

## **Funding of the Flooding Relief Effort**

### **Purpose of report**

For information and discussion.

### **Summary**

December 2013 and January 2014 saw many parts of England and Wales affected by adverse weather, with areas such as Somerset suffering from extensive and prolonged flooding.

In response, the government provided a series of different funding schemes and initiatives intended to assist communities, businesses and local authorities affected by flooding. This paper summarises the various funding streams and provides a commentary on some of the financial issues raised.

A more detailed report on the response and recovery was considered by the Executive on 20 March.

### **Recommendation**

The Finance Panel is asked to note the report.

### **Action**

LGA Officers to proceed as directed.

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## **Funding of the Flooding Relief Effort**

### **Background**

1. As a result of the wettest January since 1766 and prolonged storms, parts of England and Wales were submerged as a result of flooding. The Environment Agency (EA) issued more than 500 flood warnings this year, many of them at severe level indicating a danger to life.
2. The scale of the challenge presented by flooding was considerable: for example, 3 million tonnes of water being pumped away from Somerset Levels daily; 7,000 properties flooded; over 5000 engineers involved in restoring the rail network; and at any one time there were around 14,000 people without electricity. All this caused real distress and disruption to communities.
3. The eventual bill is difficult to evaluate at this stage. The repair bill from the summer floods of 2007 was estimated to be over £1 billion and it is altogether likely that this winter's emergency will be of similar if not greater, scale. Much of the cost will need to be met, one way or another, by local authorities.
4. This report focuses on the financial issues. The Executive report goes into more detail on the flooding response and the central role that local authorities have played. Cllr Mike Jones, Chair of the Environment and Housing Board, has represented the LGA on the Ministerial Recovery Group, chaired by the Secretary of State, Eric Pickles, since its inception. This group will continue to meet until mid-April and is now coordinating the recovery and considering the policy response.

### **Flooding relief funding announcements**

5. The government responded with a number of different funding announcements and schemes aimed at assisting businesses, communities and local authorities affected by the flooding.
  - 5.1. On 17 January 2014 the Government announced the £7 million severe weather recovery scheme for the Councils most affected up to 7 February, with a closing date for grant applications of 19 February. Half the money was for emergency response and half for transport infrastructure repairs. £30 million was added to this pot on 12 February.
  - 5.2. On 6 February it was announced that the Bellwin Scheme would be amended to allow authorities to claim for 100% of the costs above the 0.2% budget threshold. The basis for calculating the threshold was also changed.
  - 5.3. Also on 6 February £30 million was identified for emergency repairs and maintenance for 2013/14 and a further £100m in 2014/15.

- 5.4. On 11 February grant funding was provided to reduce the costs of flying to Cornwall for the following two weeks.
- 5.5. On 12 February the Government made three separate announcements;
  - 5.5.1. £10 million for farmers whose land had been waterlogged;
  - 5.5.2. 100% business rate relief for three months for affected businesses;  
and
  - 5.5.3. grants of up to £5000 for enhancements to prevent future flood damage in domestic and business properties.
- 5.6. On 17 February, a £10 million for a scheme to compensate small and medium sized businesses in protected areas was announced.
- 5.7. On 19 February, £4 million was announced to fund Council Tax reliefs for people whose homes have been flooded.
- 5.8. On 1 March, a £2 million fund was launched to assist tourism-oriented businesses affected by floods. This includes an information campaign and consulting.
- 5.9. On 6 March, two separate announcements were made – an additional £0.5 million allocated to Somerset Levels from the severe weather recovery fund and a £0.65 million funding package to support fishermen affected by flooding, including payment of lighthouse duties and fishing gear replacement.
- 5.10. On 9 March, a £140 million funding package to support repairs of roads affected by flooding was announced. £103.5 million of this funding was earmarked directly to local authorities.
6. Details are set out in the table in **Appendix A**.
7. Although final allocations for these funding streams were not all available at the time of writing, it is evident that the Government has allocated well over £200 million pounds through these schemes, many of which are to be administered by local authorities. We are advised that local authorities' full costs will be reimbursed.
8. The LGA has been part of continued discussions with the relevant departments on the detail of these funding initiatives to make sure that the interests of local communities and councils were appropriately addressed.

## **Financial issues arising**

9. The financial response from government demonstrates the best and worst of the relationship between central and local government. On the positive side, local government got on with dealing with the crisis and the availability of reserves and emergency funding made this possible. As set out above, the government has provided significant additional resources and in a number of instances is allowing local authorities to determine the details of local financial support schemes.
10. However the financial announcements were incremental (and with several announcements sometimes within 24 hours not entirely attributable to a developing situation) and generally highly focused. A lot of separate sums of money have been allocated to resolving specific issues and targeted separately at residents and businesses by different Government departments.
11. This has initially caused confusion on the ground among Councils and residents. It is also likely to mean that local authorities will be required to meet narrow government priorities in terms of allocating grants to specific groups of people/businesses rather than directly tackling the local situation and conditions on the ground in a holistic, more strategic way. LGA officers and councils have been working with Government departments on the detail of schemes and more detail is becoming available. This includes advice on streamlined administrative arrangements and simple reporting requirements.

#### *Bellwin Scheme*

12. The LGA has argued for some time that the Bellwin scheme is inadequate in its current form. The Government has now also recognised this and has announced that it will be undertaking a full review. One option is to set up a central budget with a single gateway, and that any Scheme should allow capital expenditure (as Pitt recommended) and tax reliefs to affected properties. Although Ministers have been clear that a threshold will continue to apply before accessing funding, an option might be a fixed threshold, different for counties and districts which would give authorities more clarity.

#### *Funding Flood Defences*

13. Councils have welcomed the Partnership Funding model for funding of flood and coastal defences, using their own funds to leverage in Environment Agency funding (Flood Defence Grant in Aid) as well as other sources. The new model enables an important link to be made between local beneficiaries and flood risk investment. Local authorities have committed the majority of external contributions for flood defences (approx. £110 million) since the new partnership funding model came in. However, going forward their ability to do so will be constrained by reductions in budgets. The EA capital budget for flood defences has been protected. Going forward there will be a need to identify other sources of match funding for flood defences.
14. The LGA has previously said that the current funding model for flood defences should also support a more diverse range of priorities in order to reflect the needs of small and dispersed communities and release wider benefits beyond direct local beneficiaries and support growth.



*Sustainable Drainage Systems*

15. Sustainable Drainage Systems (SuDS) can play an important role in flood risk management by reducing surface water run-off from development. The LGA is concerned that this new burden would not be funded in the conventional way, but by councils imposing a new charge on residents of new development for the SuDS maintenance, which will place pressure on household finances and will be costly and impractical to collect.
16. Our suggestions is for an alternative route for collection, which offers value for money and administrative efficiency, through existing water bills issued by water companies. This could be done either through commercial agreement with water companies or by introducing a legal power for councils to precept on water companies.
17. On timing, we were encouraged that the Government has listened to our concerns and announced that implementation will now be October and not April. We have also stressed that implementation of the SuDS legislation cannot go ahead until a charging and collection regime has been resolved and agreed. We are continuing to raise our concerns with the Department for Environment, Food and Rural Affairs (Defra) civil servants and Ministers on these issues.

**Next steps**

18. At the Executive meeting on 20 March, the opportunities to take forward a number of funding issues were discussed. Particular areas of focus were around understanding costs; lobbying central government for additional capital funding to cover the costs of road and other infrastructure; ensuring reform of the Bellwin Scheme benefits local government; and funding of flood defences.
19. The following actions will be taken forward;
  - 19.1. Officers will continue to work with DCLG, BIS and DEFRA as they finalise their funding schemes and aim to support Councils in their response.
  - 19.2. The costs of the crisis may be slow to emerge but we will continue to monitor the financial implications of the flooding crisis and seek to use the lessons learned for further lobbying.
  - 19.3. We will seek to influence the review of the Bellwin scheme and other areas outlined in the paper.