RESERVOIRS (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 Reservoirs (Scotland) Bill following Stage 2 consideration of that Bill. 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.

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 the new elements of policy introduced to the Bill. These are the provision of financial assistance to reservoir managers in specific circumstances, the insertion of a right of appeal to Scottish Ministers following a review of a risk designation and the provision which enables a single flood plan to be prepared in respect of two or more reservoirs if they are in a cascade.

GRANTS TO RESERVOIR MANAGERS

3. New section 96A of the Bill inserts an enabling power into the Bill which allows Scottish Ministers to pay grants to reservoir managers for the purposes of enabling or assisting reservoir managers to comply with the requirements set out under Part 1 of the Bill.

4. The grants will only be payable in respect of high and medium risk reservoirs which were not regulated under the 1975 Act. The Scottish Ministers may determine the conditions attached to the grants, the amount payable and the basis on which those amounts are determined and the circumstances in which the grants may or may not be made.

Costs on the Scottish Administration

5. The cost of any such grants would fall on the Scottish Government. The cost to the Scottish Government will depend on the scope of any such grant scheme introduced by the Scottish Ministers as well as the level of demand from reservoir managers. It is anticipated that any such grant scheme would be a temporary measure in that it would only be available for a short time period to assist with the capital cost of adapting to the new requirements under the Bill. We anticipate that this will be no more than three years, i.e. encompassing one spending review period.
This document relates to the Reservoirs (Scotland) Bill as amended at Stage 2 (SP Bill 55A)

6. It is important to stress that grants do not cover recurring maintenance costs – only one-off costs incurred by managers of newly captured reservoirs.

7. The grants can only be paid to managers of reservoirs which are classified as medium or high risk and were not previously “large raised reservoirs” under the Reservoirs Act 1975. The number of eligible reservoirs will not be known until SEPA have completed exercises to identify, map and classify reservoirs between 10,000 and 25,000 cubic metres in capacity. This is not expected to be completed until 2015 at the earliest.

8. The Scottish Government has undertaken an initial desk-based mapping exercise to determine the possible location of reservoirs that may be newly captured. This has provided an initial number of up to 840 bodies of water that may be captured by the legislation. However, this data will have to be thoroughly cross-checked before the total number is certain. This will include physical site visits to check some cases where there is doubt over whether the site is captured under the Bill. Once all sites have been identified, it will be possible to identify the reservoir managers for these reservoirs and their ability to afford their new obligations.

9. In August 2010, the Scottish Government commissioned an independent financial report from Atkins Limited. This report used case studies to provide estimated costs of the new legislation to both reservoir managers currently captured under the 1975 Act (i.e. reservoirs over 25,000 cubic metres), and reservoir managers who would be newly captured by the requirements of the Bill (i.e. reservoirs between 10,000 cubic metres and 25,000 cubic metres). The author of the report is an All Reservoirs panel engineer with considerable experience and expertise in the field of reservoir safety.

10. For illustrative purposes, this Memorandum sets out estimates of one-off costs to reservoir managers of reservoirs between 10,000 cubic metres and 25,000 cubic metres that would be brought under the auspices of the Bill based on the report referred to in paragraph 9. The following cost estimates cover potential initial repair and maintenance works—

- **Medium risk** - £0 - £30,000
- **High risk** - £15,000 - £60,000

11. In addition, should major works be required on a newly designated high risk reservoir (in particular, upgrading a spillway to meet safety requirements), the costs may range from £300,000 to £1,000,000.

12. The cost of repairing and replacing valves is estimated as being between £75,000 and £150,000 depending on the circumstances of each site.

13. These costs are in addition to the estimated cost for the preparation of a flood plan which were set out in paragraph 199 of the original Financial Memorandum for newly regulated reservoirs—

- **Medium risk reservoir** - £1000
- **High risk reservoir** - £1500 - £6500 (depending on the complexity of the plan)
14. Therefore, the potential cost for reservoirs managers of newly regulated reservoirs are as follows—

- **Medium risk reservoir between 10,000m³ and 25,000m³**: £0 - £581,000
- **High risk reservoir between 10,000m³ and 25,000m³**: £16,500 - £1,216,500

15. The high-end estimate for a high risk reservoir is based on an assumption of the maximum cost of one-off works and flood plans, combined with the maximum cost of a spillway upgrade and the maximum cost of repairing and replacing valves as stipulated in the independent financial report.

16. The high end estimate for a medium risk reservoir is based on an assumption of the maximum cost of one-off works and flood plans, combined with the maximum cost of repairs to an existing spillway, and the maximum cost of repairing and replacing valves as stipulated in the independent financial report.

17. The Scottish Government considers that it is appropriate to insert a minimum amount, below which it would not be cost effective to administer any payment. The working assumption is that the minimum grant payable would be £1000.

18. The potential cost to the public purse for an individual grant could, therefore, range from £1000 to £1.2 million if the grant covered the full cost of adaptation. However before deciding to use the powers for issuing grants the Scottish Ministers would assess the affects that their actions would have, taking into account economic, social and environmental considerations and may decide that issuing grants is not a viable option.

19. It is considered likely that administering any grant scheme will result in a small temporary increase in work for the Scottish Government during the period where newly regulated reservoir managers are eligible to apply. The introduction of a grant scheme has been a popular amendment to this Bill, and the Scottish Government would expect a reasonable level of interest. The staff resource identified in paragraph 167 of the original Financial Memorandum would be sufficient to absorb the additional work incurred as a result of any grant scheme, and therefore no additional costs are anticipated.

20. It is anticipated that costs to the Scottish Government would be met from the budget of the Rural Affairs and Environment portfolio.

**Costs on local authorities**

21. This power to pay grants will not have any financial impacts on local authorities. Local authorities will receive any funding for their duties and responsibilities under the Bill through the local government settlement and will not be eligible for financial assistance through the grant mechanism.

**Costs on SEPA**

22. The power to pay grants will not have any financial impact on SEPA.
Savings for other bodies, individuals and businesses

23. This power will result in savings equivalent to the grant paid for individual reservoir managers, small businesses and charitable organisations who own or manage reservoirs which were not previously regulated under the 1975 Act and are brought under the Bill’s regulatory regime by virtue of their capacity and are identified as medium or high risk.

APPEALS TO THE SCOTTISH MINISTERS FOLLOWING SEPA’S REVIEW OF A RISK DESIGNATION

Costs on the Scottish Administration

24. The new provision for appeals to the Scottish Ministers in section 22A will result in a small temporary increase in work for the Scottish Government during the initial classification exercise undertaken by SEPA. It is not anticipated that large numbers of reservoir managers will make appeals to the Scottish Ministers against their reservoirs risk designation, once they have applied for a review by SEPA of their original decision. The staff resource identified in paragraph 167 of the original Financial Memorandum would be sufficient to absorb the additional work incurred as a result of any appeals and therefore no additional costs are anticipated.

Costs on local authorities

25. It is not anticipated that this amendment will have any financial impacts on local authorities.

Costs on other bodies, individuals and businesses

26. It is not anticipated that this amendment will have any financial impacts on other bodies, individuals or businesses.

SINGLE FLOOD PLANS FOR MULTIPLE RESERVOIRS IN A CASCADE

Savings for local authorities

27. Section 53(3) of the Bill now enables regulations on flood plans to allow reservoir managers to prepare a single flood plan for two or more controlled reservoirs in a cascade, where each individual reservoir is over 10,000 cubic metres in capacity. This is a change from the Bill as introduced, which required a plan to be prepared for each reservoir and will potentially result in cost savings for local authorities where they own reservoirs in a cascade.

28. For illustrative purposes, the Greenock cut is an example where this will result in potential savings for a local authority. Inverclyde Council are responsible for six reservoirs along the Greenock Cut, and Scottish Water manage one. The cost of an individual flood plan for medium and high risk reservoirs is estimated to be between £1000 and £6500. If the local authority and Scottish Water work together to produce a single flood this could result in a saving of up to £39,000 (6 x £6500) collectively.
Savings for other bodies, individuals and businesses

29. There will be potential savings for reservoir managers of reservoirs in a cascade owned by private businesses, individuals and other bodies such as Scottish Water. It is not possible to estimate how much may be saved collectively by other bodies, individuals or businesses until the number of eligible reservoirs is known once SEPA have completed exercises to identify, map and classify reservoirs between 10,000 and 25,000 cubic metres in capacity.

OTHER NEW PROVISIONS

30. The other amendments made to the Bill are not expected to create significant additional costs on either the Scottish Government or any other bodies. For clarification, the power inserted into the Bill in new section 13A, which enables SEPA to charge subsistence fees was omitted in error from the Bill at introduction. The estimated savings to SEPA and the estimated cost to reservoir managers in relation to these subsistence fees are both set out in paragraph 181 of the original Financial Memorandum.

TOTAL ESTIMATED COSTS OF NEW PROVISIONS

31. It is customary for a supplementary Financial Memorandum to provide a table detailing the total likely spend on the Scottish Administration. In this case, however, the Scottish Government has deemed that it would be inappropriate to include a definitive estimate of the cost of the new provisions. This is due to the considerable uncertainties as described in this Memorandum. A table showing total estimated costs has therefore not been included in this document.
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