Flood Risk Management (Scotland) Bill
[As Amended at Stage 2]

Supplementary Financial Memorandum

Introduction

1. This supplementary Financial Memorandum has been prepared by the Scottish Government to accompany the Flood Risk Management (Scotland) Bill following Stage 2 consideration of that Bill which concluded on 18 March. It has been produced in accordance with Rule 9.7.8B of the Parliament’s Standing Orders. It does not form part of the Bill and has not been endorsed by the Parliament. It should be read in conjunction with the original Explanatory Notes and other accompanying documents published to accompany the Bill (As Introduced) (SP Bill 15–EN).

2. The purpose of this Supplementary Financial Memorandum is to set out the expected costs associated with the new provisions included in the Bill following Stage 2 amendments. The majority of the amendments are technical and do not affect the assumptions in the original Financial Memorandum. This document therefore addresses new elements of policy on reservoir flood plans and registers of flood protection schemes which were incorporated into the Bill at Stage 2.

Reservoir Safety

3. The new section 77A of the Bill introduces an enabling power into the Reservoirs Act 1975 (1975 Act) to allow Scottish Ministers to make provision in regulations for the preparation of reservoir flood plans.

4. The enabling power will allow regulations to be developed to,

- Establish criteria for determining which reservoirs require plans;
- Introduce a requirement to produce plans for reservoirs which meet the criteria;
- Specify the form and content of plans;
- Impose new duties on undertakers to implement plans in an emergency;
- Create offences; and
5. Before making regulations about reservoirs plans, Scottish Ministers will have to consult SEPA, the Institution of Civil Engineers and undertakers whose reservoirs would be expected to require a flood plan. It is expected that there will be three tiers of on-site plans:

- **Low risk plans:** where the undertaker completes a standard template setting out basic steps;

- **Moderate risk plans:** where the undertaker completes a bespoke plan setting out on-site actions that should be taken to reduce any impacts. It is expected that this plan could require technical assistance from a consultant;

- **High risk plans:** where the undertaker completes a bespoke plan setting out on-site actions that should be taken to reduce any impacts, including options for different scenarios based on inundation maps. It is expected that this plan would require technical assistance from a consultant, particularly in the preparation of inundation maps.

6. The Scottish Government would expect undertakers to be able to produce a low risk plan themselves by completing a standard template. As such, it would carry a relatively low cost estimated to be in the region of £100 per plan.

7. For the moderate risk plan, it may be necessary for the undertaker to seek assistance from a professional consultant in drawing up the plan. It is assumed that around 2 days assistance would be required - 1 day on site, 1 day on preparing information – the Scottish Government estimates this will cost around £1,000 per plan.

8. For the high risk plans, it is more difficult to estimate the cost to undertakers until draft regulations are put together covering the form and contents of plans. A number of bodies have provided estimates of the cost of detailed on site reservoir plans which include inundation maps. Defra estimated that the cost would be £2,500 per reservoir, Scottish and Southern Energy estimated that the cost would be between £12,000 to £14,000 per reservoir in their response to the public consultation. Scottish Water estimated that it would cost up to £25,000 per reservoir. The variation in these cost estimates are due to different understandings of what the form and contents of the different plans will comprise.

9. For the high risk category, based on the figures provided by the bodies in paragraph 8, the Scottish Government estimates that the cost of producing an on-site plan will be within the range £2,500 and £25,000. These costs will cover consultancy fees, modelling costs and the preparation of inundation maps covering different dam break scenarios.

10. Some of the very high risk reservoirs may be identified as posing a significant flood risk under Part 3 of the Bill. SEPA will be required to produce flood risk and flood hazard maps for these reservoirs as part of their duties under the Bill. Therefore, the costs incurred by the undertakers of these reservoirs would be reduced, because they would have access to the
maps prepared by SEPA. However, until the flood risk assessments are carried out, the number of reservoirs which would be involved cannot be identified.

11. The regulations made under the Bill could require on-site plans to be prepared for reservoirs that are not currently captured by the 1975 Act. These reservoirs would be identified after a thorough assessment of the potential flood risk that they could pose. It is therefore not possible at this stage to accurately determine how many reservoirs that are not currently captured by the 1975 Act could require an on-site plan. However, for the purposes of preparing this financial memorandum, it is assumed that 10% of the 1975 Act reservoirs could be additionally captured. At present, the 1975 Act covers 678 reservoirs, therefore, it is estimated that 746 reservoirs would require some form of on-site plan.

12. Once in place the plans will have to be reviewed at intervals set out in the regulations. The cost of reviewing the plans is estimated at 5% of the initial cost.

**Costs on the Scottish Administration**

13. The provisions will not add to the running costs of the Scottish Government. The Scottish Government anticipates making regulations under this new provision in conjunction with regulations under section 77 (incident reporting) of the Bill. Therefore, no additional costs are anticipated.

**Costs on local authorities**

14. This enabling power will not have any immediate financial impacts, but the regulations made under the power will have financial implications for local authorities. The Scottish Government anticipates that the provisions will impose additional costs on local authorities where they are the undertakers of reservoirs. 16 out of the 32 local authorities are the undertakers of one or more reservoirs, with a total of 36 reservoirs currently being operated by local authorities. Based on the assumption set out in paragraph 11, it is assumed that local authorities may need to prepare on-site plans for up to 40 reservoirs.

15. Until the criteria are set in regulations, it is difficult to estimate which reservoirs would require the different types of plans. However based on the size and location of the reservoirs operated by local authorities, it is estimated that many of these reservoirs would fall into the low to medium risk categories. Initial costs on local authorities are therefore estimated to be between **£0.04 million and £0.26 million** (assuming 10 high risk, 10 medium risk and 20 low risk) and up to **£13,000** to review.

**Costs on SEPA**

16. Regulations made under this power are expected to give SEPA enforcement functions in relation to reservoir flood plans. These are expected to be carried out in conjunction with the other enforcement responsibilities which SEPA will have under the Reservoirs Act 1975. The costs of the additional tasks will be minor or negligible because the tasks will be very closely aligned with those that will already be undertaken. The regulations for flood plans will not be brought forward until SEPA takes over its enforcement role for the Reservoirs Act 1975 under the Bill. The specific timing of when this is to happen is still under consideration, but it is unlikely to be before 2011.
Costs on other bodies, individuals and businesses

17. The enabling power will not have any immediate financial impacts but the Scottish Government anticipates that the regulations made under the power will impose additional costs on bodies, individuals and businesses who are undertakers of reservoirs which will be required to prepare reservoirs flood plans under the regulations. Reservoir undertakers include private individuals, small and medium sized businesses (such as fishing clubs and sporting estates) and private/public larger companies (such as utilities, including Scottish Water). The costs incurred by these operators would be scaled against the risk associated with individual reservoirs as described in paragraph 5.

18. Until the criteria are set in regulations, it is difficult to estimate which reservoirs would require the different types of plans. Around 235 reservoirs are owned or operated by large utility companies. As these are generally large reservoirs that are often located fairly close to populated areas, many of these reservoirs are expected to require the high-risk plans. The Scottish Government understands that many of the operators of these reservoirs have already prepared inundation maps and other information on on-site mitigation steps. The total new cost on these undertakers is therefore likely to be significantly lower than the highest estimate provided by Scottish Water, and the total cost is estimated to be in the region of £0.5 to £1 million. This is the estimated cost of updating plans and maps and producing plans for any reservoirs that lack the necessary information, and captures the assumption set out in paragraph 9 that an additional 24 (10%) reservoirs may require on-site plans. It is estimated that it will also cost approximately £0.025 to £0.05 million to review the plans.

19. The remaining 407 (678 - 36 (with local authority undertakers) – 235 (utility owned reservoirs)) reservoirs under the 1975 Act are likely to require a low or moderate risk plan. Based on the assumption set out in paragraph 9 it is estimated that an additional 41 reservoirs may require a low to moderate risk plan. Until the criteria are set in regulations, it is difficult to estimate which reservoirs would require the different types of plans. For the purposes of this memorandum, it is assumed half of the 448 reservoirs will require moderate risk plans and half would require low risk plans. Therefore, the estimated cost of producing plans for 224 reservoirs at moderate risk is approximately £224,000 and the estimated cost for the remaining 224 low risk reservoirs is approximately £22,400. However, it is possible that due to the type, size and location of some of these reservoirs, a small number of these reservoirs should, in the interests of public safety be required to prepare high risk plans. It is estimated that the total cost of reviewing the plans for these low to medium will be approximately £12,400.

REGISTERS OF FLOOD PROTECTION SCHEMES

Costs on local authorities

20. The Bill contains new provisions (section 53A) requiring local authorities to keep a register of flood protection schemes and make these registers available to the public. The new provision allows for local authorities to charge a reasonable fee for access to this information. Therefore it is estimated that there will be little or no cost to local authorities as a result of these provisions.
Costs on other bodies, individuals and businesses

21. The current cost of a property enquiry certificate in Scotland varies between £50 and £150 depending on the local authority area and the type of property. The additional cost of a search of this new register to individuals and businesses is estimated to be between a 10% and 20% increase. This increase is relatively minor in relation to existing charges and fees incurred during a purchase of a property.

OTHER NEW PROVISIONS

22. The remainder of the new provisions are largely technical in nature or clarify existing duties and responsibilities under the Bill and as such, the financial implications will be minor and within the ranges set in the original financial memorandum. The new provisions simply set out more explicitly the tasks the relevant bodies are expected to undertake to fulfil their obligations under the Bill.

Costs on the Scottish Administration

23. It is not anticipated that the other new provisions should impose any additional costs on the Scottish Government.

Costs on local authorities

24. It is not anticipated that the provisions should impose any additional costs on local authorities.

Costs on other bodies, individuals and businesses

25. It is not anticipated that the provisions should impose any additional costs on bodies, individuals and businesses.

TOTAL ESTIMATED COSTS OF NEW PROVISIONS

26. The total estimated costs of the new provisions in the Bill is estimated to be between £0.87 and £1.37 million.

SUMMARY OF COSTS

<table>
<thead>
<tr>
<th>Proposals\Costs</th>
<th>Recurring Review costs (5% of initial cost) £ million</th>
<th>Non-recurring- £100, £1000 or £10,750 dependant on risk £ million</th>
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<tbody>
<tr>
<td>Cost on local authorities</td>
<td>0.013</td>
<td>0.04 to 0.26</td>
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<tr>
<td>Cost on other bodies, individuals and businesses</td>
<td>0.04 to 0.06</td>
<td>0.75 to 1.25</td>
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<tr>
<td>Totals</td>
<td>£0.053 to £0.073</td>
<td>£0.79 to £1.51 million</td>
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FLOOD RISK MANAGEMENT (SCOTLAND) BILL
[AS AMENDED AT STAGE 2]

SUPPLEMENTARY FINANCIAL MEMORANDUM


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