



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Environment, Food & Rural Affairs

Internal Drainage Boards

What this investigation is about

1 Internal Drainage Boards (IDBs) are local independent public bodies responsible for managing water levels in low-lying areas where there is a special drainage need and contributing to flood risk management and the protection and enhancement of biodiversity in urban and rural areas. IDBs raise funding mainly through drainage rates paid directly by farmers and landowners and through special levies on district councils and unitary authorities.

2 This report addresses concerns about IDBs' activities and practices that were brought to our attention through correspondence with us. These concerns focused on three issues:

- governance and oversight arrangements for IDBs;
- processes for raising concerns about IDBs; and
- the potential for conflicts of interest.

3 We have explored these concerns with the Department for Environment, Food & Rural Affairs (the Department), the Environment Agency and the Association of Drainage Authorities, a sector-based membership organisation. We have drawn on information provided by our correspondents and work already undertaken in this sector.

4 It is not within the National Audit Office's remit to investigate the affairs of an individual local body. We have therefore reviewed concerns at a sector level and focused primarily on the role of the Department. We have not examined individual IDBs beyond previously documented information.

Summary

1 Internal Drainage Boards (IDBs) vary in scale and range of responsibilities. There are 112 IDBs in England, covering 1.2 million hectares (9.7% of the total land area of the country), where they seek to reduce the risk of flood to homes, industries of national importance and much of the UK's critical infrastructure, including oil refineries, power stations, major industrial premises, motorways and the rail network. They operate and maintain pumping stations, watercourses, sluices and weirs. IDBs' budgets for 2015-16 ranged from as little as £7,000 to £3.7 million. Together, IDBs spent more than £61 million in 2015-16.

2 It is the responsibility of each IDB to have arrangements in place to ensure that its business is conducted in accordance with the law and proper standards, set by the Joint Practitioners Advisory Group, the sector-led body responsible for producing proper practices for smaller authorities in England. Each IDB must also ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. IDBs should be accountable to the communities they serve, incorporating local residents, businesses and landowners and the relevant local authority or authorities.

Key findings

Governance and oversight

3 **There is no statutory governance standard for IDBs, and the government has no legislative powers to ensure that IDBs, as public bodies, meet expectations for good-quality internal governance and sound financial management.** IDBs are independent public bodies and, under the relevant legislation, no government department has a direct oversight role in their day-to-day activities or operations. The Association of Drainage Authorities (ADA), a sector-based membership organisation, has developed non-statutory governance standards with the support of the Department for Environment, Food & Rural Affairs (the Department). Under the legislation, the Environment Agency, an executive non-departmental body sponsored by the Department, has a supervisory role, and powers to act if an IDB injures the land, but prefers to work in partnership to address issues and share knowledge. Although IDBs have to comply with relevant local authorities' Local Flood Risk Management Strategies and local authorities may review and scrutinise the exercise of IDBs' risk management functions, local authorities have no legal powers to directly influence IDBs' governance and administration (paragraphs 2.3 to 2.8 and 2.10).

4 There is limited oversight of IDBs' operations. IDBs' annual reporting requirements consist of summary financial statements and compliance declarations. These are reported using a standard form that is returned to the Department. The Department reviews the information provided, identifies any issues arising and shares them with ADA. However, the information is not routinely subject to detailed analysis and is not used to engage with IDBs or to trigger activity by the Department itself. It is not subject to any standard checks or verification for consistency with other information that is held on IDBs. ADA may carry out its own analysis of the returns and determine any actions it may feel are required. Where an IDB does not declare compliance in its report to the Department or is given a qualified opinion by its external auditor, the Department initiates a follow-up investigation, working with ADA and the Environment Agency to encourage and support IDBs to address issues. The Department does not use the data in the statements and declarations to identify areas where IDBs need support or guidance. ADA may identify the need for action independently (paragraphs 2.15 to 2.22).

5 ADA supports the Department in overseeing the sector and addressing concerns and the Department supports ADA in providing advice and support to IDBs. Although there is no memorandum of understanding or documented agreement, the Department and ADA have developed a good working relationship. ADA has become an important part of the framework supporting IDBs and aims to operate as a central hub to support good practice. The Department, working with ADA, has achieved some improvements in the governance arrangements for IDBs in recent years, for example, through increased uptake of ADA's model governance documents. ADA takes the lead in ensuring that individual IDBs comply with the guidance it has developed with the Department. However, the Department cannot compel ADA to take action against any IDB and ADA, as an advisory body, does not have authority or powers to compel an IDB to implement good practice. Although ADA has a role in defining the requirements for annual reporting, it cannot enforce them (paragraphs 2.9 to 2.14).

Skills to support governance

6 Most IDBs report that they do not have board members with appropriate environmental expertise, instead accessing the skills they need through consultants. Almost three-quarters of IDBs report that they have no board members with appropriate environmental expertise. Eighty-one per cent report having no directly employed staff with environmental expertise. More widely, it is a challenge for IDBs to find willing individuals with appropriate knowledge and experience of key matters such as public finance, environmental regimes or legislative controls. It is not always possible for IDBs to identify these skills gaps and fill them and 60% of IDBs reported that they had not provided any training to their board members in the last year. Although many IDBs identify interest and enthusiasm in the board's activities as a more reliable driver for success than technical expertise, ADA acknowledges the need for IDBs to have access to the right specialist expertise on environmental as well as other relevant local issues and has produced a best practice guide on accessing environmental skills. (paragraphs 1.19, 1.20, 2.23 and 2.24).¹

¹ Available at: www.ada.org.uk/wp-content/uploads/2017/01/IDB_Best_practice_guide_on_accessing_environmental_expertise.pdf

7 Some smaller IDBs have reported benefits from merging with each other, forming consortia or working collaboratively. Other IDBs have not merged or formed consortia, despite being close to one another or very similar in nature. This means they have not benefited from the better technical and administrative support and shared best practice that these measures offer. ADA actively encourages mergers and consortia working, where such arrangements are appropriate. The number of IDBs has reduced from 172 in 2006 to 163 in 2010 and 112 in 2016 (paragraph 1.21).

Raising concerns

8 If an individual has a concern about an IDB's conduct, it is not always clear whom they should approach, and no government department has a role under the legislation in ensuring that any concerns raised are addressed. Some IDBs' websites have no information on what to do if an individual wishes to make a complaint. The Department advises individuals that approach it with a complaint first to complain to the relevant IDB and, if they are not satisfied with the way the IDB handles the complaint, then to refer it to the Local Government Ombudsman (paragraph 2.25).

Conflicts of interest

9 The requirements for oversight and assurance of IDBs are not sufficient to ensure that IDBs are able to meet the expectations associated with public expenditure and leaves them vulnerable to potential conflicts of interest. Potential conflicts of interest may arise, for example, if a board's elected members pursue their own local interests or if appointed managing agents are part of a wider group of companies that can bid for contracts specified by the agent. ADA has encouraged IDBs to adopt a register of interest, and all but one IDB reports having now done so. Because IDBs rely so much on bought-in expertise, there is a risk that they will not get the best advice to achieve value for money. IDBs can seek advice or guidance from ADA, but this is at their discretion. Neither the Department nor the Environment Agency has a statutory role in addressing these possible conflicts of interest, but both support the work that ADA has done to draw attention to the potential for such conflicts to arise. Increasing use of public sector cooperation agreements between IDBs, the Environment Agency and local authorities is helping to improve transparency and should allow IDBs to get better assurance of value for money (paragraphs 2.28 to 2.32).