

www.defra.gov.uk

Flood and Water Management Bill

Impact Assessment - Summary Impact Assessment

Last updated: 29 January 2010

Summary: Intervention & Options

Department /Agency: Defra	Title: Impact Assessment Flood and Water Management Bill (Summary Impact Assessment)	
Stage: Bill	Version: 3	Date: 29 January 2010
Related Publications: Draft Flood and Water Management Bill, consultation and related documents, Future Water, Making Space for Water, Pitt Review, consultation stage IAs		

Available to view or download at: <http://www.defra.gov.uk/>

Contact for enquiries: Christian Denison

Telephone: 0207 238 3378

What is the problem under consideration? Why is government intervention necessary?

Summer 2007 saw the UK devastated by floods, causing £3 billion of damage and flooding 55,000 properties. Since the flooding in 2007, the Government has been taking steps to ensure the 5 million people living in flood-risk areas are better protected. Existing legislation is outdated, inefficient and is giving rise to institutional failures (e.g. when it comes to establishing responsibilities for flooding problems from different sources). Government intervention is therefore necessary to create a simpler and more effective means of managing the risk of flood and coastal erosion. For reservoir safety there is no current prospect of a market solution so Government intervention is necessary. See Annex A for further details of specific measures in the Bill and the interventions necessary.

What are the policy objectives and the intended effects?

The Bill seeks to address a range of objectives – see Annex B. Separate impact assessments are available and each deals with the objectives, intended effects, costs and benefits of the individual policy area, where these are separable. However, many of the individual policies will work together to deliver the overall benefits. The new legislation will also help improve the sustainability of our water resources and give water companies better powers to conserve water during a drought.

What policy options have been considered? Please justify any preferred option.

All of the Impact Assessments by definition propose a new law or change in the law via the Bill, relative to no change. Please refer to the individual impact assessments for policy options considered and their justification.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? Please refer to the individual impact assessments

Ministerial Sign-off For final proposal/implementation 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:

Summary: Analysis & Evidence

Policy Option:	Description:
-----------------------	---------------------

COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups' See commentary in evidence base for further details. These costs pertain to the first 25 years. Thereafter the annual costs fall by £1.4million		
	One-off (Transition) Yrs			
	£ 18 million			
	Average Annual Cost (excluding one-off)			
	£ 57 million	Total Cost (PV)	£ 1.2 billion	
Other key non-monetised costs by 'main affected groups'				

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups' See commentary in evidence base for further details. These annual savings pertain to the first 25 years. Thereafter the annual savings are £240million.		
	One-off Yrs			
	£ nil		n/a	
	Average Annual Benefit (excluding one-off)			
	£ 286 million	Total Benefit (PV)	£ 5.2 billion	
Other key non-monetised benefits by 'main affected groups'				

Key Assumptions/Sensitivities/Risks See individual Impact Assessments

Price Base Year 08	Time Period Years 50	Net Benefit Range (NPV) £ 409 million to 9.9 billion	NET BENEFIT (NPV Best estimate) £ 4billion
-----------------------	-------------------------	---	---

What is the geographic coverage of the policy/option?	England / Wales			
On what date will the policy be implemented?	Various			
Which organisation(s) will enforce the policy?	See individual IAs			
What is the total annual cost of enforcement for these organisations?	£ n/a			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	n/a			
What is the value of the proposed offsetting measure per year?	£ n/a			
What is the value of changes in greenhouse gas emissions?	£ n/a			
Will the proposal have a significant impact on competition?	n/a			
Annual cost (£-£) per organisation	Micro	Small	Medium	Large
Are any of these organisations exempt?			No	No

Impact on Admin Burdens Baseline (2005 Prices)			(Increase)
Increase	£ 0.93	Decrease	£ 0.82
Net			£ 0.11

Key:

Annual costs and benefits: Constant Prices

(Net) Present Value

Evidence Base (for summary sheets)

Commentary on the Summary Impact Assessment table (below) – See individual Impact Assessments for further detail

This table serves to bring together the quantitative cost and benefit information from the Flood and Water Management Bill Impact Assessments to produce an overall, aggregate account. The following procedure was followed.

1. Information from the Summary (Intervention and Options) and Summary (Analysis and Evidence) pages of the IAs were entered into a spreadsheet.
2. Quantified costs and benefits only were entered. There may be qualitative benefits (or costs) in some cases. Please refer to the individual IAs for these.
3. Of the 10 IAs which accompany the Bill 6 have no quantified costs or benefits. In two cases this is because the measures are zero cost and do not yet lead to benefits (costs and benefits will follow from secondary legislation or some other decision point). This is true of the water usage (temporary controls) and the large infrastructure projects measures. In 4 cases the measures are considered to have zero costs but the benefits cannot be quantified at this stage. This is true of the overview and definitions, special administration, funding and surface water drainage charges measures. Finally in four cases, local flood risk management (LFRM), reservoirs, third party assets and abolition of the fisheries committee: Scotland, there are quantified costs but these are greatly exceeded by quantified benefits.
4. The four IAs which have quantified costs and benefits all start in either 2010 (reservoirs, abolition of the fisheries committee: Scotland) or 2011 (third party assets and LFRM). Prices in the original IAs are all on a 2008 base. Both reservoirs and LFRM have a 50 year timescale, whereas third party assets and abolition of the fisheries committee: Scotland has a 25 year time scale.
5. As such the costs and benefits in the IAs can be added together even though they are on a slightly different basis, without the need for a further discounted cash flow. Producing a new discounted cash flow for the summary IA would in any case lead to spurious accuracy in the figures. However, in the figures that follow it should be borne in mind that the total benefits of the third party assets and abolition of the fisheries committee: Scotland measures accrues over 25 years and not 50 years as with the other two cases.
6. Where the original IAs provide ranges, a mid point or best estimate has been taken for the purposes of this summary.

One off costs = around £18 million.

These arise from third party assets (£11 million) and from the reservoirs proposals (£7 million) each of which has a significant start up cost in terms of designation of third party assets and in terms of registration of small reservoirs and producing inundation maps for these.

Average annual costs = around £57 million per year

These costs arise almost exclusively as a result of the LFRM measures and are hence made up largely of the ongoing costs of the works which follow from the Surface Water Management Plan proposals. There is a small annual cost associated with third party assets £1.4 million per annum. There are no ongoing annual costs associated with the reservoirs measures at this stage.

Present Value of costs = £1.2 billion

The vast majority of these costs are associated with proposals.

One off benefits = 0

None of the measures leads to one-off benefits.

Average Annual Benefits = £286 million

These benefits are mainly associated with the LFRM measures (£235 million) and hence stem from reduction in flooding risk but also savings as the result of better co-ordination of activities. A further £46 million of benefits arise from the Third Party assets proposals – associated with a reduction in annual average damages because of fewer floods from the failure of third party assets. A smaller annual benefit (£5 million) arises from the deregulation of large low risk reservoirs.

Present Value of Benefits = £5.2 billion

The majority of these are associated with the LFRM measures (£4.3 billion), though the third party assets proposals contribute £0.8 billion, and reservoir measures £0.1 billion.

Net Benefits= £4.0 billion

Overall the measures in the Flood and Water Management Bill produce a net benefit (after costs) of around £4.0 billion.

The overall benefit-cost ratio for the Bill Measures is around 4.3:1. That is, quantified benefits are more than four times the quantified costs.

Summary of unquantified costs and benefits

Some of the IA's contain unquantified values. However the scale of the net benefits are such that it would be very unlikely that these would significantly alter the result above. In fact unquantified benefits are likely to be more significant (given that 4 IA's have zero cost but unquantified benefits). The main unquantified costs and benefits noted in the IAs are summarised below.

Unquantified costs

- Flood protection appraisal costs – these may rise as a result of the overview and definitions proposals,
- Lower losses as a result of special administration because a greater range of options are available to administrators,
- Costs of restrictions on the activities of third party asset owners. These will however be outweighed by wider benefits since restrictions would only be imposed in cases where overall benefits exceed costs.

Unquantified benefits

- Benefits from a better portfolio of schemes resulting from the overview and definitions measures.
- Reduced costs of special administration cases.
- Information benefits resulting from the designation/registration process of third party assets and reservoirs. This may lead owners to take privately beneficial steps in managing their assets.
- Benefits of better planning, more strategic and innovative approaches taken in relation to Surface Water Management Plans,
- Amenity, recreation and ecosystem benefits associated with Sustainable Drainage Systems.
- Portfolio benefits from the flexibility introduced by the funding changes – allowing better schemes to be brought forward with existing budgets.
- Reduced costs of finance for large projects and greater certainty of delivery of complex schemes.
- Reduced costs of surface water drainage as a result of better charging systems which also provide protection to third sector groups.

Summary IA for FLOW Bill					Costs			Benefits				Net benefit range			
Number	Name	Summary cost/benefit assessment	Type	Start date	One-off costs	Average annual costs	Total cost (PV)	One off	Average annual	Total Benefit PV	Price base	Time period	Low	High	Net benefit (best estimate)
1	Overview and definitions	A zero cost measure which delivers significant unquantified benefits, by giving operating authorities the flexibility to take approaches which will deliver the greatest benefits.	Zero cost, unquantified benefits	2011	0	0	0	0	0	0	None	None	0	0	0
2	Special admin	A zero cost measure which will improve insolvency arrangements and may lead to lower costs in special administration	Zero cost, unquantified benefits	2010	0	0	0	0	0	0	None	None	0	0	0
3	Third party assets	The measure leads to consenting of changes to third party assets. The costs administrative costs of consenting are offset by the flood risk reduction benefits. No net costs are anticipated as a result of restrictions on third party activities since only cost-beneficial restrictions would be approved under the normal process.	Quantified benefits outweigh costs	2011	11	1.4	25	0	46	800	2008	25	150	3,400	800

4	Water usage temporary controls	Measure introduces a power to modernise water company powers in the event of a drought. This power will be specified in secondary legislation. Costs and benefits will follow at that stage. There are no anticipated costs and benefits that follow automatically from the Bill	Zero costs and zero benefits	n/a	0	0	0	0	0	0	None	None	0	0	0
5	Local flood risk management	Measure modernise surface water management through better planning and incntivation on sustainable urban drainage solutions. Significant costs more than offset by the benefits of flood risk reduction and efficiency savings from better coordinated activities.	Quantified benefits outweigh costs	2011	0	56	1,197	0	235	4,319	2008	50	138	6,107	3,123
6	FCERM funding	Zero cost measure which will create greater benefits through allowing better, higher priority schemes to be invested in. There may be portfolio benefits from this flexibility but further benefits will depned on releasing more money for schemes.	Zero cost, unquantified benefits	2011	0	0	0	0	0	0	2008	25	0	361	0

		Such funding changes are subject of a seperate assessment (not part of the FLOW bill)													
7	Reservoirs	Measure to move to a risk based management regime by deregulating large low risk reservoirs and registering and risk assessing small reservoirs. This will facilitate risk reduction benefits in the future, based on new revised standards of protection. These future benefits and costs are not included at this stage.	Quantified benefits outweigh costs	2010	7	0	7	0	5	129	2008	50	121	121	121
8	Large projects	Measure to provide greater flexibility in the way large projects are managed. Costs and benefits cannot be estimated at this stage. Case by case assessments will be made when the new approach is used. No costs or benefits follow directly from this measure at this stage.	Zero costs and zero benefits	2011	0	0	0	0	0	0	None	None	0	0	0

9	Surface water drainage charges and social tariffs for domestic customers	Measure to clarify existing law and provide water companies with the flexibility to introduce charging schemes which incentivise reduction in surface water drainage and protect vulnerable groups from high costs without undue discrimination. Also allows water companies to introduce social tariffs that include cross subsidies for other customers. This is a zero cost measure which has significant unquantified benefits.	Zero cost, unquantified benefits	2011	0	0	0	0	0	0	None	None	0	0	0
10	Abolition of the Fisheries Committee: Scotland (Electricity Act 1989 Schedule 9 Paragraph 5)	Measure to abolish committee whose functions are now duplicated by the Scottish Environment Protection Agency, with modest savings to Government and industry	Quantified benefits outweigh costs	2010	0	0	0	0	0	1	2008	25	n/a	n/a	1
11	Amendment to the Building Act to Allow Building Regulations to Require Flood Resilient Repair	There are no costs or benefits attributable to the amendment as it simply extends the scope of the Building Act to enable regulations to be made	Zero costs and zero benefits	2010	0	0	0	0	0	0	None	None	0	0	0

12	Liability for water bill payment	Ensure water companies have details of tenants to encourage early contact with tenants, to bill efficiently, discourage the build up of bad debt and, if necessary, pursue debts	Unknown costs, unknown benefits	2011	Not identified	Not identified	Not identified	Not identified	Not identified	Not identified	2009	50	Not identified	Not identified	Not identified
Overall					18	57	1,229	0	286	5,248			409	9,989	4,045

Annex A

What is the problem under consideration? Why is Government intervention necessary?

Local Flood Risk Management and the increased use of Sustainable Drainage Systems

The cost of damages in England associated with local flooding are estimated to be between £1.2 billion and £2.3 billion¹ per year and are predicted to rise due to climate change and continued building development. Existing arrangements for the management of local flooding are complex and incomplete. Measures to tackle flood risk are applied in a piecemeal way without a lead co-ordinator. Government intervention is required to identify which organisations should take a lead role, and to underpin that role with legislation to improve the management of local flooding.

New definition of Flood and Coastal Erosion Risk Management and Overview

Flood and erosion risk is increasing due to climate change and development in areas at risk. Business as usual will not be enough to effectively counter these increasing risks. Government policy already promotes use of wider portfolios of measures to sustainably manage the probability and consequences of flooding and erosion in an integrated fashion. However, existing legislation is limited to empowering authorities to drain land, build defences and provide flood warning without providing any local/national overview of the way that these risks are managed and integrated with related policies.

Flood and Coastal Erosion Risk Management Funding Provisions

Government intervention is necessary to overcome market failures that result in too much flooding, too little prevention and inefficiency. Flood and coastal erosion risk management systems provide public good which the market otherwise failed to provide. Individuals' actions may be based on an incomplete appreciation of flood risk, or be based on pure self-interest potentially placing themselves and others at greater risk. Intervention provides flood and coastal erosion risk management for the benefit of society (by reducing the risk of flood damage). Government intervention is delivered on the ground by operating authorities, which includes the Environment Agency, Internal Drainage Boards and local authorities.

Reservoir Safety

Reservoirs are used to store water for various purposes including drinking water supply, agriculture and recreation. They pose a risk to communities downstream in the event of a breach. Reservoir operators have an incentive to reduce the risk of a breach to maintain both to maintain the operational integrity of their reservoir and by their common law liability to provide compensation for damage in the event of a breach. They may be able to offset some of this compensation through insurance. However, the risk posed by reservoirs can lead to such catastrophic damage that these incentives are insufficient in themselves to protect public safety. Furthermore, the insurance market is not prepared to provide a solution. This market failure has in the past led to the Government regulating to set standards for reservoir safety. However these regulations are not based on the risk associated with each reservoir, just on their capacity. Welfare can be improved by de-regulating some low risk large reservoirs and identifying and regulating those smaller reservoirs that pose a high risk.

¹ *Halcrow Group Limited Impact Assessment of Local Flood Risk Management Supplementary Evidence Base August 2009*

Designation of Third Party Flood and Coastal Risk Management Assets (features)

Government intervention is necessary to overcome market failures that result in too much flooding, too little prevention and inefficiency. Individuals' actions may be based on pure self-interest or incomplete appreciation of flood risk, potentially placing themselves and others at greater risk of flooding. Government intervention is delivered on the ground by operating authorities, which includes the Environment Agency, Internal Drainage Boards and local authorities.

The central concept in this impact assessment is that of a 'feature'. A feature can be anything that forms an integral part of a flood or coastal erosion risk management system. It can be something that is man-made, or a natural feature of the environment. Some 65% of features relied upon for flood and coastal erosion risk management in medium or high consequence systems are not maintained by operating authorities. Features such as these are also known as 'third party assets'. It is relatively rare that these features lead to flooding (Northampton 1998, Mytholmroyd 2000 are known cases) but when they do, the effects can be devastating. The problem is that, excepting a few localised exceptions, there is nothing currently in law to prevent someone from removing a feature that is privately owned and maintained from their property, regardless of possible detriment to flood defences to their own self and to others.

Water Usage (temporary control) Measures (Hosepipes)

There is a need to conserve water for the public water supply during the early stages of the drought; to mitigate adverse environmental impacts, to avert or delay the need to use drought order powers and, ultimately, avoiding the use of emergency drought order powers. Enhanced water conservation at an early stage by water companies can avoid or defer the need to place more stringent restrictions on business through Drought Order powers (such as preventing them using water or taking water from the environment). Climate change scenarios forecast hotter, drier summers and more frequent droughts, and therefore an increased risk of restrictions that have a high cost for the environment and businesses. Government intervention is needed to amend the current drought response framework to allow water companies to better conserve water at an earlier stage without the long administrative process associated with Drought Orders.

There is also an important equity argument; current controls do not bear on some major non-essential uses of water and this gap is seen as unfair and could potentially reduce compliance with any controls put in place.

Amendments to the Special Administration Regime for the water industry

The current special administration for water and sewerage companies in England and Wales is not in line with modern insolvency practice. Currently, the only option given in primary legislation is for a special administrator to transfer the entire business to one or more new owners. This does not enable a special administrator to rescue the business as a going concern (e.g. by business stabilisation, financial restructuring and refinancing, operational turnaround, etc). If the business cannot be rescued there are barriers to transfer in that existing undertakers can veto a transfer and the standard insolvency practice of 'hive down' is not allowed at present.

New legislative framework/licensing regime for Large Projects in the water sector

Capital investment by water companies is currently financed from revenue allowed in price limits over five year periods. Some future environmental and water resource projects may need to be undertaken over longer periods, be much larger or cross company boundaries. This will require capital investment in projects where risks are different to the risks of water companies current portfolio of investments. We want to change the regulatory structure and enable large projects to be financed and undertaken separately from water companies other activities. The improved valuation of risk will better protect customers.

Extending economic regulation to such newly created vehicles is full in line with the scope of the existing regulation of water and sewerage companies who are effectively local monopolies.

Surface Water Drainage Charges and Social Tariffs

Four water companies have changed the basis for surface water drainage charges for non domestic customers from rateable value to surface area for impermeable land, following Ofwat's identification of this as the fairest basis. This has led to a such large increases in bills for some community /voluntary groups that they face contraction or closure. Ofwat interprets concessionary schemes for such groups as unduly preferential or discriminatory and prohibited under the Water Industry Act. Government action is needed to make it explicitly clear that we support concessions for such organisations.

In addition to the issue outlined above, we understand that Ofwat routinely rejects charges schemes which include social tariffs that introduce cross subsidies for other customers. This is outlined in the annex of the impact assessment. Government intervention is required to provide Ofwat with assurance that it would be lawful to accept such charges schemes.

Abolition of the Fisheries Committee: Scotland

Abolition of the Fisheries Committee (the Committee) in Scotland will remove an unnecessary burden on business by eliminating duplication of assessment regimes on certain hydro-generators now that the obligations under the European Water Framework Directive are implemented for Scotland. Abolition of the separate Committee reflects the current capacity within the Scottish Environment Protection Agency (SEPA) to have full regard to the effect on fisheries and fish stocks of proposals for, and ongoing operation of, hydro-generation in Scotland.

SEPA is the statutory environmental regulator and advisor within Scotland, responsible to the Scottish Parliament through Ministers. As well as its role in controlling pollution, it works with others to protect and improve Scotland's environment.

Over the past few years SEPA have employed a number of fish biologists to complement the expertise that currently exist within its regulation staff i.e. hydrology, planning etc. Through joint and collaborative working as enshrined in a Memorandum of Understanding (MoU) between SEPA and the Committee, SEPA has been able to build its knowledge and expertise on how the Committee operate and how it approaches its reasoned and balanced determination of any new scheme. This has resulted in an apparent duplication of effort, time and resource having two separate bodies considering and reviewing the same issues.

Government intervention is necessary to prevent this duplication.

Liability for water bill payment

Since the ban on disconnection from water supply in 2000 the water industry has seen a disproportionate increase in levels of bad debt. It is estimated by Water UK that tenants are responsible for a significant proportion (40%) of water bad debt. Water companies must bill the 'occupier' of properties requiring the name and details of tenants. Currently tenants, and landlords, have no incentive to provide this information. This results in an information problem because of a regulatory failure with much debt never being tracked down and excess resources spent chasing tenant debt.

Amendment to the Building Act to allow Building Regulations to require flood resilient repair

Flooding impacts on buildings are of growing concern in the context of adaptation to climate change. Market failure may stop cost effective adaptation being undertaken, for instance through imperfect information on the potential costs of flooding, split incentives between owner and occupier or external costs falling on communities and local authorities. This amendment would allow, subject to subsequent Impact Assessments on those amending regulations demonstrating a case for action, flood resilient/resistant repair work to be required.

For further information please see the relevant impact assessment.

Annex B

What are the policy objectives and the intended effects

Local Flood Risk Management and the increased use of Sustainable Drainage Systems

The policy objectives are to bring about an improvement in the management of flood risk and to increase the use of sustainable drainage systems. The intended effects are a significant reduction in the social, economic and environmental impact of local flooding, reduction of flood risk due to surface water flooding and protection and improvement of surface water quality in England.

New definition of Flood and Coastal Erosion Risk Management and Overview

The policy objectives are:

1. to promote the use of a wider range of measures to manage both the probability and the consequences of flooding and erosion.
2. to bring legislation in line with existing Government policy reflected in Making space for water which seeks to promote integrated flood and erosion risk management together and with wider environmental and social objectives.
3. to provide for a strategic overview of flood management and coastal erosion risk management for all sources of flooding in England and Wales.

Flood and Coastal Erosion Risk Management Funding Provisions

Two funding provisions are included in the Flood and Water Management Bill:

1. Powers to the Environment Agency to make grants in respect of a person's expenditure incurred, or expected to be incurred, in connection with flood or coastal erosion risk management; and
2. An extension of the 'local levy' available to Regional Flood Defence Committees to allow the new Regional Flood and Coastal Committees to fund coastal management in place of just being able to fund flood risk management.

The first provides the Environment Agency with powers it currently exercises under delegation from Ministers and the second supports the new role of Regional Flood and Coastal Committees. The second will help local authorities optimise their investment portfolio to include a balance of flood risk and coastal erosion risk management schemes. It is possible that it may increase the overall investment in risk management, which would be reflected in formal assessments of funding needs of operating authorities.

Reservoir Safety

The ongoing policy objective is to provide a high level of protection to the public from the continued operation of reservoirs. Related objectives are to ensure that reservoirs are managed in a way that reflects the risk, to build on the reservoir owners own incentives to manage this risk and to minimise the subsequent cost to the government, local authorities and the tax-payer in the event of a breach. At this stage in the policy cycle the objective is to move to a more risk based approach by de-regulating large low risk reservoirs and registering and risk assessing small reservoirs. Later stages (and subject to separate consultation and impact assessment) will focus on ensuring an appropriate level of protection is provided.

Designation of Third Party Flood and Coastal Risk Management Assets (features)

The policy objective is to minimise flood risk. The measures seek to achieve that by restricting inappropriate interference with flood and coastal risk management features so that their functions as a risk management features are not compromised. The Bill contains measures empowering operating authorities to formally designate features that are integral to flood risk management and that are maintained and / or operated by third parties. Third

parties could then not remove, alter or damage these features without prior consent. The consenting process would enable any approved works to be carried out in accordance with any reasonable conditions imposed. Unauthorised works on designated features would constitute an offence. Consent would not be withheld unreasonably. The effect would be fewer uninformed decisions by individuals that would increase risk (and damages) to self and others.

Water Usage (temporary control) Measures (Hosepipes)

Following the 2007 consultation which set out proposals for modernising the powers, Ministers agreed the need to widen the scope of the existing hosepipe ban powers to cover further discretionary uses. That would enable them to save more water at an earlier stage when water resources are in short supply through constraining demand. The policy objective is to increase the flexibility to reduce demand for water that water companies have under their own powers by providing a wider range of uses that can be banned, rather than to rely on powers conferred upon them through drought orders made by the Secretary of State. The proposed new powers would enable the Secretary of State to extend, by Order, the range of restrictions on uses that a water company can impose under their powers with minimal lead-in-time and therefore, to conserve more water earlier than is currently possible.

Amendments to the Special Administration Regime for the water industry

The main policy objective is to improve the special administration regime for water by increasing the options open to the special administrator to bring about a better result for creditors, shareholders or members and ultimately, customers. The effect of the proposals will be that viable water companies that experience short term financial difficulties would be given a breathing space to enable them to return to profitability rather than be sold to one or more new owners. Another effect will be that the regime will become more flexible, streamlined and consistent with general insolvency cases and best practice adopted in other sectors.

New legislative framework/licensing regime for Large Projects in the water sector

The objective is to enable the development of a regime to allow project companies to enter into a competitive bidding process to finance, build and maintain an individual large investment project for a water company. The project company would be regulated by Ofwat. The intended effect is to achieve cost effective funding and delivery solutions for large projects that are needed to meet the requirements of Community obligations and other investment drivers in the water sector. The overall cost of investment paid for by customers in their water bills should be lower, either because of a lower cost of finance, or from greater protection from cost overruns.

Surface Water Drainage Charges and Social Tariffs

We propose to amend existing legislation to allow companies to bring forward concessionary charging schemes for affected groups (subject to guidance from SofS) which in Ofwat's view is currently prohibited under the Water Industry Act 1991. Enabling companies to grant concessionary schemes for such groups will allow them to continue charging customers by site area thus incentivising a more sustainable approach to dealing with surface water runoff whilst considering affordability concerns of specific groups that play a valuable role in community to ensure they are not threatened with closure.

During the Second Reading and Committee stage of the Flood and Water Management Bill, Ministers were pressed to provide additional support for household customers from unaffordable water bills - in addition to the support being provided for community groups from unaffordable surface water drainage charges. Ministers therefore brought forward a new clause at Report to enable companies to bring forward social tariffs to assist persons who would find it difficult to pay their bills in full.

The rationale for Government intervention is that the affordability of water and sewerage services for some households is becoming an increasing problem (not just for community groups), notably for those on low incomes and/or living in parts of England and Wales where the cost of water and sewerage services is relatively high. Bills have increased by an average of around 42 per cent in real terms since privatisation. Bills are highest in the South West, where 72 per cent of households in the lowest three income deciles spend more than 3 per cent of their disposable income on their water bills. Consequently those struggling to pay their water bills goes much wider than just community groups.

Abolition of the Fisheries Committee: Scotland

The safeguards provided by the Committee through specialist advice are now addressed within obligations placed upon the Scottish Environment Protection Agency (SEPA) by the Water Environment and Water Services (Scotland) Act 2003 (WEWS). Abolition of the Committee will remove the statutory obligation to have an advisory Non-Departmental Public Body (NDPB) duplicating this function. There is no equivalent for England or Wales.

The policy objective is to remove unnecessary burdens on hydro-electric developers and generators without compromising the fisheries interests. The Controlled Activities Regulations (CAR) process combined with SEPA's established in-house expertise now provides an adequate safeguard for the water environment including fisheries and therefore the abolition is proportionate to the policy objective.

Liability for water bill payment

The policy objective is to ensure that water companies have details of tenants to encourage early contact with tenants, to bill efficiently, discourage the build up of bad debt and, if necessary, pursue debts. Ensure billing dates coincide with tenants moving into and out of properties. Ultimately to reduce customers bills by bringing bad debt levels down.

Amendment to the Building Act to allow Building Regulations to require flood resilient repair

Building Act powers already allow Building Regulations to be made to require flood resilience/resistance in new buildings/major alterations. This amendment would allow, subject to further analysis, provision to be made in respect of repair to existing buildings and ensure that properties would be better able to cope with future flooding. For example, if a building had previously been repaired to be flood resilient the impact of a subsequent flood would be reduced as damage would be less and it would be quicker and cheaper to repair – reducing both the financial and social costs of flooding.

For further information please see the relevant impact assessment.