

Natural Resources Wales Board Meeting 21st May 2013

Paper Title	Governance arrangements for Flood and Coastal Risk Management
Paper Reference:	Paper NRW B (O) 10.13 – May 2013
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Purpose of Paper:	Discussion/Decision
Recommendations:	1. That the existing arrangements are maintained in the short term for: • the Board's Internal Drainage District administration role; • Natural Resources Wales' delegated delivery role, and; • Natural Resources Wales' statutory flood committee's role consenting our annual programme of work, are maintained 2. Natural Resources Wales' statutory flood committee's advisory role on our operational flood and coastal risk management work is maintained for the short term. 3. Advice about strategic direction for flood and coastal risk management and its inter-relation with other Natural Resources Wales agendas should be considered through more integrated stakeholder engagement arrangements once these are established.
Decision Required:	For the Board to support the Recommendations.

Impact: To note – all headings might not be applicable to the topic	Impact on the Environment: Effective flood and coastal risk management ensures that the impact on the environment is minimised. Impact on the Economy: Effective governance of our work ensures we deliver an efficient, value for money service to the taxpayer. Impact on Community: Effective flood and coastal risk management ensures that communities and property are protected. Impact on Knowledge: n/a
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Issue

1. The governance arrangements for the flood and coastal erosion risk management (FCRM) functions of Natural Resources Wales have been inherited from those of Environment Agency Wales. However the FCRM legal, stakeholder and operational landscape is already changing in Wales.
2. This paper outlines the rationale for current arrangements, the future drivers for change and sets out recommendations for how Natural Resources Wales should arrange its FCRM governance for both the short and medium term.

Summary

3. There are opportunities to revise the governance arrangements in the future to create a more focused and flexible arrangement for overseeing Natural Resources Wales' delivery of this work.
4. In the interim, Natural Resources Wales needs to ensure there is appropriate accountability, transparency and provision of advice regarding the delivery of its flood and coastal risk management functions.

Background

5. Natural Resources Wales' legislative framework for flood and coastal risk management was commissioned by the Living Wales Programme and is now being implemented.
6. The framework drew upon that in use by the Environment Agency. That was derived from being a large organisation covering six English regions and Wales and a very large and diverse number of stakeholders.
7. Natural Resources Wales' Day 1 arrangements for FCRM governance are summarised below and detailed in Annex 1:
 - The Board has an executive role for the land drainage services we deliver in eleven Internal Drainage Districts in North West Wales (Annex 3). This typically involves setting annual levies and rates which we charge Local Authorities and landowners and signing off the accounts. The Board exercises this levy setting role at a high-level through agreeing the annual budget and the Board has delegated the executive delivery role for land drainage to Natural Resources Wales staff.
 - Natural Resources Wales staff have the delegated executive delivery role for our statutory flood and coastal erosion risk management functions. These functions broadly involve providing services such as flood forecasting and warning, flood awareness raising, incident management, construction and maintenance of flood defence structures and maintaining watercourses to enable water to flow freely. Some of these functions are subject to consultation and formal consent from Natural Resources Wales' statutory flood and coastal committee.
 - There is a statutory Flood and Coastal Committee for Wales ('Flood Risk Management Wales'). Its two primary functions are to consent Natural

Resources Wales' annual programme of work and to provide advice on how that work should be undertaken.

8. Beyond Day 1, there are three currently identified potential drivers for change to Natural Resources Wales' governance arrangements for FCRM:
- Natural Resources Wales' aspiration for more integrated stakeholder engagement;
 - if the Welsh Government gives Natural Resources Wales an expanded role to prioritise and allocate FCRM funding for Local Authorities, and;
 - if the Welsh Government transfers the land drainage functions for the three stand alone Welsh Internal Drainage Boards to Natural Resources Wales.
- The background to these is outlined in Annex 2.
9. These drivers mean there is a reasonable likelihood that Natural Resources Wales will need to adapt its governance arrangements in the medium term. The extent and specific nature of that change cannot be determined until decisions have been reached, by Natural Resources Wales or the Welsh Government, for each driver and the implications more clearly understood.

Proposals

10. Recommendation 1: that the existing arrangements are maintained in the short term for: a) the Board's IDD role, b) Natural Resources Wales' delegated delivery role, c) FRMW committee's role consenting and monitoring our annual programme of work.
11. Recommendation 2: that FRMW's existing role to provide advice on how we undertake our operational FCRM work is maintained for the short term. This would allow continued accountability, transparency and provision of advice to Natural Resources Wales.
12. Recommendation 3: When Natural Resources Wales' stakeholder engagement arrangements are in place, issues about FCRM strategic direction and its inter-relation with other Natural Resources Wales agendas should be considered through those more integrated arrangements, and FRMW members should be engaged through these arrangements.
13. This proposed approach has the advantages of providing continuity for both the organisation and stakeholders and retaining the expertise offered by FRMW members. It also allows the Board time to fully consider the implications of any changes to our land drainage and FCRM funding allocation roles before introducing any revisions.
14. It would enable Natural Resources Wales to engage more widely and directly with stakeholders and customers, including FCRM practitioners, whilst still retaining and valuing the expertise offered by FRMW members. It would also enable more holistic engagement on cross cutting issues such as ecosystem services rather than FCRM aspects being explored separately.
15. As a statutory committee, legislative change would be needed to implement more fundamental changes to FRMW. The Environment Bill offers this opportunity.

Next Steps

16. The potential internal and external drivers for change to FCRM governance will be monitored over the coming months in close liaison with the Welsh Government. Potential options for future governance arrangements will be drawn up during this period to enable us to respond quickly once decisions are made.
17. The Executive Team has begun to develop the longer-term strategic vision for the organisation, including FCRM, to create closer integrated delivery across Natural Resources Wales functions. This is being developed in conjunction with the project to develop the three-year corporate plan which will involve staff and stakeholders.

Risks

18. Adequate and transparent governance of our FCRM work must be maintained. We were a dynamic relationship with other FCRM partners, particularly Local Authorities and Internal Drainage Boards as we collectively implement Welsh Government's national strategy for FCRM and new flood and coastal legislation. If we do not remain vigilant and responsive to change the organisation's reputation could be compromised.

Financial Implications

19. Typical annual FCRM budget (capital and revenue) is in the region of £30m-40m. Typical annual IDD budget is £150k.

Communications

20. The messages of business continuity and innovating our approaches to FCRM delivery will be used in our ongoing engagement with customers, stakeholders and FRMW members.

Equality impact assessment (EqIA)

Not applicable

Annex 1 - Day 1 governance arrangements

Annex 2 – Potential future drivers for change to FCRM governance arrangements

Annex 3 – Map of Internal Drainage Districts in Wales

Annex 1 - Day 1 governance arrangements

Natural Resources Wales Board

- An executive role for land drainage to set annual levies and rates which we charge landowners and Local Authorities for the land drainage services we deliver in the eleven Internal Drainage Districts that we administer in North West Wales.
- An executive role to sign off the annual accounts for the Internal Drainage Districts that we administer
- Has delegated the executive operational role of land drainage within the Internal Drainage Districts to Natural Resources Wales officers via the organisations' Scheme of Delegation
- An executive role to approve Natural Resources Wales' capital FCRM programme and oversee how the funding is spent.

- Natural Resources Wales undertakes the functions of an Internal Drainage Board through our administration of 11 Internal Drainage Districts in North West Wales. Annual setting of IDD rates (on landowners) and special levies (on Local Authorities) takes place via: a) a draft proposal in Autumn, and; b) final decision in February. In February 2013 the EA Board set the 2013/14 rates and levies for the IDDs in Wales. Autumn 2013 will be the first instance where Natural Resources Wales' Board will be engaged in discussions to set the 2014/15 rates and levies.

Natural Resources Wales Staff

- The delegated executive role to deliver our statutory flood and coastal erosion risk management functions. This is structured amongst the Directorates as:
 - Knowledge, Strategy and Planning – advice and data to support the Welsh Government's development of legislation and policy; setting Natural Resources Wales' strategic direction and strategic stakeholder management
 - National Services – operational delivery of Wales-wide 'once' services such as flood forecasting and building new flood defences, and; co-ordinating and improving performance against operational plans
 - Operations North and South – local operational delivery including incident response, flood asset maintenance, community engagement
- Some of these functions are subject to consultation and consent from Natural Resources Wales' statutory flood and coastal committee. There are several provisions to how we undertake this role:
 - we must consult the Flood and Coastal Committee about the way in which we propose to carry out our flood and coastal erosion risk management functions and take into account their representations
 - we may not implement the annual programme of capital and maintenance works without the consent of the Flood and Coastal Committee
 - we may not issue a 'local' levy on Local Authorities (to fund delivery of flood defence functions) nor spend the revenue raised without the consent of the Flood and Coastal Committee

Flood and Coastal Committee for Wales ('Flood Risk Management Wales')

- The committee has been operating for many years but its remit was changed under primary legislation (Flood & Water Management Act 2010), becoming an advisory committee in 2011 with EAW taking on the executive FCRM function from the committee.

- Its 18 members are a mix of 9 EAW-appointed members (representing a range of skills and interests), 8 self appointed Local Authority members (representing all 22 Welsh Authorities) and the Welsh Government-appointed Chair.
- It gives consent to our annual programme of work
- It offers advice on how we undertake our FCRM work
- To date the Welsh Ministers have instructed us not to raise a local levy in Wales and so this role is currently dormant, however there is the potential for it to be instated as part of a new Welsh Government policy on FCRM funding due within the next 12-18 months.

Annex 2 – potential future drivers for change to Day 1 FCRM governance arrangements

Natural Resources Wales' approach for co-ordinated stakeholder engagement

Alongside the FRMW committee's role to consent our annual programme of work, they also have a role to advise Natural Resources Wales on how we undertake our FCRM work.

FRMW includes representation of a range of skills and interests such as business, agriculture, academia and flood victims. The Chair is the only paid post. All members are reimbursed for reasonable expenses incurred in carrying out their official duties. The finite number of members and their availability limits the ability to engage fully with all relevant stakeholders. Attempts have been made to address this with some individual members being tasked with representing certain sectors and wider groups. However this will always be less effective than engaging directly with the people, groups and organisations in those sectors, particularly on cross cutting issues.

As a place based organisation, Natural Resources Wales is seeking to engage with customers and partners on multiple issues affecting each location. There will be synergies between FCRM and other environmental issues in many instances across Wales. At a national, strategic level there are significant opportunities to integrate how we seek advice on a range of issues including FCRM.

An expanded FCRM capital funding allocation role

There is the need for some form of separate accountability for monitoring and approving Natural Resources Wales' officers' decisions on planning and delivering of the annual capital and maintenance programme. That role is currently performed by FRMW and is their key priority. This approach has the benefit of gaining endorsement from Local Authorities through their membership of the committee.

There is likely to be an increased need for the separate forum in the medium term. Within the next 12-18 months our remit may expand to include prioritising and allocating funding for Welsh Local Authorities FCRM capital work as well. This is because Welsh Government intends to delegate this role (which they currently do) to Natural Resources Wales and thus combine the two separate capital funding allocation processes into a single, more efficient investment programme for Wales.

The future of Internal Drainage Boards in Wales

Welsh Government is currently considering the future of IDBs in Wales. One of the options they are considering is to transfer all the functions to Natural Resources Wales. Local accountability is a priority amongst customers (landowners), particularly given they are charged for the services delivered. There will be high expectations that they will be fully represented on whatever forum/committee/board that is accountable for service delivery and administration for land drainage in the Welsh Internal Drainage Districts.

Annex 3 – Internal Drainage Districts in Wales



Powysland, Lower Wye and Caldicot and Wentloog IDD's are run by stand alone Internal Drainage Boards