LGA response to DEFRA call for evidence on coastal erosion and flooding policy
August 2019

1. About the Local Government Association

The Local Government Association (LGA) is the national voice of local government. We are a politically-led, cross party membership organisation, representing councils from England and Wales.

Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.

2. Key messages

The call for evidence highlights a number of specific areas where Government is seeking additional information from a broad range of stakeholders. Our submission focuses on the key issues for local government.

- Investment in flooding and coastal erosion relies heavily on public sector contributions. Councils are keen to play a part in securing wider contributions, but complex and time consuming processes make this difficult to achieve in practice.
- Private sector and community contributors are more likely to come forward if public funding models are fit for purpose and deliver local, place based solutions. The LGA is calling for a more flexible funding model, and for capital and revenue funding to be devolved into a single place based pot to allow local areas to support a more diverse set of outcomes that meet local priorities.
- Councils are well placed to provide local leadership of flood and coastal erosion work, subject to the right funding and powers. We look forward to working with DEFRA to ensure that these are provided through the National Flood and Coastal Erosion Risk Management (FCERM) strategy for England.
- Tax relief for private sector contributions should be extended to all flood alleviation projects (not just those grant funded by the Environment Agency) to incentivise private investment.

3. Responding to the call for evidence

The questions on “meeting the investment challenge” are most relevant to local government and these are addressed below.

In responding to the call for evidence, we have some broader points to make on sources of investment and how public and non-public sources of funding interact with each other.

A weakness of the existing national flood and coastal resilience partnership model is that smaller, more rural and dispersed areas are unable to compete for funding. The nature of the model also means that areas with catchment areas characterised by industry, commerce and critical infrastructure, yet with little residential accommodation, will only secure very low levels of national funding contributions. It is unlikely that other contributors will willingly step forward to fill these gaps.

Local Government Association

Submission

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The LGA is calling for capital and revenue funding to be devolved into a single place based pot to allow local areas to support a more diverse set of outcomes that meet local priorities. More certainty at a local level about the amount of funding available for flood defences would help to secure increased levels of investment from the private sector.

The existing model does not facilitate strategic alignment with other funding decisions to support growth and investment that are happening across the country e.g. at combined authority, LEP, City and Growth Deal level. Fully devolving funds to local areas who have these types of governance structures in place would enable better alignment and integrate flood risk alleviation more effectively into local growth plans. This would support longer-term investment scenarios and link the economic case for investment in flood and coastal defences.

The LGA has commissioned research[1] that includes an options appraisal of potential alternative frameworks which could enable more efficient distribution of funding, as well as ensuring that greater emphasis is given to wider benefits of flood and coastal resilience schemes. Some of these would involve small tweaks to existing systems with others requiring larger scale reform. For example:

- changes to the partnership funding calculator so that greater weighting is given to whole life benefits (Outcome Measure 1), to support delivery of schemes or projects with lower numbers of properties at risk, but that can deliver much wider benefits than just flood risk
- councils having greater involvement in the funding assurance process through inclusion on Environment Agency assurance and review boards
- enabling councils to self-assure small FCERM projects (up to a threshold spend) to help create a more streamlined process that meets local needs
- enabling councils to retain the local levy funding that they currently provide to Regional Flood and Coastal Committees, to enable projects to be undertaken in line with their local flood risk management strategies
- introduction of a multi-year block grant (capital and revenue) funding approach to flood and coastal erosion risk management for local authorities

4. Answers to key questions

The LGA is not able to respond to all the areas covered in the call for evidence. We have focused on the key questions for local government.

Question 14. Please provide examples of initiatives delivering flood and coastal erosion outcomes which have been funded from sources other than the public sector, and explain how they were funded.

The public sector is funding the vast majority of investment into flooding and coastal resilience. Since 2015 the private sector has contributed £31 million of investment into flood and coastal resilience scheme. Over the same period local authorities contributed £204 million with a further £119 million through local authority local levy funding[2].

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[1] Council's role in the future allocation of flood and coastal erosion risk management funding, April 2019. Research commissioned for the LGA, unpublished

[2] https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Lords/2018-10-09/HL10510/

Our research backs this up, with a survey of councils showing that less than 20% have been involved in initiatives funded by private companies.

The LGA does not have examples of initiatives funded from non-public sources, but individual councils and partnerships may be able to provide this.

Question 15. What determines the success of flood and coastal erosion initiatives which have private and community contributions?
Question 16. What could be done to encourage private and community funded initiatives and help them succeed?

Our research identified a number of challenges with securing funding for flood and coastal resilience activity. Obtaining contributions from businesses can be time consuming and resource intensive, with negotiations taking over five years in some cases. Councils may not have the skill set needed for these complex negotiations.

The nature of the local economy also has an impact. Smaller businesses may struggle to provide funding, leaving areas with high numbers of SMEs with limited scope to lever in private funding. The need to draw up individual legal agreements with private investors means that in practice, only larger contributions are likely to justify the time and complexity of drawing up the agreement.

The difficulty of explaining the complex funding process to third parties is a further barrier. The nature of the funding process means that the amount of public funding provided may not be agreed until the end of the project, making it difficult to secure contributions from other investors.

Asking for voluntary contributions from non-statutory organisations has not been effective.

Commercial entities located in coastal erosion and flood risk areas frequently occupy leased premises, often on a short term basis. The risks are typically associated to the asset owner and management on the individual property level managed via ‘continuity business planning’, insurance policies or property specific physical measures to address flooding and coastal erosion. There is little stimulus for commercial entities to fund schemes other than for philanthropic reasons and this is an increasingly difficult sell.

The level of public funding can have an impact on the willingness of commercial entities to invest. Schemes with low level of public funding can struggle as a large funding gap leads to negative associations of failure.

We have identified a number of recommendations which could address these issues:

- Updating information on the partnership funding sources available to support flood and coastal resilience schemes
- Investigating an approach whereby beneficiaries of an FCERM scheme are required to make mandatory rather than voluntary contributions
- Identifying opportunities for greater alignment of local priorities and investment cycles from potential funders.

Tax relief for private sector contributions only applies where grant funding is provided by the Environment Agency. Extending tax relief to all flood alleviation projects would incentivise private investment.

17. Please provide evidence on the extent to which contributions being made by developers (through section 106, Community Infrastructure Levy and other means) are being used to fund works to manage the flood risks.
18. What are the barriers to securing and using developer contributions to ensure that new developments are safe for their lifetime, taking account of climate change? How can these barriers be overcome?

Feedback from councils indicates that rural areas struggle to access developer contributions to manage flood risk. Section 106 of the Town and Country Planning Act 1990 (as amended) payments are not applicable unless the development plan directly contributes to flood risk and the Community Infrastructure Levy is not working for rural areas as schemes would have to protect all new development.

19. Please provide examples of cases where authorities have sought (successfully or unsuccessfully) to pool contributions to build larger pieces of flood or coast infrastructure that benefit more than one local authority area.

Individual councils and partnerships may be able to provide case studies.

Runnymede Borough Council is one of the partners to the River Thames Scheme. Details on the scheme are available on the Environment Agency Website: https://www.waterbriefing.org/home/flooding/item/16018-ea-moves-step-closer-to-submitting-planning-application-for-%C2%A3450m%20-river-thames-flood-defence-scheme

The project highlights many of the challenges in calculating the cost of large projects and securing public and private funding.

20. Where flood alleviation measures have been put in place as part of a new development, have the ongoing maintenance costs been provided for under these arrangements?

Individual councils and partnerships may be able to provide examples.

More broadly, councils report a general feeling from potential contributors that the Environment Agency should take responsibility for maintenance costs. This makes it difficult to obtain contributions from others.

Another observation from recent research is that landowners will decline to take on responsibility for FCERM assets because of the associated liabilities including maintenance.