

IMPACT OF INTERNAL DRAINAGE BOARD LEVIES ON COUNCILS

WHY A NEW APPROACH TO FUNDING IS NEEDED

All Party Parliamentary Group – Sustainable Flood and Drought Management





THE HISTORY OF THE IDB SPECIAL LEVY

The IDB Special Levy funds the work of IDBs.
The Special Levy is almost fully funded by Council Tax.

Until the 1970s IDBs collected their Special Levy directly from households, businesses and landowners.

In the 1970s Councils began collecting the Special Levy on behalf of IDBs for administrative ease.

It was later decided by councils to spread the Special Levy cost over all households.

THE HISTORY OF THE IDB SPECIAL LEVY CONT...

Thereafter, the Special Levy was consumed into the Council Tax requirement (which was then capped) but funded by Government via the Revenue Support Grant. That created an unintentional conflict between the Communities Act and Land Drainage Act

Since 2013/14, the Revenue Support Grant has been reduced by Government. Councils then had to start funding IDB levies and annual increases directly through their Council Tax (note Council Tax increases are capped).

2022 and 2023 saw HUGE increases in IDB levies due to rising utility and operating costs, making their pumps and machinery more expensive to run.

THE NATIONAL PICTURE

| 22/23 | 23/24 | 24/25 | 25/26 |
|-------------|-------------|-------------|-------------|
| £39,752,119 | £45,919,512 | £49,942,230 | £52,374,520 |



£12.62m increase

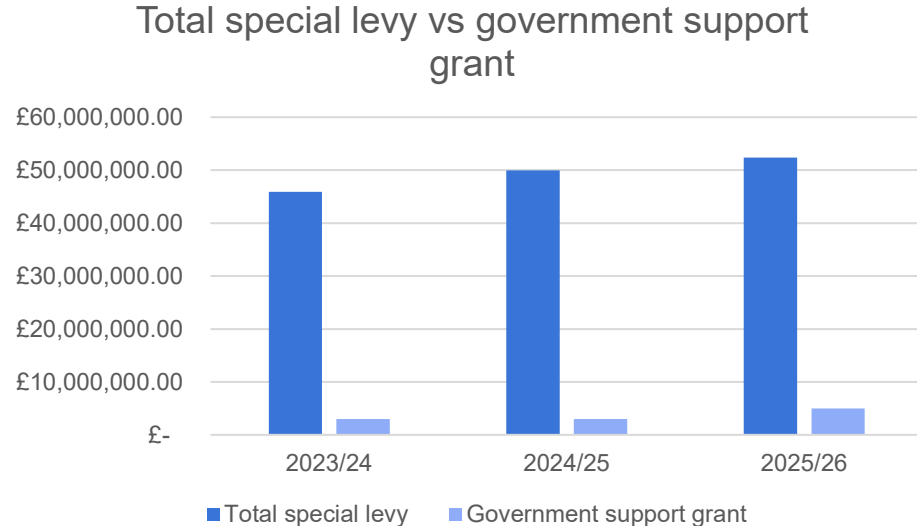
24%

TOTAL SPECIAL LEVY V GOVERNMENT SUPPORT GRANT

The Government has provided modest funding support for each of the past three years to help the most significantly impacted Councils.

Despite the support, Councils still face a significant financial pressure, as shown in the graph.

The effects of special levy increases are felt much more acutely by District and Borough Councils.



LAST FOUR YEARS

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | £ increase | % increase |
|---|------------|---------------------------|--------------------------|----------------------------|-------------|------------|
| Boston Borough Council | £2,117,301 | £2,474,740 (£318,890) | £2,824,980 (£431,000) | £2,927,049 (£654,000) | +£809,748 | +38% |
| East Lindsey District Council | £3,941,001 | £4,980,478 (£927,373) | £5,311,086 (£834,000) | £5,391,098 (£1,164,000) | +£1,450,097 | +36% |
| South Holland District Council | £2,832,599 | £ 3,167,451 (£298,739) | £3,412,790 (£335,000) | £3,570,565 (£578,000) | +£737,966 | +26% |
| Fenland | £1,707,909 | £1,903,750 (£177,281) | £2,118,013 (£213,000) | £2,393,150 (£520,000) | +£685,242 | +40% |
| Borough Council of King's Lynn & West Norfolk | £3,015,524 | £3,244,023 (£205,451) | £3,507,672 (£254,000) | £3,697,741 (£499,000) | +£682,217 | +23% |

The figure in brackets is the support received from Government in that year.

EXAMPLE OF COUNCIL TAX YIELD COMPARED TO LEVY INCREASE (2023/24)

| | Total Council Tax received per year 2023/24 | Total IDB cost 23/24 | Council Tax yield | IDB increase 23/24 | Yield minus IDB increase |
|--------------------------------|--|----------------------|-------------------|--------------------|-----------------------------|
| Boston Borough Council | £4.235m | £2.47m | £168k | £320k | -£152k |
| East Lindsey District Council | £7.5m | £4.9m | £321k | £946k | -£625k |
| South Holland District Council | £5.8m | £3.164 | £257k | £332k | -£75k |



served by One Team

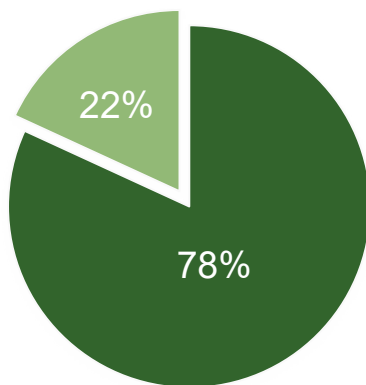
South & East Lincolnshire Councils Partnership

THE FINANCIAL IMPACT ON COUNCILS

EXAMPLE

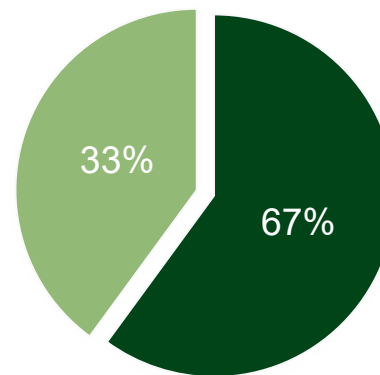


2025/26 BBC Net Budget -
£13.206m



■ Net Budget (excl Levy)
■ Drainage Levy

2025/26 Council Tax Requirement -
£4.401m



■ Council Tax ■ Drainage Levy

IDB LEVY INCREASE COST PRESSURE 2022/23 TO 2025/26

| Council | Levy rise 2022/23 to 2025/26 | Percentage increase |
|----------------------------|---------------------------------|----------------------------|
| East Lindsey | £1,450,098 | 37% |
| Boston | £809,749 | 38% |
| South Holland | £737,966 | 26% |
| Fenland | £685,242 | 40% |
| King's Lynn & West Norfolk | £682,217 | 23% |
| City of Doncaster | £548,304 | 38% |
| North Lincolnshire | £514,190 | 37% |
| North Yorkshire | £435,072 (2023/4 – 2025/6 only) | 15% (2023/4 – 2025/6 only) |
| City of Lincoln | £404,009 | 44% |
| North Kesteven | £390,632 | 61% |
| Great Yarmouth | £320,423 | 117% |
| Bassetlaw | £298,783 | 47% |
| Newark & Sherwood | £274,493 | 40% |

GREAT YARMOUTH BOROUGH COUNCIL

Example

Great Yarmouth Borough Council saw an **increase of over 500%** in Special Levy from one of its Internal Drainage Boards in 2024/25.

The Council's Internal Drainage Board bill increased by £272,214 for 2024/25.

The Council's Council Tax yield for 2024/25 was £298,230.

This means 91% of that yield is funding Internal Drainage Board levy increases, leaving just £26,016 to fund the provision of local services.

At present, Great Yarmouth Borough Council pays a total Internal Drainage Board Special Levy of £595,100.



GREAT YARMOUTH
BOROUGH COUNCIL

AGRICULTURE LAND TRANSFER

What is it?

Agriculture land transfer is when agricultural land is developed and its use changes from agricultural to another use, such as housing.

What happens

Where this happens, the IDB levy associated with the land (previously paid by the landowner) transfers to form part of the Special Levy the Council is required to fund.

Example

At City of Lincoln Council, plans to develop 3,200 new homes in the city should generate greater Council Tax income to support services. However, due to agricultural land transfer, a proportion of this Council Tax yield will be required to fund increased IDB levy costs to the Council which the IDB would use to provide water level management services to that development. The part of the council tax collected which is allocated to Special Levy is usually a small proportion of the total council tax bill per household.

STANDING CHARGES

What is it?

The fixed amount that you pay for energy, regardless of how much you use.

What happens

Electricity costs form a significant portion of IDBs' overall revenue expenditure. The Targeted Charging Review did not consider the bespoke needs and role of IDBs; therefore, its implementation has been unfair with a disproportionate impact on place and critical infrastructure at greater flood risk.

Example

The Middle Level Commissioners administer 29 smaller IDBs (inc. 24 with electric powered pumping stations). Their portfolio includes 67 electric meters. The standing charges have increased by 509% because of the Targeted Charging Review implemented on 1 April 2022.

The standing charge for St Germans Pumping Station has **increased by 1,282%** with only 50% of the station's maximum capacity currently served by the grid.



middle level
commissioners

Proudly managing water levels in the Fens since 1862

HIGHLAND WATER CONTRIBUTIONS

What is it?

This is a payment made by the Environmental Agency to Internal Drainage Boards, intended to cover the costs incurred by IDBs in managing water that flows from EA managed watercourses into their districts.

What is happening?

Higher energy costs, inflation, and unusually wet weather have increased IDB operational costs. The Environment Agency has seen further increases in operational costs, along with a reduction in Government funding allocations.

As a result, Highland Water Contribution (HWC) allocations have been unable to keep pace with IDB cost increases. In 2024/25, the EA was only able to pay 80% of claims.

If alternate options are not agreed to mitigate the shortfall in HWCs, then IDBs are likely to look to increase rates/levies to Councils to cover the shortfall.

King's Lynn & West Norfolk Council were notified by the Environment Agency that the potential impact on the Council could be £59,414 for 25/26. On this occasion, however, this shortfall is being addressed by the Regional Flood & Coastal Committee. This presents a concern for future years though.



WHY ARE WE ASKING FOR A CHANGE?



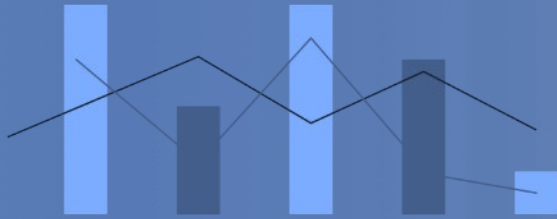
Relatively small number of Councils are disproportionately impacted but it is placing them at a significant financial disadvantage and making them financially precarious.



The current funding approach is unsustainable for many small Councils, forcing service cuts to be made and preventing statutory service growth to meet need.



Councils have been responding to rising costs in IDBs and their own operations by cutting back on service investment and reducing service provision.



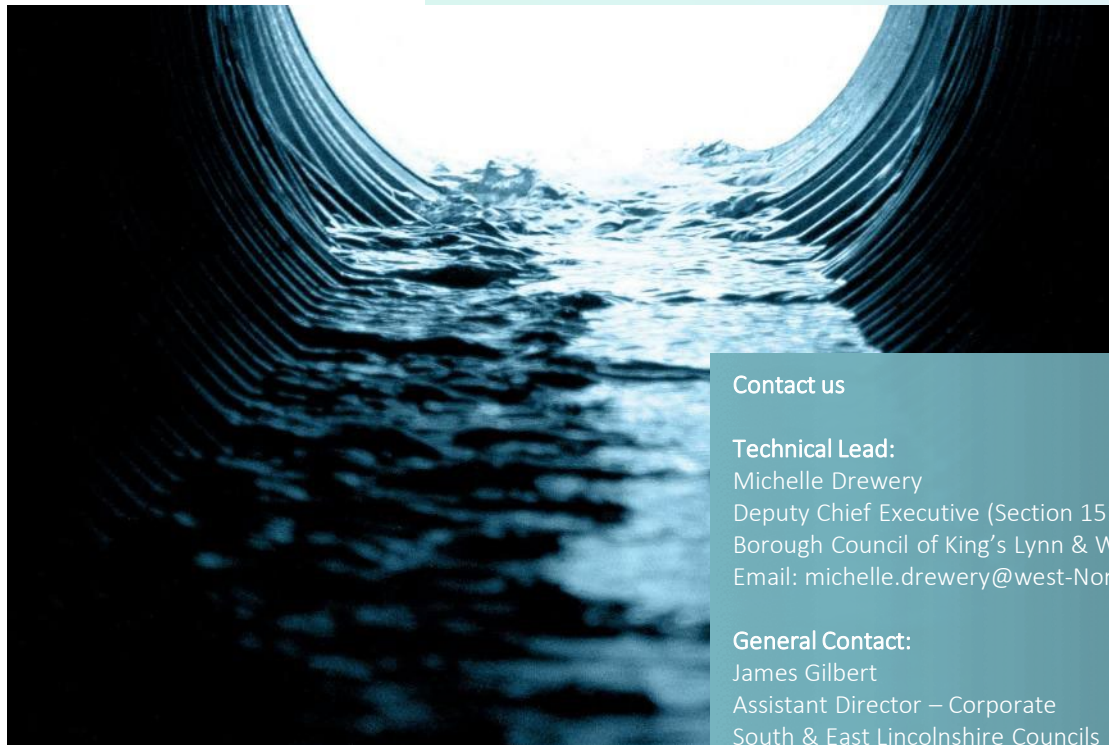
THE INCREASE BEING PUT
INTO COUNCILS BASE
BUDGETS BETWEEN 2022/23
AND 2025/26 IS **£12.622M**

WHAT ARE THE SOLUTIONS?

The total levy requirement from IDBs to Councils for 2025/26 is £52.375m (up from £38.947 in 2022/23)

Alternative funding mechanisms for Government to consider

- Government funds IDBs directly.
- Government funds the full cost of IDBs to Councils (business rates adjustment).
- Council Tax cap removed/modified to allow Councils to collect sufficient funds.
- Structural legislation changed to remove IDBs from Council Tax requirement.
- Levy moved to another body (such as upper tier Councils/water management bodies).
- On unitarization, removing the levy to sit within the combined mayoral authority and, if there is a Lincolnshire Rivers Authority established to divert to there.



Contact us

Technical Lead:

Michelle Drewery
Deputy Chief Executive (Section 151 Officer)
Borough Council of King's Lynn & West Norfolk
Email: michelle.drewery@west-norfolk.gov.uk

General Contact:

James Gilbert
Assistant Director – Corporate
South & East Lincolnshire Councils Partnership
Email: james.gilbert@e-lindsey.gov.uk

THANK YOU