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English Severn and Wye Regional Flood and Coastal Committee

Meeting Date: 9th October 2012

Item number: 12

Paper by: Midlands FCRM Programme Manager

Subject: Working together on Price Review 2014

Recommendations

Regional Flood and Coastal Committee is asked to:

1. Consider how the RFCCs should engage with water companies and the development of Price Review 2014 (PR14) business plans.
2. Identify opportunities to connect, through strategic planning that is co-ordinated across catchments, the Flood and Coastal Erosion Risk Management (FCERM) capital programme and PR14 programmes to maximise flood risk and environmental benefits.

1.0 Background

- 1.1 The Price Review in 2014 (PR14) is the Ofwat (The Water Services Regulation Authority) process for setting water company price limits for the period 2015 to 2020. As part of this process each water company will set out what customer services and improvements it intends to provide in business plans to be submitted to Ofwat in early 2014.
- 1.2 An important part of the water company business plans is to ensure that essential services are resilient to flooding and other forms of disruption, including surface water and sewer flooding. In the current price review period (PR09) water companies are investing £1 billion on sewer flooding and £414 million on critical infrastructure.
- 1.3 PR14 offers significant opportunities to deliver joint outcomes. Strategic discussions and sharing of information over the next 12 months will be key to development of integrated solutions that provide multiple benefits. PR14 applies in both England and Wales.

2.0 Joint outcomes

- 2.1 We want rivers and the landscape through which rivers flow to operate more naturally and sustainably. This will bring benefits to nature, society and the economy, and make England and Wales more resilient to the effects of climate change. We will be taking a catchment approach to achieve this.
- 2.2 The improvements we are seeking from PR14 will deliver multiple benefits across flood risk, water resources and water quality. This means it will be important for Flood and Coastal Erosion Risk Management (FCERM) investment to deliver our

Water Framework Directive (WFD) ambition. These are reflected in the following outcomes.

- A resilient water industry that manages its infrastructure to reduce flood risk and meet the challenges of growth, development and climate change,
- No deterioration in the current quality of the environment and catchments at, or moving towards, good ecological status or potential.
- Secure water supply with properly managed demands that ensures enough water for people and the environment.
- Improvements in the quality of bathing and shellfish waters and protected habitats.

3.0 Emerging Issues in PR14

- 3.1 PR14 will be different from previous price reviews in a number of ways. Ofwat have made it clear that they want business plans to focus on outcomes (e.g. cleaner water quality, reduced leakage, fewer incidents of sewer flooding, more resilient infrastructure etc.) in the short, medium and long term. Companies have also been asked to engage with customers and partners to develop outcomes and deliver integrated, sustainable and cost effective solutions.
- 3.2 Planning for PR14 is underway and there is an opportunity for RFFCs to engage in the process.
- 3.3 The Flood and Water Management Act 2010 gives local authorities, water companies and the Environment Agency new roles, including responsibilities as risk management authorities'. In addition, the new flood and coastal resilience partnership funding arrangements will allow more FCERM projects to go ahead by spreading the cost between Government funding and local funding partners. Water companies will be able to contribute and benefit from this new system when a flooding problem is not solely the responsibility of a water company.
- 3.4 Climate change will mean water companies, local authorities and the Environment Agency will need to consider alternative solutions to managing flood risk and provide resilient services in the future. This can only be achieved by partnership working.

4.0 Partnership working

- 4.1 Ofwat recognises that sewer flooding can be tackled in a number of ways. A water company could increase its underground assets to store more run-off during storms. It could work with customers or local authorities to introduce sustainable drainage systems and approaches that manage rainfall close to where it falls. Or water companies could help customers to reduce the impact of flooding.
- 4.2 There are opportunities to develop joint solutions that manage both flooding from rivers, surface runoff and water before it enters sewers – reducing overall costs.
- 4.3 Water companies are setting up Customer Challenge Groups to advise on business plans as part of their wider engagement.

- 4.4 The committee is asked to consider how the RFCC should engage with water companies and the development of their PR14 business plans.
- 4.5 Following our Workshop on 25th September 2012, we're keen to capture ideas and suggestions from Committee members on how we can continue to engage with Severn Trent and develop a more joined up approach to flood risk in Midlands.

5.0 Conclusion and recommendations

- 5.1 There are opportunities to address flood risk and investment in both programmes up to 2020 and beyond, but engagement and partnership working needs to happen now.
- 5.2.1 The RFCC is asked to:
- Consider how the RFCCs should engage with water companies and the development of Price Review 2014 (PR14) business plans.
 - Identify opportunities to connect, through strategic planning that is co-ordinated across catchments, the Flood and Coastal Erosion Risk Management (FCERM) capital programme and PR14 programmes to maximise flood risk and environmental benefits.

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