

Public Accounts Committee

Oral evidence: Flood defences, HC 71

Monday 27 November 2023

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Members present: Dame Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Mrs Flick Drummond; Ben Lake; Anne Marie Morris.

Gareth Davies, Comptroller and Auditor General, National Audit Office, Richard Davis, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Questions 1-69

Witnesses

I: Tamara Finkelstein CB, Permanent Secretary, Department for Environment, Food and Rural Affairs; David Hill, Director General for Environment, DEFRA; Philip Duffy, Chief Executive, Environment Agency; Caroline Douglass, Executive Director for Flood and Coastal Risk Management, Environment Agency.



Report by the Comptroller and Auditor General

Resilience to flooding (HC 189)

Examination of witnesses

Witnesses: Caroline Douglass, Philip Duffy, Tamara Finkelstein CB, and David Hill.

Chair: Order. Welcome to the Public Accounts Committee on Monday 27 November 2023. Today, we are looking at flood defences, which is an issue that this Committee has looked at before. Thanks very much to the National Audit Office for their report—“Resilience to flooding”. This issue is of huge concern; we have obviously had more serious flooding incidents in recent years than the planning was for, and these instances are happening more often. We want to ask our witnesses questions about the planning of this and ensuring that we are better prepared for how we plan for flooding in the future.

As witnesses, we have Tamara Finkelstein—the permanent secretary at the Department for Environment, Food and Rural Affairs, which has overarching responsibility for this issue and the arm’s length bodies—and David Hill, who is the director general for environment at DEFRA, which deals with flooding. I am delighted to welcome Philip Duffy, the chief executive of the Environment Agency but previously of the Treasury—so the Treasury has an in at the Environment Agency. I am not sure—you will tell us in your answers, Mr Duffy—whether that is good for you or them: congratulations on that appointment. We also have Caroline Douglass, who is the executive director for flood and coastal risk management at the Environment Agency, and it is her first time as a witness at this Committee. A warm welcome to you all. First, I would like to ask Sir Geoffrey Clifton-Brown to declare his interests.

Sir Geoffrey Clifton-Brown: Thank you very much, Chair. Good afternoon to the witnesses. I declare my entry in the Register of Member’s Financial Interests in that I am an active farmer and a chartered surveyor.

Chair: Thank you very much, Sir Geoffrey. To kick off, we have Sir Geoffrey Clifton-Brown—deputy Chair.

Q1 **Sir Geoffrey Clifton-Brown:** Perhaps I can come straight to you Ms Finkelstein. There is a feeling in the farming community that not enough is done to protect farmland. I do not know whether you have seen the NFU evidence to us—if not, I refer you to it and you can look at it afterwards—but I wish to quote one bit of it. The NFU says: “For example, in 2019 alone, the Wainfleet Relief Channel on the River Steeping, Dorrington Catchwater and Barlings Eau, east of Lincoln, all failed, which led to thousands of acres of agricultural land”—a lot of which is very good agricultural land—“being flooded. We’ve also seen several breaches following Storm Babet including on the River Bain near



HOUSE OF COMMONS

Coningsby in Lincolnshire.” There is a feeling that we are not doing enough to protect agricultural land; how can you reassure the agricultural community that you are?

Tamara Finkelstein: I have not seen that evidence but will have a look at it. Agricultural land is an element that will have an economic benefit as part of the case for flood defences, so it does form a part of the way in which we look at the case for flood defences. Obviously, where there is severe flooding—I think 2019 was the point at which we looked at and instituted the farming recovery fund, when there was significant flooding—there is support there. We do take account of it in both those ways, but I will have a look at the evidence that has been provided.

Q2 **Sir Geoffrey Clifton-Brown:** Another related issue is that, as you know, 58% of all grade 1 land is in areas that are likely to flood, a lot of which are protected by internal drainage boards. The farming community would like to know when the statutory instrument is coming forward to create new internal drainage boards. Can you give us any information on that?

Tamara Finkelstein: I am afraid I cannot. Unless Mr Hill can, I will need to have a look at that and write to you.

Q3 **Sir Geoffrey Clifton-Brown:** Okay. This is the final question from me for now, perhaps for you to answer, Mr Duffy. There was a time when the Environment Agency prioritised habitat and the non-dredging of rivers, as opposed to the dredging of rivers and preventing farmland and houses from flooding. From what I can see, the balance has reverted a bit, but can you comment on that?

Philip Duffy: I can, yes, and I can comment a little on the other things you raised. The first thing to say is that quite a lot of embankments were severely damaged in Storm Babet—that is not uncommon; they are often clay-based—and we are currently halfway through 30,000 inspections of those assets to work out which ones require repair. We will then repair them. We may come later to the performance in that area.

On your point about the balance, the first thing to say is that we are completely clear about our objective in managing flood risk, which is to protect property and businesses. We do protect homes first—that is one of our priorities—but I think we would be a bit more cautious about implying, as I have heard from some of the IDBs and some farming groups, that there is inherent tension in those things. Some of the things we have been doing to promote landscape recovery have held back water and supported a slower flow in the peak flow—

Sir Geoffrey Clifton-Brown: I will come to that later.

Philip Duffy: And that can be good both for the environment and for flood defences. We are very clear on our priorities, but we also do not think it is quite such a stark “one or the other” as we have heard in some of the commentary after Babet.

Q4 **Anne Marie Morris:** The impact of storms and flooding on local communities is severe, and it has been getting worse. In my



HOUSE OF COMMONS

constituency, in the village of Kenton, 34 properties were flooded under metres of water, the school was uninhabitable, and two businesses were effectively underwater. What worries me the most when I talk to my community is that people say, “We live like this—we live in fear. We live with concrete floors and never put carpet down because there is no point, because we know that when the next flood comes we are going to be in the same situation all over again.” Some of these people are very vulnerable and very old.

I am concerned that the current system we have in place does not seem to work. Not only have I discovered that we are looking at 500 of the 2,000 capital projects being set aside, but I have a concern that, quite apart from the major capital budgets, which is what they relate to, there is no provision from DEFRA for the smaller communities of 30, 40, 50 or maybe even 100 houses that are absolutely devastated by the impact of flooding. There is no provision. Ms Finkelstein, given the impact on communities—and it is getting worse—what changes is the Department putting in place to make sure all communities, big and small, the rural as well as the urban, are provided for with a proper flood plan?

Tamara Finkelstein: To start, the impact is clearly terrible on communities. Obviously, visiting places where there have been floods, the impact on people is huge and long-term—including on mental health, as you suggest. The plan we have in place is to invest more money in flood defences and to allocate that where there is the most risk, and a pipeline of feasible projects. Out of the 2021-27 portfolio of projects, £100 million has been specifically put aside for frequently flooded communities, for exactly what you described there, “What is the point of ever putting my carpet back?” That is part of the answer to your question.

The truth is we need to make this investment and find the right ways to create the right flood defences where the risk exists. You are right that we are needing to reset this programme, because of the impact of inflation and some of the capacity problems we have confronted. That is not about putting aside some of these really important programmes, but some of them will be a bit further down the line because of the constraints on funding that we face.

Q5 **Anne Marie Morris:** Forgive me, but £100 million is a drop in the proverbial ocean. When my community asked for help, they were told by the local authority—which is the flood authority—that there was no money. Ms Finkelstein, how will you reorganise—particularly following the recent storms we have had—how you get this help to the communities that really need it, and how you make sure that flood prevention plans are in place, not just for the large conurbations, but also for the smaller villages?

Tamara Finkelstein: We have a pot of money that we allocate based on the risk and where there are projects that we can deliver. This money will help with some of those areas. Mr Hill may have something further to add.

David Hill: Just to hopefully offer some reassurance as to the shape of the £5.2 billion programme to 2027. Of that total investment, around 45%



HOUSE OF COMMONS

of it, and around 40% of schemes, will benefit properties in rural communities. That is the shape of the programme in aggregate. Then on top of that, we target the £100 million you referred to. It is a small tranche of that £5.2 billion, but it is very much targeted at those communities that are worst affected by frequent flooding. But the programme, in aggregate, will benefit around 40% of rural communities.

- Q6 **Anne Marie Morris:** You will appreciate that 40% is the minority, not the majority. What you have just said does not offer me very much comfort, frankly. I repeat, Ms Finkelstein, what plans do you have to improve the position? Forty per cent is not even half, and frankly, not acceptable. With increasingly unpredicted—and I suspect unpredictable— storms affecting communities that you least expect, do you not have to rethink this plan all over again?

Tamara Finkelstein: We have to think through a plan that ensures we look right across England and work out where it is best placed to protect properties and people. Forty per cent is a bigger proportion relative to population, and in this set of projects we have a lot more smaller projects than we had in the last set of projects.

In allocating, we have to have a basis on which to allocate, and that is where risks are greatest. We are doing a lot of work to look again at where the risks are, and whether we have got them right. The Environment Agency is doing a review of where the flood risks are—“A National Assessment of Flood Risk”. That review will look at that and reset it to ensure we are allocating our money where the risks are. As I say, putting some money into where people are impacted by frequent flooding was partly to address the issues you just raised.

- Q7 **Anne Marie Morris:** I wish I could be happier with the answer, but I will move on to the two recent storms. Were you surprised by their impact? That is, did they impact those areas you had expected to be at risk or at low risk? When you assessed the consequences of those two storms, drawing a parallel between those areas where you continue to invest in the capital projects and those where you had decided to withdraw funding, did you find that your decisions had perhaps not been well made?

Tamara Finkelstein: Let me start, and then perhaps I can bring in Mr Duffy. Again, these storms always have very significant impacts. For Storm Babet, over 2,000 properties were flooded. The impact of the investment in flood defences meant that 97,000 properties were protected. For Storm Ciarán, even though a small number—160—were flooded, 42,000 properties were protected, so we do think that some of the investment we have made has really helped, in terms of those that are protected.

- Q8 **Anne Marie Morris:** What is the inverse figure? That is, the figures for those that were not protected, because you had not put in the investment, having chosen to withdraw those 500 schemes.



Tamara Finkelstein: I will pass on to Mr Duffy, but I will just say that at the minute we are investing and building the schemes that are part of this programme. It is a portfolio programme, and we continue to invest a lot of money and add to the defences we have in place. The reset will mean that some of those projects will be further down the line. I will bring in Mr Duffy, but it is difficult to look at it and say, "If only there was a defence here, something wouldn't have happened," or say that we should do a review. We had an approach to put new flood defences where there is the greatest flood risk, at the rate at which we can feasibly build defences. That is the approach we take. On the specifics of the storms, I will pass on to Mr Duffy.

Philip Duffy: We were not surprised, for two reasons. First, we have been saying for a while that rainfall levels and intensity are going up. We had the highest ever rainfall recorded in England earlier this year, in Devon. We had the highest ever rainfall recorded in the UK earlier this year, in eastern Scotland. In Storm Babet, we had maybe 15 cm of rain in South Yorkshire on that one day, which is the most in 139 years of record-keeping. This pattern of weather is not a surprise to us. It is not a surprise in detail, because we had a weather forecast five days out, so we were able to issue the first alerts well in advance of the storm coming. We were able to upgrade to predict with more specificity where the heavy rain was likely to fall 48 hours out. We knew about that and were pretty well prepared.

I suspect that for anyone who has been flooded in the recent events—our hearts go out to them because we see how awful it is—it is cold comfort to be told by an official that somewhere else things went well. However, we have to take a view across the whole incident, and actually the story is that most of our assets worked very well. We had about 100,000 homes protected, but we saw about 2,000 homes flooded. We will look in a lot of detail at all the flooded homes. In fact, there will be a section 19 inquiry in some of those locations.

There were some areas with not very many defences currently, and no plans to build them, because the way in which the flooding happened was extremely atypical; Retford is a good example, with the Idle being completely flooded. In other areas, we had defences, but they were simply overwhelmed with the sheer weight of water, which is consistent with having record-breaking levels. To give you a sense of that, our hydrologists think that well over 150 rivers had record levels during Babet, because it is just very unusual to have that level of rain. So, it is not a surprise.

There are detailed lessons to be learned about some of the areas that flooded. Are there more defences we could build, and would that be worth doing? Are there more warnings we could give? How do we run the local operations? There are lots of things we could talk about there. Generally speaking, however, we felt quite well prepared for this event. I pay tribute to our flood forecasters, who were able to call this one fully five days out, which is pretty impressive.



Q9 **Anne Marie Morris:** I have one last question. I hear what you say. Five days is not long enough to do very much. It is clear that a different model is needed, and I think Ms Finkelstein actually acknowledged that in some of her answers.

I will ask you about vulnerable communities. It is often the vulnerable communities that are most impacted, because flood schemes are funded through a private-public partnership, which we will get on to later. Do you pay particular attention to the communities that are most vulnerable and least likely to afford flood defence schemes, to ensure that they get priority treatment? Do you look at them through a different lens, to ensure that they get the cover and protection that they need?

Philip Duffy: Yes, we do, and it is worth saying that 60% of our schemes are fully funded by us, not by partnership funding. The partnership funding available is biased towards areas in the bottom fifth of areas of deprivation. In fact, if you look at the most recent data, you see that about 23% of spending was in the poorest 20% of areas. There is a slight bias towards the lowest-income households.

As a society, we need to make sure that the alerts that we issue are properly received and acted on by more people, including those who are elderly, do not have access to the internet or do not use mobile phones in the way that we would expect. Recently, the agency moved to an auto-enrolment system. If you move house, your phone provider will sign you up to get our alerts; they will come to your phone automatically. More and more people are automatically being signed up to our alerts about flood situations.

Q10 **Chair:** That works because the phone provider has the address that you are moving to.

Philip Duffy: If you move to a registered address, you will be automatically enrolled. That is great, and it improves the take-up of our flood alerts, but I have heard commentators ask, "Is that enough to get the message out to people who might be vulnerable?". That is a legitimate question to ask, and one which we will have to investigate in the follow-up on Babet.

Q11 **Mrs Drummond:** You talked about identifying where the risks are. The EA mentions avoiding inappropriate development on floodplains, yet in my constituency, I see pockets of land identified for development that are very much on floodplains. I think that the number of properties at risk of flooding has gone up by 500,000 to 5.7 million. What can you do to stop building going ahead in flood-risk areas? Otherwise, you will have more and more buildings to look after later on. What pressure are you putting on DLUHC or councils to stop that?

Philip Duffy: We comment on about 110,000 land use planning applications a year, and predominantly we comment about flood risk. We set ourselves a target of influencing the vast majority of those planning applications. You refer to half a million properties; a lot of that is down to better data, particularly on surface water flooding, and not down to an



HOUSE OF COMMONS

increase in that, but it is true that in recent years, a number of planning applications, often quite large ones, have gone against the agency's advice. There are different interpretations of that. In one sense, there is no great problem with building in areas that have very good, well maintained flood defences. In many constituencies, 80% of the land will be in a flood risk area. We have more concern where there is a lot of building going on and there is no robust plan to build the necessary flood defences.

I can imagine that in some areas—I will not name any—there are tactics there. If you get your planning consent, and there is a flood risk, you can lobby later on for resources to build the necessary flood defences. It may be that that thinking is permeating in some places. We have recently lost a number of appeals to the inspectorate, where we strongly argued against development because of the problems we were seeing.

The next step for us is to improve our data, so that we have more persuasive arguments to make at planning committees. In the next iteration of our risk forecast, we will do 2 square metre modelling, and we will look at the depth of water you might get, and the speed of that water. That will help us demonstrate to planning committees the real danger of construction in some areas, and the cost of mitigating flood risks, which can be serious. We are trying to be more influential in those discussions, but to be clear, we do not favour a complete ban on building on floodplains, because some floodplains have excellent defences, so a ban would not be appropriate.

Q12 Mrs Drummond: Applications are going to appeal, so it sounds as though you do not have enough powers to stop them in the first place.

Philip Duffy: We are a statutory consultee, so we have some influence.

David Hill: If I may add some context, in 2022-23—the latest year for which I have figures—99% of new homes in planning applications complied with Environment Agency advice, and 96% of all planning decisions complied with EA advice. In large part, the EA is listened to.

As Mr Duffy says, perhaps the most important thing is the quality of development in an area of flood risk. I was in the Netherlands last week; almost by definition, pretty much every bit of development there carries a high degree of flood risk, but in terms of location, and the quality and resilience of developments, levels of safety are very high. As we look further into the future, through the long-range climate impact projections, we will have to learn from that experience.

Q13 Mrs Drummond: That goes on to my next question, which is about mitigating the risks: permeable paving, sustainable drainage and all the rest of it. Do you believe developers are really looking at the environmental aspects of this and putting those in? We also have fake grass. Are we managing to put the powers in place to mitigate that?

David Hill: We have a commitment to move ahead with implementation of sustainable urban drainage, which will be an important step forward.



HOUSE OF COMMONS

There is a Government commitment to move ahead with that. That will be an important set of tools and mechanisms to establish what you have just described, concerning the action developers will need to take in new development.

- Q14 **Chair:** How prescribed is that? For example, one London borough, if you put a driveway in your front garden, requires you to put paving blocks where the tyres will go, but the rest must be permeable. That is not the case everywhere in the country. That is presumably a local planning decision, but you have a statutory consultee in the Environment Agency, a Government Department with a lot of heft and access to DLUHC and other bits of the system, yet we are still building properties that are not helping on this issue. Why is that?

David Hill: The sustainable draining systems will help, and by bringing that forward, we recognise we need to strengthen that framework. Having said that, a degree of local decision making or local judgment about what is appropriate for a local area and local conditions, is quite important, and we would not want to lose that.

You are right about things such as impermeable services—we know that can have a major impact, in particular on surface-water flooding. The National Infrastructure Commission has looked at that as an expanding problem. We have a set of recommendations from the National Infrastructure Commission on how to strengthen the framework around responding to surface-water flooding. You can expect to see us respond to that quite soon.

- Q15 **Chair:** Okay, you are responding to that. Then what happens? How does that filter through the system to developers and planners?

David Hill: That could filter through in policy regulation and legislative change of planning law, if needed.

- Q16 **Chair:** It basically comes down to the local authority planning committee ultimately, to have a look and decide.

David Hill: That will be critical on the issues around surface-water flooding, yes.

- Q17 **Mrs Drummond:** Will that feed in? I am looking at 1.4 on page 20. The NAO says the “policy statement does not quantify the level of flood resilience or risk reduction the government aims to achieve in the long term, or by when it hopes to achieve it.” Listening to you now, talking about mitigation, have you a strategy in place that all councils can look at and say, “We’ve got to do that by this date. That is going to be put in our local plans.”? Have you got that statement and some guidelines and dates in place?

Philip Duffy: I will start. No, because NaFRA, our current database, does not have the level of detail needed on surface-water flooding risk that local authorities need to have to make smart decisions about not just new homes but existing parks, green spaces, school fields and highways—all the areas where water can accumulate. That is why we are trying to



HOUSE OF COMMONS

publish by the end of next year a brand-new analysis which integrates what we know about surface water in much more detail and gives the authorities the tools to do that.

We are not the lead risk authority for surface-water flooding, but we are thinking quite hard about what we can do at the Environment Agency to offer more services to local government. There are some local authorities that are brilliant at that and do fantastic work on it. There are others where they do not have many experts in hydrology or the resources to plan appropriately. We are trying to make available in a single place all our guidance. We are trying to offer training courses, and to ensure we have really good data available to all local governments to work with us on how they can reduce that risk.

The difficulty is a systems problem. It is not just about new homes or planning. It is also about ensuring that the highways department understands how to manage pavements and that the school department knows how to manage playing fields. You need a level of leadership locally to be able to do that effectively. Really good authorities can do that: there are some here in London who do it very well. We need to make sure that more of them have the skills and tools they need to be effective as risk-management authorities in surface water risk.

Q18 Mrs Drummond: So the EA is going to take on that responsibility?

Philip Duffy: We are going to provide much more information and training for them. We are not going to take on their responsibilities, but we are going to enable them to respond to this new challenge.

Q19 Anne Marie Morris: Can I probe a little further into the capital programme and how you decide which projects to pursue? Could you give me a bit of clarity on the criteria? Is it about the number of properties affected or the likelihood of a flood event? What is it? Ms Finkelstein, I think you talked about the fact that you took into account deprivation. I wonder whether you also take into account rurality. How do you use those criteria, and how did you use them to deselect the 500 that got deselected?

Tamara Finkelstein: Let me start and then I might come to Mr Duffy. We know that inflation and capacity issues have had an impact on this programme. We have had advice, which is what was reflected in the Report, on the number of programmes that can be delivered in this period and the number that will be delayed. We still need to do the actual reset and talk to Ministers about that, so we haven't got a firm area, but the way in which we select a project in a portfolio, as I was saying, is about levels of flood risk and feasibility. We get advice locally about the feasibility of the projects that can be delivered. We therefore have a way in which to select projects and look at the ones that are value for money, which brings in a range of benefits, including properties that are protected.

Q20 Anne Marie Morris: Would that predispose money going to larger conurbations? Clearly, you are going to get more value for money if there are more properties that you are able to protect. I understand that, but



HOUSE OF COMMONS

does it mean that rural properties, where the calculation is never going to work out in the way that it would for urban communities, are simply not in with a shout?

Tamara Finkelstein: I will let Mr Duffy give a bit more information on the process.

Philip Duffy: We score business cases against four headings of benefits. One of them is broad economic benefits, which is the largest single pot. That includes homes, businesses, infrastructure protection and a whole range of different factors. If you take the Bridgwater barrier scheme, for example, a lot of the benefits are not homes, but broader infrastructure; we have JLR opening and a whole range of other sites in that area. So that is the first one. We also include some environmental benefits in those areas and, as you said, we have a vulnerability assessment.

There is some confusion, because when you have a cost-benefit ratio, depending on the mix of benefits you are bringing in, you may need to raise more funding. You get much higher levels of funding from the state if you are doing home protection than certain other forms of protection. About 40% of schemes need to raise more money on top of that. It is not obvious that there is an anti-rural bias. Many of the rural schemes you are talking about are quite small and therefore not very expensive. To add to our previous exchange on this, of the 1,500 schemes on the portfolio after the reset, about 1,200 will be less than £3 million. They will be small schemes, with often very small bits of work done locally to protect a small number of homes. We are in favour of that because delivery and cost control on those small schemes is very good.

Q21 **Anne Marie Morris:** Are you able to give a breakdown of rural versus urban?

Philip Duffy: I don't have anything in front of me, but I'm sure I could.

Q22 **Anne Marie Morris:** I look forward to receiving that separately. I touched briefly on the issue of funding. When there is a local business that has a benefit, private investment then gets put in the pot and matched with the public sector funding. I gather that because you haven't been able to get that contribution from business, some schemes effectively cannot be delivered. Is that correct, and if so, what will you do about it to make sure that the model, which doesn't seem to work any more, doesn't stop flood protection being put in place where it is clearly much needed?

Philip Duffy: I am not sure that it doesn't work any more. There is good evidence that the partnership funding in the last period levered in about 60,000 more homes protected, so that's positive from DEFRA's point of view. Also, just on the private sector, we have so far brought in about £130 million—twice as much as we brought in in the last period. My teams are out round the country, talking to all sorts of businesses affected by flooding and trying to persuade them to contribute. I have to be honest: it is very difficult sometimes. Many businesses are quite reticent. They face all sorts of cost pressures currently and they are not particularly willing to cough up extra cash unless it is directly related to those things. Even when



we see other public bodies stepping in—Network Rail would be a good example—that serves to focus minds on the importance of a resilient set of infrastructure, and makes the pot of money we have go further.

I am a bit sceptical of notions that it is a terrible idea; there are actually quite a lot of good things coming out of partnership funding. It also means that when we have a project that is co-financed, everyone has a stake in it, so you see really good discipline around how the project management works and how that is taken forward. I think partnership funding still has a role to play, although I completely accept that it is very hard work getting money out of the private sector for some of these schemes.

- Q23 Anne Marie Morris:** Let me ask you where we sit with local government. Local government have a role, particularly when it is flood prevention for ordinary rivers and that sort of thing, as opposed to the bigger schemes, where the Environment Agency has the lead role. How do you decide how much money local government, county by county, as the lead flood authority actually get? How do you expect them to spend it? And how was the £100 million that you referred to allocated and how do local authorities get access to it? Right now I am being told by my flood authority that they don't have any money.

Tamara Finkelstein: In terms of the money allocated—the £100 million—that can be bid for. I think we have just announced the first 53 schemes, which will spend £26 million, so those bids can be made directly. Local authorities have some responsibilities around flooding, particularly on surface water flooding. There is money within their settlement for the work that they need to do on flooding—for the actual work that they do. Otherwise, it comes through the way in which the overall, large pot is allocated.

- Q24 Chair:** Can we just be clear? That money in their core budget is not ring-fenced for flooding.

Tamara Finkelstein: It is not ring-fenced, because local authorities have made representations over long periods that it is better to be able to use your money effectively if it is not ring-fenced in that way.

Chair: Indeed, but they have had very significant cuts in recent years. Ms Morris will pick up on this.

- Q25 Anne Marie Morris:** Does that not leave communities that are flooded very vulnerable? If there is no ring-fencing, my local authority can quite justifiably say, "We don't have any money."

Tamara Finkelstein: That could be the argument about anything for which money is allocated. The best way in which to use the money locally is to be able to make those decisions within a local authority, but there is money, as part of the overall budget, for flooding activity.

Chair: Mr Duffy wanted to come in.

Philip Duffy: What the NAO very eloquently sets out in this Report, which I think is quite important, is the vital need to ensure that local authorities



have deliverable, mature schemes before they are funded. What we have seen in the past, as the NAO correctly says, is schemes rushed through where we say, "We'll do it," because there is a problem, but actually we didn't know what the scheme was. Does it have planning consent? Is it deliverable? Can it be done? When you look at the very fine-grain warp and weft of the portfolio, the schemes that end up overspending are the ones where we didn't know well enough, when we went to market, what it was we were going to do and we had to rethink that quite a lot. So when we do the annual refresh of our programme and we work with the regional flood and coastal committees, which are a group of councillors, to understand what their priorities are, we are asking, "Are you ready? Has it got planning consent? Do you know whether it would work? Could you go into construction soon?" We are asking those questions before we go nap every year on what we are going to finance after that period.

That also means we have to spend money—this is another point the NAO makes very eloquently—now to make sure that authorities have some support in planning for the future, because if you are a small authority, coming up with the plans is actually a big cost in itself. About £300 million of this £5.2 billion is earmarked not for anything in this period, but for developing schemes for the next period. It is really important that we protect that, because it can take several years to work out what needs to happen and whether it could be feasible, and also to make sure you have planning consent before you can get the financing. That kind of cycle is how we are working every year. That is one of the reasons why, although we are modelling that 500 schemes won't go forward in this period—because we are reducing costs more, predominantly because of inflation—that doesn't mean that those schemes are cancelled. Actually, we may find that some schemes move around and some things are delayed, and we will keep checking back with the authorities, asking, "Are you ready to go now? Could you get into our programme?" That is quite good practice because that is how we spend the money effectively and make sure that we don't have an underspend. We are not definitively stopping any schemes at this time. We will keep asking each year.

- Q26 **Anne Marie Morris:** That is helpful. Ms Finkelstein, can I get some clarity on what you perceive as the role of local government in a flood situation? We have talked a little bit about the prevention side of it, which sounds like individual schemes. It is absolutely right that there should be planning and funding for that, and I agree that they need to be properly thought through and that there is no point starting something that won't work. What about the situation where a community is hit by flooding that thoroughly destroys roads, infrastructure and properties? Some of that may be covered by insurance, but some of it won't be. What is the role of the local authority then, and what funding does it have to put things right?

Tamara Finkelstein: At the point after the storm has taken place, you get the recovery mode, which is the point at which the Department for Levelling Up, Housing and Communities takes over, working very much with local authorities. We can open up schemes—and have done so on



HOUSE OF COMMONS

occasion—to help with that recovery. I referred previously to farmers being able to access that. Following Storm Babet, we have put in place the flood recovery framework, which provides money for business recovery grants and also grants to allow properties to install resilience against future flooding. That is quite important, as you say, in the frequently flooded areas that you describe—we move into that mode of recovery and support for that work. We have also looked at different times where there have been significant flood impacts, with more money being provided to improve resilience.

Q27 Mrs Drummond: Looking at your assessments of properties being protected, we start off with 336,000 by 2027 and then you have downgraded it to 200,000. What is your realistic assessment of what will be protected by 2027, and how are you going to assess the number of properties in the future? Obviously, you have missed the first target, so how are you going to make sure they are more realistic in the future?

Tamara Finkelstein: Let me start on that. In the last set of projects, we achieved more than the number of properties protected. We set this very carefully, based on assumptions about inflation and what was possible, as advised by the Environment Agency. That is how we set the programme. It was also based on the national flood risk assessment, which is now being redone. We used that to set the 336,00 and we achieved the £5.2 billion that we needed to do that. It built in £400 million of contingency as well, but we were hit by covid and by inflation, and that is what has meant that we have to reset.

As I said, we are still to fully reset and agree that with the Treasury, but the National Audit Office Report has the information of what the Environment Agency thinks is possible, and that builds in some contingency on the numbers protected. Obviously, we will then need to have various things in place to ensure that we will deliver that, in terms of assuring the programmes that are in the portfolio. As Mr. Duffy said, the projects that would not be part of delivering the 200,000 are not lost. They are things that will need to happen later, because we don't have the funding in this period to do them.

Q28 Chair: It is worth pointing people to page 28, figure 4, which is a useful illustration of the gap.

Tamara Finkelstein: The work Mr Duffy was talking about before on the next iteration of the national flood risk assessment will be incredibly important in providing the basis for future significant work—the programme that we would put in place from 2027 onwards.

Q29 Mrs Drummond: There are 336,000 that are not now going to be covered. Are they going to be a bigger risk, or have you judged them not to be at risk now?

Tamara Finkelstein: We will need to go on investing in flood defences into the future, and many of those programmes are still good value for money and are programmes that we need to do when we have the funding to do them.



HOUSE OF COMMONS

Q30 **Mrs Drummond:** So they will be rolled over into the next iteration?

Tamara Finkelstein: Yes, that's right.

Q31 **Mrs Drummond:** The next question I have is about how DEFRA works with DLUHC on this sort of thing. You mentioned training and skills, but I wanted to know what DEFRA is doing with DLUHC particularly and how you are trying to persuade it to look more at flooding, maybe by using skills and technology. Have you had joint discussions about that?

Tamara Finkelstein: Let me start on that, and then maybe I will bring in Mr Hill. We work really closely with DLUHC on flooding. We work closely with them during a flood and then pass it on to them for the recovery. We work closely on planning, and we will work closely with them on, for example, the response to the National Infrastructure Commission report on surface water flooding. A lot of that is in Mr Hill's area, so maybe he wants to comment.

David Hill: To add to what Ms Finkelstein said, in addition to our role when we are actually in a flood event, we work with DLUHC on the whole span of planning policy. We work closely with them on the refresh of all the national planning policy statements. We worked closely with it on the recent refresh of the third national adaptation programme, which is obviously critical to ensuring that long-term climate resilience is built into pretty much all sectors of the economy. In terms of the governance of how we do this in Whitehall, I chair a board with representatives of all major Departments with a stake in the delivery of all the Government's 25-year environment plan goals. We set that up in response to a previous NAO recommendation. In fact, the chief planner is the DLUHC representative on that board. That is the place where we try to think about how all our environmental objectives come together, including managing flood risk, and where we make sure that we are joined up across Departments in the action we take.

Q32 **Mrs Drummond:** In terms of the other Departments—science and technology and so on, which uses AI and satellite imagery and such—are you pushing them to get private companies to develop that sort of technology?

David Hill: Yes, we are. My Environment Agency colleagues may want to comment on this, because the agency is doing some really innovative things with technology.

Philip Duffy: NaFRA2 has quite a large advisory board of academics, and I thank very much all the people who have helped with it. We are doing quite a lot of intensive research into whether we can do better modelling. We can improve our end-to-end model by seeing what we have learned from things that change. We are working quite closely, and we are now a public sector research establishment for the first time in a while. We have just received our first grant from UKRI, via DSIT, to further our research base on the natural environment. I think there is a good join-up there.

Q33 **Chair:** Mr Duffy, as we would expect from a former Treasury man, you



were talking about the danger of rushing projects and getting poor value for money from them. You have this amount of money to invest, and you have challenges to the budget, but there are often delays and lags in big projects. How will you ensure that you use the money up without having a rush at the end? You talked about deferring some things. How bold are you going to be in that decision? Communities want the money spent. When do you make the judgment about pushing a project back because you are worried that it will be rushed, and actually delaying the timetable? Ms Douglass might want to add something here.

Philip Duffy: We have been looking very hard since I have been at the agency at the performance side of the business cases and what is going on beneath the bonnet of this programme. There are two very distinctive stories. The very small projects, which are the majority by number but the minority in terms of the money, actually perform very well in business cases and come in largely on time. To give a sense of that, about 80% of them come in at or below the budget quoted at the full business case, which is a remarkably good performance across those areas. That is quite reassuring in terms of that area.

It is the large projects where we are seeing the difficulties. That is not uncommon across your work on transport or other areas. To give you a sense of how serious the difficulties are, about 50% of our £10 million-plus projects are more than 25% over cost between the outline business case and the full business case. That is a significant problem. How we are going to deal with that—

Q34 **Chair:** Is that because they are longer projects? What is the problem with being bigger?

Philip Duffy: There are several reasons why they are harder to deliver. First, they require much larger project teams. We suffered after covid with lots of turnover and lots of vacancies. Secondly, they are more controversial. They require longer to get planning consent, and they can be subject to more changes in scheme design to meet the requirements of local communities and planners. Thirdly, they are much more heavy on engineering than the type of very small project you were discussing. They are more likely to involve significant volumes of concrete and steel. Where are we seeing the biggest inflation? Concrete and steel—44% year on year last year. So there are lots of reasons why that is a particularly worrisome group of projects that needs particular help now.

What can we do? We are looking at our optimism bias numbers and whether they should be increased as standard across the portfolio—certainly for future areas. HMT says that you might need to go above 60% optimism bias from the initial quote to get a reliable cost quote. Also, we currently allow mitigations in cost quoting.

Q35 **Chair:** What is the current optimism bias?

Philip Duffy: It is just at 60, but with mitigations. We now allow you to say things like, “Well, I’ve got this risk, but I’ll deal with it by doing this,



HOUSE OF COMMONS

that and the other.” We may need to say, “You can’t do that. You always have to apply the optimism bias as per the Treasury guidance.”

Q36 **Chair:** How many are coming in at that level?

Philip Duffy: More than half of them are more than a quarter over budget by the time they come through.

Delay is another factor—more than 50% of them are more than two years late compared with their initial number. I think we can improve that. We have been hit by Ukraine, so perhaps the current data is a bit unfair on that set of areas.

You asked about delivery towards the end of the period. The good news is that we are now spending almost £1 billion. If you look at our portfolio, it does not have a huge hockey stick in spend—it is actually about £1 billion every year. We are looking at our numbers now, and we are about—Caroline, why don’t you come in on where we are?

Caroline Douglass: By year end, we hope to have about 87,000 properties better protected. We are almost halfway through the programme—at the end of year three—which is actually quite a good status.

Chair: It is rare that we see that.

Caroline Douglass: There is more we can do. We are looking at how we can streamline processes, particularly for smaller schemes that are under £3 million. What can we do to make it easier to get into construction through contracts and through business cases? To address some of the issues that were raised earlier, how can we get local government schemes happening more quickly? On the larger schemes, we need to put in better cost controls around that. That is highlighted by the figures Mr Duffy outlined. We are looking at all those sorts of measures that we can put in place to ensure that we have high confidence in what we can deliver by the end. A high proportion of our schemes are at high confidence levels. There is a lower number at the medium to lower confidence levels for the end of the programme.

Q37 **Chair:** We have come across the issue of under-capacity in smaller local authorities in particular. With a lot of squeeze on their budgets, there is a general challenge there. Other than money, what actual resource can the Environment Agency put in to support local authorities to deliver on time?

Caroline Douglass: We are putting in extra capacity through training programmes. We are assisting local authorities with training and understanding that. We have put in specific guidance websites that they can use and access for the development of business cases and for the development of construction. We have given them access to our framework contractors so that they can use them as well to get schemes on the ground.

Q38 **Chair:** Legally, is it fine for a local authority to bind to your framework?



Caroline Douglass: Legally, it is not a problem at all. The other element is that we are working with local government associations such as ADEPT, the association of environment planning and transport planners, to understand where their difficulties or challenges are, and therefore what we can do to mitigate that through capacity, skills, training and other measures. We are continuing to have the conversation with them about what we can do to help.

Chair: Although it is important, it is not high cost. It is a small amount of money for the capacity you are building.

Caroline Douglass: That's right.

Q39 **Chair:** Can you point to some evidence of how that has been successful?

Caroline Douglass: I don't have any off the top of my head that would help.

Chair: Mr Duffy?

Philip Duffy: There are two things. First of all, a lot of authorities are doing a fantastic job with this. An example, if you wanted one, would be Portsmouth and Southsea. It is actually done by the local authorities. It is not done by us, but it is done very competently. One thing we are trying to do is get them to pool resources. This is what has happened along the Solent, but it is also happening in Norfolk along the east of England. We have a coastal partnership along there. That means they can really make sure they have dedicated coastal hydrologists. They work just on this, and that gives more benefit for those smaller authorities. There are some ideas out there about how we can get more for less in some of these areas.

Q40 **Chair:** That is very interesting. You have the big capital projects, but you also have the maintenance of existing schemes. How easy is it for you to transfer money from your capital budget into major asset maintenance, Mr Duffy? Then I will come to whether the Department likes you doing that, but first of all, can you do it?

Philip Duffy: We have to abide by the public finance rules as a public body, and we do that. We may come on to what we are doing to drive up compliance across the Environment Agency with the public finance rules. We have certainly had a lot of support from my colleagues in DEFRA on moving money between the capital and revenue budgets, which we do need to do because it is RDEL in the main, not capital. We have an additional wrinkle in the public finances, which is that when you are doing a flood defence scheme, you may have a publicly owned asset, but there may be walls or revetments around that asset that are vital to ensure that it works properly in a flood. They may not belong to the state. We have particular difficulties in how we maintain and account for the spend. We must do that to make sure the standards are maintained for a complete scheme. In most schemes we are talking about here, we will own a bit of it, but there will be other people who own quite a lot of the areas.

Q41 **Chair:** Can you make them do something if they are not maintaining it?



HOUSE OF COMMONS

Philip Duffy: In theory we can. We can also step in and maintain them in an emergency, so we have the powers we need to do that work, but it is really—

Q42 **Chair:** You then try to recoup the money from them afterwards.

Philip Duffy: We do try to recoup it. The issue is that the accounting for that is slightly complicated.

Chair: Well, I think a man from the Treasury should be able to manage that.

Philip Duffy: I am talking to my former colleagues about it.

Q43 **Chair:** Exactly. That is an interesting point. In other sectors, we have seen capital move to the resource funding, and we have been very critical of that. On the other hand, if you do not spend to maintain things, you will create problems down the line. Do you have any worries about the overall maintenance of big projects that could be a drain on your capital budget in future because they might fail sooner than expected?

Philip Duffy: Well, I don't think it is a secret that the modelling for the agency says we ideally want 98% of our assets working in one of the top three of our five asset conditions. We have modelled that to look at the value for money for that. Obviously, if an asset fails, repairing it is more expensive because it is a much bigger job, so there are good reasons to do that.

Chair: Let alone the impact on people who might be flooded as a result.

Philip Duffy: Of course. That is our long-term goal. We have agreed a financial envelope to get us to 94.5% of those assets, and we prioritise. We know the ones that are most risky for the public or which ones are more critical, and we try to keep those at a higher level than the assets that are less critical. We are doing okay on that, although Babet has set us back because we are doing these 30,000 inspections, so that is dropping a little bit.

Q44 **Chair:** Sorry, just to be clear: the people who are doing the 30,000 inspections as a result of that particular storm are being taken off doing the checking on maintenance of other schemes.

Philip Duffy: No, they are our maintenance engineers, but they may be taken off building new projects at times. There is a bit of a trade-off to manage there.

Q45 **Chair:** Have you got enough skills and resource in the Environment Agency? You are sitting next to the accounting officer.

Philip Duffy: We had 13% vacancies in our FCRM functions. That is down to 5% currently. That is due to a lot of very hard-working recruiting. We have moved to bulk recruitment. We have a much more diverse workforce. I don't know if Ms Douglass wants to comment, but I think we have made good progress on getting the skills we need.



Chair: Anything to add, Ms Douglass?

Caroline Douglass: We are putting a lot more workers through graduate recruitment schemes, so we have taken on another 20 graduate engineers this year. We are putting people through water apprenticeships, woodworker apprenticeships and environmental apprenticeships, so there are 50 to 60 going through those apprenticeships every year. It does take a while to bring those skills on, so there is a bit of a lag in building those skills and capabilities, but we are building that workforce for the future. We have quite a good relationship with our supply chain as well, and we are using contractors through that approach and supplementing our skills where we need it.

Q46 **Chair:** It is presumably too soon to know whether that investment will pay off—if they will stay or get poached by others.

Caroline Douglass: It is always a risk for us. We train people and they do move on, but at the same time, we are getting huge benefit from having them on board while we have them.

Q47 **Chair:** Do the civil service headcount rules apply to the Environment Agency? Is that the permanent secretary's problem? Is it under their family?

Caroline Douglass: It is still a question remaining between us and the Treasury as to quite the way in which it will apply.

Q48 **Chair:** For anyone who might not have tuned into this, it is to try to get the civil service back to pre-Brexit levels on headcount. Given the challenges with flooding, do you have capacity to move people between bits of the system within the Department? Presumably you do, Ms Finkelstein, in terms of numbers. If you have more in the Environment Agency, you presumably have to reduce elsewhere.

Tamara Finkelstein: At the moment, the Environment Agency and Natural England do not fall directly into the announcements that have been made. In what way that might apply will be a question. There are all sorts of areas where we will want to ensure that we have the skills and capacity in place. We will look at the way we manage that within the headcount we have.

Q49 **Chair:** Mr Duffy, in terms of capital investment and ongoing big maintenance, what keeps you awake at night? What are your worries? We have had these big storms recently. There is climate change. Which areas of the country or which type of schemes worry you most, if there is any pattern? You are relatively new in the role.

Philip Duffy: What genuinely keeps me awake at night is surface water flooding. In July, we saw a tragic incident with two deaths in Liverpool. We saw multiple fatalities in the west of Germany last year. We saw 25 fatalities in South Korea last year. As a society, we have to take that much more seriously. It is difficult to forecast these very intense rain cells, and often we do not have the necessary warning systems. We are moving to have more focus on surface water. It is about 35% of our current scheme.



HOUSE OF COMMONS

We are putting more money into surface water schemes, but it is important to raise awareness and think about how, not just local authorities, but highways authorities have to think about that. That feels absolutely critical to us, given the climate change that we are facing. That is a real risk. There is no five-days-in-advance forecasting for that. It is really difficult to see. That is a cause of alarm.

Chair: We may pick up using less water with Ms Finkelstein later, because we discussed that with Ofwat earlier.

Q50 Sir Geoffrey Clifton-Brown: Ms Finkelstein, can I probe you about your Department's oversight of the EA and take you to paragraph 15? It says: "The Comptroller and Auditor General's report in EA's 2021-22 annual report and accounts highlighted concerns with data quality on EA's asset records... EA analysis in June 2023 indicated there are still gaps in EA's asset database...Taken together, these weaknesses cast doubt on the quality of some Board reporting, which could mean members are not aware of the extent of risks to delivery." Can I ask what your non-executive directors were doing on that board?

Tamara Finkelstein: I'm sorry; do you mean the EA board?

Sir Geoffrey Clifton-Brown: Yes. I presume you have non-executive directors looking after the Department's interests. Why didn't they know what was going on?

Tamara Finkelstein: The issues that we have had with our accounts and the way in which assets have been recorded has come up as part of the audit of our accounts—I think that is what this refers to—over the last three years, which has led to qualifications of our accounts. There have been some challenges to the way we have done valuation of land and buildings, of depreciated replacement cost and of classification of assets under construction, which have led to some qualifications and which require some improvement.

In some of these cases, it was in part that the way in which assets were recorded in terms of their ownership, or in terms of what was revenue and what was capital, had got out of line with where accounting standards were. The NAO spotted that. We have been involved, with the Environment Agency in the lead, in significant data improvement projects in all those areas. We are getting to those improvements.

I am not sure if it would be fair to say that an audit committee would have picked that up. I think we were using ways to record these assets that had got out of line. That was picked up by the NAO, and very significant projects were put in place to improve that. That is where we are. We still have a number of qualifications. On the ways in which assets are recorded, we expect at least two of them to be cleared by this year. One of them is on the depreciated replacement cost of assets. The work involved is quite significant and could stretch for another year, but we are very engaged in that, as are the audit committees of both DEFRA and the Environment Agency. I don't think it has led to any wrong decisions or



HOUSE OF COMMONS

issues that would have caused harm, but we have got to a place where we are out of line with where accounting standards say we should be and we are therefore qualified.

Sir Geoffrey Clifton-Brown: Let us examine whether it did lead to poor decisions or wrong decisions. I am going to repeat the figures that—

Tamara Finkelstein: Which page?

Q51 **Sir Geoffrey Clifton-Brown:** I am now on page 11, paragraph 16. I am going to repeat the figures that Mrs Drummond gave us this afternoon. The Government allocated £5.2 billion originally to protect 336,000 properties by 2027. We all know that. There has been a catastrophic drop in that figure to 59,000 properties, after having spent £1.4 billion. This is the figure that I want everybody to hold in their minds for a minute. The EA has since reduced its forecast to 200,000 properties—this is until 2027.

I then want to take you to paragraphs 23 and 24. This is the issue of maintenance of the EA's assets. As Mr Duffy has already made clear to the hearing this afternoon, in an ideal maintenance he needs 98% of his high consequence assets maintained, and that would cost £235 million a year. But he did not get £235 million a year. His budget dropped progressively to £201million, £196 million and £190 million. So you had a shortfall of just £34 million for what he needed for proper maintenance.

If you go over the page to paragraph 24, it says that as a consequence of the 93.5% maintenance, instead of 98%, it exceeds that whole forecast of 200,000 properties better protected if he had been able to do that maintenance. For the want of £34 million, that was a crazy decision, wasn't it?

Tamara Finkelstein: No. Let me address that. As I think it addresses in the Report, I don't think that is comparing the same things.

On the maintenance question, as Mr Duffy said before, the 98% of high consequence assets maintained at the required condition is set where the EA judges is the best value for money in terms of maintenance. Clearly, keeping it at that level will ensure that we are not spending excessively because of letting it go too long before it is maintained. But it is not really an assessment of whether the asset will fail or whether the properties it is to protect are in danger because of the asset failing.

I might want to bring Ms Douglas in on this, but my understanding is that an asset will not be regarded as in the required condition if it is visited and there is a catch that is not working and a temporary fix is put in place. Rightly, until the permanent fix is put in place, it will be regarded as not at the required condition, or if the assessment cannot be made at that time because there are overhanging leaves and it has to be done at a later time.

What I am saying is that I think it is an odd comparison to say that all the properties that that flood defence is protecting are at risk and therefore



can be compared to actually putting a new flood defence in to protect a set of properties. So I think it is an odd thing to compare.

However, I do recognise that we made a decision to not fund the full 98% and we agreed 94.5%, I think. One of the reasons, with a fixed pot of money where we did not have enough to do everything that we wanted to do, was a view that we should put a bit more resource into ensuring that the capital programme could be delivered. A capital programme often fails because of want of the resource that goes with it, so on balance we put a bit more into the resource money for the capital programme to try to get that going.

I recognise that the programme has got behind because of issues we have discussed around inflation and capacity, but that was the balance of that decision and a view, in conversation with the Environment Agency, that we were not putting hundreds of thousands of properties at risk by making that choice.

We were doing something that was not as good value for money in the maintenance programme, which was not ideal. That was how we made that decision. Those are the sorts of choices and decisions we need to make all the time, and, as I say, we did it in conversation with the Environment Agency. It was not the perfect outcome, but on balance it felt like the right outcome.

Q52 Sir Geoffrey Clifton-Brown: Ms Finkelstein, with respect, that was a very long answer to a relatively simple question. I will repeat and quote verbatim paragraph 24 on page 16 so that there is no doubt, bearing in mind that this is an agreed Report between your Department and the C&AG: "Defra and EA did not explore with HM Treasury the potential to use part of the capital budget"—this is just the £34 million we have talked about—"underspend to address the shortfall in maintenance funding in 2022-23."

This is the important bit: "The number of properties (203,000) at increased risk due to EA maintaining only 93.5% of its high consequence assets at required condition, instead of the 98%"—which the £34 million would have given you—"that EA considers optimal, exceeds the forecast of 200,000 properties better protected through the capital programme."

Tamara Finkelstein: I will try to give two short bits to answer your question. The first—Mr Hill is trying to find where it is in the Report—is that, as you say, it is an agreed Report, and we agreed these words: "These figures are not directly comparable: new flood defences provide benefits over a long time period whereas benefits from annual maintenance spending may be shorter term, and the reductions in the scale of risk resulting from maintenance may not be equivalent to the increased protection provided by new flood defences." They are not comparable figures, which is why we came to that agreement.

The question you also asked was: why did we not move money from capital into maintenance revenue? We always keep under review if there is a better way in which we can use our money at any point, if it looks like



HOUSE OF COMMONS

there is an underspend. Actually, this year we are doing a transfer of £25 million into the maintenance budget from the capital budget, so we keep that under review, as we do right across the piece on where we best spend our money. We were not, I suggest, putting hundreds of thousands of properties under that sort of risk. We were seeking to ensure that there was enough revenue to get the capital programme going so that we could adequately defend, in the long term, that number of properties.

- Q53 **Sir Geoffrey Clifton-Brown:** Thank you for that. Mr Duffy, you are going to get an extra £25 million worth of maintenance. Will that be enough to get to the 98% proper maintenance of your assets?

Philip Duffy: It will certainly be enough to get us to the 94.5%, which is our target this year. As I said earlier, we have experienced a bit of a drop in that, because we have had so much damage during those storms in the autumn, so we are effectively trying to recover the situation. We will see if we can get a better number than the 94.5% by the year end. In construction, we face significant cost inflation in maintenance as well, and we have to be realistic about that.

- Q54 **Sir Geoffrey Clifton-Brown:** Ms Finkelstein, sorry to labour this point, but does it not seem, particularly with the storms, that you ought to be giving him at least the £34 million to maintain his assets properly? It is providing far better value for money than any new schemes possibly could.

Tamara Finkelstein: I question that, as I say, because of what maintenance does compared with building the defences. We absolutely have to look at all times, and that is why we are making this shift. We have those conversations all the time to see how we use the money and get the best value. The capital programme has a 4.8 benefit-cost ratio; it has a high aspect.

- Q55 **Sir Geoffrey Clifton-Brown:** So it is £34 million out of a capital budget of £4.8 billion. It is a drop in the ocean to transfer these assets into maintenance that seems to be so badly needed. Anyway, let us leave that now.

I will come to you, Mr Hill, on planning. My first question is: when will you enact section 3 of the Flood and Water Management Act 2010? It is very important, because it will give local flood management authorities the ability to manage SUDS drainage systems, which, in my view, are building up a huge problem for the future because they are not being adequately installed or maintained. In the Cotswolds, some relatively new houses are flooding because the SUDS have not been properly installed.

David Hill: I cannot give you a date. We are committed to doing it, but I cannot give you a precise date. I can certainly take that away and write back to you with details. There is a commitment to move ahead with it; we just do not yet have a fixed date for when we can do so.

- Q56 **Sir Geoffrey Clifton-Brown:** But we have been told this for a year or two. It is so important, and it is building up future capital problems for us almost by the week with homes flooding. What is the problem with giving



us a date?

David Hill: We will need to agree a date with our colleagues in the Department for Levelling Up, Housing and Communities. As I said, there is a commitment to move ahead with it, but I am afraid that I am not in a position to give you a precise implementation date.

Sir Geoffrey Clifton-Brown: You are going to write to us about it?

David Hill: We can do.

Q57 **Sir Geoffrey Clifton-Brown:** Okay. The next point, which is on planning, is about Mr Duffy's statement that the Planning Inspectorate recently overturned a case where there was clear evidence that homes were likely to flood without proper mitigation in place. I think that is also a problem. I had a case in my constituency—it came up at my public flood meeting on Friday—where there was clearly good evidence so that the local authority turned the application down, and yet that decision was overturned by the PINS inspector on appeal.

I wonder whether there is a problem there and whether you and Ms Finkelstein will look at this to see whether there is an emerging problem around the country. It seems to me that homes should never be built on a flood plain without mitigating measures being put in place, and I think that maybe Ms Finkelstein—this is just a suggestion—needs to lobby DLUHC to put out a directive to PINS to ensure that that is the case.

David Hill: I can certainly look at any specific case that you may have in mind. As I mentioned in relation to the figures, for the vast majority—I haven't got the figures in front of me now, but I think it was around 99% of homes in planning applications that were brought forward in 2022-23—the EA advice was followed. Clearly those are local, democratic decision, but I will certainly take away and look at the specific question that you raised about PINS overturning on appeal.

Sir Geoffrey Clifton-Brown: I will send you details of the case. That would be helpful.

David Hill: I will be very happy to look at that.

Sir Geoffrey Clifton-Brown: Thank you very much.

Q58 **Chair:** I just want to go back to Mr Duffy on the issue of surface flooding. Some evidence has been provided by Justin Madders, the MP for Ellesmere Port and Neston. He has given the examples—I will name them, and I will send the information to you, as I am sure that you may want to pick that up with him directly—of Ascot Drive and Kendal Drive, where there has been flooding.

Properties in those streets have been flooded twice, in 2021 and 2023: that was 18 properties in 2021 and 30 over the August bank holiday weekend of this year, when there was bad flooding. In that case, there were big issues around gullies, and the amount of work that it would take to deal with widening culverts is also a problem.



HOUSE OF COMMONS

There was another issue in Hooton, where Storm Christoph meant that 39 properties were affected: 12 were flooded, and a business was also flooded. That was, again, during the August bank holiday weekend. Justin Madders particularly raises the fact that, in that case—this relates to what you said earlier, Mr Duffy—a new surface water drain is needed, but that that is subject to landowner approvals.

It seems that, there are delays where landowners are involved, with some failing to engage and the process of enforcement being slow and cumbersome. That sort of plays in a bit with different authorities having to deal with those planning approvals. Are there any powers that you think that you need that you do not currently have that would resolve issues like that where you are having slow negotiations with other parties?

Philip Duffy: Others will want to come in, but, if I may start, I think that one of the difficulties is that the risk is often not from classic planning: you have not built something that is causing a problem but you have changed its surface. That could be as a result of a farming technique, with soil often being tamped down for maize, which can cause a higher risk when we see intensive rainfall on a steep slope. We have seen people changing how car parks are operating. We are using it a little bit like a design code for this to help identify risk better.

Q59 **Chair:** You know the issues; do you have it codified in a way whereby advice could be given to the local authority agriculture planning?

Philip Duffy: We have advice, but we often do not have any powers to enforce it.

Q60 **Chair:** Okay. Ms Douglass.

Caroline Douglass: I think there is a need for better surface water modelling and mapping. Mr Duffy referred to our new NaFRA2, which is being developed. It will give us better insights into the flood depths and the extent of floods that we will face. That will then need to be translated, with local authorities, into their surface water monitoring and understanding. That also needs to be done with water and sewerage companies and infrastructure providers so that we have a collective view of what the risk is and how that—together with water and sewage company planning—impacts on roads, rail and other infrastructure.

Better integration is needed, so NaFRA2 will be a really good base.

We are working with local authorities to improve their surface water modelling. That is a continuing process that will give us a better understanding so that those decisions, when they come through planning, when other developments are in place, we can improve the decision making and understanding of what the risk is and take that into consideration.

Q61 **Chair:** How long will it take for all this to grind through the system?



HOUSE OF COMMONS

Caroline Douglass: NaFRA2 is due to be completed by the end of next year. We are currently testing the models at the moment, and we are due to complete that by next year. We are also working with local authorities now to improve their surface water modelling at the same time.

Q62 **Chair:** So if you are a resident somewhere and you are worried that there is going to be another big storm, how would you know whether there is a risk of surface water flooding in your area? Is that yet possible and when will it be there?

Caroline Douglass: They will get some idea through the current NaFRA, but the next national flood risk assessment will give much better detail down to 2 metre resolution and depth, which is going to be really important for getting some sort of indication of what the depth of water and flooding will be.

Philip Duffy: Can I make two brief points? I think the first one is that when we get NaFRA2, we will be telling many people that they are actually at risk of surface water flooding when they didn't know. That is going to be a difficult message in many communities.

Chair: It could also affect the value of property.

Philip Duffy: When you have rainfall that can be 15 cm in one day, almost anywhere could be at risk. We saw during Babet, for example, very serious surface water flooding in Suffolk, which we have not seen previously.

The second thing I think we need to be clear about is—we had a meeting recently between us, the Met Office and the other warning authorities—working out how we try and get better at telling people this may be a possibility. We have this experimental forecasting on storm cells and that may or may not work; it is quite difficult to do. You can also do things like close an underpass if you think it is going to flood—put a red light in so you can deal with that. But that requires the local authority to know about that risk and have the capability to put in place measures that will protect life. Our classic flood warning techniques are not appropriate for this sort of risk, I would say.

Q63 **Chair:** How do you liaise with the fire services? Do you have a relationship with them?

Philip Duffy: We have very close links to them through all the local resilience fora. We talk to them all the time about those issues. We share a partnership when we do the severe risk to life warnings, and there are five of those during Babet. I think they would share our concern about how much advance notice can be given for this sort of thing.

Chair: Also, if it happening across a whole area, it is very difficult to have that standing resource to deal with it.

Q64 **Mrs Drummond:** This will be a bit more positive. You mentioned the Portsmouth and Southsea flood defences, which I think are within budget



and ahead of time—

Philip Duffy: Superbly delivered.

Mrs Drummond: Absolutely. How are you looking at good practice? How are you replicating it around the country?

Caroline Douglass: We do capture good practice. We have an innovation team that captures examples like Portsmouth, and it also looks at different solutions in other successful schemes that we have done and sharing those. We have an innovation magazine that comes around quarterly that tells all those who are involved—contractors and other suppliers who are part of the programme—what we are doing and what those practices are. We also have more detailed guidelines that we share with construction firms. We are part of the Government Construction Board and part of the Infrastructure Steering Group for Government, and we share good practices through those mechanisms with other infrastructure providers and learn from them as well—back the other way.

Philip Duffy: If you look at why it went well, it has all the features that the NAO has been talking about for years about what a good project looks like: clear accountability; you know what you're building; you have all the partnership relationships; you've got a well-qualified SRO and a well-qualified project director; and you've got a clear contractual framework that manages risk appropriately. They were all there. I think it is a great example of how we can consistently deliver that. We have a much better portfolio.

Q65 **Mrs Drummond:** Great. I think Ms Finkelstein once said that her ambition was to create a nation more resilient to future flood and coastal erosion. I do not think there are any measures for this, are there? But is that example something that you could try to put as a measure that you could aim for in other places?

Tamara Finkelstein: In terms of that being an example of good practice?

Mrs Drummond: Yes. And just generally around the country, because that could be a form of measurement, but there doesn't seem to be any other measurements according to the NAO.

Tamara Finkelstein: One of the things that we will need to reflect on is the recommendation both from the NAO and from the National Infrastructure Commission as to what might be measures that would be helpful, including more long-term measures. Both the flood risk assessment work and long-term scenarios work that the Environment Agency are doing would be useful context for us to look at what might be improved measures that we could use.

Mrs Drummond: It would make our life much easier if we could account for how well you've achieved all those measures. Thank you.

Q66 **Anne Marie Morris:** Ms Finkelstein, Flood Re is clearly not your responsibility per se—that's with the Treasury and the Financial Conduct



HOUSE OF COMMONS

Authority. Flood Re was introduced theoretically to ensure that time was allowed for properties to become more flood resilient. If they were more flood resilient, then clearly you would not have the challenge that we have had of high premiums and high excesses. The idea was that we would sort the flooding issue and get resilience sorted by 2039, because that is when Flood Re comes to an end.

You are responsible for looking at how we deal with flood resilience, and I cannot see we are going to be in a sufficiently strong position by 2039 that Flood Re can actually come to an end. Is that something that you have been talking to the Treasury about? Is it something that you have a view about?

Tamara Finkelstein: We are talking to Flood Re about what that transition looks like. They obviously have been successful in ensuring that properties that are subject to flooding risk can be insured, and then in being able to build back better when flooding occurs and build in that resilience. And they are working through what that transition looks like for 2039, so we have conversations with them on that. I do not know if you want to add any more.

David Hill: I will just add a few figures. I think in '22-23, Flood Re provided cover for some 265,000 household property policies, and more than half a million households have benefited since the scheme was launched, so I think we can point to some tangible benefits of the scheme. We know that that prior to Flood Re being introduced, some 9% of policyholders with a prior flood claim could obtain flood insurance quotes from two or more insurers. None could get quotes from five or more. Most can now get over 10 quotes. As a scheme, I think the mechanism is working. I guess everything we described earlier about the long-term programme is designed to hopefully diminish the reliance on Flood Re over time.

Q67 **Anne Marie Morris:** I've got bad news for you, Mr Hill. That sounds great. The reality, unfortunately, is not like that. The problem with Flood Re is that not every insurance company has to sign up to it. The second problem is that consumers have no idea that they need to find an insurance company which is signed up to Flood Re. If they don't, they're not covered. You also find that some of those signed-up insurers actually decide to have a quota as to the number of properties in flood-prone areas that they will cover, and if you don't fall within the quota, even if it's a signed-up company, you won't get the flood protection.

You are right that it is better than where we were, but does it deliver what was actually envisaged? No, not by a country mile. My concern is that the Flood Re scheme is absolutely not fit for purpose and does not deliver what was envisaged, but that is not your problem. But it is your problem to make sure that the juxtaposition of the ending of Flood Re, assuming we can improve it and make it really work, and the completion of all your flood defence work tally. I can't see that happening by 2039. Would you agree?



HOUSE OF COMMONS

Tamara Finkelstein: I think that we have to keep under review what is the right insurance mechanism to have in place, and how we are getting on with building flood defences and creating greater resilience for the level of flood risk that we have, which will change as well. We obviously keep that under review.

Q68 **Anne Marie Morris:** Are you still targeting that date? I assume that if we have a deadline of 2039, you must have a plan that meets it. Given you have just dropped off 500 from your 2,000, does your plan absolutely ensure that we are going to get there by 2039?

Tamara Finkelstein: Flood Re has a transition plan which is based on 2039, but we have to keep that under review.

Q69 **Anne Marie Morris:** I think, Ms Finkelstein, I would quite like a bit more detail on that, even if it is in writing, just to understand what you mean by “review” and what you mean by “transition”, because I am very concerned that we are going to find ourselves in 2039 in an even worse place than we find ourselves now, given climate change.

Tamara Finkelstein *indicated assent.*

Anne Marie Morris: Thank you.

Chair: Thank you all very much indeed for your time. It has been a very interesting session. I think we are all now more worried about surface water, Mr Duffy, because of your candour. There are huge challenges ahead. Obviously, we have looked at this as a Committee before, and we will continue to keep a close eye on it, along with our sister Select Committees. I thank you for your time. The transcript of the session will be available on the website in the next couple of days—many thanks to our colleagues at *Hansard* for that service—and we will be producing a report on this in 2024.