Local Government Group

defra
Department for Environment Food and Rural Affairs

Defra/LG Group Joint Implementation Review Panel

Interim Progress Report: The costs and benefits of the lead local flood authority role under the Flood and Water Management Act 2010

This paper has been prepared by a panel established to monitor the costs and benefits of local authority activity under the Flood and Water Management Act 2010 and 2009 Flood Risk Regulations. The panel comprises senior officials from Defra, Department for Communities and Local Government (DCLG), Local Government Group (LG Group) and the Environment Agency (EA), and was set up to:

- *Review evidence and assumptions used by Defra in the assessment of new burdens on local authorities arising from the Act and to identify issues and questions requiring further information;*
- *Clarify funding arrangements for local authority flood risk management activity, whilst keeping touch with materials and support being provided to the sector to ensure the successful implementation of the Act;*
- *Document the facts behind the assessment of new burdens and other information, to provide an evidence base to inform discussions and thereby help to move forward the work; and*
- *Understand and set out the implications of the spending review for local authority officers working in flood risk management roles.*

Introduction

This paper aims to summarise and draw conclusions from the Defra and LG Group evidence base relating to the costs and benefits of implementing the Flood and Water Management Act 2010 and Flood Risk Regulations 2009. It also presents the assumptions used by Defra in assessing the additional funding needs amongst local authorities that led to decisions to allocate £21 million amongst lead local flood authorities in 2011/12, and £36 million each year from 2012/13 until 2014/15. Versions of the annexes to this paper have been made available before in their constituent parts but have been brought together for the first time and updated following the CSR10 spending review settlement.

This paper has been agreed by Defra and LG Group as joint members of a panel that meets regularly to keep the costs and benefits of implementing the new floods legislation under review, in order to inform future policy and funding decisions by central Government.

New burdens on local government can arise from any Government policy or initiative which increases the cost of providing local authority services. The Government is committed to ensuring that the net additional costs of all such new burdens are fully funded. The approach applies to all departments and covers all local authorities, including police authorities, fire and rescue authorities and local precepting authorities.

The new burdens guidance is available on the Department for Communities and Local Government's website.

Context

Meeting the requirements of the Act and Regulations will necessitate lead local flood authorities to build new skills within their teams and draw together the resources and capacity within local partners to identify and manage sources of flood risk. Doing so is expected to yield benefits, in terms of reduced risk and exposure to flood damages amongst all local interests, including as a result of new development. Such benefits can be expected to outweigh the costs involved as otherwise it would be more cost-effective to accept the risk.

As the sponsoring department for national policy, it falls upon Defra to fund local authorities in their new roles. The funds that have been provided to authorities are based on an assessment of two different aspects of the legislation:

- Where a *duty* has been imposed on local authorities (or where costs cannot be avoided), the assessment estimates the likely costs of fulfilling the duty or role.
- In other cases, where additional *powers* have been provided but no compulsion to use them, local authorities have been funded on the basis of the extent to which such powers might be exercised.

Even in the case where duties have been imposed, such as the requirement to produce and maintain a local flood risk management strategy, there is considerable discretion in how the requirement is met – such as the length, scope and detail within the strategy, and how often it might be reviewed and updated. This means there is a difference between how much might be spent by local authorities if money were no object, and how much will be spent in the context of budgetary pressures and other local priorities. Therefore, priorities and value for money become key considerations both for local authorities in deciding how much to allocate to their new roles, and also for Defra in deciding whether additional funding might be needed. Perspectives on priorities and value for money may also differ between the local and national level.

This paper is structured in three main parts:

- Section 1 sets out the principles and working hypotheses agreed by the panel as relevant to the assessment of local authority costs and new burdens.
- Section 2 summarises the areas of agreement between panel members and any conclusions drawn at this point. The section also sets out particular areas where more evidence is needed.
- Annexes to this document present the evidence and assumptions used by Defra in their assessment of costs and savings (Annex A) together with the basis for the estimated savings from the transfer of private sewers to water companies (Annex B). Annex C presents the LG Group evidence base on both aspects.

Section 1: Principles and working hypotheses to be applied by the panel to the assessment of local authority costs and savings

Introduction

This section aims to break down the principles and logic behind the assessment of costs and savings arising from the Flood and Water Management Act 2010 and EU Floods Directive, and savings arising from the transfer of private sewers. The discussion around each principle has helped the panel better understand the differing positions of panel members, and identify areas where further evidence or investigation is needed. These areas are captured and described in Section 2.

A table capturing general principles and hypotheses comes first, followed by tables that look in turn at the savings arising from better flood risk management, and from the transfer of private sewers.

General principles and working hypotheses to be applied by the panel

No.	***Principle***	***Why is this important?***
1	If Defra had not pursued the Flood and Water Management Act, nor transposed the EU Floods Directive, there would be no new burden on local authorities.	It means the do nothing counterfactual for the Act involves costs continuing to fall on all sectors of the economy, and these will increase with climate change and new development.
2	Where new powers are given to LAs or duties imposed, the sponsoring department has an obligation to fund the costs involved.	It obliges Defra to fund the additional costs falling upon local authorities.
3	Where powers or duties are removed, or pressures on budgets reduced by changes in national policy, funding to local government should be adjusted to reflect the reduction in costs.	If it can be shown with reasonable confidence that there is a saving to local authorities as a result of the policy to transfer responsibility for private sewers to water companies it is legitimate for this to be taken into account.
4	Where powers are provided, rather than duties imposed, the funds to be provided should be based on the expected uptake of powers by local authorities and the likely costs involved. Assumptions should be kept under review.	It means Defra does not have to provide funds assuming that every authority will perform the new roles to the maximum possible extent, but instead provide funds based on expected costs - recognising that some

		local authorities may do little more than the minimum necessary as the extent of local risk does not justify anything more.
5	If a local authority voluntarily decides to do more than needed or expected then the authority can reasonably be expected to fund the additional costs from their own resources.	It means Defra does not need to fund what local authorities end up spending, as many authorities may choose to go further and faster than necessary.
6	Many upper-tier local authorities have been actively managing flood risk for some time on behalf of their communities, the assessment should take into account the baseline amounts being spent.	It means Defra only need fund local authorities' additional costs. A baseline figure has been agreed between Defra, CLG and HM Treasury but is being discussed further by the panel.
7	Assumptions have to be made where concrete evidence is not available, especially in cases where new roles are required and activities undertaken. Assumptions will be reviewed as further evidence and outturn data becomes available, taking in to account the robustness of the evidence.	It means assumptions, as long as they are evidence-based and transparent, are acceptable as part of the assessment of costs.

Savings from better local flood risk management

No.	***Principle***	***Why is this important?***
1	The savings from managing flood risk should always outweigh the costs involved, as otherwise the action is not worth taking.	As it points towards assessing the benefits as well as the costs of the additional activity.
2	Flooding causes local authorities to bear costs, where they are not met by Bellwin[1]. By managing flood risk the *potential* for unanticipated costs and damages are reduced.	It legitimises the assessment of local authority savings, and them being netted off the additional costs where they arise within the same time period.
3	If left unmanaged, such costs will rise with climate change – more frequent and more intense events and whilst these would count as a pressure on	It suggests the do nothing counterfactual for the assessment could involve

[1] The Bellwin scheme provides emergency financial assistance to local authorities including in the event of a flood. Bellwin funding is available for immediate emergency response costs where they exceed 0.2% of a local authority's budget, usually compensating 85% of the costs above this level. Bellwin funding is not available for recovery and reinstatement costs following a flood.

	local government budgets they would not be funded automatically. However, as part of each spending review Government would review the evidence of pressures in the round, and decide whether and to what extent such pressures should be funded by central Government grants.	rising costs and damages for local authorities.
4	Unless drainage issues are suitably managed, new development will increase local flood damages	It suggests benefits will arise from making sure new development is suitably located, with sustainable drainage that does not exacerbate any existing issues.
5	Local authorities manage their emergency/event costs either through redirecting existing budgets (if events are small), or through insurance (including self-insurance) and drawing upon reserves (if events are larger and cannot be accommodated otherwise).	It means that cost avoidance, protecting reserves, and avoiding insurance claims are all legitimate considerations in assessing benefits of action. However, levels of cost avoidance can be difficult to fully quantify.
6	Anticipated savings can be taken into account in the amount of funding provided to local authorities over the long-term, to compensate the general taxpayer for the savings accruing to local authorities by managing local flood risk.	Defra made an assessment of potential savings and it is agreed by the Panel that this will remain under discussion.

Savings from the transfer of private sewers

No.	***Principle***	***Why is this important?***
1	Local authorities own property that will be connected to private sewers, including housing still in local authority ownership other than that separately accounted for within the Housing Revenue Account.	It suggests local authorities will benefit if their responsibilities as property owners for private sewers are taken away. The Panel will review the original assessment in this area.
2	Without the transfer, local authorities would remain responsible for resolving all issues with their private sewerage. (N.B. sewers that drain to a watercourse or septic tank will remain in private ownership).	As above. Indicates that residual responsibility will rest with authorities.
3	Local authorities have historically also helped individual property owners with resolving issues, although the costs of works can be recovered and therefore net costs should be considered.	After the transfer local authorities will no longer need to do so to the same extent, and therefore may potentially save money (after cost recovery is

		accounted for and any additional costs resulting from new duties under the Act).
4	Costs of dealing with private sewerage issues vary widely between authorities and over time. In some years for some authorities there may be no costs, and in other years there may be considerable costs as sewerage problems are essentially random events.	It means that it is to be expected that some local authorities will consider themselves losing out as a result of the financial adjustment, especially if only one or a few years' data on actual costs are compared with the adjustments made to formula grant for local authorities.
5	Announcements made by Government about the potential to transfer private sewers, originally floated in 2004, *could* have influenced spending and particularly investment decisions by authorities since then, and the nature of arrangements with drainage contractors. Note: LG Group do not believe there has been any behavioural impact or announcement effect arising from Government exploring the possibility and later the intention to transfer responsibilities.	Behavioural impacts are a legitimate area of consideration when assessing new burdens. However, it will be difficult to produce a robust evidence base.
6	The appropriate comparison for the savings assessment is what would be being spent by local authorities if transfer to water companies had never been considered.	As above. This poses a difficulty as the scenario for comparison cannot be reliably established. Hence Defra's choice to base the assessment on the latest evidence available prior to announcements being made about the potential transfer. However, the Panel will wish to consider what further evidence may be helpful.

Section 2: Review of assumptions and the evidence base

The following sections aim to draw together conclusions on each aspect of the costs and savings assessment, and highlight areas where further work is required.

The additional costs of managing local flood risk following Act commencement

General areas of agreement:

- The Act and FRR09 place additional responsibilities and requirements on local authorities. The expected costs of these have been assessed, and the evidence and assumptions have been described. These estimated costs are being funded in full by Defra through Local Services Support Grants from April 2011.
- The commencement date for SuDS is assumed to be April 2012 but decisions have yet to be taken by Government and so implementation may be later. Burdens each year, including set up costs, will depend on scope and extent of new regulations and when they are due to be commenced

Conclusion by the panel:

- There is a considerable measure of agreement between panel members on the nature of additional costs for local authorities arising from the Act and FRR09. However there continue to be some areas where there are differences in view that are not reconcilable based on the evidence currently available. The focus is therefore on building a more extensive evidence base and monitoring the uptake of powers and duties and their associated costs as implementation gets under way, in order to resolve as much as possible these differences.

Areas for future focus:

- Gather feedback from the local government community following local services support grant allocations (which superseded area based grant), and ask for detailed breakdown of anticipated costs from a sample of local authorities that have completed business plans (large and small authorities, some with high levels of risk and others lower) (Action: LG Group).
- Review the evidence behind Defra's assessment of local authority 'baseline expenditure' prior to Act implementation (Action: panel)
- Review the quality of Revenue Outturn data from local authorities, and consider the evidence outturn data may provide and their implications for the validity of Defra's assessment (Action: panel).
- Consider the costs of the transfer in functions from EA to the LLFA in relation to consenting to and enforcement of private changes to ordinary watercourses (Action: LG Group/Defra/EA)

The savings from better flood risk management

General areas of agreement:

- As a result of activity taken by local authorities, and the influence of better co-ordination of local flood risk between partners (e.g. influence of SWMPs on planning decisions), communities can be expected to suffer fewer and less intense flood events than they would otherwise. A proportion of such benefits will accrue to local authorities, either as cash savings and/or cost avoidance, as they bear costs and damages when flooding takes place. For large scale events the Bellwin regime compensates local authorities for a proportion of their immediate response costs, but not for their general recovery and reinstatement costs of roads and public buildings, housing etc.
- The assumptions taken are high-level national figures, taken in the absence of exact forecasts and models. Therefore they may not work at a more granular level, where there will inevitably be local variations both up and down.

Conclusion by the panel:

- It is reasonable for Defra to point to savings as well as costs arising from the additional activity, and on the basis of evidence available offset these against local authority costs in the same period. The assumptions used in assessing the magnitude of savings need further exploration, in order to ensure that the figures accurately reflect the potential savings now and in the future.

Areas for future focus:

- Consider whether Defra's assessment of savings is sensitive to changes in investment at the national level by the Environment Agency. (Action: Defra)
- Consider to what extent assessments of future climate change can influence the assessment of costs falling on local authorities under the 'do nothing' scenario (Action: panel)
- Present a fuller picture/diagram of the savings assumptions (Action: Defra).
- Provide a breakdown/pie chart of who benefits when action is taken to alleviate flood risk, to justify the 8% figure used for local authorities' share of typical flood damages (Action: Defra).

The savings from the transfer in private sewers

General areas of agreement:

- Local authorities have been involved in dealing with private sewerage issues, both in relation to their own property estate (other than where costs are covered as part of the Housing Revenue account) and also the local community. In many cases the latter costs are recovered, but not all and not in every case.
- Costs for authorities will vary between areas and over time. There would therefore always be winners and losers amongst authorities in how the necessary adjustment is made to local authority budgets.
- There is general agreement amongst local authorities that the transfer of responsibility will be a positive development if it weren't for the consequential financial adjustment made to local authority funding.

Conclusion by the panel:

- The assessment of private sewer savings remains the key area of concern for local authorities and the LG Group. In order to help resolve the remaining differences of view, the assessment will benefit from further work to gather historical data and test assumptions if robust evidence can be found, noting the previous difficulty in sourcing and compiling information. This may be dependent upon a range of local authorities being able to supply auditable quality data over a number of years to substantiate their concerns with the assessment.

Areas for further work at this stage:

- Exploration of the nature and change in local authority costs over the past decade, looking for 'audit quality' data from local authorities. Within such data, there would be a need to establish the extent to which such costs have been recovered, and whether behaviours have changed particularly in terms of capital investment and refurbishment since the proposal to transfer was made in 2004. The data should consider whether administrative costs as well as cost of works have been part of cost recovery plans (Action: Panel Chair to develop a data gathering proposal).
- A review of the evidence behind OFWAT's assessment of £172 million annual OPEX+ £1 billion CAPEX costs (Action: Defra).
- Consider the potential to conduct a survey amongst drainage contractors to establish whether their relationship with local authorities has changed over the past decade (Action: Defra).
- Consider the impact on Defra's savings assessment of local authority housing that has been transferred into housing association ownership since 2002, and also the ringfences in place around the Housing Revenue Account (Action: Defra)
- Investigate how revenue as opposed to capital costs were taken account of in the 2002 Atkins survey (Action: Defra)

- Investigate whether the duty to investigate all flooding issues has been appropriately costed, as even though most private sewers will be managed by water companies, LLFAs are likely to still be drawn in to those not transferring and where they are investigating flood incidents (Action: LG Group/Defra)

ANNEX A: Assumptions and evidence used by Defra within the assessment

Introduction

This annex sets out **Defra's** assessment of the expected costs that will fall on local authorities as a result of the Flood and Water Management Act 2010 and EU Floods Directive.

The sections draw upon work completed by Halcrow Group Ltd to update the impact assessments prepared for the draft Bill in April 2009. It also responds to concerns raised in the LG Group's consultation response to the draft Bill. The LG Group response was based on a study commissioned by them, CCS and IDeA, and conducted by Mouchel Services Ltd.

Summary

Defra has committed to fully fund all additional burdens being placed on local authorities as a result of the Flood and Water Management Act. The department estimates that the Local Lead Flood Authority role will require £30m-£40m of activity a year, in preparing local strategies and surface water management plans, capital improvement works, designating third party assets, and resourcing in-house teams, etc. If an extra £40m is spent in full by local authorities, it would triple authorities' own historical expenditure on flood risk management[2], providing for up to 300 additional staff to focus on managing local flood risk around the country. In addition, costs resulting from the requirement to adopt and maintain SUDS are expected to rise from zero at an annual increment of £3m to £6m a year depending on the pace of future housebuilding and the extent to which SUDS form part of the developments. Overall, in 2013/14 the total new burden on local authorities is expected to be between £40m and £50m.

As part of a separate policy announcement but coinciding in time, Government has announced that water and sewerage companies will become responsible for private sewers – a transfer that Defra expects will save local authority budgets in England at least £50m a year as a conservative estimate. Also, local authorities are already funded through formula grant to manage local flood risk, and in 2009/10 were estimated to be spending at least £6m a year voluntarily on actions falling within the lead flood authority role. Taken together, based on current assumptions, these fully offset the new funding requirement to around 2014/15.

Local authorities will save money in the long-term from better local flood risk management. The assessment to 2014/15 does not rely on these savings, but Defra estimates that authorities bear around 8% of overall flood damages; in uncompensated emergency response and recovery costs, and in reinstating local authority-owned housing, public buildings, roads and other infrastructure. As a result

[2] Local authority returns indicate around £20m a year is currently spent by local authorities managing local flood risk. Other funds are provided to RFDCs (£27m/yr), to IDBs (£28m/yr), and on maintaining coastal defences (£14m/yr).

of actions being taken by them and by others such as the Environment Agency, water companies and others in local partnerships, it is assumed that current annual surface water flood damages can be reduced by up to 10% within five years as a result of the additional activity, and the future rise in annual damages that local authorities would otherwise incur as a result of climate change can be reduced by around a sixth. Such estimates are consistent with the Foresight study in 2004 and the results of the integrated urban drainage pilots. By 2014/15 it is assumed that local authorities will be saving in the region of £13m per year from better local flood risk management, rising to £18m a year by 2017/18, helping to fully offset the rising costs of SUDS and the lead flood authority role until around 2019/20 under current assumptions. Beyond this point, other sources of funding will need to be found to compensate for the rising costs of SUDS.

As dealing with private sewerage issues tends to fall to the districts in two-tier areas, whereas the lead flood authority will be the county council, following consultation through the Settlement Working Group, Formula Grant totals within the lower-tier EPCS block have been adjusted for the CSR10 period. The funding released allows each lead local flood authority to be provided with specific grants from Defra to fund the new responsibilities, so that the amount being provided to each authority is transparent. Grant values to each authority have now been announced. The grants will not be ringfenced, to provide authorities with flexibility, and to encourage them to consider for themselves the right amount to spend on local flood risk. Local authorities and the LG Group are represented on the SWG.

Assumptions underlying the new burdens assessment

Costs of the local lead flood authority role

The main assumptions made in determining local authority costs in managing surface water are detailed in this section. This draws upon the work completed by Halcrow[3] over summer 2009 following publication of the draft Bill. The Halcrow work itself is based on the experiences of the Integrated Urban Drainage (IUD) pilots[4], and the consultant's own experience and that of others in preparing first edition SWMPs as well as discussions with individual authorities. The assumptions are as follows:

Cost of Surface Water Management Plans (SWMPs)

The Halcrow work provides a range of £75k-£150k per SWMP completed. Halcrow also estimate the number of SWMPs that would be worthwhile to cover the risk areas in England, identified through modelling, to be between 97 and 186 over a five year timeframe. Over the CSR07 period, Defra provided £16m to fund work within at least 77 of the highest priority local authority areas to prepare SWMPs, etc, as well as boost local authority capacity, skills, tools and datasets. The Defra assessment uses the upper-end of both ranges, to fund a total of 186 plans at £150,000 each. In reality local authorities may decide to cover a larger number of settlements but some in much lesser detail. Beyond the five years an ongoing amount of £2.4m a year has

[3] *Impact Assessment of Local Flood Risk Management - Supplementary Evidence Base*, Halcrow Group Limited, August 2009
[4] See: http://www.defra.gov.uk/environ/fcd/policy/strategy/ha2finalreport.pdf

been assumed to allow further plans to be prepared and existing plans to be refreshed and extended.

Additional local authority staff to co-ordinate local partnerships, develop local flood risk strategies, meet Floods Directive requirements, etc

The Halcrow work estimates between 0.5-1.5 additional FTEs per county/unitary authority will be required to perform the additional activities at an average cost of £70,000 each, including overheads. The Defra assessment again takes the upper end of this range to mean over 200 additional staff being recruited to manage local flood risk. The staff involved in SUDS consenting and maintenance would be in addition to this but it is assumed that costs will be recovered through planning fees and are therefore not a new burdens issue.

Priority actions within surface water management plans

Based on the IUD pilots and in subsequent discussions with local authorities it is felt that £100,000 per year would enable an authority to materially reduce local flood risk by taking forward priority actions in its SWMP; supported by other actions from the SWMP that would be taken forward and funded by others, such as local water and sewerage companies and the Environment Agency.

Collating flood risk and drainage assets

Cost assumptions are based on the Environment Agency's experience of updating and maintaining their national flood and coastal asset register (NFCDD). Following production of a SWMP, each upper-tier local authority could be expected to spend around £20,000 on desk research followed by £40,000 to investigate and map individual assets before spending around £20,000 uploading the data into an asset register. £20,000 per year is then estimated to be required in the following years to update and maintain the register. The preparation of SWMPs will also provide details of local assets that can be used to populate and update the register. During an expected peak of activity in the early years following Act commencement up to £6m a year may be spent on this activity across the country, by 80 or so staff, in addition to those mentioned earlier, if the work is done in-house.

To help Local Authorities to better manage and use flood and drainage asset information, the Environment Agency is leading a project to develop an asset register tool (EA's 'Creating Asset Management Capability' programme). The project has the support of DCLG and the LG Group. District, County and Unitary Authorities are all represented on the project board. The tool will be relevant to District Councils, County Councils and Unitary Authorities in exercising their functions on highways, drainage, etc.

Regional Flood and Coastal Committee (RFDC) 'local levy'

The Act has extended the local levy powers that RFCCs currently have to allow funding to be raised from local authorities for coastal erosion management projects. These typically represent 10% of the Environment Agency's programme at the national level and so it is assumed that the levies would increase by 10%, from £27m

to around £29.7m per year. RFCCs may decide not to invest in coastal erosion projects, or to keep the total the same but spread the funds between flood and coastal projects. If so, there would be no new burden from this new power. However, for the purposes of the assessment, it has been assumed that levies rise by the full 10% by 2012/13 with a lesser increase in 2011/12.

Allowances have also been made in the new burdens assessment for the designation of third party assets, oversight and scrutiny of local flood risk activity, consenting of private changes to ordinary watercourses, and providing funds for local resilience forums to prepare offsite emergency plans. These tend towards much lesser amounts than the items described above and are not material to the overall assessment.

Costs of SUDS consenting and adoption

The following assumptions also use the supplementary evidence collated by Halcrow. As elsewhere in this assessment, a set of conservative assumptions have been used where appropriate to provide a degree of contingency.

Consenting inspection and enforcement of SUDS for new developments

The Act requires county/unitary authorities to establish a SUDS approval body (SAB) to be a statutory consultee on all relevant planning applications, for domestic and non-domestic developments. The Halcrow work estimates that this role will require additional 0.5-1.5 FTEs per authority, to review applications and to inspect those approved, at a cost of £70,000 each including overheads. However, these costs are expected to be fully recovered through planning fees and therefore do not need to be funded by central Government.

Maintenance of SUDS adopted by the local authority

The calculations assume the rate of house building and other construction rebounds from a relatively low level (100,000 homes plus 5,000 other new properties assumed to be built in 2011/12) to 240,000 homes per year by 2016/17[5] plus 10,000 other new properties[6]. Up to 75% of all developments are expected to be served by SUDS once the policy is fully established. Based on previous assessments, the costs of adopted SUDS are expected to average £46 per unit per year, although it could be argued that in the early years maintenance costs will be modest before the first periodic, more involved, works such as de-silting are required. Finally, around 30% of SUDS are expected to take the form of permeable roads, in which case the Highways Authority will adopt them as they currently do for non-permeable roads, with a commuted sum payable by the developer to cover maintenance.

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[5] Based on housebuilding projections within *Housing requirements and the impact of recent economic and demographic change*, National Housing and Planning Advice Unit, May 2009

[6] See historical data on new non-domestic units at http://www.communities.gov.uk/documents/planningandbuilding/xls/148961.xls. The largest of these non-domestic properties such as factories and warehouses will generally have on-site SUDS so it is the smaller retail premises where the maintenance will fall to the local authority. The actual number of non-domestic units served by newly adopted SUDS may therefore be closer to 5,000 a year.

Baseline expenditure on local flood risk management

Surface water flooding is not a new phenomenon, and policies are already in place to manage surface water issues where they exist and to prevent new problem areas arising through development. Key policy statements in this area include the Land Drainage Act 1991 (LDA91) and Planning Policy Statement 25 (PPS25). Where spending in this area is already taking place and supported by formula grant, the value of this is netted-off against the total new requirement as otherwise taxpayers would be paying twice for the same activity.

Defra estimates that in recent years local authorities have been spending at least £6m per year on the activities recommended by Sir Michael Pitt and subsequently underpinned by legislation in the Flood and Water Management Act.

The following table provides a breakdown of historical local authority funding for flood and coastal erosion risk management:

Local Authority Expenditure[7]	**2004-05 (Outturn)**	**2005-06 (Outturn)**	**2006-07 (Outturn)**	**2007-08 (Estimate)**
Levies to Environment Agency[8]	24.4	24.7	21.8	25.6
Levies to internal drainage boards[9]	23.4	27.4	27.1	28.0
Own spend on flood risk management[10]	20.3	19.5	21.5	18.3
Own spend on coastal erosion risk management[5]	12.2	12.8	14.1	14.1
Total	**80.3**	**84.4**	**84.5**	**86.0**

Within the table, the key figure is £18.3m which amounts to local authorities' 'own spend' on inland flood risk management. This is a catch-all classification for all non-capital, non-main river works, and a significant proportion of this can be expected to be spent on surface water issues.

[7] **Local authority expenditure:** local authority expenditure is funded from a number of sources including central government grant, council tax and reserves. The primary source is Revenue Support Grant and redistributed business rates ('formula grant'), administered by Communities and Local Government (CLG). More information is available from the CLG website, including the page on the revenue support grant settlements. The above figures reflect local authority spend (actual or estimated). All four categories of local authority spend are supported by formula grant.

[8] **Levies to Environment Agency:** local authority levies to the Environment Agency are set by Regional Flood Defence Committees on which local authorities have a bare majority. These levies allow local decisions to be taken to fund a flood defence service which exceeds that which would be possible through Defra grant alone. Capital improvement projects promoted with local levy do not have to meet Defra's priority score threshold but do still have to comply with fundamental economic, technical and environmental criteria.

[9] **Levies to internal drainage boards:** local authorities pay special levies to internal drainage boards which fall entirely or partly within their boundaries to take account of works the boards do in relation to flood risk management, for example in urban areas.

[10] **Own spend:** local authorities' own spend on flood and coastal erosion risk management on non-capital work (maintenance and operations).

The £6.0m assumed baseline spend on relevant activities is based on:

- 1% of upper-tier authorities spending £1m per year (i.e. 1 or 2 authorities)
- 5% of authorities spending £500k per year (i.e. around 7 authorities)
- 5% of authorities spending £100k per year (a further 7 or 8 authorities).

The £6m baseline spend is judged to be a conservative estimate as this would represent under a third of local authorities' own spend on inland flood risk management. It seems reasonable to expect at least a third of local authorities' own spend to be prioritised into drainage and managing surface water issues after the floods in recent years. For example, Leeds City Council and Gloucestershire County Council were in 2008/09 between them spending over £3m a year on managing surface water and other local drainage issues.

The assumptions around existing spend were supported by a 2008 survey of local authorities conducted through the LG Group. Around 250 authorities responded. The survey results suggest that considerable capacity and capability already exists amongst local authorities, including within county and unitary authorities, for example:

- Surface water flooding was identified as an issue by around half of all authorities responding to the survey, including amongst county authorities
- Between a third and a half of all county and unitary authorities already undertake a surface water flood risk management function (exact proportion varies by authority type)
- The majority of upper-tier authorities have to some extent mapped and assessed local flood and drainage assets, including those owned by private parties. For example, over 80% of county and unitary authorities have mapped and assessed at least some local authority-owned assets.

Savings from better local flood risk management

Local authorities will save money in the long-term as a result of improved local flood risk management. Climate change and increased development mean incidents of flooding will become more common and more severe unless action is taken. By tackling local flood risk pro-actively, it is assumed that local authorities will be able to save money by avoiding increasing insurance premiums, avoid response and recovery costs, and therefore be able to reduce the amount of funding they set aside as contingency than otherwise would have to be the case[11]. Defra's assessment does not rely on these savings being realised in the short term, but in the longer term it should be recognised by local and central government that such savings could be considerable and can help justify the ongoing investment required. As well as tripling local authority activity through the up-front investment of the private sewer savings, there is additional activity being funded at the national scale to better understand, predict and respond to flood events. To ignore these savings would place an unnecessary burden on taxpayers and undermine the 'beneficiary pays' principle being pursued more generally.

[11] The correct counterfactual for new burdens assessments, as used here, is what damages would occur under the 'do nothing' case.

Insurers estimate the costs to them of the summer 2007 floods to be in the region of £3 billion, and the Pitt Review estimated a total of £233 million in costs to local authorities. Due to the extent of the flooding, which will account for any localised differences, it can therefore be assumed that local authorities typically bear around 8% of flood damages, through emergency response and recovery costs such impacts to roads, schools, local authority rented housing (which represents 9% of the total housing stock[12]), etc. Central government grants compensated this with around £133m in funding in 2007, but in general local authorities are expected to bear the costs of recovery for all but the most exceptional emergencies. The 2007 event provides a snapshot of the proportion of flood damages borne by local authorities in general, and the 8% figure has been used in the savings assumptions.

The new burdens assessment estimates that the benefits of risk management activity to local authorities will rise to around £13m a year by 2014/15, and £18m a year by 2017/18. This is in comparison to current annual damages from surface water flooding estimated by Halcrow to be between £1.2 billion and £2.3 billion a year, rising to between £1.9 billion and £7.3 billion a year by 2060. Existing policies will help mitigate the rise, perhaps by half, and it is assumed that the additional activity required or expected by the Act will reduce the residual rise by a third, or reduce the overall increase in damages by a sixth.

These assumptions are consistent with previous findings. The Office of Science & Technology Foresight report[13] into flood and coastal defence estimated that average annual damages from flooding in the UK may rise from £1.4Bn per year in 2004 to £27Bn by 2080 under one scenario, with the estimated annual damages arising from intra-urban flooding perhaps rising by a factor of more than 10 over the period. The Foresight report suggests future damages could be reduced by 40-70% through effective policies.

Adjustments made to the local government settlement from April 2011 as a result of the assessment

CSR07 resulted in the following transfers between departmental budgets to account for the assessment of new burdens:

- £21.5/£42/£42/£55 transferred to Defra from lower-tier EPCS block (£13m higher in 2014/15 due to Defra beginning to take account of anticipated savings from this year, assuming zero savings in earlier years).
- £1/2/2/2m transferred from lower-tier EPCS to DCLG DEL to fund the Planning Inspectorate for additional drainage related planning appeals.
- £2.5/6/6/6m transferred between lower-tier EPCS and upper-tier EPCS block to fund an increase in the RFCC Levy and to fund offsite reservoir emergency plans by local resilience forums.

[12] See: http://www.communities.gov.uk/documents/statistics/pdf/1139234.pdf
[13] See: http://www.foresight.gov.uk/OurWork/CompletedProjects/Flood/index.asp

Summary of new burdens analysis

Note: this has been updated from a version provided to LG Group in October 2009.

Flood & Water Management Act 2010

Analysis of Local Authority 'Net New Burdens'

		CSR10				Post CSR10					
Lead Flood Authority Role	**Activity/cost driver**	**11/12**	**12/13**	**13/14**	**14/15**	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**11/12 phase-in**
Surface Water Management Plans	SWMP production in 77 highest priority areas for CSR07, then deliver total of 186 within 4 further years, at average £150000 each, then £2.4m spent annually afterwards	3.1	4.1	4.1	4.1	2.4	2.4	2.4	2.4	2.4	75%
Additional staff to co-ordinate local partnerships, develop local flood risk strategies, meet Floods Directive requirements, investigate flooding problems	Flood management team expanded in relevant local authorities, ramping up to 1.5 FTEs per county and 1.5 FTEs per unitary on average.	12.3	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	80%
Specific priority actions within strategies or SWMPs not funded by or costs recovered from others	Actions to improve drainage assets etc, scaling up to average £100000/yr per county/unitary authority	7.4	14.7	14.7	14.7	14.7	14.7	14.7	14.7	14.7	50%
LAs to collate and map the main flood risk management and drainage assets	Staff/consultancy effort to gather and augment data and update asset management systems, at £80,000 one-off costs and £20,000 per year ongoing per local authority	3.0	6.0	6.0	5.0	4.0	3.0	3.0	3.0	3.0	50%
LA oversight & scrutiny committees to review flood risk management activities and prepare annual summaries of actions taken	Staff time to run committees and prepare papers and collate reports, at an average of 15 days work per year per local authority, starting mid way through 2009/10.	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	100%
LA designation of third party assets and enforcement action	Number of third party assets designated by local authorities, less costs that would otherwise be incurred in remedying assets changed or removed by their owners	0.3	1.0	0.7	0.6	0.4	0.4	0.4	0.4	0.4	25%
UTLA consenting of private changes to ordinary watercourses	Consenting will transfer from EA to UTLAs. Cost recovery set under s.23(2) of LDA91; includes power for Ministers to vary charge (to ensure cost recovery)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	100%
	SUB-TOTAL	*26.9*	*42.1*	*41.8*	*40.7*	*37.9*	*36.9*	*36.9*	*36.9*	*36.9*	
SUDS Consenting & Adoption	**Activity/cost driver**	**11/12**	**12/13**	**13/14**	**14/15**	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**11/12 phase-in**
Consenting, inspection and enforcement of SUDS for new developments	90000 rising to 180000 planning applications per year, 0.25 day of work per application for the SAB.	0.0	7.9	10.4	12.0	13.8	15.8	15.8	15.8	15.8	Assumes SuDS brought in from April '12, and implementation not phased. In reality, implemetation likely to be phased so costs will be considerably lower than those shown.
Maintenance of adopted SUDS	Assumes 105000 rising to 252000 new builds per year, 50% rising to 75% of new developments within 3 years have SUDS, with 6 months between application and adoption by local authority, then £46 per unit per year maintenance costs. 30% of SUDS adopted by Highways Authority with commuted sums.	0.0	0.8	3.0	6.1	10.2	15.0	20.4	26.3	32.4	
Less costs recovered through charging for SUDS planning consent	Assumes 100% of consenting, inspection and enforcement fees are recovered through charging planning fees	0.0	-7.9	-10.4	-12.0	-13.8	-15.8	-15.8	-15.8	-15.8	
	SUB-TOTAL	*0.0*	*0.8*	*3.0*	*6.1*	*10.2*	*15.0*	*20.4*	*26.3*	*32.4*	
Other Bill/Pitt requirements	**Activity/cost driver**	**11/12**	**12/13**	**13/14**	**14/15**	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**11/12 phase-in**
Local Resilience Forums to plan for contingency, warning and evacuation	No. of reservoirs in each risk category	1.2	2.4	2.9	3.4	3.7	3.1	0.0	0.0	0.0	60%
Widen RFDC levy to coastal projects	Value of coastal projects voted for by upper-tier local authorities sitting on RFDCs	1.4	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	50%
	SUB-TOTAL	*2.5*	*5.1*	*5.6*	*6.1*	*6.4*	*5.8*	*2.7*	*2.7*	*2.7*	
	TOTAL REQUIREMENT (£m)	*29.5*	*48.1*	*50.4*	*53.0*	*54.5*	*57.7*	*59.9*	*65.8*	*71.9*	
	Local authority baseline activity in Formula Grant	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	
	Savings from private sewers transfer	25.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	
	ACT NET NEW BURDEN (£m)	*-1.5*	*-7.9*	*-5.6*	*-3.0*	*-1.5*	*1.7*	*3.9*	*9.8*	*15.9*	
	Benefits to local authorities resulting from reduced flood damages, assuming 10% of current surface water damages are avoided within 5 years and future increases in damages are mitigated by 30%, with local authorities bearing 8% of costs and damages when flooding occurs	(assumed to be zero)			13.0	16.4	17.0	17.7	18.3	19.0	
	TOTAL NET NEW BURDEN (£m)	**-1.5**	**-7.9**	**-5.6**	**-16.0**	**-17.9**	**-15.3**	**-13.7**	**-8.5**	**-3.0**	

Summary table

Item (£m)	**11/12**	**12/13**	**13/14**	**14/15**	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**
Funding required for **lead flood authority** role	26.9	42.1	41.8	40.7	37.9	36.9	36.9	36.9	36.9
Funding required for **SUDS maintenance** (assumes implementation not phased)	0.0	0.8	3.0	6.1	10.2	15.0	20.4	26.3	32.4
Funding required for other new burdens	2.5	5.1	5.6	6.1	6.4	5.8	2.7	2.7	2.7
Total funding requirement	29.5	48.1	50.4	53.0	54.5	57.7	59.9	65.8	71.9
Total net funding requirement *(minus £6m currently spent by local authorities)*	**23.5**	**42.1**	**44.4**	**47.0**	**48.5**	**51.7**	**53.9**	**59.8**	**65.9**
Savings resulting from **private sewers** transfer	*25.0*	*50.0*	*50.0*	*50.0*	*50.0*	*50.0*	*50.0*	*50.0*	*50.0*
Savings resulting from **better flood management**	*(zero assumed)*			*13.0*	*16.4*	*17.0*	*17.7*	*18.3*	*19.0*
Total net new burden on local authorities	-1.5	-7.9	-5.6	-16.0	-17.9	-15.3	-13.7	-8.5	-3.0

Negative net burden values mean expected savings outweigh additonal costs

ANNEX B: Data and methodology applied by Defra in estimating savings from the private sewers transfer

This is a version of a note originally shared with LG Group in Autumn 2009. It represents **Defra's** assessment of estimated savings from the transfer.

Source Data

The data used for this assessment was derived from a questionnaire survey conducted for Defra / Welsh Assembly Government by Atkins consultants, between February and October 2002. This is fully documented in the Atkins report, *"Review of Existing Private Sewers and Drains in England & Wales – Stage 2 Report, February 2003"* (Atkins report). A hard copy of this report is available for collection from Defra's office (contact Phil Terry 0207 238 5062). Estimated annual costs reported by local authorities in respect of repairing private drainage was £125m (however this figure included recovered costs and drainage types outside of transfer).

The main purposes of this original investigation and report were:

- to estimate the overall number of properties connected to private sewers in England & Wales,
- to estimate the total length of private sewers and
- to derive indicative costs for both annual maintenance and long-term renovation / repair of the existing private sewerage stock.

A blank copy of the questionnaire can be found in Appendix C of the Atkins Report and the completed returns are held in archive at the Atkins Bristol office. The questionnaire was issued to Local Authorities (356), Sewerage Undertakers (10) and Housing Associations (50). Most of the questionnaire content was devoted to establishing the quantity of private sewerage (gravity pipework) and associated pumping stations, rising mains, cesspools and treatment works, however one part of the questionnaire (Section 8) sought to establish the extent of problems affecting private sewers and the associated costs incurred by the local authority. Section 8 questionnaire returns provided the main source of data for this analysis reported here.

Of the 356 questionnaires issued to Local Authorities in 2002:

- 136 (38%) met with no response at all, even after extending the deadline three times, and following repeated chasing by Atkins staff via letter, email and telephone targeting the most appropriate recipient
- 87 (24%) met with a negative response, saying they would not be returning the questionnaire
- 131 (37%) returned the questionnaire, although many stated they had little or no information
- 64 (18%) returned numeric data in Section 8 (re. extent of problems only)
- 41 (12%) returned numeric data in Section 8 (re. extent of problems and associated costs)

The relatively poor response to the request for numeric and cost information appears indicative of a general lack of knowledge within many local authorities regarding the extent of private sewerage problems and the costs of dealing with these. Review of comments made in the questionnaire returns bears this out, with frequent reference being made to a lack of internal resources to pull together the detailed information required by the questionnaire. Atkins carried out validation exercise for the questionnaire returns and also conducted follow-up field validation surveys with a number of the more responsive councils, obtaining illustrative case studies of the types of private sewer problems encountered. The Case Studies, summarised in Section 9.3 and detailed in Appendix F of the Atkins report, provide a useful overview of the types of problems affecting private sewers.

Comments in the returned questionnaires indicate that there is considerable variation between councils regarding the private sewer maintenance work that they do – some clearly carry out work as a service to the local community whilst others take a cost recovery approach. For example, the degree to which blockage clearance work is recharged to private sewer owners is highly variable and in many cases the council takes a pragmatic view and clears a blockage "free of charge" because this is less costly than serving notice and chasing recharge costs from multiple households.

Data and comments in the questionnaires give the impression that most local authorities don't really know what their overall annual expenditure is on private sewers, not least because it is a function which spans across several functions in many councils (Environmental Health, Technical Services, Building Control, Engineering, Housing, Planning etc). At the time of questionnaire completion, some had dedicated drainage departments within Technical Services, although the majority did not appear to have this core of expertise, particularly where sewerage agency arrangements with the local water company had long since terminated.

The questions in Section 8 broke down the private sewer problems and associated costs across 9 generic problem types (for the gravity pipe system); these are as identified in lines 8.1.1 to 8.1.9 in Table 1 below. A further 4 generic problem types covered problems associated with private pumping stations, sewage treatment works, septic tanks and cesspools; these formed no part of the analysis reported here, as the initial focus is on the cost of transfer of the gravity sewerage system.

The local authorities were invited to allocate confidence grades to both the extent of problems and the scale of costs; these were subsequently validated by Atkins to ensure consistency of judgement and approach.

The local authorities returning useable data did not necessarily return figures for each of the problem types, only for those they considered to be a significant problem and had data for – see Table 1 below. Section 6.1.2 of the Atkins report goes into more detail regarding the validity and shortcomings of the base data derived from the questionnaire.

Problem Type		Number of Local Authorities Providing Valid Data for:	
		Extent of problems only	Extent of problems and cost incurred by Local Auth
8.1.1	Ownership	37	21
8.1.2	Surcharge from Public Sewers	39	26
8.1.3	Flooding from Defective Sewers	45	29
8.1.4	Hydraulic Inadequacy	27	17
8.1.5	Infiltration	18	12
8.1.6	Exfiltration	10	7
8.1.7	Pitch Fibre	34	19
8.1.8	Laterals	28	16
8.1.9	Other	14	6

Table 1. Summary of responses to private sewer problem types

Limitations of Data

The questionnaire was not solely designed for the purpose of establishing costs borne by Local Authorities. This analysis has set out to make best use of available data given the difficulties mentioned earlier in obtaining clear information on this topic.

Confidence grades attached by respondents to many of the problem / cost data were relatively low; some chose not to specify a confidence grade. It is clear from the returns and qualitative comments that some of the numbers are “best guesses”, whilst in other cases the numbers are very specific, being taken from problem registers.

Cost returns were requested on a scale:

1 = <£100, 2= £100-250, 3= £250-500, 4= £500-1000, 5= >£1000

Some of the questions were open to interpretation – one of the main criticisms being that it was not clear whether the cost scale was intended to reflect the cost per problem (which the great majority of respondents appeared to do) or the annual cost for all problems together.

The use of Scale 5 value (>£1000) was misleading in the report because a few respondents appear to have taken this to be the annual cost; furthermore it could skew the analysis since the actual value could be anything above £1000.
For this analysis we have assumed the mid-point of each of the scale values as the average cost per problem reported by the authority concerned, i.e.

Scale Value 1 = £50, 2 = £175, 3= £375, 4 = £750

Scale Value 5 returns were deliberately omitted from our analysis due to the uncertainty and misinterpretation over what they represented. Scale 5 returns represent 14% of useable data sets.

Where the respondent indicated that the costs were recoverable (i.e. no net cost to the Authority) we have treated these as "zero cost" entries.

Another criticism of the questionnaire is that it lacked clarity on the number of problems and the number of properties affected by those problems. A few respondents may have assumed they are one and the same but there is no way of knowing this.

In December 2008, a follow-up telephone survey of some of the respondents who were originally able to provide both cost and incident data in 2002/03 established typical figures for numbers of properties affected per incident for each type of problem (8.1.1 to 8.1.9 above).

The data are a "snapshot" of the situation as it was in 2002/03. It is clear from the qualitative comments in the data returns that many of the local authorities were in transition at that time, particularly those which had lost the sewerage agency function from the local Water Company within the preceding 5 years (and where there was still a blurring of understood responsibilities between the two bodies). In the years since 2002/03 we took the view that some of the authorities with more 'benevolent' policies regarding private sewers may have adopted a more 'hard-line' approach in response to available budgets – hence our conservative approach in this methodology.

Methodology of Analysis

In November 2008 Atkins consultants were engaged to assist in a follow-up analysis of the questionnaire data. This was conducted by Atkins (Bristol office), including staff involved in the original 2002/03 study. Following an initial project inception meeting on 14/11/08 the questionnaires were recovered from archive and the key cost and quantum information from sections 2 and 8 of the questionnaire were data entered to a spreadsheet; this was further developed by Atkins and refined with input from Defra engineering and economist staff.

For each of the nine problem types (8.1.1 to 8.1.9), the spreadsheet calculates:

- the proportion of properties affected by the specific problem, relative to the overall number of properties in the council area
- the overall number and proportion of properties affected for all councils returning data (for two populations of data – those which have returned costs and those which have not)
- an average cost per problem, weighted by the number of properties which that problem affects
- The total spend across those Authorities returning cost data
- The number of instances of each type of problem

The proportion of properties affected by the problem is then scaled up to the overall number of properties in England and Wales, assuming that the proportion of

properties affected within the questionnaire returns holds good for all properties. Overall cost at national level has been scaled up using the weighted average cost per incident and per household for each type of problem.

All costs used in the analysis are those mid-point scaled costs to 2002/03 price base. The spreadsheet includes an RPI multiplier factor (currently set at 1.26) to convert to a 2008 price base.

The analysis indicates that the overall cost to **Local Authorities** in England & Wales is estimated to be approximately £43.5m per annum (at 2002/03 prices), **£54.4m** at current price base. This equates to an average of £2.61 per annum per household or roughly £150,000 per local authority (although clearly this will vary considerably between large urban councils and small rural ones).

The summary page of the spreadsheet further breaks down the overall cost into the components for England (94.4% of properties) and Wales (5.6% of properties)

The scaling up to national level excludes all properties under Housing Association control (some 1.13 million in England and Wales). Atkins also carried out a separate assessment of the costs associated with these properties, using data from questionnaires completed by Housing Associations. This concluded that the best estimate of **Housing Association** expenditure on private sewers in England and Wales is approximately **£18.6m** per annum at current price base.

Conclusions

The overall cost to local authorities in England & Wales is estimated to be approximately £43.5m (at 2002/03 prices), **£54.4m** at current price base.

This represents a “best conservative estimate” of the costs borne by local authorities in England & Wales, and represents “best endeavours” given the limitations of the base data and the apparent lack of detailed workload and cost data within many of the local authorities themselves.

The breakdown of costs across each of the problem types correlates well with the known nature of the private sewerage problems faced by local authorities. Dealing with flooding from defective sewers, remedying pitch fibre pipes and defective laterals are known to be the main problems dealt with by local authorities.

ANNEX C: LG Group's evidence base on costs, savings and assumptions

This annex contains **LG Group's** assessment of Defra's private sewers calculations and includes a selection of estimated and actual costs provided by authorities.

Defra's Impact Assessment for the draft Bill and subsequent Act calculated that local authorities spend over £50m pa on private sewers across Environmental Health, Technical Services, Building Control, Engineering, Housing and Planning. This was based on a 2002 survey of 12% of authorities, who supplied mainly estimated figures, which even Defra advised should only be used as a guide. LG Group cannot find any local authority that recognises the figures that have been used in Defra's calculations or agrees that their authority is spending anything like the assumed costs. There is very little clarity about Defra's base data or the methodology used to assess current costs.

Responsibility for private sewers will transfer to water companies in 2011. Those private sewers draining to watercourses or septic tanks will not transfer. If issues around local responsibility for investigating and resolving reports of local sewer flooding, which have been outlined by the LG Group in its response to the consultation on the transfer, are not resolved easily through a national Memorandum of Understanding or robust local agreements, local authorities will also face significant costs in having to identify positions of blockages etc.

LG Group does not think enough analysis has been done on either the current costs of dealing with private sewers or the future cost implications of dealing with those private sewers not being transferred.

We refute Defra's argument that it is now impossible to get accurate information on private sewers costs. We are willing to support a new survey on private sewers costs and would ask authorities to provide accurate information on current and recent spend. LG Group are currently establishing whether it is possible to get auditable records of spend from a good range of authorities.

LG Group has been made aware of another potentially costly implication for local authorities of the sewers transfer. The existence of private sewers is a valid reason for not adopting the roads under which they are laid. Once private sewers are transferred to the WaSCs, the highways authority may therefore be expected to adopt the backlog of roads under s.38 of the Highways Act, incurring extra costs. These additional costs must also be taken into account when estimating savings to local authorities.

Finally, it should be noted that the Defra methodology assumes that savings to the local authority will be to the revenue budget, which is supported through formula grant. Therefore any methodology for identifying savings should identify whether they are savings to the revenue budget, to the capital budget or to the Housing Revenue Account. Only savings to the revenue budget should be considered for top-slicing from formula grant.

Evidence on spend from local authorities
LG Group asked local authorities what they think they spend on private sewers. These are some of their direct responses:

Lincolnshire County Council
The County spends nothing on private sewers.
Lincolnshire's districts cannot disaggregate what they spend on private sewers from more general costs relating to housing stock. This suggests that the sums involved must be small. Evidence from some Lincolnshire DCs:

South Holland DC
Have informally estimated an annual spend of around £10,000.

North Lincolnshire DC
Per annum spend £20k per annum:
Environmental Health: £15k; Highways: £4k; Other: £1k

Leeds CC
On schemes where there are works carried out by the Council all costs are recovered. Colleagues estimated the net cost of providing this service is £28k pa.

Once Private Sewers are transferred to Water Companies, the costs to the Council are unlikely to be less than £28k that we currently spend and because of the increased duty for us to investigate it may well increase!

The suggested savings for Leeds City Council with regard to Private Sewers is around £760k, this is ridiculous and is about what Yorkshire Water spend on maintenance for the adopted sewers within the District!

York City Council
Costs for dealing with Private Sewers over the last 3 years:
2008/09 £245,000
2007/08 £280,000
2006/07 £267,000

All of these costs are recovered by the council. Additional to this, the council's Environmental Health Team have a budget of £30,000 to deal with a Private Sewerage system inherited at reorganisation of Local Government in 1996. Of this £30,000, the council spends £25,000 looking after a Private Sewerage system that will not transfer to the Water Company under the proposed Bill and £5,000 of staff time dealing with residents concerns over Private Sewer issues, which could be targeted to be transferred to the Water Company. Therefore, this council will only save £5,000 pa.

West Oxon DC
The WODC revenue budget for Public health - sewerage has an overall cost to WODC of £30,700.This has a salary element of £10800 and a services (practical works) element of only £1900. The balance of the budget is corporate overheads. Due to an annual under-spend on this budget, WODC will either be removing this budget code or considerably reducing the size of the sum allocated. We do not

expect to spend more than we currently are, as future responsibility will be transferred to LLFAs and the water companies.

Oxfordshire County Council
Have no private sewers at all and therefore we spend nothing on any private sewers.

Wycombe District Council
Have reported an annual spend of £8,000. Defra has calculated that they spend £130,000 and this is the amount that will be taken out of their settlement.

Lewes
Over the last 3 years we have responded to 10 incidents of blocked drains (sewage). Assuming 4 hours per incident and £37 per hour officer time a rough estimate would be a cost of £15,300.

South Gloucestershire Council
Budget of £5,020 (2009/10) used for private drainage work. This includes non-private sewers, e.g. drains and cesspits etc. Expenditure of £4,335 (08/09) on private sewer work; this related to 124 jobs. Whilst a few cases can be time consuming, overall this is a small proportion of our work. As a team Environmental Protection deal with over 6000 service requests per year in addition to programmed inspections and project based work. For 2008/09, 2364 jobs were 'EP' cases (not including pest control) and of that 176 were drainage jobs: 124 private sewers and 52 other drainage i.e. 5% of the EP jobs were private sewer related. This is only a small resource allocation and this saving would not compare with the additional resource requirement to become a SUDs Approval Body.

Local authority spend as social landlords
We are advised that the Defra assessment of costs included local authority spend as social landlords. However, we understand that this spend would come under the Housing Revenue Account and would therefore not be directly incurred by the local authority's revenue budget.

If this spend has influenced the assessment, we need to know by how much. In addition, this spend in itself has changed significantly over the 8/9 years since the 2002 survey because of large scale transfers of housing stock out of local authority direct control – see details below.

Housing stock transfer impact on private sewer spend
Some authorities declared all of the sewers associated with their council housing stock to be public sewers in 1974. This effectively moved the problem in this area to the (then) water authorities. These authorities would thereafter have been left with only the private sewer problems associated with private housing.

Since 2002, very large numbers of council houses have gone out of local authority control. Across the country there has been a 37% reduction, with up to 60% reductions in some areas (e.g. the NW). Although authority spend on private sewers as social landlords (even though there were no reliable statistics) was factored into DEFRA's calculation in assuming over £50m pa spend, the reduction in social housing since 2002 has not resulted in a reassessment of the calculation. DEFRA

argue that this is because it is impossible to calculate whether responsibility for sewers was also transferred so the figures might not be accurate. LG Group think this exemplifies the lack of robustness or fairness in the Impact Assessment. See below two examples of the transfer of social housing and possible impact on private sewers costs.

North Lincolnshire
A stock transfer transferred all council housing to a social housing landlord in 2007. The vast majority of the infrastructure transferred either to right to buy ownership or the RSL. This included pumping stations which also transferred to the RSL.

South Gloucestershire
This authority disposed of its social housing in 2007. This consisted of the transfer of approximately 8300 dwellings to Merlin Housing Society Ltd (MHSL). The sewers within the curtilage of these estates are now maintained by MHSL. Outside these estate boundaries (within retained public open space, on public highway or on private land) the sewer repair or replacement maintenance responsibility was retained by this Council, although under the transfer agreement the council is permitted to recharge MHSL a contribution towards the cost of any repair. This charge would be proportional to the split of MHSL/Right to Buy Housing Act properties. The council is able to also recover costs from the right to buy owners should there be an appropriate property drainage conveyance clause to allow this.