What is the problem under consideration? Why is government intervention necessary?
In responding to The Pitt Review, Government has announced a new lead role for county and unitary authorities in Local Flood Risk Management (which encompasses the work of IDBs) and this along with the shift from Flood Defence and Coast Protection to a single Flood and Coastal Erosion Risk Management (FCERM) regime; necessitate consideration of consequential changes to the way in which IDBs are established and operate. Other processes are also for simplification, to reduce administrative burdens to running. These are laid down in statute and therefore government intervention is necessary.

What are the policy objectives and the intended effects?
The policy aims are to ensure that IDBs fit with the proposed arrangements for county and unitary authorities moving forwards, and to increase accountability and value for money from the public funds provided to IDBs. The outcomes on the ground could include (a) do nothing; (b) changing the names of IDBs; (c) allowing boards to form consortia; (d) simplification of process; (e) relaxing the Medway Letter; (f) Move the supervision of IDBs from EA to the 'local leadership' role; (g) consider changes to IDB membership; and (h) allow for the SoS to make regulations on the future structure of IDBs.

What policy options have been considered? Please justify any preferred option.
The policy options we currently have are 1. do nothing; and 2. some combination of options (b) to (h) : (b) changing the names of IDBs; (c) allowing boards to form consortia; (d) simplification of process; (e) relaxing the Medway Letter; (f) Move the supervision of IDBs from EA to the 'local leadership' role; (g) consider changes to IDB membership; and (h) allow for the SoS to make regulations on the future structure of IDBs. The preferred option is to arrive – through consultation - at the more cost effective and institutionally streamlined position for IDBs in the future.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?
Government will determine a post implementation review date once the policy has been further developed.

Ministerial Sign-off For SELECT STAGE Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

.................................................................................................................Date:
## Summary: Analysis & Evidence

<table>
<thead>
<tr>
<th>Policy Option:</th>
<th>Description:</th>
</tr>
</thead>
<tbody>
<tr>
<td>COSTS</td>
<td>Description and scale of key monetised costs by ‘main affected groups’ The key monetised costs are small scale administrative costs which fall primarily on Internal Drainage Boards (specifically with proposals (a), (b) and (d)), although some minor costs will also fall to Government (specifically with proposals (h) where some consultation will need to take place).</td>
</tr>
<tr>
<td>BENEFITS</td>
<td>Description and scale of key monetised benefits by ‘main affected groups’ The key monetised benefits are primarily fairly large administrative savings for Internal Drainage Boards (specifically with proposals (b) and (h)), although some minor savings will also fall to Government (specifically with proposal (c)). In addition, there are additional benefits to FCERM (specifically with proposal (d)).</td>
</tr>
</tbody>
</table>

### ANNUAL COSTS

| Description and scale of key monetised costs by ‘main affected groups’ The key monetised costs are small scale administrative costs which fall primarily on Internal Drainage Boards (specifically with proposals (a), (b) and (d)), although some minor costs will also fall to Government (specifically with proposals (h) where some consultation will need to take place). |
|---|---|
| **One-off (Transition)** | **Yrs** | \( £145,000 \) |
| **Average Annual Cost** (excluding one-off) | \( £197,400 \) |

### ANNUAL BENEFITS

| Description and scale of key monetised benefits by ‘main affected groups’ The key monetised benefits are primarily fairly large administrative savings for Internal Drainage Boards (specifically with proposals (b) and (h)), although some minor savings will also fall to Government (specifically with proposal (c)). In addition, there are additional benefits to FCERM (specifically with proposal (d)). |
|---|---|
| **One-off** | \( £0 \) |
| **Average Annual Benefit** (excluding one-off) | \( £3,917,800 \) |

### Key Assumptions/Sensitivities/Risks

The key assumption for this IA is around the number of IDBs taking certain actions, for example, it is assumed that the SoS would make regulations reducing the number of boards from 160-25. If this did not happen, or the final number of boards was different then the benefits accrued would be significantly lower.

<table>
<thead>
<tr>
<th>Price Base Year</th>
<th>Time Period</th>
<th>Net Benefit Range (NPV)</th>
<th>NET BENEFIT (NPV Best estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>5 Years</td>
<td>£0 - 19,711,782</td>
<td>£17,022,645</td>
</tr>
</tbody>
</table>

### Impact on Admin Burdens Baseline (2005 Prices)

<table>
<thead>
<tr>
<th>Increase of £</th>
<th>Decrease of £</th>
<th>Net Impact £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key: Annual costs and benefits: Constant Prices</td>
<td>(Net) Present Value</td>
<td></td>
</tr>
</tbody>
</table>
Title of Provision
Impact Assessment of reforms to Internal Drainage Boards (IDBs) which are being consulted on in parallel to the draft Floods and Water Bill.

Introduction

This Impact Assessment (IA) explores the costs and benefits associated with the possible changes to the organisational and similar arrangements for Internal Drainage Boards (IDBs). Other proposed changes which will impact on IDBs are contained in the impact assessments covering:

- the Local Authority Role which includes roles in relation to managing local flood risk and a new duty to cooperate; and
- Funding including options being considered which may impact on IDBs.

Definitions

<table>
<thead>
<tr>
<th>Charging Authority</th>
<th>Levy-paying Local Authority.</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDB Board</td>
<td>The governing body of an IDB.</td>
</tr>
<tr>
<td>IDB District</td>
<td>Area within an IDB boundary.</td>
</tr>
<tr>
<td>Member</td>
<td>Elected or nominated member of an IDB Board.</td>
</tr>
<tr>
<td>Main River</td>
<td>Statutory watercourse designation providing supervisory and other powers to the Environment Agency.</td>
</tr>
<tr>
<td>Officer</td>
<td>Official representing the interests of an IDB. May be employed directly by the Board or contracted-in eg. Clerk</td>
</tr>
<tr>
<td>Ordinary Watercourse</td>
<td>Any watercourse that is not main river.</td>
</tr>
</tbody>
</table>

Background

Internal Drainage Boards (IDBs) are independent statutory bodies responsible for land drainage in areas of special drainage need; they cover 1.2 million hectares of lowland England. They are long established bodies operating predominantly under the Land Drainage Act 1991 (though their founding legislation is much older than this consolidating Act). They have permissive powers to undertake work to secure drainage and water level management of their districts. They may also undertake flood defence works on ordinary watercourses within their districts (i.e. watercourses other than ‘main river’ which are the responsibility of the Environment Agency). Much of their work involves the improvement and maintenance of rivers, drainage channels and pumping stations. There are now 164 IDBs in England and Wales, concentrated in East Anglia, Yorkshire, Somerset and Lincolnshire.

IDBs are responsible for the maintenance of over 22,000km of watercourse, some 180 automatic weed or trash screen cleaners, and over 500 pumping stations. This compares to 41,000km of main river which are the responsibility of the Environment Agency. The service provided by IDBs underpins the productivity of some of the most important agricultural land in the UK. IDB districts are responsible for a significant proportion of total agricultural production covering approximately 50,000 farms and landholdings. Not only are food and other crops grown and livestock raised in IDB districts, but a lot of the primary processing also takes place
within them. In addition, IDBs are increasingly protecting and managing flood risk in urban areas, for example King’s Lynn IDB and those IDBs administered by the Bedford Group of IDBs.

With regard to the relationship that IDBs have with Defra and EA, the current position is that section 7 of the Land Drainage Act 1991 gives the EA powers of direction over IDBs although these relate only to securing the efficient working and maintenance of drainage works or construction of new works. The Regional Flood Defence Committee (on behalf of the EA) has power to submit schemes to the Secretary of State for the reorganisation of IDBs (section 3 and schedule 3 LDA1991). Defra is responsible for setting the Outcome Measures\(^1\) and other targets that all operating authorities should deliver.

IDBs are currently funded largely by a mixture of drainage rates paid by farmers (£14m in 2007/08) and by special levies on unitary and district local authorities (£25.4m in 2007/08); their membership generally comprises of farmers and council nominees in proportion to the relative contribution from these two funding streams, subject to charging authorities having an overall majority of no more than one.

IDBs vary greatly in size, with annual turnovers varying from under £10,000 to over £3 million. There have been suggestions over the years about the agricultural bias of IDB membership. Seats on IDBs are provided as of right to agricultural landowners, but not other stakeholders, which creates concern that some IDBs might operate solely or primarily for the benefit of farmers focusing on effective land drainage, and hence agricultural efficiency, to the detriment of nature conservation and other wider Government policies. In addition their accountability and accessibility has also been questioned, for example in terms of not holding public meetings, or officers not being available outside normal office hours to deal with emergencies.

The structure of IDBs and their boundaries may reflect historical decisions rather than modern-day needs. However, IDBs do have the benefit of having a local focus and understanding and they are also much more trusted by the farming community than the Environment Agency for instance.

For some years, Defra has pursued a process of modernising IDBs including through the IDB Review\(^2\) carried out in 2005. To increase accountability we brought IDBs under the jurisdiction of the Local Government Ombudsman in April 2004. We have also pursued a policy of amalgamating boards to rationalise their number and reduce administration costs; and, since February 2008, Defra has encouraged Boards to group or amalgamate into sub-catchment units in the period to 2013. This is in line with the concept of water level management and on managing water levels throughout a whole catchment to provide a holistic and strategic flood risk management service for all and to maintain favourable conditions for environmentally sensitive areas. Although Defra produced a suggested approach, it has been left very much up to Boards to consider if it is appropriate to adopt in their area.

**Objectives/Rationale for Government Intervention**

The rationale for Government intervention in IDB policy is that amendments could be made to modernise and streamline a number of processes and policies affecting IDBs, to better fit the current-day Flood and Coastal Erosion Risk Management (FCERM) agenda rather than leaving them as ‘drainage’ oriented bodies. According to the Foresight study\(^3\) into future flood risk commissioned by the Government, a broad portfolio of measures is needed to address the growing risk; and a dependence on defence is no longer viable. Since the adoption by the Government of the *Making space for Water* strategy, the adoption of a ‘portfolio’ of measures

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has been Defra’s official policy. The draft Floods and Water Bill contains measures to implement this policy shift from ‘defence’, protection’ and ‘drainage’ to ‘flood and coastal erosion risk management’, and, in considering wider changes to IDBs, Government consider it is important to reflect these changes across all legislation and all operating authorities.

The Government response to Sir Michael Pitt’s Review accepted his recommendation that local authorities should be key players in the future of local flood risk management, particularly for surface water runoff and groundwater flooding, for which there is currently no responsible authority, and also for managing its interaction with other forms of flooding. The success of this new role for county and unitary authorities will depend on greater co-ordination and co-operation between all local partners, including IDBs. These new local arrangements will be underpinned by a new duty on all partners to co-operate and share information, and we would expect all organisations to work together to decide the best arrangements for delivery on an area by area basis. It will be important that IDBs are in a fit and robust state, and able to deliver in this new partnership.

As stated above IDBs vary greatly in size. Out of the 164 IDBs currently in the country, there are 40 with an annual income (in 2007/08) of less then £25k, and 8 of those have an annual income of less than £10k. There is little evidence to suggest that boards with smaller expenditure are less efficient in terms of their delivery of core maintenance, and these boards may be able to offer value for money due to low overheads etc. However, it is doubtful that they would continue to be robust enough to be able to deliver the functions required of a modern statutory body or be able to resource sufficient management and technical advice to respond adequately to future change – such restricted capability will not allow Boards to fully engage in the changing landscape of FCERM.

Further, as described above, IDB membership is made up of farmers and council nominees in proportion to income. The Government wants IDBs to be a key part of the local flood risk management delivery partnership in future. However, the Government is concerned that their membership should be more representative of a wider range of stakeholder interests.

Finally, a number of the proposals on which we are consulting would reduce the administrative costs on Defra, EA or the IDBs themselves, and would help in streamlining and simplifying the body of FCERM legislation in future.

To summarise, the main issues that the proposals being consulted on are seeking to address are:
1. IDB attention is considered to be disproportionately focussed on agricultural drainage, and should be broadened to fully cover wider flood risk management issues.
2. IDBs are not considered to be clearly accountable consistent with their main sources of funding
3. IDBs size is considered to limit efficiencies and their ability to deal with holistic and strategic flood risk management.

Government are consulting to aid further consideration on whether amendments to IDB processes and policies would address the issues and objectives outlined above.

**IDB issues not covered in detail in this Impact Assessment**

As stated above, some changes which will have an impact on IDBs are contained in the Impact Assessments covering the Bill proposals on the Local Authority Role and on Funding. These are summarised briefly below to assist readers of this Impact Assessment understand the full range of changes being considered which will have implications for IDBs.

**Measures in the draft Bill [insert ref for the relevant IA]**:
In summary, the draft Bill contains the following amendments to IDBs:

- IDBs to have additional powers to undertake work on surface water and groundwater at the request of the county or unitary authority (and on main river and sea flooding and coastal protection at the request of the Environment Agency);
- To continue to lead on managing water levels and flood risk on ordinary watercourses in their areas, but subject to a duty to have regard to any strategy or supplementary guidance issued by the county or unitary authority;
- To require them to co-operate and share information with the Environment Agency and local authorities.

Measures in the Funding Impact Assessment [insert ref for the relevant IA]:

The Government is consulting on options for reforming existing funding streams to update and simplify them to make them fit with the new organisational responsibilities that are being introduced in the Bill. [IA4 – Funding] covers these options in detail, but briefly, they include:

- a revised funding and management model, whereby the special levy (and possibly drainage rates on farmers) would be replaced by a funding stream direct from the county or unitary authority. This would reflect these councils’ new accountability for local flood risk management; they would decide how much to provide to IDBs based on outcomes within an agreed business plan; with outcomes reflecting a balance between economic, social and environmental goals.
- Repeal of the present arrangements under which relatively small amounts of money change hands between the Environment Agency and local authorities (ie precepts and “Highland Water” contributions).

Options considered in this Impact Assessment

This impact assessment now considers suggested amendments that could help modernise and streamline a number of processes and policies affecting IDBs in addition to those referred to above. These options are consistent with the policy shift which is taking place across the new legislation and specifically for the Environment Agency and Local Authorities. The amendments which are being consulted on are not mutually exclusive but could work in combination to create a package of change. They cannot be delivered without change to primary legislation.

Consideration of the costs and benefits of proposed changes to Internal Drainage Boards

As stated above, we are consulting on a number of changes regarding IDBs. These amendments would modernise and streamline a number of processes and policies affecting IDBs, and help them fit better into the modern-day Flood and Coastal Erosion Risk Management agenda rather than leaving them as ‘drainage’ oriented bodies. This is in line with the policy shift which is taking place across the new legislation and specifically for the Environment Agency and Local Authorities.

The changes that are proposed for IDBs in this option are:

(a) Do nothing: continue the existing framework for Internal Drainage Boards
(b) Change name of IDB to Local Flood Risk Management Board
(c) Make express provision for IDBs to form consortia, private companies and other innovative delivery models
(d) Simplification of the Order Making Process for boundary alteration, amalgamation etc
(e) Relax the restriction currently imposed by the Medway Letter
(f) Move the supervision of IDBs from the EA to the ‘Local Leadership’ Role
(g) Adjust the membership of IDBs
(h) Allow the Secretary of State to make regulations setting the future number and structure of IDBs.
The changes listed above are not mutually exclusive and a package from within them could be developed independently.

(a) **Do nothing: continue the existing framework for Internal Drainage Boards**

This would entail no new government intervention under primary legislation, although some change would continue to be brought about as a result of current planned activity under the Internal Drainage Board Review⁴, for example, whereby Ministers have encouraged IDBs to start moving boards towards a sub-catchment based approach. This Option does not however meet the minimum requirements being promoted in the draft Floods and Water Bill.

(b) **Change the title of IDB to “Local Flood Risk Management Board”**

One of the main drivers of the entire Bill is to move away from “Land Drainage” and “Flood Defence” to the modern-day approach of “Flood Risk Management”. As noted in the background section, IDBs are statutory bodies with a history rooted in agricultural land drainage. Despite attempts over the years to modernise and update approaches, a minority of boards still consider their main role to be that of draining agricultural land. This is despite getting a large percentage of their funding from public funds (in the form of special levies from local authorities which are in turn supported by central Government). In the future Government want IDBs to be a key deliverer of local flood risk management with this being their main focus rather than simply drainage. This is reflected in the widened roles for IDBs provided by the draft Bill. To give added impetus we therefore propose changing their names to ‘Local Flood Risk Management Boards’ which would encompass all the main roles of an IDB.

The costs of this name change would, for example, include updates to websites and other electronic documentation, updates to letterheads and other hard copy documentation, changes to sign boards at premises, updating bank accounts and mandates, and informing suppliers etc. The cost of this proposal would be one off, of not a material amount. The changes would not need to take effect immediately, but be a more gradual process, and boards would be encouraged not to purchase more letter heads etc until current supplies were exhausted, for example, using sticky labels in the interim period.

We consider that this would cost rather less than 1% of an IDBs annual administration costs. Across all IDBs this was £9 million in 2007/08, therefore the cost of this change is likely is unlikely to exceed £90K and may be closer to £50K.

There would be no quantifiable benefits from this policy, but the proposal will mean a title which more accurately describes what an IDB does on the ground and will be doing in the future. A number of Boards, have considered changing their name in recent years to more clearly convey to the wider public and stakeholders what their main responsibilities are, but the restriction in the legislation has caused difficulties in this taking place. This proposal is an essential part of moving the focus of IDBs and demonstrating how they fit into the new FCERM organisational structures.

(c) **Allow IDBs to form consortia, private companies and other innovative delivery models**

The Land Drainage Act 1991 provides a very detailed procedure for IDBs to amalgamate. However, it provides limited scope for boards to adopt flexible management arrangements. Some limited consortia arrangements may take place under s11 of the Land Drainage Act 1991, for example an IDB or a group of IDBs may arrange for a private company to provide the IDB or group of IDBs with management services; and a group of IDBs may also arrange for management services to be provided to them through a consortium arrangement.

However the current legislation does not permit one IDB to provide another IDB with management services in return for a fee, and IDBs do not have powers to set up limited companies or separate corporate bodies. We are therefore consulting on providing an express power for Boards to share services and form/participate in consortia and so put beyond doubt the legality of such arrangements. An express power to form and participate in limited companies, would not allow IDBs to delegate control over the exercise of their statutory powers to other corporate bodies, but to setup a corporate body through which management services can be provided to themselves and others, subject to there being no cross subsidisation. The participating IDBs would therefore be shareholders of such a company and as such would be able to appoint directors to run the company (probably the Chairman and Vice Chairman of each IDB in the Consortium).

There would be no costs of this proposal unless an IDB took action under the new provision, and then it would be for them to consider the cost:benefit implications of setting up such an arrangement. However if we were to assume that 20 IDBs across the country decide to exercise this new power, and form into 5 units, at a cost of £5k per consortia arrangement, then the cost would be £25k.

The benefits of this proposal are the increased flexibility that would follow in allowing an IDB to set up a separate vehicle (such as a company limited by shares/guarantee). It would reduce the liability on any one individual IDB, and would encourage Boards to form into consortia thereby achieving efficiency savings. It would also enable them to deliver more strategic and holistic FCERM without facing the risks of doing so without such an arrangement in place. Again, if we were to assume that 20 IDBs across the country decide to exercise this new power and that each Board would make a 25% efficiency saving (based on the saving made by South Holland in its first year of joining the Water Management Alliance), the value of the benefits could be estimated as follows):

Admin Costs 2007/08 = £9m (total taken from IDB1 form)
Support Costs 2007/08 = £18m (assumed on average to be double that of admin costs, as per example Boards)
Admin & Support Cost/Board = £168,750 (£27m/160 IDBs)
Admin & Support Cost for 20 IDBs = £3.375m (£168,750x 20 IDBs)
Estimated annual saving = £0.85m (25% of £3.375m)

(d) Simplification of the Order Making Process for boundary alteration and amalgamation

The Order Making process under section 3 and Schedule 3 of the Land Drainage Act 1991 provides for the reorganisation of IDBs (including boundary alteration, amalgamation, abolition, constitution etc). These provisions need to be maintained under the new arrangements for IDBs to enable reorganisation to occur as outlined above. However the Government proposes that these arrangements are streamlined. Due to the complexity of the current procedures in the 1991 Act, a typical amalgamation (or other) scheme can take at least 9 months (and often nearer to a year) to come into force, involving a series of 4 x one-month statutory advertising periods. Not only is this time consuming and administratively burdensome, but four separate sets of advertisements have to be paid for.

The proposal outlined in the consultation document would streamline these procedures down to two notifications periods and also remove the specified requirement for these notices to be placed in newspapers; rather they would have to be ‘published in such manner as it is felt is best adapted to informing persons affected’ or equivalent (this would allow them, for example, to published on IDB websites and parish notice boards and directly brought to the attention of affected landowners).

There will be no costs associated with simplifying the procedures as they stand.
The **benefits** would accrue from the reduced advertising costs associated. This would be in the region of £4-6,000 per scheme in advertising costs. So if we assumed six schemes were processed per year, that would be a saving in the order of £36k per annum. There would also be some very modest administrative savings of perhaps £4k per annum in EA and Defra.

As far as IDBs are concerned, the benefits are that desired changes would happen quicker, which should reduce operating costs and add resilience to the management of flood risk within every hydraulic catchment. There should also be administrative benefits of speeding up the process: for example, when a number of IDBs elect to amalgamate, it is usual for them to establish a ‘Shadow Board’ as an interim measure to oversee the amalgamation and take key decisions during the interim. A shorter amalgamation process would reduce the need for this double cost. If we assume

(a) that the average annual administration costs of an IDB is £56k; and
(b) that the process is shortened from 12 to 4 months (66% reduction)

the cost of running two boards in parallel during amalgamation would reduce by £37k per process. Six amalgamations a year, would achieve a saving of £222k (in addition to the £36k saving in advertising and administration costs).

This proposal would also allow for greater flexibility and certainty for Defra and for IDBs in taking these schemes forward. Currently the level of activity that needs to be undertaken to ensure a scheme can take effect from 1 April, requires it to be initiated the summer before. With a simpler process, a Board, or Defra could initiate a scheme rather later in the year and have more certainty about the time involved in delivering it.

(e) **Relax the restriction currently imposed by the “Medway Letter”**

The principle commonly followed in determining the area of benefit of an Internal Drainage Board is to include within a drainage district agricultural land up to 8 feet above the highest known flood level, and in urban areas up to flood level. In tidal areas urban property up to the level of ordinary spring tides is normally included and agricultural land up to 5 feet above that level. Land above these levels may be included in a drainage district if the circumstances justify it eg. if access to that land depended on/benefited from drainage works. These general principles are set out in what has become known as the “Medway Letter”\(^5\). The limitations of IDB boundaries have caused increasing difficulty as IDBs are required to deal with water that falls on land outside their district and flows down into IDB managed watercourses. And such a rigid approach does not allow for strategic and holistic management of the catchment.

We are therefore proposing that IDBs should be able to expand their boundary to encompass a greater area where this is sensible and practical for the strategic and holistic management of flood and coastal erosion risk management – thereby effectively relaxing the restrictions established in 1933.

There would be no **costs** of this proposal unless an IDB took action under the new provision. Defra would not want an IDB to be able to do so unless it was the best decision for the local area and provided a clear cost:benefit. We therefore propose adding a requirement that, in proposing a boundary alteration, the IDB must have regard to any guidance issued by the Secretary of State in developing such a scheme. This would include the IDB providing a detailed analysis of their proposals to show what the change in Special Levy and Agricultural Drainage Rate payments are (though this would be subject to the possible changes in Funding set out elsewhere). In addition, these changes could not be taken forward without consultation.

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\(^5\) Letter sent by the Minister of Agriculture and Fisheries to the Clerk of the River Medway Catchment Board on 28 June 1933 as a response to the public inquiry into schemes prepared by the Board for the Upper Medway and Lower Medway Drainage Districts under Section 4(1)(b) Land Drainage Act 1930. The text of the letter appears as an appendix to A.S.Wisdom Land Drainage (1966).
and agreement with the relevant local authorities who would need to consider a thorough
cost:benefit analysis of such a change.

The cost of undertaking a thorough analysis might include the following (for the Board):
Survey (for an average medium-sized board) £4800
Consultation £2000
Public Meetings £1000
And for Government £1000 in processing the scheme.
Total cost = £8800 per process.

If we assume that 3 Boards undertook a review per year, the cost of undertaking a thorough
analysis might be £26,400 a year for three years.

Further, if we were to assume that, following the relaxing of the Medway Letter, an average
sized IDB increases their area by 15%, as outlined below we could assume that their respective
expenditure would also increase by 15%, thereby causing a similar increase on their income
and the rates and levies that they charge.

The benefits of this proposal are the increased flexibility that would follow in allowing an IDB to
move their boundaries up to the full hydraulic boundary/watershed; and therefore achieve better strategic Flood Risk Management; increasing the efficiency of delivery; and potentially increasing the amount invested in flood risk management at a marginal benefit:cost ratio of 3:1.

If we were to assume that, following the lifting of the relaxing of the Medway Letter, an average
sized IDB increases their area by 15%, we could assume that their respective income would
also increase by 15%. The average expenditure of an IDB is £380k (£61m/160 boards) and this
would increase by 15% (£57k) to £437k.

As above, if we were to assume that 3 Boards undertook a review per year, this would mean an
additional expenditure per year of £170k (this is also reflected in the costs), and at a cost:benefit
of 3:1, this would mean a £500k benefit to FCERM.

(f) Move the supervision of IDBs from the EA to the ‘Local Leadership’ Role

Current legislation puts EA in a supervisory position over IDBs (s7 Land Drainage Act 1991). In
future the Upper Tier Local Authority will be responsible for convening local flood risk
management, which includes local drainage, surface water management, and (most importantly)
ordinary watercourses which IDBs have within their current (and future) remit. The Government
therefore considers that it would make sense that the supervisory position over IDBs rests with
the upper tier LAs in their new local leadership role.

The costs of this proposal should be neutral, albeit with a shift in the burden from EA to LAs.
However, it may be that LAs would adopt a more hands-on approach than the EA at least while
they establish their own and the IDBs respective roles. There may also be some duplication or extra costs of supervision – where IDB boundaries extend across more than one county or unitary authority, but we would encourage a lead authority approach where this occurs. This is part of the county and unitary authority ‘local leadership’ role, and the costs of this are covered in the Local Authority Impact Assessment.

The benefits of this approach are that it would clearly sit within the LAs’ new ‘local leadership’
role. They would have oversight of all local flood risk management within their areas, and IDBs
are one of the main deliverers of local flood risk management. In addition, the county and unitary authorities will need to grow their expertise and potentially use the expertise of district authorities and IDBs to deliver works on the ground. By placing IDBs squarely under the remit of the county or unitary authority, they would be better able to deliver on their ‘local leadership’ role.
While we assume no quantifiable economic benefits, there would be some efficiencies relating to better prioritisation and co-ordination across the county of unitary boundary, avoidance of conflicting works, joining-up of delivery, and focus on range of local outcomes not just agricultural productivity

(g) Adjust the membership of IDBs

The Government considers that IDBs need to properly reflect the needs of all relevant stakeholders in their district; to reflect modern expectations of a public body; whilst also delivering on the FCERM functions expected of them. The current membership (covered by s1 of LDA1991) is a combination of local authority appointed members, and agricultural land owner elected members with land owner votes allocated on the basis of land ownership up to a fixed limit. The number of members appointed by charging authorities is in proportion to the amount of levy and drainage rates payable but with any local authority majority capped at one (LDA 1991, Schedule 1, Part 2, section 6, sub section 2(a)).

Although it remains appropriate to have agricultural interests represented on the boards, this capping of LA representation is considered to be inequitable; a charging authority could well provide the great majority of the IDB’s income; and there is not similar cap on a landowner majority if drainage rates provide the majority of income. We are therefore proposing to repeal Schedule 1, Part 2, section 6, sub section 2a and amend sub section 2(b) accordingly.

The cost of this policy should be broadly neutral overall as there would be no need to change overall numbers on the IDB. However, there could be an increased cost to LAs in providing additional representatives to attend IDB meetings. LAs could choose to nominate someone outside their elected membership to attend: for example, local wildlife trusts, or council officers involved with drainage or planning matters. We would certainly encourage such an approach and also encourage upper tier authorities to sit in on IDBs to assist in delivering their new ‘local leadership’ role. An immeasurable cost of this policy is the potential loss of local knowledge and ‘good will’ from the elected agricultural representatives (who may withdraw some of the “free” work that they may currently provide). Overall, however, the costs are unlikely to be substantial.

The benefit of this proposal is that it delivers fairer representation on the IDB. If, say, 80% of an IDB’s income is being provided by the charging authority then it seems fair that they should be able to provide 80% of the representation – this is key to better governance. The proposal would deliver representation on the IDB more in line with its expenditure profile, and very much follows the principle of “he who pays gets the say”. This simple change would significantly alter the balance of power on a majority of IDBs: the number of appointed members would increase along with their influence.

(h) Allow the Secretary of State to make regulations setting the future number and structure of IDBs

The consultation document proposes that the Secretary of State should have a power to make orders setting up, in consultation with relevant interested parties, what structure IDBs should take from 1 April 2013. The Government have been encouraging IDBs to amalgamate or group into bigger units for a number of years to gain efficiency savings and allow for better strategic FCERM.

By having fewer, bigger boards across the country, better engagement and management with the UTLAs would occur, and LAs in general would need to attend fewer IDB meetings etc. Currently twenty-four of the county councils in England include one or more IDB in their area as
do 6 metropolitan districts, and 109 unitary authorities or district councils. Some authorities have several IDBs within their boundaries, as shown in the following tables:

**Table 1: Distribution of IDBs by County**

<table>
<thead>
<tr>
<th>County</th>
<th>Number of IDBs</th>
<th>Total IDB Area (hectares)</th>
<th>IDB Area as % of County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lincolnshire</td>
<td>20</td>
<td>294,619</td>
<td>48.2%</td>
</tr>
<tr>
<td>Cambridgeshire</td>
<td>57</td>
<td>116,011</td>
<td>38.0%</td>
</tr>
<tr>
<td>Nottinghamshire</td>
<td>12</td>
<td>53,057</td>
<td>24.5%</td>
</tr>
<tr>
<td>Norfolk</td>
<td>39</td>
<td>125,872</td>
<td>22.9%</td>
</tr>
<tr>
<td>North Yorkshire</td>
<td>26</td>
<td>121,425</td>
<td>15.1%</td>
</tr>
</tbody>
</table>

Notes:
1. IDB districts based on those existing April 2005.
2. Top 5 only shown.

**Table 2: District/Unitary Authorities with 50% of more of their area in IDB Districts**

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Number of IDBs</th>
<th>Total IDB Area (ha)</th>
<th>IDB Area as % of Council Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>4</td>
<td>35,979</td>
<td>90 %</td>
</tr>
<tr>
<td>South Holland</td>
<td>5</td>
<td>71,968</td>
<td>88 %</td>
</tr>
<tr>
<td>Fenland</td>
<td>31</td>
<td>46,983</td>
<td>86 %</td>
</tr>
<tr>
<td>Selby</td>
<td>13</td>
<td>45,806</td>
<td>76 %</td>
</tr>
<tr>
<td>City of York</td>
<td>8</td>
<td>19,953</td>
<td>73 %</td>
</tr>
<tr>
<td>Peterborough City</td>
<td>7</td>
<td>19,106</td>
<td>56 %</td>
</tr>
<tr>
<td>East Cambridgeshire</td>
<td>13</td>
<td>35,356</td>
<td>54 %</td>
</tr>
<tr>
<td>Doncaster</td>
<td>17</td>
<td>28,718</td>
<td>51 %</td>
</tr>
<tr>
<td>North Lincolnshire</td>
<td>14</td>
<td>44,494</td>
<td>51 %</td>
</tr>
<tr>
<td>Shepway</td>
<td>2</td>
<td>18,716</td>
<td>51 %</td>
</tr>
<tr>
<td>Sedgemoor</td>
<td>6</td>
<td>30,518</td>
<td>50 %</td>
</tr>
</tbody>
</table>

Notes:
1. IDB districts based on those existing April 2005.

The proposed direction of travel set by Ministers in February 2008 was to create approximately 25 sub-catchment units. Clearly this could be reviewed by LAs in their new local leadership role, but if were to assume that a move to 25 Boards in the future, the costs of this proposal would be: the cost of managing approximately 20 amalgamations and any associated consultation with Boards (20 schemes at £1k admin costs per scheme + £10k consultation costs = Totalling £30k).

Potentially there could be an increase in special levies payable by constituent charging authorities because amalgamated IDBs may create units that have a higher proportion of urban area. Equally more income could come from Drainage Ratepayers with decreases in special levies, should new units have a higher proportion of agricultural area. It is difficult to assess whether the effect of this would be cost neutral across the country, without doing the calculation for any proposed model. (And all such speculation would be subject to any changes in these funding streams.)

Other economic costs of this proposal are the potential for redundancies. This is likely to be limited to a small number of administrative redundancies, with a one off cost and pay back achieved possibly in first year. There would also be similar first year set up costs associated with establishing any new IDBs (which would also net off against the potential redundancies).

Another cost of this approach would be the consequential loss of local knowledge. Many Board Members/Ratepayers of smaller Boards do drainage work for nothing because they reap some benefit from the work. However if they decide to no longer do this work, some Boards may have to employ more operatives or rely to a much greater extent on contractors, which means that costs may actually increase in the short term.
The economic **benefits** of this would arise from the reduced administrative arrangements (elections, servicing meetings etc) to serve so many individual IDBs. Across the industry, the administrative costs of running 160 IDBs was £9 million in 2007/08. Therefore, per Board, on average this cost was approx £56K, so if we assume a move to say 25 IDBs from 2013 and that administration costs increase to approximately £200k per board on average for each new Board (based on admin costs of current large board), there would be a cost saving of some £4 million per annum. There would also be a reduction in attendance at meeting for LA reps. As demonstrated in the tables above, one particular local authority for example has to attend as many as 31 IDB meetings; reducing the number of IDBs would mean that they would have to attend many fewer meetings with consequent administrative savings. It is important to note that allowances are usually paid to appointed members by the appointing authorities, as opposed to by the IDBs, so any savings that arise are likely to principally benefit charging authorities. However such savings are unlikely to be substantial.

Ensuring such action would reduce operating costs and add resilience to the management of flood risk within every hydraulic catchment. IDBs would be able to access greater resources, which would enable them to do more work and manage the hydraulic catchment strategically and cost effectively. The biggest benefit would be that the Secretary of State would be able to achieve policy objectives more surely, by being able to make regulations; relying on the current voluntary process for wide scale rationalisation could possibly result in very few amalgamations actually taking place.

**Summary of costs and benefits from above options:**

<table>
<thead>
<tr>
<th>Option for consultation</th>
<th>Cost (£k)</th>
<th>Benefit (£k)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change name of IDB to Local Flood Risk Management Board</td>
<td>50-90 (one-off cost)</td>
<td>-</td>
</tr>
<tr>
<td>Make express provision for IDBs to form consortia, private companies and other innovative delivery models</td>
<td>25 (one-off cost)</td>
<td>850 (p.a)</td>
</tr>
<tr>
<td>Simplification of the Order Making Process for boundary alteration, amalgamation etc</td>
<td>-</td>
<td>258 (p.a for 3 yrs only)</td>
</tr>
<tr>
<td>Relax the restriction currently imposed by the Medway Letter</td>
<td>197 (p.a for 3 years only)</td>
<td>513 (p.a)</td>
</tr>
<tr>
<td>Move the supervision of IDBs from the EA to the ‘Local Leadership’ Role</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjust the membership of IDBs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Allow the Secretary of State to make regulations setting the future number and structure of IDBs.</td>
<td>30 (one-off cost)</td>
<td>4,000 (p.a)</td>
</tr>
</tbody>
</table>

**Specific Impact Tests**
The changes proposed in this impact assessment do not impact on bodies other than Internal Drainage Boards, Local Authorities and Government. Therefore no detailed testing on
competition assessment, small firms impact tests etc have been completed apart from the analysis undertaken in the evidence base.

**Competition Assessment**
There will be no impact on competition because the proposals being consulted on relate only to Internal Drainage Boards which are single issue bodies.

**Small Firms Impact Test**
There will be no impact on competition because the proposals being consulted on relate only to Internal Drainage Boards which are single issue bodies.

**Legal Aid**
There will be no impact on legal aid as a result of implementing the any of the options being considered as part of this consultation.

**Sustainable Development**
The options being considered as part of this consultation will have no impact on sustainable development.

**Carbon Assessment**
The options being considered as part of this consultation will have no impact on carbon assessments.

**Other Environment**
The options being considered as part of this consultation will have no impact on the environment.

**Health**
The options being considered as part of this consultation will have no impact on human welfare including health.

**Race, Disability or Gender Equality**
The options being considered as part of this consultation will have no impact on race, disability or disability equality.

**Human Rights**
The options being considered as part of this consultation will have no impact on human rights.

**Rural Proofing**
The options being considered as part of this consultation will have no impact on rural proofing.
Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

<table>
<thead>
<tr>
<th>Type of testing undertaken</th>
<th>Results in Evidence Base?</th>
<th>Results annexed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition Assessment</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Small Firms Impact Test</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
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<td>Legal Aid</td>
<td>Yes/No</td>
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<td>Yes/No</td>
</tr>
<tr>
<td>Health Impact Assessment</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Race Equality</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Disability Equality</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
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<tr>
<td>Rural Proofing</td>
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</tr>
</tbody>
</table>
Annexes

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