



Management and Personnel Office

Whitehall London SW1A 2AZ

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GTN 273 }

5 August 1982

The Rt Hon Peter Walker MBE, MP
Minister of Agriculture, Fisheries
and Food
Whitehall Place
LONDON SW1A 2HH

Dear Peter,

INTERDEPARTMENTAL REVIEW OF LAND DRAINAGE AND FLOOD PROTECTION

I have been following the correspondence between you and Leon Brittan about the proposed review.

I am glad that you have reached an understanding about the scope and coverage of the review. The agreed terms of reference give the Committee a good basis for a thorough look at some important questions and I look forward to seeing their eventual report.

Among other issues, the Committee will be looking at the scope for financial and manpower savings in the administration of the grants. The experience of efficiency work in your own department as elsewhere suggests that, for the best results, it is essential to see the work where it is actually being done. I hope therefore that the Committee will wish to (and be able to) commission someone to carry out a detailed study of the basic administrative functions and report to them. There should be no difficulty in doing so within the timetable provided the work is set in hand at an early stage.

The MPO would be glad to help in any way it can out of a good deal of experience in reviews of administrative operations and what makes for an efficient and effective operation. Moreover the administration of the grants raises some machinery of government issues; again we have certain interests and expertise here, as well as responsibilities. I am glad therefore that your officials are already in touch with mine about the review.

I am copying this letter to the Prime Minister, the Secretaries of State for the Environment and Wales, the Chief Secretary and the Secretary of State for Trade, and also to Sir Robert Armstrong, Sir Derek Rayner and Mr John Sparrow.

*Yours ever
Janet*

BARONESS YOUNG



NBPM

Ms 27/2

SV
Local Govt

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Peter Walker MBE MP
Minister of Agriculture, Fisheries
and Food
Ministry of Agriculture, Fisheries
and Food
Whitehall Place
London SW1A 2HH

26 July 1982

Peter

LAND DRAINAGE AND FLOOR PROTECTION: INTERDEPARTMENTAL REVIEW

Thank you for your letter of 22 July.

I note your continued views regarding financial support for land drainage although I must make it clear for the record that I reserve the right to take a contrary view. But I also note that you accept the work of officials should cover the basic policy. This is most helpful.

As far as Chairmanship is concerned I accept that a MAFF officials should be in the Chair.

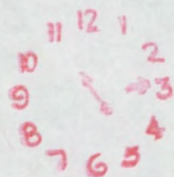
I also agree that there should be a low key announcement on the lines suggested in your letter of 13 May provided it is made clear the review is covering financing and administration (not just administration as mentioned in your letter).

I hope that your officials will now get in touch with officials of other departments as a matter of urgency in order to start the review as quickly as possible. I do accept, however, that the target date for completion of the review should be 31 December and not 30 October.

I am sending copies of this letter to the Prime Minister, Michael Heseltine, Nick Edwards, Arthur Cockfield and Janet Young and to Sir Robert Armstrong, Sir Derek Rayner, John Cassels and John Sparrow.

Leon Brittan
LEON BRITTAN

27 JUL 1982





MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

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Local Govt

From the Minister

Prime Minister (2)

CONFIDENTIAL

Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

MUS 22/7

22 July 1982

LAND DRAINAGE AND FLOOD PROTECTION: INTERDEPARTMENTAL REVIEW

Thank you for your letter of 12 July about the terms of reference for this review. As I have said in my previous letters, my own position on the need for financial support for land drainage is quite clear. I consider that by this means the basic productive resource of the nation is increased valuably; and it was for this reason that, with the agreement of my Ministerial colleagues, I decided that there should be special treatment for the parallel case of field drainage capital grants. Similarly, on urban flood protection, where serious problems occur virtually every year, I imagine that I would not be the only Minister to foresee political difficulties if the Government appeared to decide that it was not very interested in these problems.

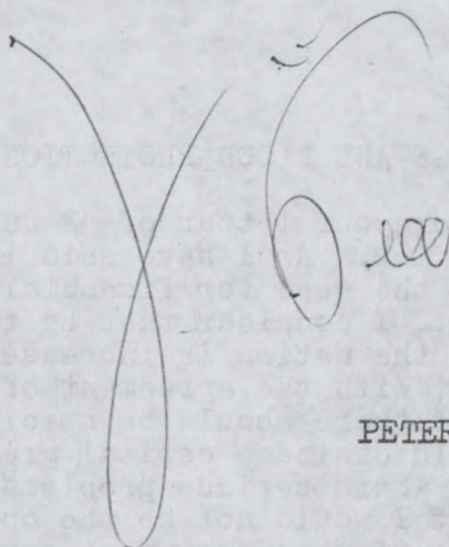
So I would not want officials to direct much of the effort put into this review into an unproductive attempt to reconcile my policy position with any contrary view the Treasury might want to advance. The question to which officials can make an important contribution is the efficiency of the administrative arrangements; and I hope that the Committee will devote the major part of its time to a study of the complex issues in this field.

As long as my position on this is understood, I accept the terms of reference enclosed with your earlier letter, except in relation to timing. It is now quite impossible for this review to be completed by 30 October next; indeed I am doubtful whether it can be done by 31 December, but let us set that date as the target.

/You have

You have not said whether you accept my views on the Chairmanship of the Committee and on the need for a low key announcement. I hope that, in the light of the views which I have already expressed on these points and the need for us to reach agreement quickly so as to enable the review to begin very soon, you will agree to my proposal for a MAFF Chairman and for an announcement on the lines suggested in my letter of 13 May.

I am sending copies of this to the Prime Minister, Michael Heseltine, Nick Edwards, Arthur Cockfield and Janet Young and to Sir Robert Armstrong, Sir Derek Rayner, John Cassels and John Sparrow.



PETER WALKER

22 JUL 1982

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E.C.J.V.

NBPM
13/7/81

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Peter Walker MBE MP
Minister of Agriculture
Fisheries and Food
Ministry of Agriculture
Fisheries and Food
Whitehall Place
London SW1A 2HH

12 July 1982

Peter,

LAND DRAINAGE AND FLOOD PROTECTION: INTERDEPARTMENTAL REVIEW

I had hoped that we were getting close to agreement on the terms of reference for this review. But your letter of 25 June makes me fear that there is still a degree of misunderstanding between us.

Your letter proposes that the policy of Government financial support for land drainage and flood protection should be excluded from the review. I understand that you mean by this support from central Government through a system of specific grants or subsidies, since, if specific grants were abolished overnight, land drainage and flood protection schemes would still receive Government support in the form of NLF loans through the water industry's EFL and the local authorities' capital allocation. I must press you to reconsider your position on this point. I am not asking you to agree to a different policy, but only to accept that the present policy should be reviewed. There is an issue of principle here - namely that, as part of sound financial management spending policies should be periodically reviewed.

There is a particular reason for such a review in the present case. One of the main points made in the Cooper-Lybrand report is the need for MAFF to develop explicit policy objectives, which would then be subjected to regular review. The authors of the report comment that they:

"Were struck by the lack of explicit policy objectives and of specific targets ... derived from them" in MAFF.

The section of the report dealing with land drainage and flood protection says simply:-

"There is no explicit policy for land drainage and floor protection".

As I pointed out in my letter of 1 June, Cooper-Lybrand go on to propose that this deficiency should be remedied, but that before doing so the Government should examine a number of fundamental issues, in particular whether:

- "(a) payment of grants;
- (b) at the given rates is the most effective/efficient way of achieving necessary land drainage and flood protection for the country".

*Will register
ycc.*

Neither the statement of objectives in your letter of 13 May nor your letter of 12 June answers any of these points. They beg the questions as to what standards of land drainage and flood protection should be regarded as acceptable, why special central Government support in the form of grants or subsidies should be thought necessary to achieve them and whether the normal Government financing on NLF terms should not be provided for this as for other Water Authority investments. When a reputable firm of outside Management Consultants has raised questions along these lines, they cannot be ignored; and it is legitimate for the Treasury to ask that they should be properly considered by all the interested Departments. If your view is that the Cooper-Lybrand comments are ill-founded or that the present system of grants is broadly satisfactory, that view can be argued by your officials in the course of the review.

If you can confirm that you are prepared to agree that the inter-departmental review should cover the questions raised by the Cooper-Lybrand report and spelt out in the last two paragraphs it should be easy enough for our officials to agree on revised terms of reference providing for this. If you still see any difficulty over this, I suggest that all of us had better meet quickly to sort it out.

I should perhaps add that I am not saying that these are the only or even the most important questions which should be covered by the review. All of us, I think, accept that it is equally important to have a thorough look at the cost and effectiveness of the present arrangements for the administration of that expenditure.

I am copying as before to the Prime Minister, Michael Heseltine, Nick Edwards, Arthur Cockfield and Janet Young and also to Sir Robert Armstrong, Sir Derek Rayner, John Cassells and John Sparrow.

LEON

LEON BRITTAN



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Govt Water

✓✓ JV local Govt



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

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From the Minister

CONFIDENTIAL

MSpm

Mr 25/6

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London SW1P 3AG

25 June 1982

REVIEW OF LAND DRAINAGE AND FLOOD PROTECTION

Thank you for your letter of 1 June enclosing revised terms of reference for the proposed interdepartmental committee to review the administration of land drainage and coast protection. I have also seen Nick Edwards' and Tom King's letters to you on the same subject.

I am glad to know that you accept the need for the review to include the powers and functions of the various land drainage bodies. As regards the inclusion of policy objectives I am content to accept your suggestion that the committee should define these only to the extent necessary for the other purposes of the review. But the reinstatement of your original suggestion that the review should examine "the role of the Government as a provider of part-finance" is, in my view, not consistent with that suggestion.

I made it clear in my letter of 13 May that I regard the continuation of Government financial support as a fundamental policy point. I am willing to look at the way in which that support should be given, but I cannot accept that the policy itself should be examined. An examination of the cost effectiveness of the grant system may, of course, identify particular aspects which are not cost-effective and this may, in turn, lead to changes in the scope of grants, but this is all in the context of the main thrust of the review (which I note that Nick Edwards supports)-

/namely ...

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namely the effectiveness of the administrative and financial arrangements.

In order to emphasise this point I suggest that item (b) of the terms of reference should read:

"(b) whether the scope and level of the present systems of grants are cost effective;....."

I realise that your suggestion that the review should not be announced is intended to be helpful in the context of the Wildlife and Countryside Act policies, but my department's relations with the drainage authorities are such that it would be very difficult and potentially embarrassing to refrain from saying anything about the review. There are a number of precedents for simply announcing that a review is under way and that a consultative paper will be issued in due course, and I hope that you will agree that this is what we should do.

On the question of the chairmanship of the Committee, your suggestion that it should be chaired by a Central Department carries with it the implication that the Treasury has no departmental interest in the review. The fact that you and I are having such difficulty in agreeing the terms of reference demonstrates that this is far from being the case. At the end of the day, the issue depends on which Minister is responsible to Parliament for the administration and management of land drainage. If, as I suspect, the committee recommends that significant changes will need to be made to the Land Drainage Act, I shall have to defend and promote these in the country and in Parliament. Any suggestion that my department was no more than a participant in the committee which recommended the changes, and that I am the junior partner in the exercise, would considerably weaken my position. I must reiterate my view, therefore, that the chairman should come from my department.

Finally, on the question of the date for the completion of the exercise, I notice that you have suggested that the committee should report by 30 October next. I am advised that it would be impossible to complete all the necessary work by that time. I also note from Nick Edwards' letter that his Rayner study - which the Committee will wish to take into account - will not be completed until the autumn. I suggest therefore that we should revert to my previous suggestion of a report by 31 December 1982.

/ I am copying, as before, to the Prime Minister, Michael Heseltine, Nick Edwards, Arthur Cockfield and Janet Young and also to Sir Robert Armstrong, Sir Derek Rayner, John Cassels and John Sparrow.

12 5 JUN 1982

PETER WALKER

LW

CONFIDENTIAL



DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

My Ref: K/PSO/32337/82

8 JUN 82

Dear Leon,

Peter Walker sent me a copy of his letter to you of 13 May about your proposal of a review of land drainage and flood protection arrangements.

I think it would be better if the officials' review were to extend to policy objectives. It would not be easy to make judgements about the effectiveness of administrative arrangements unless we were clear about, and happy with, what policy objectives the arrangements were designed to serve. I appreciate Peter's point about not reopening Wildlife and Countryside battles but the review would after all be in private. We can decide later whether we want to issue a consultation paper and, if so, what it should say. I would also prefer that an interdepartmental review should be chaired by an official from a central department.

Accordingly, I would prefer the reference to objectives to be reinserted in the opening lines of the terms of reference. I would also prefer my own version of (b) in the terms of reference, which derives from your original draft, and makes it explicit that loan finance and drainage charges are within scope. In addition, since we are agreed on the point, we should keep the reference to division of responsibility within central Government.

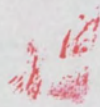
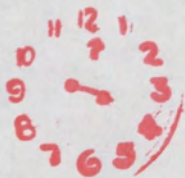
I am copying this letter to the Prime Minister, Peter Walker, Nicholas Edwards, Arthur Cockfield, Janet Young and to Sir Robert Armstrong, Sir Derek Rayner, John Cassells and John Sparrow.

TOM KING

The Rt Hon Leon Brittan QC MP

CONFIDENTIAL

9 JUN 1982





Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Peter Walker MBE MP
Minister of Agriculture Fisheries
and Food
Ministry of Agriculture Fisheries
and Food
Whitehall Place
London SW1A 2HH

1 June 1982

Dear Minister,

REVIEW OF LAND DRAINAGE AND FLOOD PROTECTION

Your letter of 13 May commented on the details of my proposal that there should be a review of this subject. Tom King wrote on the subject on 21 April.

... I am grateful to you and to Tom for your agreement to the proposed review. We now need to finalise the terms of reference so that the review can proceed. I am attaching to this letter revised terms of reference, which take account of the points made in your and Tom's letters.

As you will see from points (c) and (d) of my revision, I am entirely content to accept your proposal that we should look into the powers and functions of the various administrative bodies active in this area and at the effectiveness of their administration. I agree with Tom King that we should include the division of responsibility within Central Government in the terms of reference. Although, as you say, the extent to which the Committee will need to look at this will depend on the conclusions they reach on the wider financial and administrative arrangements. I have sought to reflect this in point (e) in the terms of reference.

Likewise, I have no difficulty in accepting Tom King's suggestions for extending the review to cover coast protection and on the financial side, the questions of drainage charges and rates.

As you will see, I am proposing that we stick to my original terms of reference insofar as they concern the financing arrangements for land drainage and flood protection. Your amendments on this



point seem to me to narrow the scope of the review unduly. It is precisely my proposal that we do need to re-examine the role of Government as a provider of financial assistance for this expenditure and the form that that assistance should take, bearing in mind that other Water Authority investments are not financed in the same way. The Cooper-Lybrand report specifically suggests the need to address the question whether:

- "(a) Payment of grants;
- (b) at the given rates

is the most effective/efficient way of achieving necessary land drainage and flood protection for the country". They further point out that the present system of specific grants is "difficult to reconcile" with a view that Central Government should not interfere with the individual decisions of water authorities. I do not see how we can ignore these observations.

I also have some difficulty with your suggestion that "policy objectives" should not appear in the terms of reference at all. I do not see how the committee can consider the cost-effectiveness of the present arrangements without reference to the policy objectives. The absence of a clearly-defined policy on land drainage and flood protection is emphasised throughout the Cooper-Lybrand report, in particular in paragraphs 2.3, 5.5 and 6.2. And, of course, great emphasis is now being placed on the need to identify objectives as part of our new, and we hope more vigorous approach, to financial management.

At the same time I sympathise with your desire to avoid re-opening in public the controversies surrounding the Wildlife and Countryside Act. Accordingly, my re-draft provides that the review of the present financial and administrative arrangements should be:

"in the light of the Government's policy objectives".

This is on the understanding between us that the committee's report will in fact define policy objectives to the extent that is necessary. Incidentally, I see no reason why any announcement of the review need be made at this stage.

Finally, in keeping with the wider terms of reference which I prefer, I would have thought that given more than one Department is concerned with drainage matters it would be appropriate for the Committee to be chaired by a Central Department. One incidental advantage of Treasury chairmanship is that if an announcement of the review has to be made at some stage the fact of Treasury Chairmanship would make it somewhat easier to resist any re-opening of the Wildlife and Countryside Act issues to which you refer. I am content that the chair should be at Deputy Secretary level, if you judge this to be necessary.

I am sending copies of this letter to the recipients of yours.

yours sincerely

LEON BRITTAN

Approved by the Chief Secretary
and signed in his absence_7

TERMS OF REFERENCE FOR REVIEW OF LAND DRAINAGE, FLOOD PROTECTION AND COAST PROTECTION

To review the arrangements for the financing and administration of land drainage and flood and coast protection schemes, in the light of the Government's policy objectives, including:-

- (a) whether the present administrative and financial arrangements under which land drainage and flood and coast protection expenditure are managed are effective and efficient; and if not, how they should be changed;
- (b) the role of the Central Government as a provider of part-finance for land drainage, flood protection and coast protection; whether the present systems of grants at existing grant rates are cost effective; whether there is scope for substituting loan finance for grants; and whether the present system of drainage charges and rates is efficient and equitable;
- (c) the powers and functions of water authorities, local authorities and internal drainage boards under the Land Drainage Act and the Coast Protection Act, including the relationship both between these bodies and between them and the Government;
- (d) the scope for securing the more effective execution of Government policy in the field of land drainage and coast protection and for achieving manpower and financial savings.
- (e) to the extent necessary in the light of (a)-(d), the division of responsibility for land drainage, flood protection and coast protection within Central Government;

and to report to Ministers by 30 October 1982.

1 JUN 1982



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Oddi wrth Ysgrifennydd Gwladol Cymru

Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

28 May 1982

De Leon

REVIEW OF LAND DRAINAGE AND COAST PROTECTION

I have read Peter Walker's reply of 13 May to your letter of 29 March and also Tom King's letter of 21 April. I support the intention to carry out a review of land drainage (including sea defence) and its extension to cover coast protection. I would want my Department to participate. You are already aware that I have recently instituted a Rayner Scrutiny within the Welsh Office covering land drainage. This should be complete by the autumn and will be of considerable assistance to the Review team.

I share Peter Walker's concern, however, that the main thrust of the Review should be to determine the most effective way of administering and financing land drainage and coast protection schemes. Like him, I would not want the review to be side-tracked onto conservation issues affecting these schemes. I agree that it should consider the powers and functions of the various non-Government authorities, particularly the Internal Drainage Boards as Peter proposes. The Committee should look at the division of responsibility between Departments so as to pave the way for a decision on this matter. I would also see merit in the Committee looking at the justification for the present grants system and at alternative forms of support.

I am copying this to the Prime Minister, Peter Walker, Tom King, Arthur Cockfield, Janet Young, Sir Robert Armstrong, Sir Derek Rayner, John Cassels and John Sparrow.

John
Simon

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

CONFIDENTIAL

Local Gov

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

NBPM

CC JV

MMS 14/5

13 May 1982

Thank you for your letter of 29 March suggesting a review of various aspects of land drainage. I have also seen, and taken into account, Tom King's letter to you of 21 April.

As it happens, this is a matter to which I have been giving some thought. I accept that there are a number of issues in need of review. I have not been fully convinced that, with the present constraints on manpower, I could justify using resources to carry out a wide-ranging review into a system which - as the Monopolies and Mergers Commission report notes - is generally workable. Indeed Peggy Fenner said as much in answer to a Question from Michael Spicer on 2 February last. Nevertheless if you and other colleagues are satisfied that we ought to set up a Committee to examine them, I would in principle be ready to do so.

In your suggested terms of reference you have naturally concentrated on the financial aspects of land drainage. But as the Minister responsible in England for the Land Drainage Act 1976 I am just as much concerned to see that the administration of land drainage across the board is carried out effectively and efficiently. In my view, therefore, we ought to look not only at the organisation of water authorities and the divisions of responsibility, but also at the powers and functions of the various authorities, some of which have not been reviewed for over 30 years.

/I have in mind ...

CONFIDENTIAL

I have in mind particularly the Internal Drainage Boards whose functions are in need of overhaul, especially in the extent to which they come under the direct control of my department. There are also various aspects of drainage rating and the electoral arrangements in IDBs which were criticised in a debate in the Lords on 17 November 1981, and which Robin Ferrers promised would be reviewed as soon as resources permitted.

As regards water authorities, I too have heard criticisms about the costs of operating the Regional and Local Land Drainage Committees, but I have seen no evidence that these are excessive and I do not start out with any preconceived idea on whether or not the present arrangements need to be significantly changed. By all means let us examine the evidence and consider possible alternative arrangements. At the same time we can, as Tom King suggests, look at the arrangements under which land drainage is financed.

Your third point concerns the present division of responsibility between Water Authorities, Local Authorities and Internal Drainage Boards. The problem of the division between the first two of these has however already been considered at some length. My department, in conjunction with the Department of the Environment and Welsh Office, issued a consultative document in October 1978 setting out the various options including, of course, the possibility that water authorities should take over responsibility from the local authorities. The comments which we received from the National Water Council and the local authority associations made it clear that such a change would be resisted from both sides - the water authorities do not want to take on the responsibility (at least at present) and the local authorities do not want to give it up. In the light of these views I had previously decided that the rewards were not sufficient to justify the time and effort which we would need to expend in order to push through the necessary legislation. We can look at this again if you wish - together with the relationship between sea defence and coast protection - but I would not want to waste too much time on such a minor and potentially unrewarding aspect of public administration.

Tom King has also suggested that the review ought to look at the arrangements within central Government. I agree that this needs to be considered in view of the lack of logic in the present division of responsibilities. But I would not want the inter-departmental committee to spend too long on this. I would prefer the committee to concentrate on getting the administrative arrangements right. We can then consider afterwards, in the light of their recommendations, whether any changes need to be made in departmental responsibilities.

However, there is one further and absolutely fundamental point. We are all agreed that we want to review the administration of land drainage to see whether it can be made more effective and efficient. I see no need to review the present policy objectives, which are quite simply stated.

/There is no question ...

CONFIDENTIAL

There is no question in my mind but that the Government should continue to provide financial support for economically worthwhile works to bring standards of land drainage and flood protection up to generally acceptable levels; and that within the constraints of the public expenditure programme the decisions about priorities in each region or land drainage district must be taken locally. The purpose of the review will be to ensure that the way in which that support is given is cost effective, and that the arrangements by means of which decisions are taken and implemented locally are satisfactory. If we were to extend the review to cover the policy objectives, it would be an open invitation to all concerned to re-open the old and bitter battles that accompanied the passing of the Wildlife and Countryside Act. Not only would that divert the parties involved from the most important task of getting that Act to work, but continuing dispute over conservation versus agriculture would distract everyone from seeking a more efficient system of land drainage administration. I am in no doubt that we must not run that risk.

... Taking all these points into account, I suggest that the terms of reference should be on the lines of the enclosed draft. The main purpose of the changes I have suggested, apart from omitting the reference to review of the objectives of Government policy, is to widen the terms of reference so as to bring in all aspects of land drainage administration, instead of concentrating on those with obvious financial and manpower implications. Because of this change of emphasis, and because in any event the Water Act 1973 charges me with the responsibility for securing the effective execution of land drainage policy in England, I think it would be appropriate for the proposed committee to be chaired by an official from my department. I have in mind the Deputy Secretary in charge of my Land and Resources Group. With the widened terms of reference, I do not think it would be realistic to expect a report before the end of the year - and this will depend on my being able to find the additional manpower - probably 2 or 3 posts - required.

Finally, I think we ought to give some thought to the way in which the review is to be presented. I would propose a low key announcement to the effect that we are reviewing the administration of land drainage with a view to issuing a consultation paper early next year.

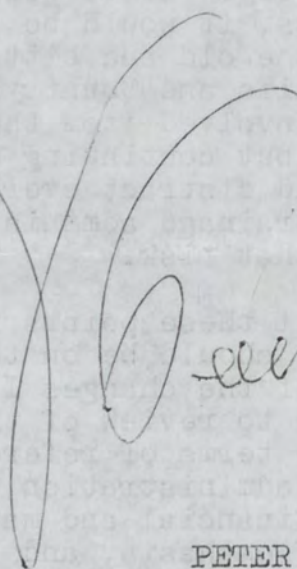
I agree with Tom King that, because the review is almost bound to lead to legislation, consultation with interested organisations is essential, but I suggest that we ought to get our own minds clearer before inviting others to comment.

/If you and other ...

CONFIDENTIAL

If you and other colleagues accept that this is the right way to deal with the problem, the sooner we can make a start the better.

✓ I am sending copies of this letter to the Prime Minister, Michael Heseltine, Nick Edwards, Arthur Cockfield, Janet Young and to Sir Robert Armstrong, Sir Derek Rayner, John Cassels and John Sparrow.



PETER WALKER

DRAFT TERMS OF REFERENCE FOR REVIEW OF LAND DRAINAGE AND COAST PROTECTION

To review the arrangements for the effective administration and financing of land drainage and flood and coast protection schemes, including:

- a. whether the present administrative and financial arrangements under which water authorities administer the Land Drainage Act 1976 are effective and efficient; and if not, how they should be changed;
- b. whether the present arrangements for the provision of Exchequer assistance for land drainage and coast protection are cost effective; and, if not, what changes should be made;
- c. the powers and functions of water authorities, local authorities and internal drainage boards under the Land Drainage Act and the Coast Protection Act, including the relationship both between these bodies and between them and the Government;
- d. the scope for securing the more effective execution of Government policy in the field of land drainage and coast protection and for achieving manpower and financial savings, and to report to Ministers by 31 December 1982.

CONFIDENTIAL



DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

My Ref: H/PS0/12547/82

21 April 1982

De Lea,

Thank you for sending Michael Heseltine a copy of your letter of 29 March to Peter Walker, proposing a view of the arrangements for the management and financing of land drainage and flood prevention projects and the policy underlying them.

I agree with you that, for the reasons you give, the time is ripe for such a review, and I also agree that the first step should be to set up an interdepartmental committee of officials to examine the questions. But I would prefer that the terms of reference should be more widely drawn than those you have suggested, in three respects.

First, even though the system by which water authorities and internal drainage boards raise money by drainage charges and rates is in so recent a statute as the Land Drainage Act 1976, it would be better to look at the financing arrangements as a whole, not merely central Government's part in them. I am not sure that the drainage charges and rates systems is as defensible as it may once have been, and in any case I would want to be able to assess how changes - if there are to be any - in the provision of Government money would affect owners and occupiers, especially householders.

Secondly, I would like the review to include grants paid under the Coast Protection Act 1949. My officials and Peter Walker's are already trying to reach a common grant formula for schemes to prevent flooding by the sea and schemes to protect land from erosion by the sea. What was thought to be a clear and workable distinction between the two types of works, which attract different rates of grant, was thrown into confusion by a legal decision in 1980 ("the Whitstable judgement") and it would be useful to get it sorted out in an economical fashion. The review would be able to take on board a report prepared in DOE on arrangements to prevent coastal flooding and the division of responsibility for them.

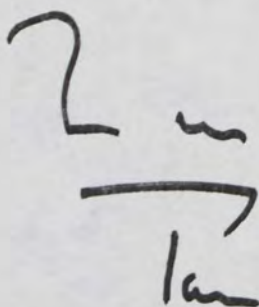
Thirdly, I believe it would be timely, as the review will be looking at the administrative structure within water authorities and at the division of responsibility between water authorities, local authorities and internal drainage boards, to do a complete job by looking at the arrangements for allocating responsibility within central Government for land drainage and flood and coast protection. I am not pressing to take anything over, but I do wonder whether land drainage and flood protection are subjects which must unquestionably be part of MAFF; alternatively, perhaps MAFF should take over responsibility for arrangements against coastal flooding.

These additions would, if colleagues agree, add to the work of the officials' committee, and the reporting deadline would need to be extended.

/ I enclose a draft of the terms of reference, revised to take account of these suggestions. It refers to "water authorities", not "regional water authorities", as I assume you intended to include the Welsh Water Authority.

One final point should not be overlooked: if any changes are contemplated, at some stage before final decisions are taken there would have to be consultations with a wide range of interests.

/ I am copying this letter to those who received copies of yours.

A handwritten signature in black ink, consisting of a large, stylized 'T' followed by a horizontal line and the letters 'an' below it.

TOM KING

TERMS OF REFERENCE FOR REVIEW OF LAND DRAINAGE, FLOOD PROTECTION
AND COAST PROTECTION

To review the objectives of Government policy on land drainage, flood protection and coast protection and ^{the} arrangements for the financing and administration of land drainage and flood and coast protection schemes, including:

(a) The case for ending the present separate administrative structure within water authorities for the management of land drainage, flood and coast protection expenditure;

(b) the role of the central Government as a provider of part-finance for land drainage, flood protection and coast protection; whether the present systems of grants at existing grant rates is cost effective and whether there is scope for substituting loan finance for grants; and whether the present system of drainage charges and rates is efficient and equitable;

(c) the division of responsibility for land drainage, flood protection and coast protection expenditure between water authorities, local authorities and internal drainage boards;

(d) the division of responsibility for land drainage, flood protection and coast protection within central Government;

(e) the scope for achieving financial and manpower savings by changes in the present arrangements.

and to report to Ministers by 30 October 1982.



see JV
 Prime Minister

MS 30/3

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Peter Walker MBE MP
 Minister of Agriculture
 Fisheries and Food
 Ministry of Agriculture
 Fisheries and Food
 Whitehall Place
 London SW1A 2HH

29 March 1982

I have been giving some thought to the arrangements both within central Government and in the water industry for the management and financing of land drainage and flood protection projects. I have reached the conclusion for the reasons explained below that the time is now ripe for a thorough going review of these arrangements and of the policy underlying them. I should emphasise that in what follows I am excluding from consideration the Thames Flood Protection Scheme, which is clearly sui generis.

There have been a number of recent developments which point to the need for a review. First, there is the Monopolies and Mergers Commission report on the Severn-Trent Water Authority which states (paragraph 11.177) that:-

"We note the considerable doubts which have been expressed to us about the efficiency of the present arrangements [for land drainage] and suggest that consideration should be given to undertaking a specific examination of this subject, embracing all RWAs".

It is not entirely clear what prompted this observation, which is not followed up elsewhere in the report. But I am advised that there is a good deal of criticism among the Water Authorities themselves about the extra manpower and financial costs of running a separate administrative system through the Regional Land Drainage Committees and Local Land Drainage Committees for this expenditure. Since the RWAs are responsible for some 75% of total expenditure on land drainage and flood protection, there could be some scope for worthwhile financial and manpower savings by bringing land drainage expenditure within the RWAs' general arrangements for the administration of the bulk of their capital expenditure.

Second, there is the recent study by Cooper-Lybrand of the financial administration of land drainage grants by your Department. Much of this report is, of course, concerned with questions of improving financial control and forecasting systems within the MAFF and I know that work is already in hand on these aspects. But there are a number of points at which the report touches on wider issues of policy and organisation. Specifically, it is suggested (para 5.6 of the report) that there is a need to consider whether payment of grant at the present rates is the most effective/efficient way of achieving necessary land drainage and flood protection. The report also (paragraph 2.13) refers to the question whether the RWAs' jurisdiction over land drainage, at present limited to "main rivers", might not be extended to take in the rivers for which local authorities are at present responsible.

Thirdly, I understand that Nick Edwards has recently endorsed a proposal that this year's Welsh Office contribution to the Rayner Scrutiny Programme should be a study of the present arrangements for paying land drainage grants in Wales. I understand that one of the objectives of this study is to:-

"Review the role of the Welsh Office in grant aiding land drainage schemes in the light of the Government's policy of disengagement from activities for which responsibility lies with other Authorities".

Drawing these developments together, I suggest that we now need a review to examine 3 broad issues:-

- (a) The case for ending the present separate administrative structure within the RWAs for the management of land drainage and flood protection expenditure and the scope for achieving administrative and manpower savings by so doing.
- (b) The role of the central Government as a provider of part-finance for land drainage and flood protection; whether the present system of grants at existing grant rates is cost effective and whether there is scope for substituting loan finance for grants.
- (c) The division or responsibility for land drainage and flood protection expenditure between Regional Water Authorities, Local Authorities and Internal Drainage Boards.

... I suggest that as a first step we should invite an inter-Departmental Committee of officials to examine these questions. I attach below possible terms of reference. I imagine that Michael Heseltine and Nick Edwards as well as yourself would want to be represented. Given this membership I suggest that the Committee should be chaired by the Treasury.

CONFIDENTIAL

I am sending copies of this letter to the Prime Minister, Secretary of State for the Environment, Secretary of State for Wales, Secretary of State for Trade, the Chancellor of the Duchy of Lancaster and to Sir Robert Armstrong, Sir Derek Rayner, Robin Ibbs and John Cassels.

Leon
Leon

LEON BRITTAN

CONFIDENTIAL

TERMS OF REFERENCE FOR REVIEW OF LAND DRAINAGE AND FLOOD PROTECTION

To review the objectives of Government policy on land drainage and flood protection and the arrangements for the financing and administration of land drainage and flood protection schemes, including:

- (a) The case for ending the present separate administrative structure within the RWAs for the management of land drainage and flood protection expenditure;
- (b) the role of the central Government as a provider of part-finance for land drainage and flood protection; whether the present system of grants at existing grant rates is cost effective and whether there is scope for substituting loan finance for grants;
- (c) the division of responsibility for land drainage and flood protection expenditure between Regional Water Authorities, Local Authorities and Internal Drainage Boards;
- (d) the scope for achieving financial and manpower savings by changes in the present arrangements.

and to report to Ministers by 30 September 1982.

11-11-82



30 MAR 1982

