



Open Report on behalf of Internal Drainage Boards

Report to:	Flood and Water Management Scrutiny Committee
Date:	20 February 2023
Subject:	Internal Drainage Boards

Summary:

This report and presentation provide an overview of the financial pressures facing IDBs, District Councils and Drainage Rate Payers, and the attendant increased risk of flooding should IDBs need to alter their operations regimes.

Actions Required:

The Flood and Water Management Scrutiny Committee is invited to:

- (1) Review and comment on the contents of the report and presentation and,
- (2) Discuss ways of supporting Lincolnshire IDBs.

1. Background

The issues that the Drainage Boards across Lincolnshire, and more widely in the 112 IDBs nationally, face in terms of financial challenges have been heightened as a result of the energy. The specific cost pressure of increases in electricity costs adds disproportionately to the other cost pressures IDBs have e.g., the escalating costs of materials [timber, stone], plant and machinery costs, insurance availability and cost, repairs, maintenance and plant servicing costs, pay costs, service contracts on ICT and mobile phones etc. The cumulative effect upon Boards' operations, financial reserves and equipment have resulted in 2023/24 being a challenging year for setting financially balanced budgets. To set financially balanced budgets, many IDBs have had to set an increase in their Penny Rate [in the pound] far higher than in recent years. This increase in the Penny Rate drives the level of Special Levies which contributing Councils pay to IDBs and the level of Drainage Rates which the occupiers of land in IDB drainage districts pay to the IDBs, the two main sources of IDB income annually. Although many IDBs have set levels far in excess of usual levels, e.g., a 15% Penny Rate increase in 3 of the 4 Witham & Humber IDBs and 29% in the fourth IDB in that Group [Witham First DIB], they have done so predicated on a modelled and assumed average rainfall year and pumped hours at

Pumping Stations, not a dry year or a wet year. Should a series of wet weather events occur, as in 2019/20, IDBs risk being stretched beyond their financial limits; such are the tight parameters within which IDB's have operated previously and the additional cost and risk which wet weather events now present at today's electricity prices.

Members are advised that in setting increases in the Penny Rates of circa 15-29% [some are higher increases in some IDBs], it is worth noting what cost pressures would have been contained at without the electricity price increases. In the 4 Witham & Humber IDBs, for example, those cost pressures would have been contained at a 5.5% to 6.75% increase in the Penny Rate, excluding electricity. The whole of the remaining increase is attributable to electricity. For illustration, the 4 Witham & Humber Drainage Boards had an electricity budget for 2022/23 of £201,000 to cover standing charges and average rainfall pumped hours at pumping stations. In order to budget for a similar year for 2023/24, the budgets would need to be increased to £881,000.

As an example, and to put some metrics to the situation, IDBs have increased standing charges for electricity at their pumping stations and have also had considerable increases in their unit rates for using their pumping stations. In the 4 Witham & Humber IDBs, for example, prior to 2022 the standing charges for electricity at the 50 pumping stations was £15k. Following the impact of the OFGEM Targeted Charging Review, the Standing Charges have risen to £128k [that is before a pump is switched on]. Unit rates vary by a couple of pence per pumping station, but as of 30.09.22 the 4 Witham & Humber Boards were paying circa 12pence per KWH for electricity and from 01.10.22 the unit rate increased to circa 30pence per KWH [and is predicted to be 40 pence from 01.10.23]. Based on historical analysis, pumping stations tend to consume 80% of electricity usage from November to March each year, in an average rainfall year. Budgets have therefore been constructed on this basis.

The risk of flooding to people, residential and business properties, industry, agricultural land and infrastructure [roads, rail, electricity sub-stations, schools] will increase exponentially in areas of special drainage need, unless measures are put in place to assist the Boards through the next 2 to 3 years of electricity price instability; effective measures would also lessen the financial impact upon District Councils and Rate Payers in these areas of special drainage need.

2. Conclusion

That Flood and Water Management Scrutiny Committee receives the report and presentation and make comments on the actions taken to date by Boards to engage with DEFRA, local MPs, ADA and jointly with District Councils to raise this matter to SoS level.

3. Consultation

a) Risks and Impact Analysis

N/A

4. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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