



Environment, Food and Rural Affairs Committee

Oral evidence: [Winter Floods](#), HC 991

Wednesday 2 April 2014

Ordered by the House of Commons to be published on 2 April 2014.

Written evidence from witnesses:

- [Environment Agency: Evidence on Winter Floods](#)
- [Defra: Approach to Flood Maintenance Measures](#)
- [Defra: Letter dated 29 January](#)
- [Defra: Letter dated 6 February](#)

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Members present: Miss Anne McIntosh (Chair); Richard Drax, Jim Fitzpatrick, Mrs Mary Glendon, Mrs Emma Lewell-Buck, Iain McKenzie, Sheryll Murray, Neil Parish, Margaret Ritchie, Mr Mark Spencer

Questions 183-278

Witnesses: **Rt Hon Lord Smith of Finsbury**, Chair, **Paul Leinster**, Chief Executive, and **David Rooke**, Executive Director of Flood and Coastal Erosion Risk Management, Environment Agency, gave evidence.

Chair: Good afternoon, and you are most welcome. If I could ask Lord Smith first of all to introduce himself and his team, before we start. I would be very grateful.

Lord Smith of Finsbury: Thank you very much indeed, Chairman. I am Lord Chris Smith, the Chairman of the Environment Agency. With me are Paul Leinster, Chief Executive, and David Rooke, the Executive Director for Flood and Coastal Erosion Risk Management.

Q183 Chair: Thank you. We are very grateful to you for participating in our inquiry into the winter floods. Just to alert you, there will be a vote and we may have to ask you to excuse us. We will come back as quickly as we possibly can in the normal way.

The Prime Minister stated after the winter floods in the House that money would be no object during the flood relief effort. Do you believe that the promise the Prime Minister made has been reflected in the support provided to you throughout the winter flooding events?

Lord Smith of Finsbury: We have had very generous additional funds allocated to us over the last few months. In February a total of £130 million was allocated to us—£30 million in the 2013-14 financial year and £100 million for the current financial year—and in the Budget, an additional £140 million was announced. Both those figures together—£270 million in total, spread effectively over two and a bit years—will enable us, we are pretty sure, to bring all our flood defence assets back into 97% good condition, because quite a number of them suffered quite severe damage during the succession of storms that we have experienced over the December-to-February period.

Q184 Chair: Has the review that has been undertaken of the flood defences been completed, and will you do an appraisal of the work required on the basis of that?

Lord Smith of Finsbury: Absolutely. We have been rather splendidly assisted by the armed services in carrying out that review, so we have been able to undertake it much more quickly than we would otherwise have been able to. It is virtually complete now, so we have a very good picture of the condition of our assets around the country; indeed, we have already—quite some weeks back—begun the process of carrying out repairs.

Q185 Chair: Thank you. There is a lot of confusion—a lack of transparency—over the difference between capital expenditure and revenue or maintenance expenditure, and within maintenance what constitutes dredging, desilting, or other forms of land maintenance. Could you explain to us what you understand, for example, between capital and revenue work—because, informally, Lord Smith, I had not appreciated that the dredging work being carried out on the Rivers Parrett and Tone constitute capital expenditure. It would be helpful to just understand that.

Lord Smith of Finsbury: Picking up on that last point first, if I may, because it is a useful illustration, where you have a major one-off exercise of the nature that we are now embarking on with the Tone and the Parrett—£5.1 million-worth of dredging operation—that is more than routine maintenance; that is a pretty major exercise of considerable value and scale and it sensibly comes under a capital expenditure heading. Beyond that, of course, routine maintenance—keeping it up year-by-year subsequently—would undoubtedly fall under revenue expenditure. The big-ticket items will be capital; the regular ongoing day-to-day stuff will be revenue.

In terms of the balance between capital and revenue, we provided a table to you overnight, and I hope that hard copies have been made available to everyone, which shows over the past four years and the current year the split between capital and revenue, the total Environment Agency FCRM figures, and also the local contributions and partnership funding, the local levy and the IDB precept.

Q186 Chair: Can we come on to that in more detail in just one moment, if we may? If there had been regular dredging of the Rivers Parrett and Tone, and future regular dredging, you are confirming now that would be revenue maintenance work?

Lord Smith of Finsbury: That would have had to come under revenue expenditure on conveyance maintenance. A table in the written evidence that we submitted to you, headed, “Funding by asset management activity”, shows the split of the asset management work. The heading “Conveyance” includes everything like watercourse clearing, getting rid of weeds and obstructions, and it includes desilting or dredging.

The “Operation” figure includes things like the running of pumps, the cost of the electricity, the costs we incur simply in operating our assets. The “Structures” element is

things like the maintenance of the Thames Barrier and other barriers up and down the country, and the “MEICA” figure David explained to me yesterday and I have completely forgotten what he said.

David Rooke: It is the mechanical, electrical, instrumentation, control and automation. Basically it is anything that is operated by power, be it electricity or hydraulic power. That is all the minor repairs and running of pumps, and the control systems that operate those pumps.

Q187 Chair: Over the last five years, would you say that the revenue maintenance has altered, and if it has, would you say it has gone up or gone down?

Lord Smith of Finsbury: The figures have varied. The total figure in that table is probably the best guide: 2011-12 it was £156 million, 2012-13 it was £170 million, but in 2013/14 it was back down to £147 million. Because items like the operations, structures and MEICA figures are given figures—we have to carry on operating the pumps, we have to pay for the electricity bills, and so on—the bit that gets squeezed when the overall funding goes down is the bit on conveyance, which is clearing, dredging and keeping rivers clear.

Q188 Chair: Many would argue that it is the failure to clear the conveyance that has either caused the flooding or made the flooding that occurred this winter, and dare I say in North Yorkshire in 2012-13, worse than it might otherwise have been.

Lord Smith of Finsbury: The picture varies from river to river and from place to place, because no one river is exactly the same as another. There are some rivers where dredging does help to prevent flood risk; there are some rivers where dredging would increase flood risk further down the river. We have to take a proper judgment according to the flow, the configuration of the river, the nature of the soil, and so on; of course, the most high profile of these issues has been the rivers in the Somerset Levels, particularly the Tone and the Parrett.

If we had been dredging those rivers to the standard that we are now embarked on doing with the capital dredge, if we had kept the rivers in that condition, it would almost certainly not have prevented the Somerset Levels from being flooded. What it would do is help us clear the water away from the Somerset Levels faster, because, of course, the Somerset Levels lie, by and large, below sea level, the rivers are higher than the land, so we have to pump the water out into the rivers. It is the conveyance of the water out of the rivers that the dredging will help with.

Q189 Chair: In terms of partnership funding, how many schemes like the Pickering pilot “slow the flow” project have been funded in the last year?

Lord Smith of Finsbury: In terms of the overall partnership funding approach, there are quite a number of schemes that have benefited from partnership funding.

David Rooke: This year we are planning 45 new starts in our capital programme.

Q190 Chair: I do not normally believe everything I read in the papers—

Lord Smith of Finsbury: This is very wise.

Chair: —but it was reported today that the Environment Agency has sold off some of its heavy-lift dredging equipment, receiving only £200,000 for that, and yet, in the same

period of the sale, the Environment Agency spent £1 million hiring equipment to do the necessary work. I just wondered how that passed the cost-benefit ratio of either 8:1 or 9:1 that the Treasury insists on.

Lord Smith of Finsbury: We would only sell off machinery when it had either passed its useful life for us or become uneconomic to run. The disposal records that we have, for example, are that we sold via auction eight long-reach excavators last year, and they were sold for £233,000. We had to purchase 11 long-reach excavators over the same period, and that was because we were replacing outdated, outmoded, come-to-the-end-of-its-useful-life machines with much better made-for-purpose machines.

Q191 Ms Ritchie: As a follow-up to your supplementary information, Lord Smith, could you confirm to the Committee where the money under the “Levy” heading comes from?

Lord Smith of Finsbury: Under the “Levy” heading are funds that are raised by our regional flood and coastal risk committees. They are established by Defra and cover each of the regions or sub-regions around the country. The money is drawn by them, and the majority of the members of the regional committees are representatives of local authorities from the area. The money for the levy is drawn from those local authorities, but they require the agreement of the local authorities in order to raise the levy.

Q192 Ms Ritchie: As a supplementary to that, is that money separate from the Defra budget that you receive?

Lord Smith of Finsbury: It is indeed, yes.

Q193 Ms Ritchie: As a follow-on to that, why is only £147 million of the Environment Agency’s £238.9 million in revenue budget for 2013-14 allocated to maintenance?

Lord Smith of Finsbury: That is because there is a whole range of other important activities that that funding has to cover. It includes incident management, forecasting and warning; the flood mapping and modelling that we carry out; planning advice to local authorities; all the technical flow measurement and telemetry systems that we have; being ready to provide proper and accurate warnings to the public when rivers are imminently likely to flood.

Q194 Ms Ritchie: Further to that, funding for maintenance activities has reduced over this spending period. Given the limited budget, how can the Environment Agency use its maintenance funding in the most effective way?

Lord Smith of Finsbury: We always strive to use our maintenance money in the most effective and efficient way, but, of course, with a smaller pot you are likely to be able, ultimately, to do less. What we try to do is focus particularly on what are known as high-consequence areas of flood risk, and I will ask David, if I may, to explain how that happens.

David Rooke: We have systems of assets; these are defences. They could be embankments, they could be walls, they could be gates or barriers, and collectively they protect an area, so there is a flood risk benefit area that they collectively protect. Depending on what is at risk in that area, we categorise them in to high, medium or low-consequence systems. If it is a densely populated urban area, it will be a high-consequence

system; if it is a predominantly rural area, mostly agricultural land, then it would be either medium or low, depending on the quality of that land.

The National Audit Office looked at us in 2006, and in their 2007 report they were critical of us spending too much money on medium and low-consequence systems, and not sufficient money on high-consequence systems. We prioritise spend—to get better return to the taxpayer, better value for money for the taxpayer—into high-consequence systems, such that we went from around just over 50% in high-consequence systems, to now around 80% of our investment in high-consequence systems, which gives better value for money.

Q195 Sheryll Murray: Could I just follow on a little bit? My constituency has suffered quite considerably over the last few years. Have you discussed the impact of your reduced maintenance budget on the risk of future flooding with Defra? Have you talked to them about it?

Lord Smith of Finsbury: Yes. We are in very regular discussion on this with Defra, and I have to say that I have personally made the point to successive Secretaries of State and indeed Ministers, that funding for new capital schemes is wonderful and terrific, but we do need to keep up the process of maintenance of our assets, and maintenance and management of watercourses, because that is every bit as important.

Q196 Sheryll Murray: In your opinion, could the impact of the winter floods have been reduced if more maintenance work had been carried out?

Lord Smith of Finsbury: It will always be possible to reduce flood risk further, both by capital and maintenance investment. We have made sure, and we did make sure up to the start of December when the east coast surge hit, that our assets in all high-consequence systems were 97% in target condition. That objective is an ongoing objective, and what we want to do now, following the damage that those systems have experienced over the course of the storms, is to get them back to that condition as rapidly as we possibly can.

Q197 Sheryll Murray: How will your approach change in the lead-up to next winter? I know you have said about getting your systems back in. Will your approach change at all in the lead-up to next winter?

Lord Smith of Finsbury: We have already identified those places where damaged assets pose the greatest risk, and we have prioritised those in terms of the repair work. Some of it we started doing virtually the day after the east coast surge. We are constantly trying to make sure that we are looking at where the risk is greatest, where the cost-benefit provides the best value for the taxpayer, and making our decisions accordingly.

Q198 Jim Fitzpatrick: Lord Smith, gentlemen, good afternoon. Can I just drill down a little bit further into one of the answers you gave us a moment ago, Lord Smith, in terms of the makeup of the maintenance budget, the funding and the activity. You explained to us what the different category headings were, and the figures we have for 2013-14 say for conveyance there was £30 million of spend, operations £44 million, structures £52 million, and mechanical and electrical installations £21 million. The figures that are in your brief that you sent us show that the budget in 2011-12 was £156 million, £170 million the following year, and in 2013-14 £147 million. There is quite a significant fluctuation. Can you tell us how you arrive at the figures? Is it local bidding? Is it assessment from the centre? Obviously they are very varied in terms of what needs to be done. Could you perhaps give us a little bit more background information as to how these figures are made up please?

Lord Smith of Finsbury: I think I am going to have to look to David to give you the detail on that.

David Rooke: The first thing to say is that the figures that we show for 2011-12 and 2012-13 are the actual spend. The figures that we show for 2013-14 are what are allocated, but at the end of each year we are in discussions with the Department, and the Department has been very generous in being able to provide additional money generally. We got additional money to deal with the 2012 floods, which covers some of the fluctuation that the table shows. That explains some of the difference, because we were on a reducing budget under the spending review settlement, but then in-year money has been made available by the Department, which obviously we have put to good use.

In terms of how we then allocate, going back to the systems approach, in each of those systems we have a plan that shows how much money is needed to meet minimum requirements. These would generally be what we need to do to comply with the law, so statutory obligations, legal obligations, health and safety—all things like that. It does not matter whether they are in high, medium or low-consequence systems; we seek to fund all those minimum needs.

We then look at what ideally would be needed in terms of maintenance, and we then prioritise based on benefit-cost. We do that because the national flood and coastal erosion risk management strategy sets out very clearly that we have to maximise the return on our investment on behalf of the taxpayer. By maximising the benefit-cost approach we can then allocate the money across the different asset systems. That then enables some of them to have full maintenance, and others to have reduced maintenance. Reduced maintenance might mean that we do less each year, or it might be that we do not do any one year, but we do the next year, so we change the frequency of the work.

Then all that is put together, such that we then allocate all of the budget, and then that goes from the board to our regional committees; our regional committees are required by law to approve those programmes of work, both capital and maintenance, so there is political input at a local level, and support for those programmes of work. Once they have been approved then our job is to get on and implement it in the most efficient way.

Q199 Jim Fitzpatrick: This year structures is a total of £52 million, compared to mechanical and electrical at £21 million; those figures could fluctuate year-on-year as well.

David Rooke: They can, but going back to what Lord Smith said earlier, what we find is that by funding the minimum need—paying the electricity bills and things like that—there is very little room for manoeuvre in terms of the MEICA spend, the structure spend and the operation spend. If the budget is reducing what gets squeezed is the conveyance spend.

Lord Smith of Finsbury: To add one small point to that, the operation figure, which includes the operation in pumping, because, especially in Somerset over the last few months, we have been conducting the biggest pumping operation that there has ever been in Somerset, the cost of that will turn out to be considerable, that will fall as a cost on 2014-15.

Q200 Jim Fitzpatrick: Of those pumps are many provided by local fire authorities?

Lord Smith of Finsbury: The majority of pumps in situ are owned and operated by us. We brought in some additional pumps; do you have the figures?

David Rooke: Of the £130 million that we were given by the Government in February, £30 million was for the last financial year that has just finished, and we will be funding all our operations and repairs that we carried out with that. We have spent that £30 million basically, and then we have been given £100 million for this year and, again, we will use that for ongoing bills.

Paul Leinster: We also worked closely with the Fire and Rescue Service. They have got a strategic holding of pumps, and, as we were working in different areas, because the flooding was widespread across the South and South West, then in places it would be Fire and Rescue Service pumps that were being used, and sometimes they were supplementing our pumps as well.

Q201 Jim Fitzpatrick: Will they be submitting their bills in due course, or are they part of the £130 million settlement from last year?

Paul Leinster: They are having a separate discussion with their sponsoring Department.

Q202 Chair: Presumably there are IDB pumps and water company pumps as well?

Paul Leinster: In this situation it is unlikely that there were many water company pumps. There will be IDB pumps that were operating as well.

Q203 Neil Parish: Good afternoon, gentlemen. Carrying on with the additional £270 million for emergency repairs and maintenance that has been allocated by the Government, where should this maintenance portion of the funding be directed?

Lord Smith of Finsbury: The bulk of that funding, because this is the primary purpose for which the Government have allocated it, is to make sure that we bring all the assets back into 97% target condition, and that will be the priority. Within that, I am hopeful that we will be able to do some additional things like, for example, bring some of our pumps up to date, because some of them have been in operation for quite a number of years.

Q204 Neil Parish: That leads me neatly into my next question: most of the very big pumps in the Somerset Levels were from the Netherlands. They were massive pumps that were brought in to pump the King's Sedgemoor Drain into the Parrett and, further up, the Parrett itself. Hard standings were set up for these large pumps and then the pumps were taken away. Do you consider spending some of this money in actually buying some of these large portable pumps that could be moved around the country, because you have already got the hard standings there ready to take them?

Paul Leinster: One of the things we are doing with some of the money, and some of the money that has been allocated to Somerset, is to make sure that the hard standing at Dunball Sluice—and I went there and saw the work in progress—is finished to a standard that will provide a permanent hard standing. That was emergency works; it now needs some further work to bring that into a permanent hard standing.¹ We already have a number of those sorts of pumps ourselves, and one of the things that we will have a look at is whether or not we should be purchasing some more. We also use those pumps

¹ Amended following clarification from the EA

strategically and have moved them around the country depending on where the flooding is happening at any one time, so that will be part of our approach going forward.

Q205 Neil Parish: I would have thought hiring them in from the Netherlands is probably not that cost-effective, so perhaps in future we should have some of these pumps ourselves. Lord Smith, you talked about the Rivers Parrett and Tone, about dredging them, and that not being the sole way of solving the flooding. One of the ways to help with the flooding in the Sedgemoor would be a tidal sluice towards the mouth of the Parrett. Are you seriously considering this, because not only is it about farmland; it is also about the railway that flooded, and the roads, so there is big money there that could be saved. Has the Environment Agency a role in this?

Lord Smith of Finsbury: We were, of course, part of the group that included the local authorities, Somerset County Council, the IDBs, and others, that was set up by the Secretary of State to prepare the plan for the medium to long-term answers to the flood risk in the Somerset Levels. One of the items in their report was indeed the prospect of a sluice towards the mouth of the Parrett. Of course, that could provide a really useful mechanism of keeping the tidal force of the Severn Estuary coming into the Parrett and pushing both water and silt upstream.

It is likely to be fairly expensive. It would not be able, I suspect, under partnership funding rules, to be funded entirely by the Environment Agency, but we would want to play our part in any agreed solution of bringing partners together in order to achieve that.

Q206 Neil Parish: I think Network Rail estimates something like £100 million to raise the railway line across the moor, so perhaps it could be quite a cost-effective method?

Lord Smith of Finsbury: It could be a very important part of the solution to perennial flooding in the Somerset Levels.

Q207 Neil Parish: Lord Smith, I think it would be fair to say that in the past you have not been too keen on dredging. Are you now converted to the cause that perhaps, with the Parrett and Tone in particular—not necessarily all rivers—dredging is effective?

Lord Smith of Finsbury: We are fully supportive of the dredging that we have now begun on the Parrett and the Tone, because although it is not a comprehensive solution—it would not have stopped the flooding from happening—it does provide some benefit.

Indeed, it is probably not fair to say that I have always been grudging on this matter. When I went to Somerset over a year ago, following the 2012 flooding in the Somerset Levels and Moors, I had said at that point that we had to embark on some dredging. At that time, as I have explained once or twice in the media, the partnership funding rules that we are bound by allowed us only to put £360,000 on the table as our contribution. The regional flood and coastal committee put a further £300,000 on the table, and Somerset County Council put another £300,000 on the table, but that combined total was not sufficient to undertake the dredging that we are now doing. That dredging is now possible because the Government have come in with the additional money for Somerset that enables us now to do it.

Q208 Jim Fitzpatrick: Can I just clarify the point that you just made, Lord Smith, about the rules preventing you from putting in more than £260,000? Are those rules still in place or have they been adapted? It has been helped because the Government has given you

some money, but can you explain what is the rule and have you had discussions with Defra about whether that needs to be changed?

Lord Smith of Finsbury: The rules are based on the benefit-cost analysis. As a rough guide, for most of our maintenance work the benefit-cost ratio is round about 15:1. The benefit-cost for the dredging in the Tone and the Parrett is 1.9:1. That severely limits our ability, under the normal rules, to put money on the table. That position has been transformed by the Government coming along and saying, “This is effectively a special case. We need to do something about this. Here is money on the table to enable it to happen.”

Q209 Chair: Can I clarify one thing: of the £130 million, £30 million has been spent, £100 million is being spent, and you have set that out in the note, then the £140 million is to be spent over two years? It will be on broadly similar things.

Lord Smith of Finsbury: Yes, indeed. The £140 million splits between the two years—remind me, David.

David Rooke: It is split in terms of capital and revenue, and I think it is—

Paul Leinster: It is £20 million of revenue in 2014-15, and £35 million of revenue in 2015-16. It is £60 million of capital in 2014-15, and £25 million of capital in 2015-16. It is also important to note that the repair work that is going on is not just to our assets, but also to local authority assets. Some local authorities have already identified all the damaged assets, some are still identifying assets that were damaged and with a price ticket associated with those, and then we will look at that information and see what additional need there could be associated with that additional damage.

Q210 Chair: That is additional money to the £100 million that has been spent on essential repairs to priority defences and maintenance of existing flood defences in 2014-15. It is additional money?

Paul Leinster: Yes. With the £130 million that we got, up until 15 January we had identified through the damage caused in December the work that needed to be done immediately to make sure that as assets were being pounded—so in places like Chesil Beach and Preston Beach, down near Lyme Regis, we have shingle banks down there; as a storm comes in, then those shingle banks get eroded. Between the tides our folks were out there, and in some places the military were out there, re-establishing those shingle banks, and that cost money, but we needed to reinstate the defences where we were able to, to prevent flooding happening on the next tide.

Not only did we see the wettest winter for 250 years, but we saw a level of storminess that was rare and a level of strong winds that was rare. We had the east coast surge at the beginning of December, but then we had very high tides and surge on the west of the country and on the south west. In places like Looe in Cornwall, some of those places were flooded multiple times as the tide came in with the surge.

We have been doing repair work, so the £30 million went to this immediate repair that needed to be done when we could to provide as great a level of protection as we could during the event. Then we had identified the damage in December and in January up until 15 January; that is the £130 million. Then from 15 January onwards we identified further damage, and that is what the £140 million is funding.

Q211 Mr Spencer: Can you talk us through what discussions you have had with Defra, if any, over the last 12 months about reprioritising agricultural land? Are you putting a higher value on the benefits delivered by agricultural land?

Lord Smith of Finsbury: The prioritisation that we have to place on different areas that are candidates for flood risk management schemes are laid down in the partnership funding formula that is given to us by Defra and the Treasury. I will ask David in a moment to explain exactly how that formula works. What that formula effectively does is give a higher benefit-to-cost value to residential property, and a lower benefit-to-cost ratio to agricultural land. If we are to reprioritise those, then that is a decision that needs to be made by Defra and the Treasury; it is not something that we can decide ourselves.

Q212 Mr Spencer: Have there been any discussions around it or is that the same position as it was?

Lord Smith of Finsbury: We regularly discuss this issue with Defra. There will always be difficulties in what is inevitably a finite pot of money being stretched to cover as much as it possibly can. David, do you want just to give a very brief word on the way the formula operates?

David Rooke: In terms of partnership funding, the general principle is that Defra, through ourselves, will pay for national benefit and local people pay for local benefit, for schemes that provide flood and coastal risk management benefits. Coastal erosion is dealt with in exactly the same way as flooding. For property—that is households—there is a tariff system that has been set down by Government. If there is a household that is in a deprived area, frequently flooded, then the national benefit is deemed to be 45p in the pound. If it is a household not in a deprived area, that does not flood very frequently, then it is 20p in the pound. For all other benefits—that is, agriculture, industry, commerce, infrastructure—then the national benefit is deemed to be just over 5p in the pound.

Q213 Mr Spencer: Are we forced into a position where we have got to choose whether we protect town or country, or can we protect both?

Lord Smith of Finsbury: I do not think it is a town-or-country issue, because there will be properties that come up within the benefit-cost ratio in rural areas, just as they do in urban areas. There is a property-versus-the-rest issue that arises out of the way the formula operates. However, the new element in this is partnership funding, because if, through local contribution by the local authority or private developers, for example, or from other sources—in the case of Sandwich, for example, Pfizer have put money in—you can get other contributions coming in, you can protect more by having those contributions than you could just by operating the cost-benefit formula itself.

Q214 Mr Spencer: When you are analysing that cost-benefit formula, if you have got, for example, four projects on the east coast, and they are within a 20-mile zone, if project A were to be analysed on its own, it may not stack up. Do you do the cost-benefit of, if you delivered project A, B, C and D together, they may be cheaper to deliver and the cost-benefit may work? Do you do that, or do you analyse A, B, C and D separately?

Lord Smith of Finsbury: We would certainly try to achieve the most cost-effective way of approaching it, and if that meant bundling together, yes, we would want to do that.

Mr Spencer: That happens.

Lord Smith of Finsbury: It does, yes.

Iain McKenzie: Good afternoon, gentlemen and Lord Smith. A question to yourself, Lord Smith, both yourself and the Environment Agency—*[Interruption.]*

Chair: I think we will adjourn momentarily. We will come back as quickly as we can.

Sitting suspended for a Division in the House.

On resuming—

Chair: Thank you very much indeed for your patience. I invite Iain McKenzie to put his question.

Q215 Iain McKenzie: Thank you, Chair. Lord Smith, to continue after that moment of high drama there, both yourself and the Environment Agency came under a bit of criticism in relation to decisions that were made prior to and during the winter floods. Do you think that that criticism was both justified and fair?

Lord Smith of Finsbury: I would say first that our staff in the Environment Agency came in for a number of brickbats from some sources, primarily in the media. Was that fair? Absolutely not. Our staff responded to the flooding emergencies over the winter exceptionally well and in a dedicated fashion. They worked their hearts out, frequently through the night, over Christmas and over New Year. I think that we all owe them a huge debt of gratitude. Have we done everything perfectly? No. No organisation will ever do that. Have we learnt lessons for the future? Yes. It is important, though, to realise some 7,000 properties were flooded over the three-month period, and for those 7,000 households that is a desperate tragedy, but there were 1.4 million properties that were protected by defences that we were operating and that we had put in place. Quite a good comparison is with the flooding in the summer of 2007, where 55,000 properties were flooded during those summer floods. This time round, 7,000 were flooded. For the 7,000 it is terrible, but there were, for example, in the Lower Severn, on the Thames, in Oxford and various other places around the country, properties that had flooded in 2007 that did not flood now, because of defences that we had been able to put in place in the intervening period.

Q216 Iain McKenzie: Is there anything with hindsight now that you would change or do differently?

Lord Smith of Finsbury: There are, of course, things that we need to learn. One of the things on my list would be fighting harder for good—

Iain McKenzie: Against the flooding or against the Commons?

Lord Smith of Finsbury: Fighting harder for good levels of maintenance expenditure and funding in order to maintain assets, to clear watercourses, to do more of that, alongside the very welcome capital investment that we have had in recent years.

Q217 Neil Parish: Talking about the ratio of 8:1 and the various cost-benefits of houses versus land, take again the Somerset Levels: if you are looking at a scheme to protect them, and you have got property and you have got land, but you have also got a railway line and you have also got a road, how do you add that in to the 8:1 equation, because that would start to make the figures—£100 million for building up a railway line—and the whole scheme look unviable?

Lord Smith of Finsbury: On infrastructure, such as roads and railways, you have identified an extremely good point: that that does not come up as a particularly high value within the current mechanisms for making decisions. I do know that the Government are looking at the resilience of infrastructure generally around the country, not just in terms of transport links, but things like the operation of ports—the port of Immingham was out of action for a day or two as a result of the east coast surge, for example—and water treatment plants, electricity substations, and so on, to see whether we should have an approach to building resilience for those elements of crucial national infrastructure that do not really fit at the moment with the cost-benefit analysis that is laid down for us.

Q218 Neil Parish: There is a massive economic barrier, if you like, or it reduces your economic capability if you cannot get access to an area, and people cannot get in or out, or people actually get through it. Therefore, you could argue that going through an area like the Somerset Levels on a railway line has a huge impact not only to that area but to the area that it serves. We need to change the policy then, do we?

Lord Smith of Finsbury: I would urge you to encourage the Government to see resilience of infrastructure as a key element for making calculations going forward, yes.

Q219 Neil Parish: Just one final point: is the 8:1 ratio set by Defra or is it set by the Treasury?

Lord Smith of Finsbury: I think the answer is both.

Paul Leinster: The 8:1 is a consequence of, if you prioritise the schemes that you are able to fund, and then have a certain sum of money that you are then allocating these schemes against, then what has happened is that, of the schemes that we have in progress just now, the cost-benefit is around 8:1. It is not a target to be met; it is a consequence of the prioritisation system.

Q220 Mrs Glendon: You have already touched on the dredging issue and said that it depends on the nature of the river. When do you think that dredging was inappropriate, Lord Smith?

Lord Smith of Finsbury: It is particularly inappropriate where, if you dredge one portion of the river, it increases flood risk lower down the river, because it would speed up the flow, and that could potentially have an impact lower down. You simply have to make a judgment about each river catchment, about where dredging is appropriate, where it is not appropriate, where it provides good cost-benefit, and where it does not. These will all differ from river to river. The assumption that dredging will always be beneficial does not necessarily hold.

Q221 Mrs Glendon: Can I ask, other than the Somerset Levels, are there any examples of recent flooding that could have been avoided or significantly reduced if dredging had been carried out?

Lord Smith of Finsbury: The first point to make on that is that dredging in the Somerset Levels would almost certainly not have prevented the flooding from happening. As I mentioned earlier, it would help to move the water away more quickly, and that of itself is of course a huge benefit. In terms of other places—David?

David Rooke: One of the issues that has really affected the country since December has been how extreme the sea flooding, inland flooding and groundwater flooding has been. All our defences and river systems are designed to certain standards, and it is

worked out in accordance with cost-benefit under the Treasury rules in terms of what standards we can provide, because obviously the higher the standard the more the cost.

What has happened is that a lot of our defences have experienced floods that were greater than their design standard. We have seen damage to our defences, and we have seen rivers overspilling their banks, but it is quite difficult, given the extremes—and the events that we saw were above the design standard—to tease out exactly what would have been the effect had we dredged a particular river, or had a wall been slightly higher.

I am sure that local people may be able to give us examples, but overall it is testimony to the maintenance and the original design and construction of a large number of defences, built by ourselves, local authorities and internal drainage boards, that we saw so few properties flooded, given the extremes of the weather.

Q222 Richard Drax: Time is of the essence, so very brief answers would be appreciated from you all. Just to pick up a point if I may, you hide behind the Treasury rules frequently in this session: “The Treasury did this,” or, “The Treasury said that.” The rivers have not been dredged—these two in particular, the Parrett and others—for some years. As I understand it, you have been warned on many occasions that they should have been, but nothing was done. My question to you is: has this revelation that you should dredge suddenly come about because of the disaster that has beset places like Somerset?

Lord Smith of Finsbury: No, the dredging that we are now embarking on, and that started on Monday, has only become possible because the money has been made available.

Q223 Richard Drax: I am sorry, but have you pushed for more money, Lord Smith, because this is such a crucial issue? All landowners and farmers will tell you that the rivers have not been maintained properly in this country. Have you been pushing for five or 10 years that this should happen?

Lord Smith of Finsbury: I have only been in post for five years.

Richard Drax: Five years then.

Lord Smith of Finsbury: Certainly for the past year, since I went to Somerset in the aftermath of the 2012 floods, I have indeed been pushing for dredging to start. As I said, the problem at that stage was that there was an inevitably limited amount of money that was able to be on the table. Thinking about lessons to be learnt, what I probably should have done was to have pushed a lot harder than I did at that point.

Q224 Richard Drax: Fine. Bearing in mind the responsibilities currently for maintenance are divided between the Environment Agency, local authorities, IDBs, landowners and others, is that responsibility for maintenance correctly divided in your view, or should this be reviewed?

Lord Smith of Finsbury: The principle is that we are responsible for oversight of main rivers. We do not have a legal duty to maintain flow and conveyance on main rivers; we have a permissive power. The responsibility rests with the landowners—the riparian landowners—on either side of rivers. One of the things that, after a lot of very useful discussion with Defra, we began back in October last year was a pilot in five or six places where we are encouraging and removing red tape from farmers and landowners to carry out their own maintenance on rivers. Those pilots are working rather well and producing success. I hope we can move to have many more of those over time.

Q225 Richard Drax: Many landowners are saying that too many areas have been handed over to wildlife and environmental groups, and the moment a bit of water or a puddle appears it is given another designation, therefore, the proper work to maintain the rivers cannot be carried out. Would you agree with that? That is the perception and, in some cases, fact? Would you now say that was wrong in hindsight, and will you look at that again?

Lord Smith of Finsbury: I am not aware of any places where we have not been able to undertake flood risk management work as a result of particular designations. Sometimes we have to time it appropriately, because of nesting seasons or fish seasons or whatever, but we have always striven to carry out the necessary flood risk management work, no matter what the actual designation of—

Q226 Richard Drax: You did not quite answer my question, but we have got to press on; I am sorry.

We have heard from ADA that the Environment Agency receives £1.7 million per year from the IDBs and district councils for the Axe and Parrett districts, but no dredging, as you know, has been carried out. What do you use these funds for—the £1.7 million?

David Rooke: Our regional flood and coastal committee—in this case in Somerset, it is the Wessex Regional Flood and Coastal Committee—raises a levy on the lead local flood authorities in its area, and also raises a precept on the internal drainage boards. We raised, from the North Somerset Levels, the Axe Brue and the Parrett drainage boards, in 2013-14, a total of £536,582 by way of precept. There are a majority of local authority members on that committee, and it is a decision entirely for the committee. The committee then can use that money for the benefit of internal drainage boards.

Q227 Richard Drax: What has it been spent on, Mr Rooke?

David Rooke: It has been spent on maintenance. It has been used to top up the maintenance that was not allocated, back to my earlier response, in terms of identifying total need for maintenance.

Q228 Richard Drax: How much of the £1.7 million has been used?

David Rooke: It is not £1.7 million; it is £536,000. The internal drainage boards receive money from the district councils. We do not get any money from the district councils. The internal drainage boards raise money from the district councils, which they spend on internal drainage board activities.

Q229 Mrs Lewell-Buck: My question is for you, Paul. Earlier this year you had to make the sad announcement that 1,700 jobs were to be lost in the Environment Agency. As we know, those job losses have now been put on hold while the flooding crisis is being dealt with. Once that flooding crisis has been dealt with, whenever that may be, are these job losses still expected to go ahead?

Paul Leinster: We were able to write out earlier this week to staff, from the Chairman and myself, and what we said was we will not reduce the number of frontline jobs in flood and coastal risk management, and reductions in overall job numbers will not be as high as previously thought. As of the numbers just now, we are at about 10,600 full-time people. We now expect that number to reduce by October to about 10,250. We started the year at about 11,000, and so we are going to go from 11,000; now we are at about 10,600. We did that through a voluntary early release scheme in which about 144 people expressed an interest and have now left the organisation on a voluntary scheme, and by also reducing the number of temporary contracts—people who we were employing

on temporary contracts. So we have brought the 11,000 down to 10,600; we still have to get down to about 10,250 by October.

Q230 Mrs Lewell-Buck: How many jobs will be going? Sorry, my maths is not that good.

Paul Leinster: About 10,600 minus 10,250 is 350.

Q231 Mrs Lewell-Buck: There will be 350 jobs gone by the end of this year.

Paul Leinster: By October, but it all depends when you start your numbers and what your final number is. Just as a comparison, people had been talking about us going down to around 9,700, so the October figure was going to be about 9,700. That number has now increased by about 550, so that we will now be going down to about 10,250.

Q232 Mrs Lewell-Buck: How have you been able to do that?

Paul Leinster: We have got the additional money from Government. We have had the £130 million and the £140 million. We have had some additional money for illegal waste work, and using that we have been able to make this welcome shift.

Mrs Lewell-Buck: It is still a shame people are losing their jobs, but thank you for your answer.

Q233 Chair: If there was one lesson to be learnt from the winter floods this year, and the floods from 2007, but particularly from this year, what would you say the main lesson to be learnt was for the agency?

Lord Smith of Finsbury: It is to push as hard as we possibly can for keeping up and increasing maintenance expenditure alongside capital expenditure, and making sure that Government is aware of the degree of priority that has to be given to that.

Chair: Excellent. Can I thank Mr Rooke, Mr Leinster, and yourself, Lord Smith, for being with us? As you are to leave the agency in the coming months ahead, thank you for all the work you have done for the agency, your co-operation with this Committee and being so generous with your time this afternoon. Thank you very much.

Lord Smith of Finsbury: Thank you very much.

Examination of Witnesses

Witnesses: **Rt Hon Mr Owen Paterson MP**, Secretary of State, and **Sonia Phippard**, Director, Water and Flood Risk Management, Department for Environment, Food and Rural Affairs, gave evidence.

Chair: Good afternoon, Secretary of State, and welcome. May I say it is a particular pleasure to have you back in harness and being with us this afternoon? Just for the record, would you like to introduce yourself and your colleague from the Department?

Mr Paterson: Thank you, Chairman, and thank you for your kind words. It is very good to be back in front of the Committee. I am Owen Paterson. I am the Secretary of State for Defra, and this is Sonia Phippard, who is the Director for Water and Flood Risk Management.

Q234 Chair: Thank you for being with us this afternoon. A report was published by the Prime Minister assessing the future capability of flood defences, and the response from volunteers but also the flood response agencies following the winter floods. It was promised by the end of January. Has the report been completed and delivered, and what were its main conclusions?

Mr Paterson: Yes. Effectively the statement to Parliament that Eric Pickles made—and he very kindly stood in for me at incredibly short notice, because at the time he was making a statement I was on the way to hospital, so I am very grateful to Eric for taking up the burden—covered the update at that time, and the main element from the Defra point of view was that, following the very severe weather in December and January, we were going to spend a further £130 million on emergency repairs and accelerated maintenance.

Of course, events have moved further on since then. In the Budget we announced a further £140 million for the same thing, because our defences have taken a tremendous pounding, and we need to fix those parts of the defences that have been really damaged, but we also need to bring forward maintenance that was scheduled over the coming years.

Q235 Chair: On the military personnel, there was an expectation that there might be armed forces helping, and then eventually 5,000 were committed to help with the flood relief. It would be helpful for the Committee to learn who pays for the military assistance, and in the event where there is not deemed to be an immediate threat to life, whether that change the system of charging for military support. I do not know if Sonia would like to answer that.

Mr Paterson: Sonia, do you want answer the exact details of the payment?

Sonia Phippard: Yes. In the course of this series of floods, we did change the normal approach to paying for the military, and the Treasury agreed to bear the marginal costs of the deployment of military, whether in support of the Environment Agency or local authorities. In previous flood events, the full cost has been met and then, at times, reclaimed by a very complicated budget transfer. We have gone for the simpler approach. We obviously need to sort out a discussion with all the relevant Departments whether that sets a precedent in the future.

Q236 Chair: Could you just confirm it is not going to come from the Defra budget? It will come from the Department for Communities and Local Government.

Sonia Phippard: That is correct.

Chair: That is very helpful.

Sonia Phippard: And from the Treasury. The MoD will continue to bear the core cost, because obviously the biggest part of the cost is military salaries, but they would be being paid anyway. The marginal costs are being borne by the Treasury.

Chair: That is very helpful. I will, if time permits, very briefly return to insurance at the end, but we will crack on now, if we may, with the role of the Environment Agency.

Q237 Ms Ritchie: Secretary of State, you are very welcome. What is your assessment of the work of the Environment Agency during the winter floods?

Mr Paterson: I think the Environment Agency did a remarkable job protecting 1.4 million homes and properties. Now, I am fully aware that is no consolation to those in

the 7,000 properties that were flooded. Having your home flooded is absolutely appalling—filthy dirty water swirling through the house at three o'clock in the morning; it is frightening for the children; it is disastrous having your most beloved personal possessions ruined and sometimes lost; and it is disastrous for businesses.

I absolutely offer my genuine deepest sympathy to those affected, but I think we should also remember that this weather, which was extraordinary, went on right through December, January and February. You had people from the Environment Agency out night after night, through the weekends, through the New Year, and I would go and see these guys, grey with fatigue, all badly in need of a shave and badly in need of a bath, but all really getting stuck in, and they did a tremendous job. We should just remember that 1.4 million homes were protected, and that was a major achievement under very, very difficult circumstances. I would also pay tribute obviously to all those in local government, military services, and police and fire services, who also did a great job.

Q238 Ms Ritchie: In view of what you have said, has the criticism of the Environment Agency and its Chairman, Lord Chris Smith, been fair?

Mr Paterson: If you are in public life and a public figure, you have to expect to get flak. I think a lot of it was unfair, because, as I have said, the organisation was protecting a very significant number of properties. It was awful for the 7,000 properties flooded, but compare that to the 55,000 in the last major floods under the last Government. You can always do better; there is no doubt about it. There are lessons to be learned, and, for me, one of the lessons is that you are never going to have such a vast monster organisation at national level which is so well funded and so well staffed that it can get into every corner of the waterways of England. One of the real lessons is to see more partnership activity, and I think that is developing; we may come on to that in a minute.

Q239 Ms Ritchie: The Prime Minister has said that “nothing will be done at the Environment Agency that will hamper our flood relief effort”. Does that mean that Defra will reassess its funding cuts to the Environment Agency, and we have just heard from the Environment Agency about their previous staffing levels, about their current staffing levels, and about future staffing levels later this year?

Mr Paterson: Let us just remember that when this Government came in in 2010, we were borrowing as a nation £300,000 a minute, so every Department had to take some very difficult decisions, including my predecessor. I would point out that within a week of me coming in, I had met Chris Smith at a splendid scheme in Nottingham, which cost £45 million, protected 16,000 properties, and gave the ratio of 8:1, which was the average. However, no one told me until I went there that it had actually freed up 500 acres of land on the other side of the Trent, which was blighted. I am a monster supporter of flood schemes, and I asked Chris Smith, “Can you please give me a list of schemes, which, if I could get the money, you could put into action and get the JCBs digging?” and he did. That was autumn 2012. We got an extra £120 million, which has gone into schemes that are going ahead; for the next spending round, we have got unprecedented extra money going ahead to 2020, so it is £370 million capital going up to £400 million. Also last year, because of the stress on maintenance, I have got another £5 million for maintenance. To show how seriously I have taken this, I exempted the flood budget from the 1% across-the-board cut in Defra; that is probably worth—what do you think, Sonia?—£3 million, perhaps?

Since then we have got £130 million, as I have just said, which was announced in the statement by Eric Pickles, and another £140 million in the Budget. I am very proud that this Government, despite the incredibly difficult economic circumstances we inherited, will be spending over the course of this Parliament £3.2 billion. I talked to Chris Smith yesterday, and he has assured me that, although there will be slimming down within the Environment Agency—for instance, they are taking out the regional tier, because we no longer have regional government—there will be no reductions in those who are concerned frontline on the floods. I think you have probably been grilling him and Paul Leinster for the last hour and a half, so perhaps you are more up to date than I am.

Q240 Mrs Lewell-Buck: Good afternoon. I was just wondering if you could clear something up for me, please, because I know you have touched on the Budget already, but the announcement on the additional flood spending suggested £100 million of additional funding would be made in this financial year, and then the Under-Secretary of State confirmed that the Budget would add a further £80 million, yet in the Budget Report itself it is only listed as £100 million. The figures for the next financial year also do not seem to match up, because he said there would be an extra £60 million in 2015-16, but the report actually says £70 million. What are the correct figures please?

Mr Paterson: The figures I would like to give you are that—

Mrs Lewell-Buck: Are these the correct ones?

Mr Paterson: Extra revenue in 2012-13 is £10 million and capital is £20 million; 2013-14 revenue is £120 million and the capital is £60 million; 2014-15 it is £35 million and £25 million capital, so that comes to £270 million. That is the £130 million and the £140 million.

Mrs Lewell-Buck: I must be looking at something different, Secretary of State. I wonder if you could provide a written answer, because what I am looking at is not the same as what you have just said.

Chair: If we go to Jim, because I think it might be covered in that, and, if not, we will ask for a written clarification.

Q241 Jim Fitzpatrick: Secretary of State, we heard today of one particular problem of the silting or dredging, which in normal times would have been classified as revenue spend, but because of the nature of the times—sorry, Secretary of State, Ms Phippard, good afternoon. My apologies; I was taken by surprise by the Chair. In normal times, it would be expected to be revenue budget spend, but it is coming out capital, because of the nature of the times that we are in. We have had written submissions calling for a blurring and a removal of the artificial separation between capital and revenue spend. Is it something that should be one pot and should be merged? Are there Treasury rules to force them to be kept apart? Have you had discussions with Treasury? Is there a way to be more flexible? What is the best way forward in terms of these two different budgets when it is clear that sometimes you can dip into one and out of the other? Have you got a view on that?

Mr Paterson: I would defer to Sonia on the exact details. I think you make a very good point; there is a bit of a grey area. In Somerset, where the pumps have been absolutely hammering away, they have taken a lot of damage. If you fly a pump to Holland, perhaps, to get it mended, how many of the parts that might need replacing

become capital? Perhaps the whole pump needs replacing. There is a bit of a grey area in practical terms on some of this stuff.

Sonia Phippard: That is absolutely right. You are right that fundamentally it is Treasury and ONS rules that decide what can be classified as capital and what can be classified as revenue. In the case of what you might call major maintenance activity, it is not always clear until the work is complete, for the very reasons the Secretary of State gives. A really major project like the dredge in Somerset clearly is going to be capital, because of the sheer scale and the fact that it is a one-off thing, and it will then have to be maintained by revenue spend, but in some cases, until the full state of the damage has been assessed and the repair worked out, it will not be clear.

There is at the moment an art for the Environment Agency in managing what comes in two different pots to make it shift. You can always shift revenue funding into capital under Treasury rules, but not the other way. I think there is a wider issue, but it is one for the Treasury, and we are certainly talking about whether we have got all the classifications right and can free anything up as we look at the budgetary challenges going forward.

Q242 Jim Fitzpatrick: In discussions with Treasury, is the greyness helpful and clarification unhelpful, or are you trying to make it clearer?

Sonia Phippard: On the whole, clarification is helpful, because the more you know at the outset, the better. From the point of view of this particular Budget, if you could move to a total expenditure classification that would be more helpful still, but that is not the usual Government approach. In fact, it would be very revolutionary, so we clearly would need to have considerably lengthy debates with the Treasury on that.

Q243 Neil Parish: Good afternoon, Secretary of State; good afternoon, Ms Phippard. The Prime Minister has stated that money is no object in the relief effort. Has Defra got sufficient funding to allow them to carry out a full and effective response to the flooding event? It is great to see the dredgers out in the River Parrett and Tone as we speak, but was it great enthusiasm at the time? Are you convinced that once the flood waters recede that there will be enough money to sort it out?

Mr Paterson: The Prime Minister was referring to the immediate crisis and the recovery, and I am very pleased to say that in your part of the world the waters have receded; at last, people are beginning to get their homes back and their lives back in order, and sadly it will take time. I have outlined what we have done on the flood defences; there are a whole range of schemes that we have put into place.

Yesterday there was the repair and renew grant, which was £5,000 per household, which just started up yesterday. We have offered 100% business rate relief for three months. There is a business support scheme worth up to £10 million for SMEs. In Somerset, as you know, there was a special fund of £10 million from us, there was a further £10 million from the Department for Transport, and there was half a million from DCLG. For farming, there were two £10 million pots of money there, some to restore land, some to work on forestry. There are grants of up to £5,000 for fishermen. The Bellwin scheme has been extended to 100% of local authority costs. I have literally just talked to the Minister in the vote just now, and that has been well subscribed; a large number of councils have come forward.

On transport there is a major stack of money, which is not to be underestimated, which is £140 million, and I think you know that we have done a fantastic job. I really congratulate everyone involved with the Dawlish line; the reopening of that is absolutely imminent.

Q244 Neil Parish: Can I just question you a little bit on the help for business and farms, because this is very much welcome? You have got the sums of money there, but are you confident that businesses are going to be able to claim that money? Is it going to be too bureaucratic? What is happening?

Mr Paterson: We have made these announcements on a regular basis, and I hope your Committee as well, by asking penetrating questions, will give it the real glare of publicity. We want people to apply for these schemes. We have made a significant amount of public money available; we want people to take it up rapidly. We want people to get their lives and their businesses back on stream as rapidly as we can.

Q245 Neil Parish: This money is very welcome, but I know sometimes people are frustrated about actually physically getting the money into their bank accounts.

Mr Paterson: By all means, if you or anyone around here have your constituents write to us, we are genuinely here to help. We have made it pretty clear publicly how people should apply for these schemes, because there is obviously a whole range of different pots of money here. There is such a raft of different schemes we are very happy to write to you and give the Committee the exact details, because the more we publicise this, the better.

Chair: The Committee would be very grateful.

Neil Parish: I think I would like Richard Drax to do the next question.

Chair: Okay. We will do it at the end.

Q246 Iain McKenzie: Secretary of State, since February this year, the Government has announced an additional £270 million for emergency repairs and maintenance money. Can you tell the Committee if this additional maintenance money will be used solely for repairing the damaged flood defences?

Mr Paterson: I think I answered that just now. That is for emergency repairs, so things like sea walls, and for extended or accelerated maintenance. I was in Lincolnshire on Monday; they have had a really tough time there, but thankfully the wall has held, and—unlike 1953 when tragically 307 people died and a large amount of very valuable land was damaged for a long time,—a) there was no loss of life there; and b) the land was protected by the sea walls, but they have taken a tremendous hammering. We were told that the stretch was 32 miles long of beach which has been washed away. Now that has to be put back rapidly, otherwise the sea wall will take a hammering next year. That is the sort of thing that needs to be done rapidly. It is a mixture of emergency repair work and accelerated maintenance.

Q247 Iain McKenzie: With that said, how would Defra ensure that they will be able to respond to any future flooding events after this one-off additional spend?

Mr Paterson: We have not finished yet, of course, because we are still getting reports in. There has been tremendous help from the military, who have been surveying our defences, and more data is still coming in. This is an absolutely constant process, but it

is significant that we have got an extra £270 million. First of all, there was the sum announced in February, and then we had the Budget. I cannot stress enough how strongly I support these schemes and how I really battled, and I give full credit to Sonia and her team working with the Treasury, persuading our colleagues in Government of the value of these schemes. This is a constant process. We will get a lot more news over the next few weeks as the reports come in from the Environment Agency.

Sonia Phippard: Could I just add: the aim is to get the Environment Agency and local authority high-consequence defences all back up to target condition. In terms of your original question, it is the ones that have been affected by the flooding whose condition may have slipped appreciably below what the Environment Agency were expecting, but, no, they will certainly be looking at the full suite of defences with their full maintenance budget, with the aim of getting that all back to target condition.

Richard Drax: The art of great leadership being delegation, I shall now take over from Mr Parish, who is a great leader.

Mr Paterson: He has gone.

Q248 Richard Drax: Can I ask you, Secretary of State: is there enough money available to restore the flood defences to the same or better level of integrity that they were before the recent storms?

Mr Paterson: Our target is to get 97% up to the right standard, and that is what the extra money that we have literally just been talking about is intended to do.

Richard Drax: So the answer is yes.

Mr Paterson: Absolutely, that is our clear intention.

Q249 Richard Drax: You very generously have given money to lots of organisations. The fishermen, in my humble opinion, have lost out quite big time: they have not been able to fish; have lost their kit. They can apply through the MMO, as I am sure you know, for European funding, but even then they do not get all the money. Mr Clegg announced initially that the £10 million from BIS would help cover the fishermen, but that has not turned out to be the case unless they have flooded homes, which most of them do not. My question to you is: does Defra have any responsibility at all, bearing in mind fishing comes under your remit, to provide some sort of back-up and support to fishermen, certainly on the south coast, who really have been clobbered hard?

Mr Paterson: I did touch on that briefly. We are offering up to £5,000 for fishermen to replace storm-damaged gear or stuff they have lost, like lobster pots and crab pots, which might have been washed away.

Q250 Richard Drax: Where is that from? How do they get it?

Mr Paterson: First of all there was the Trinity House dues—not charging the Trinity House dues—and we are using the EFF, which is the European Fisheries Fund.

Q251 Richard Drax: Right. That is the fund they have gone to, and they are having a very proscriptive time getting what little money they can, and they will not get it completely. That is Europe and the MMO. Does Defra itself have any responsibility to provide some funds for the fishermen, bearing in mind this is very much in Defra's remit of fishing or not? Everyone else is getting money; do they?

Mr Paterson: The other area where we have helped is lifting the Trinity House dues, which is worth £140,000 across the sector. Those are the two main areas where we are helping fisheries.

Q252 Mrs Lewell-Buck: Could you please explain to me the benefit-to-cost maintenance rule?

Sonia Phippard: Yes, the much quoted 8:1 benefit-cost ratio is the average for the flood schemes that are funded by the Environment Agency. For every scheme that is proposed, all the benefits—so the benefits in terms of property, life, economic value, environmental benefits—are assessed, and a benefit-cost ratio is derived. That then is considered against the partnership funding framework. For schemes that have a very high benefit-cost ratio—a very high public benefit—the Environment Agency will generally provide 100% of funding; for those where the benefits are lower, but still a positive benefit-cost ratio, they are in the market for partnership funding from other partners to make up the shortfall in terms of what the Environment Agency would provide.

There is some confusion quite often between the 8:1 average, in the sense that that is a rule. Schemes can be funded; they are eligible for funding as long as the benefit-cost ratio is positive; they just will not necessarily be eligible for 100% public funding. A lot more schemes have come forward as a result.

Q253 Mrs Lewell-Buck: Who makes the decisions?

Sonia Phippard: The decisions are made by the Environment Agency on the basis of the funds available and the schemes that are ready to go, and have had, if necessary, partnership funding through regional flood and coastal committees; it is quite a democratic process involving a lot of people.

Q254 Mrs Lewell-Buck: Is it entirely necessary? Could things not operate without that?

Sonia Phippard: Local involvement is really important. One of the things that we have really learned through the three years or so that partnership funding has been running is it brings in extra money, which is very welcome, but it also hugely increases the local engagement in schemes and the willingness to look at different sorts of scheme, and the scheme that will most cost-effectively meet the needs. We have seen some very innovative schemes come forward as a result of that local engagement. It is complicated, but I think it is necessary; it is helpful.

Q255 Mrs Lewell-Buck: Could I just quickly ask: why do you think the Environment Agency have described it as a “fundamental constraint”?

Sonia Phippard: Described what as a fundamental constraint, sorry?

Mrs Lewell-Buck: The benefit-to-cost.

Sonia Phippard: I do not think in itself it is a constraint. The overall availability of resource and money is the constraint. The reason the benefit-cost ratio is so good is because there is a lot of opportunity, a lot of schemes, a lot of need and an increasing but still finite amount of money.

Mr Paterson: Chairman, could I just chip in on broadly how it works? I think I said earlier to a question, we will be spending £3.2 billion over the course of this Parliament,

which is unprecedented, but despite that we are still never going to have such an enormous Environment Agency, as I have said, that it will get into every single corner of the waterways. As I see it, the Environment Agency will carry on doing this very important work on the high-profile schemes, where you have got a high payback.

What we have seen with the partnerships already running—the £148 million coming in mainly from local councils—is that we have got a whole range of schemes over the hump, which had not quite made the cut before. That is partly because, bringing local councils in, they are slightly sharp with their pencils when it is their money. We have seen possibly better value, we have seen some schemes reduced in size, and possibly people, when it is their money, are prepared to see efficiencies made in the schemes to get it through.

There is a real lesson from Somerset. I see a real role for internal drainage boards working in partnership with the Environment Agency. The Environment Agency is doing the big dredge, which is all the high-profile stuff, all the national publicity, but for the long term, I very much see the IDBs working with district councils and county councils on the long-term maintenance.

I had a very good visit to Lincolnshire on Monday, and they have already beaten me to it; they have the Lincolnshire flood and drainage strategy group. I have got a list here that I can give you of a whole raft of organisations that sit on that. It is not just the Environment Agency: it is a whole number of IDBs; it is the city council; the district councils; the county council; Natural England; Anglian Water; Severn Trent. In answer to your earlier question, they sit down and work out, as I can understand it, in great harmony, where the money should be spent. This is a really good model that we could look at for other parts of the country.

In Somerset I hope they will continue to work together and form something that I have suggested should be called the Somerset Rivers Board. Below that there will still be low-key waterways, brooks and streams, which traditionally were always done by landowners, and I think we should just face up to the fact that that should go back to the landowners and the farmers who understand their own area best, and with minimum interference from the Environment Agency, just supervising and making sure that along a brook, for instance, everybody was involved and carried out the dredging in sensible manner. That should be pushed back down to local farmers and landowners.

I see about four tiers of this, because it is no good just looking at the Environment Agency, this great big national quango, and shouting at it. It is not going to do everything. What will happen in future is much more partnership at various levels, going right down to the lowest level.

Q256 Richard Drax: Partnership funding, now you have mentioned it, is next, Secretary of State. In this Committee's Winter Floods evidence session on 22 January, the Committee was told that £40 million of the £148 million has been contributed by the private sector. How can more private sector funding be encouraged and secured through this partnership funding model?

Mr Paterson: Sonia might like to answer the detail on the question, but, in fairness, this scheme has not been going very long; we brought in partnership funding, and we are pushing it hard. As I have just said in the previous question, it has already delivered

results. We are already getting quite a number of schemes that were stalled, did not quite make the criteria to get 100% Environment Agency money, and they are now going to go ahead. The more we publicise this, the better. When I was not far from you, just outside of Exeter in Topsham—

Richard Drax: A little bit away, but not too far.

Mr Paterson: It is the South West; I go from Shropshire. There was a fantastic farm shop there with a very large number of visitors; there was a great RSPB reserve; there was a bus service that carried 1.3 million people a year. They had all suffered because a little river called the Clyst had flooded. They had a real interest in working together, as did the city council and the district council. As far as I was concerned, that was a mini-Somerset where we had a big meeting, called together by Hugo Swire, getting everyone to sit down together and work out how they could all chip in. I hope they will deliver results on that particular small river.

Q257 Richard Drax: You say “chip in”; to repair and maintain costs millions, as we know. Who do you hope will chip in?

Mr Paterson: Local councils contributed—

Richard Drax: It is local authorities; it is not private sector, really, is it?

Mr Paterson: No, but local authorities have already contributed about £100 million.

Richard Drax: Are you hoping that people will donate or leave it in their will?

Mr Paterson: Yes, very much. Yes, absolutely delighted—

Richard Drax: Where is all this money going to come from?

Mr Paterson: I think local businesses suffer if roads are closed unnecessarily by floods, and it is in everyone’s interests to work together.

Q258 Richard Drax: When will the independent review of the partnership funding model, which was due to report last autumn, be published?

Sonia Phippard: Shortly.

Chair: In the spring?

Sonia Phippard: It is broadly complete, but the flooding events, I am afraid, have delayed one or two of our planned publications, but we anticipate making that available shortly.

Q259 Chair: Who is conducting the independent review?

Sonia Phippard: It was simply an independent technical evaluation. I am afraid I cannot remember; we can let you know.

Chair: How do we know they are independent?

Sonia Phippard: We will let you know what the arrangements are.

Q260 Chair: In leaving, Lord Smith said that he would make a plea, in terms of his lessons learned from the winter floods, to have more funding spent on maintenance activities. Do you believe that his wish is likely to be fulfilled, and that more maintenance funding will be incurred over the spending period? You have mentioned the additional funding, but will it go on maintenance?

Mr Paterson: We have not done badly. We have got in £270 million over the past couple of months, quite a lot of which is going on maintenance.

Q261 Chair: I know, but the confusion, which Sonia Phippard and yourself have just addressed, is that until it is completed we do not know, you do not know, and the Treasury does not know whether it is capital or maintenance. For example, I assumed that the dredging of the two rivers—

Mr Paterson: Parrett and Tone.

Chair: That is the one, thank you. I assumed that that would be maintenance, but then we learned that it is capital. Will Lord Smith's wish be granted that more will be spent on maintenance, in addition to very justifiable capital expenditure?

Mr Paterson: I think I answered that for Iain McKenzie. I said that this is constantly moving and data is coming in on a daily basis. We have had this major military survey of all the assets, and we will react to that news as it comes in but, in fairness, look at what we have done over the past couple of months. We have got £130 million, and then a further £140 million, and all I can say is, "Look at what I have done, not what I have said."

Q262 Chair: I think help is at hand. All that we are asking for is just to be absolutely clear that there will be a better balance of the spending between capital and maintenance.

Mr Paterson: At the moment, the priority is the emergency repairs and the accelerated maintenance, and that is what we mainly provide the money for. That is something we have done up to now on what we have seen. If there is further data come forward then we will react accordingly.

Sonia Phippard: We have been clear that a significant element of that funding will be revenue, and we have already promised to clarify how the £270 million splits, but £70 million of it over the next two years is revenue designed for the maintenance budget, because the Secretary of State has said that was needed, because there is a greater maintenance need following the flooding, but obviously that forms the basis on which we will be looking at budgets beyond that period.

Q263 Chair: Something that Lord Smith flagged up is that the Environment Agency only have a permissive role on dredging. In written evidence that we have received from Hampshire County Council they suggested that Defra should lead a publicity campaign engaging local partners to raise awareness of the rights and responsibilities of riparian landowners, and this should be backed up by the Government providing lead local flood authorities with adequate resources to enable enforcement action and/or maintenance works to be undertaken as deemed necessary. Is that likely to happen? It is from them, not from me, Secretary of State.

Mr Paterson: I think I have outlined that. Looking to central Government to pay for absolutely everything is not going to be the end solution, but we are putting a very significant extra sum of money, so £3.2 billion is what we have spent. Okay?

Q264 Chair: No, can I just ask about asking them to make riparian owners more aware of their responsibility? Is that likely to happen?

Mr Paterson: Again, I answered that. That is the fourth tier I was talking about. We have got the seven pilots we started over a year ago, which I have started, to allow local farmers and landowners to clear out risk—

Chair: I think they were started in October.

Mr Paterson: Yes, I announced it in February last year.

Chair: You are going to make them run for the whole year.

Mr Paterson: Yes. Unfortunately it was obviously a very wet winter, so it was not a great year to start, but the clear proposal there is that the people you are talking about—local landowners and farmers—can get on with it and clear low-risk streams, because they have got the local knowledge and they know how their local waterways work.

Q265 Chair: Hampshire County Council have asked that you lead a publicity campaign. As far as the Department is concerned, riparian landowners understand their responsibilities?

Mr Paterson: Yes. I think what will happen is they currently clean out their own ditches, and it is completely right they should be cleaning out their own brooks and streams, if they are local and low-risk. That is the bottom layer. Wherever I have been, frankly, across rural England—I can list a stream of counties—people are absolutely fed up with being held back; they want to get on with it, and they know how to do it, because they understand their own water systems.

Q266 Chair: If there was one lesson to be learnt, as the Prime Minister has said that we should learn lessons from the events, what main lesson would Defra take away from the winter floods?

Mr Paterson: My main lesson is the great value of the money that is spent on flood defences protecting 1.4 million people, the real misery that floods cause, and our absolute determination to keep up this very significant programme. Over the course of this Parliament, we will protect a further 165,000 properties. I fully intend that our Government will carry on and our plans will be seen through to 2020, and we will see a further 300,000 properties protected. That is a very clear lesson. These schemes provide tremendous human and economic benefit.

Q267 Mrs Glendon: Secretary of State, could you say what progress has been made on the implementation of Flood Re, and is it on track for implementation by next year?

Mr Paterson: It is making good progress through the House of Lords and should complete there shortly. It is absolutely our intention that it is ready to start July next year. It will be tight, there are an awful lot of things to do, but it is absolutely our clear intention.

Q268 Mrs Glendon: You have just said that there are a lot of things to do, so has the application for state aid approval of Flood Re been submitted yet?

Mr Paterson: That is a good question. It is in process. Whether a formal note has been sent to the Commission, I will have to get back to you on that. Obviously there have

been preliminary discussions, but I would have to get back to you as to whether a formal submission has been made.

Mrs Glendon: Obviously there are very tight deadlines—

Mr Paterson: You are absolutely right; it is a showstopper. We will get back to you.

Q269 Mrs Glendon: In your opinion, what has been the biggest barrier to the implementation of Flood Re so far?

Mr Paterson: Parliamentary time. There is a lengthy Parliamentary process to go through in the Commons and the Lords. We have had significant co-operation—a real tribute to the ABI and the way they work with us. This is a very complex scheme, and a large number of companies and interested parties had to be brought along, but overall there is great support for what we are all trying to do. If we can complete it, the worry of people living in high-risk properties not being able to afford insurance will be removed from very large numbers of people, and I think it will be a thoroughly worthwhile scheme.

Q270 Chair: In the ABI submission that we received on Flood Re, it is very clear that the Government potentially could end up as an insurer of last resort, particularly in the event of a one-in-two-hundred-year scenario. The winter floods were a one-in-two-hundred-and-fifty-year scenario, so where does that leave the Government and who would pick up the bill? Would it be the Treasury who would pick up the bill? What they say, and I will quote this, is the Government would “take primary responsibility, working with Flood Re and representatives of the insurance industry, for deciding how any available resources should be distributed to Flood Re customers”. In times past, one in two hundred years did not seem very likely, but now that we have had a one-in-two-hundred-and-fifty-year event, where does that leave the Government as insurer of last resort?

Mr Paterson: You are quite right. I went to Immingham; it was a one-in-five-hundred-year event. Ultimately this is reflecting reality; if there is a really catastrophic event, ultimately the Treasury, i.e. the taxpayer, will have to pick up the bill. What I have shown in my comments just now, with the number of properties that are intending to protect, we are clear there is a trajectory of trying to get the significant number of high-risk properties at the moment ultimately protected by flood schemes. As I said, it is going to be 165,000 by the end of this Parliament, and a further 300,000 by 2020. That will make a significant hole in the high-risk.

Additionally there are local government schemes and also householders; they have responsibility for their property. Quite modest amounts of money can make a huge difference: putting a one-way air brick on a house, or putting in a flood-resistant door as opposed to a plywood door, makes an enormous difference. Our plan is that ultimately we get to the happy dry ground where the vast majority of houses are not at risk from floods or are resistant to floods, which will eventually take away the need for Flood Re.

Q271 Chair: But the Treasury would have to step in.

Mr Paterson: We are just facing reality: if there is a complete catastrophe like 1953, the Treasury has to move in.

Q272 Chair: The NFU in a briefing on the winter floods refer back to the June/July 2007 floods, where they say only 5% of the £50 million estimated agricultural losses from

flooding were insurable. Is that something that the Government might address—the insurance cover and insurance losses to farmers?

Mr Paterson: On this particular recent flood, we have put up the £10 million scheme to help people restore land and pasture. Your question is, sorry, whether we looking to insure ourselves.

Chair: Is there any way that farmers can have insurable cover for their losses?

Mr Paterson: No. Flood Re is intended to address private properties where people live. We have discussed with the industry, and we have not seen a problem with businesses getting cover.

Q273 Chair: The next question you will probably answer negatively as well: would small businesses have access to affordable flood insurance on the open market?

Mr Paterson: The ABI has been quite clear with us; they cover the whole industry, and they do not see a problem with small businesses getting cover.

Q274 Chair: Okay. That is not what we are hearing. I have certainly had representations locally, and we have had representations from the Council of Mortgage Lenders in connection with the inquiry, on the situation where leaseholders and private landlords are going to face full market pricing, as soon as Flood Re is introduced. That is going to price their flood cover out of the market.

Mr Paterson: Is this businesses?

Chair: Private individuals like where I used to live in Topcliffe in North Yorkshire.

Mr Paterson: We have modified the rule on leasehold, where there is a property owner and up to three leased properties in the same building, and on small businesses we will obviously monitor this, but to go back to your previous question, I think we should—

Chair: But blocks of flats are not going to be covered. They are already writing now, saying that they will have to pay £2,000, £5,000, or £15,000 in some instances.

Mr Paterson: No, because in most blocks of flats there is a cross-subsidy across the block of flats.

Chair: There is not and I have written to you, so if you would be good enough to perhaps look at that.

Mr Paterson: I will have a look at that particular case.

Q275 Chair: That is certainly what they are saying. As I say, the Council of Mortgage Lenders are suggesting that this be addressed as a matter of urgency. The Prime Minister announced that there was going to be a review of the exceptions and he did indicate that this might extend to Band H houses. Is that the case?

Mr Paterson: Currently in the House of Lords it is not our proposal to bring in Band H, because, of course, we have agreed that the levy will be £10.50, and that is open recognition of the cross-subsidy that exists at the moment. That is £10.50 from very large numbers of people who are not at risk of being flooded, to cover those who might have

real trouble paying premiums. Obviously as the flood redevelops there may be other options and there will be flexibility within Flood Re.

Q276 Richard Drax: Could I ask one more question? This is not necessarily for your Department, Secretary of State, but now this country has had the worst floods for some time, and bearing in mind all the information technology we have nowadays, not least satellites, has the country been mapped while the country was under water, so that in future we do not have planning applications that put houses where water could be, bearing in mind these occurrences are happening more frequently?

Chair: For example, Ebbsfleet springs to mind.

Richard Drax: Has any work been done?

Mr Paterson: I think it is probably a technical question for the Environment Agency, but we are constantly tracking floods through the Environment Agency, and where the Environment Agency recommends that a planning application should not go ahead, we estimate in 95% of cases that advice is taken. Where the Environment Agency are informed, it is 99%. It is obviously, I think everyone has seen, idiotic in most cases to build on a flood plain. Our planning guidance very clearly says it is not sensible to build on flood plains, and the Environment Agency advice is overwhelmingly accepted.

Q277 Richard Drax: If the Environment Agency are responsible, do you know if such an operation—mapping the country underwater—has been done?

Mr Paterson: They are doing this all the time, yes. They are doing it. I do not know if they have taken actual photographs—we can find out rapidly—but they are monitoring floods the whole time.

Q278 Chair: Will they share the results of their mapping with insurance companies, district councils, and others?

Mr Paterson: Yes, absolutely.

Chair: Excellent. Secretary of State, Sonia Phippard, thank you very much indeed for being with us, participating in the inquiry, and being so generous with your time this afternoon. I apologise for the delay at the start of proceedings. Thank you both very much indeed.