



Representing Drainage Water Level & Flood Risk Management Authorities

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	Internal Drainage Board Rating Reform		
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Briefing: Internal Drainage Board Rating Reform

Introduction

Internal drainage boards (IDBs) collectively invest over £60 million annually in managing water levels and reducing flood risk within their districts, which cover just over a tenth of England's surface area (1.2 million hectares)¹.

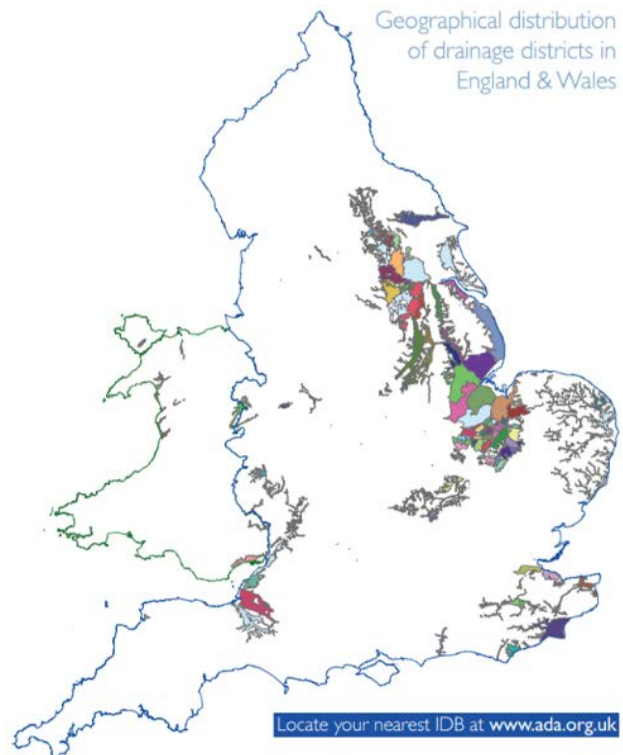
IDBs' functions are primarily governed under the Land Drainage Act 1991, they are designated as risk management authorities under the Flood & Water Management Act 2010. The cost of undertaking each IDB's functions are predominantly funded by the local beneficiaries of the water level management work they provide within their internal drainage district (IDD).

Historical background

Historically each IDB sought a contribution to their work from all those benefitting from its work. Originally these contributions were collected directly from both landowners and those occupying property. Occupants of properties (homes and businesses) paid a very small levy direct to the IDB.

This large number of small payments was administratively very inefficient so in the 1970s it was decided that local authorities would collect the property levy for landholdings less than 0.5 acres alongside rates, and pass the accumulated levy payments to the IDB.

To make the arrangements even more efficient it was decided to collect the IDB property levy as an average charge within the rates (now council tax & business rates), so that property occupiers only had to make one payment to the local authority. Because of changes to council tax collection the special levy now forms part of the council tax general expenditure across all of a local authority's area rather than just the properties within the IDD.



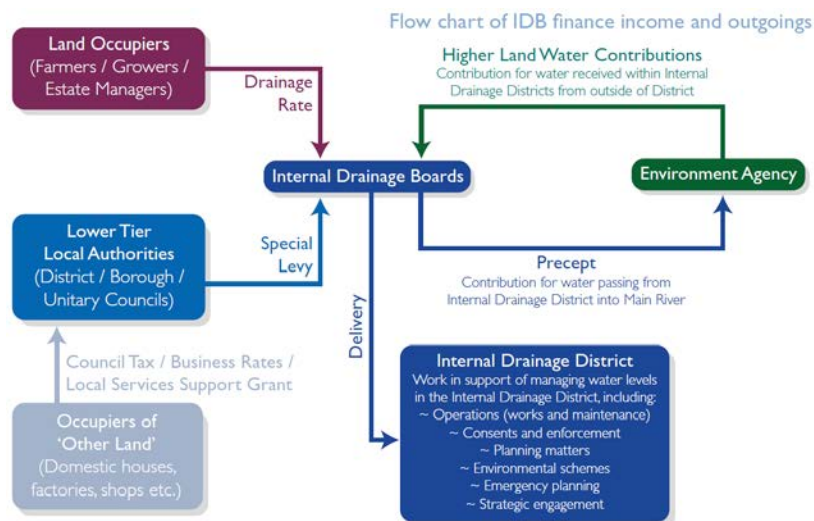
¹ Further information regarding IDBs is available from: https://www.ada.org.uk/member_type/idbs/



The current rates and levies of IDBs

Each IDB sets a budget for its planned work in the forthcoming year and any investments it needs to make for future projects (e.g. savings towards capital works). Section 36 of the Land Drainage Act 1991 determines that these expenses of an IDB shall be met by:

- Drainage rates collected from the occupiers of agricultural land and buildings within the IDD;
- Special Levies issued on District Councils and Unitary Authorities, who contribute on behalf of the 'other land' [non-agricultural land] within the IDD;
- The above are less any other contributions, such as from the Environment Agency under Section 57 of the Land Drainage Act 1991 for a contribution in relation to the quantity of water which that district receives from lands at a higher level outside of the IDD.



Section 37 of the Land Drainage Act 1991 determines that the aggregate annual value of land and property is used to calculate the proportion of the costs that drainage rate payers and special levy paying authorities should contribute (it is effectively a form of land tax).

Annual value for agricultural land and property is calculated in accordance with the provisions in Chapter II of the Land Drainage Act 1991, in short an agricultural holding's annual value is equal to the yearly rent at which the holding might reasonably be expected to have been let, by a prudent and willing landlord to a prudent and willing tenant, on a tenancy from year to year commencing on 1st April 1988 and on the relevant terms.

For 'other land' the annual value of chargeable non-agricultural land is determined from domestic and non-domestic valuation lists available at the time when the Act was enacted.

The non-domestic valuation lists still form the basis for the charging of business rates by local councils today and are updated periodically (most recently in 2017). However, the domestic valuation lists have effectively become redundant since the move from domestic rates to the present Council tax system in 1993, which is based on the estimated market value of property assessed in bands of value.



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Making changes owing to development

As land moves out of agricultural production and is built on so the appropriate balance of drainage rates and special levy are adjusted proportionately. The IDB can be informed of such changes either directly, such as by the land occupier/owner or by the respective Council's District Valuer.

Section 37(5)(e) of the Land Drainage Act 1991 provides the mechanism for calculating such changes. The appropriate amount for such land is calculated by multiplying the area of the land, expressed in hectares by such a unit value per hectare as represents the average value per hectare of all 'other' [non-agricultural] land within the IDD.

Issues with the current system and legislation

The core data on which IDB rating is determined by law is now 30 years old and domestic valuation lists critical to this process are no longer available from local councils across most of England and are not updated to take account of development. This is potentially an issue for existing IDBs, and a barrier to areas where new or extended IDBs may be considered in the future in order to locally fund water level and flood risk management (e.g. Alt Crossens pumped catchment, Lancashire).

The methodology provided under the Land Drainage Act 1991 to account for development can under or overvalue such development (as it is based on average annual values of 'other land' per hectare within the drainage district). Thus where significant development occurs within a drainage district the proportion of an IDB's expenses payed through drainage rates and special levy can diverge from actual proportions on the ground.

What steps have been taken to date?

ADA wishes to modernise the rating system to bear reference to contemporary valuation lists for domestic and non-domestic property and contemporary valuations of agricultural land and property, whilst maintaining the principles of the current system and the net balance of payments received from agricultural drainage rates and special levy.

That is to say the aim of this exercise is not to artificially shift the weight of payment in one direction or the other, but instead better reflect current land and property valuation and ensure that the methodology through which IDBs collect drainage rates and special levy is undertaken occurs on a sound legal footing that can be periodically updated to contemporary values.

ADA first raised the potential need for legislative change with Defra during the passage of the Water Bill through parliament in 2014.

A working group was convened by Defra and ADA on this subject to explore a revised, contemporary methodology for calculating drainage rates and special levy. The focus of this was



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to amend the methodology to take account of 'other land' using contemporary valuation and Council Tax lists. This methodology is detailed in the pdf attached.

The working group has now tested the methodology across 17 of the 112 IDBs in England and we are in a position to share these results with representatives of those affected. That is to say LGA (for local authorities), and NFU and CLA (for drainage rate payers). We wish to seek your views on these findings and methodology.

Next steps

ADA wishes to proceed with Defra in finding a suitable legislative vehicle for these changes and develop suitable guidance for IDBs in applying the changes at the appropriate time. We therefore also seek your respective organisations' support or acknowledgment of the need/purpose of introducing this change thus amending primary legislation.