benefit or avoid danger as required by the Land Drainage Act. The Association of Drainage Authorities and Environment Agency produced guidance on establishing internal drainage boards⁷ which states that the broad modern interpretation of the Medway Letter is that internal drainage district boundaries can extend to land within Environment Agency's Flood Zone 2.
- 1.39 By extending their boundaries to Flood Zone 2, Somerset's internal drainage boards could extend their areas by 8954 hectares.

⁶ As defined in S72 of the Land Drainage Act 1991

⁷ http://www.ada.org.uk/downloads/other/downloads_page/Establishing%20New%20Internal%20Drainage%20Boards%20National%20Guidance.pdf

1.40 Extending the existing internal drainage district areas would mean drainage works could be undertaken over a wider area, leading to an increase in the number of landowners liable to pay drainage rates and in contributions from households and in turn leading to an increase in funds available to the internal drainage boards. If the rate for this extended area were to be set at the existing rate, it is estimated that this would raise £580k. Funds would be collected and retained by the internal drainage boards. The impact on districts would vary and is shown in Table 7 below.

Table 7: Impact on Districts of extending existing Internal Drainage Board boundaries

Authority	Band D households £/h'hold	Council tax increase %	Increase in levy paid £k
Mendip District Council	+£0.79	0.5%	+£30k
Sedgemoor District Council	+£2.38	1.7%	+£89k
South Somerset District Council	+£3.15	2.1%	+£178k
Taunton Deane Borough Council	+£4.36	3.1%	+£167k
West Somerset Council	+£4.96	3.6%	+£67k

Discussion

1.41 Subject to the agreement of the internal drainage board members, rates and levies could be increased before April 2016. In order to extend the drainage districts, internal drainage boards would work with the Environment Agency to draw up a scheme for altering the boundaries which would then be subject to local consultation. Assuming local agreement, an extension may be brought into effect via an Order made by Ministers which is laid before Parliament. Extensions can be approved and implemented in a couple of months, if there are no objections, meaning in theory this option could be implemented for 2016/17. In practice, the process of consultation and local agreement has taken several years.

1.42 Funds raised by internal drainage boards are directly hypothecated and ring-fenced for flood risk management and land drainage. Funding would be raised and retained by the internal drainage boards.

- 1.43 Internal drainage boards have powers to exercise supervision over land drainage issues and managing flood risk on ordinary water courses in their district. They are able to undertake works on behalf of other flood risk management authorities via Public Sector Cooperation Agreements. This arrangement would enable the drainage boards to undertake the functions of another risk management authority including works outside the internal drainage district and on main rivers. The Land Drainage Act could restrict the use of funding for some of the activities set out in the Action Plan such as community resilience work and upper catchment land management work.
- 1.44 Under the Land Drainage Act, internal drainage boards must charge their special levy to district councils with reference to values set out in 1990 ratings lists. The 1990 ratings lists for the area of Somerset beyond the existing internal drainage districts are not thought to be available. This could mean that boundary extension is not currently practically possible without a change in legislation requiring use of alternative values.
- 1.45 Under this option, the Somerset Rivers Authority would not have its own ability to raise, hold or spend funds. It would act as a coordinating body for risk management authorities in Somerset. This would limit the role for the district councils and Somerset County Council.
- 1.46 The main barrier to these options is the effect that any increase in rates and levies, or extension, would have on district council budgets. The increase in special levy will result in council tax increases far higher than a 2% referendum threshold. Local authorities have stated that they are not willing to consider any impact on their budgets.
- 1.47 In addition concerns have been expressed over an IDB led funding and spending programme, perceiving it to be too land drainage driven and lacking in wide accountability.
- 1.48 This proposal has received some support from the Association of Drainage Authorities, NFU and Country Land and Business Association, and some internal drainage board members. It is not supported by other local partners.

County Drainage District

- 1.49 A further option presented by the Association of Drainage Authorities was the creation of a new kind of internal drainage board in a county drainage district. This could cover the area inside Somerset but not currently covered by internal drainage districts. Unless it was possible to show that all of this land would derive benefit or avoid danger from land drainage activities, this would require new legislation. The option of a new kind of levying body for flood risk management is discussed on page 4.