

LGA work on flooding

Purpose of report

For information.

Summary

This report updates members on discussions at the meeting of the Inland Flood Risk Management Group on 16 January and work on flood insurance, Sustainable Drainage Systems (SuDS), and the development of a flood risk management 'portal' for practitioners. Future work areas are also outlined.

Recommendation

To note the update on LGA work on flooding.

Action

As directed by members.

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LGA work on flooding

LGA Inland Flood Risk Management Group meeting - 16 January 2012

1. This was a joint meeting held with the Inland FRM Group and the LGA National Partners Group on flooding, which includes key stakeholders including Defra, Environment Agency, London Councils and the National Flood Forum.
2. Main agenda items included the Environment Agency's role in the planning system on development in flood risk areas; direction of travel on flood insurance and the Sustainable Drainage Systems (SuDS) consultation.
3. More information on flood insurance and SuDS can be found below.

Flood insurance

4. At the meeting elected members expressed their frustration and concerns with the current rate of progress being made on the future of flood insurance coverage. It was decided that the LGA should write to Defra and also to the Association of British Insurers (ABI) to raise these concerns. Since the meeting, Richard Benyon MP, the Minister for Natural Environment and Fisheries, has written to Cllr Clare Whelan on the matter of flood insurance.
5. Rather than separate replies, a joint response was sent on behalf of the LGA with the Inland FRM Group. This raised members concerns and included key LGA asks and an offer of help from the LGA. A separate letter was sent to the ABI. Copies of the letters can be found in the appendix.
6. Members of the Inland FRM Group helpfully provided local examples where flood insurance is a problem and has had a negative impact on communities and individuals – for example, through affordability, lack of coverage or any examples of inflexibility of insurers.
7. The press release (27 February) from the LGA on floods insurance had widespread coverage, with national and local coverage in the Express, Telegraph, i Newspaper, Metro, BBC website and 150 regional newspaper and trade publication websites.

Sustainable Drainage Systems (SuDS) consultation

8. The LGA is currently responding to the consultation on Standards for Sustainable Drainage Systems (SUDS). The approval and adoption of SuDS will be a new responsibility for all Lead Local Flood Authorities (LLFAs).
9. LGA officers are still gathering information to help inform our position, but early feedback suggests that council capacity, the transition period to the start of new

role, links with planning, viability and long-term funding are issues that are of concern to councils.

10. The LGA are working with Defra to ensure that any solution for the source and mechanisms for long-term funding for the maintenance of SuDS works for councils.
11. The LGA will also seek to ensure that LLFAs are able to access the resources and skills needed to manage implementation.

Other information - LGA resources on Flood Risk Management

12. The LGA has started development of a flood risk management 'portal' to meet the information and support needs of local authorities to help them undertake their new responsibilities under the Flood and Water Management Act.
13. This will be a service offered through refreshing the existing LGA flooding web pages and the transfer of the existing FlowNet Community of Practice over to the new Knowledge Hub platform. The transfer has now taken place and there are now more than 950 members. Knowledge Hub is in essence, a professional networking tool for people working in and supporting local authorities and is a central part of the integrated online offer from the LGA.
14. The portal aims to be a 'one-stop-shop' of information, good practice, knowledge and sharing for local authority practitioners and elected members, together with the wider flood risk management community, to help them in their role of managing flood risks. The 'portal' will be launched in Spring 2012.
15. The LGA continue to send out a monthly Flood and Coastal Erosion Risk Management Bulletin which more than 600 people subscribe to.

Looking ahead – Upcoming work in 2012

16. Development of local flood risk management strategies by LLFAs
17. Partnership funding for flood and coastal erosion defences
18. Transfer of regulatory powers (consenting and enforcement of ordinary watercourses) to Lead Local Flood Authorities
19. Section 18 reporting under the Flood and Water Management Act. This requires the Environment Agency to report on flood and coastal erosion risk management to the Minister
20. LLFA development of flood hazard and flood risk maps for local flood risk identified (e.g. flood risk from surface water) in Flood Risk Areas (need to be produced by December 2013 under the Flood Risk Regulations)

Text of Letter to Richard Benyon MP

Dear Richard,

Future of flood insurance

Thank you for your letter dated 2 February 2012 in which you provided an update on the future direction of flood insurance in the light of the Government's December update. The LGA welcomes the invitation to help Defra and the insurance industry in bringing together councils to look at the role they could play in developing new and creative **local** approaches to securing affordable insurance - especially for low income groups. We have already had interest from some councils to be involved in this work.

The recent Climate Change Risk Assessment (CCRA) publication provided a timely reminder to us all that an increase in flooding events is likely to be one of the greatest consequences of climate change. This reports that the Expected Annual Damage (EAD) to properties from river and tidal flooding is to rise to between £1.8 billion to £6.8 billion by the 2050s if there were to be no further investment in defences or adaptation measures (a not insignificant sum). Coupled with the existing difficulties that householders are having getting and/or affording flood insurance (which will be exacerbated once the Statement of Principles comes to an end), it is unsurprising that this is causing some concern nationally.

The LGA recognises that identifying a future solution for flood insurance is a complex issue requiring everyone involved to play a role. It is imperative that Defra continue to show strong leadership in ensuring both the long-term availability and affordability of flood insurance. This is particularly important for the most vulnerable communities and those living in the most deprived areas which are also at the highest risk of flooding.

We support Defra's view that the Government must be mindful of and potentially prioritise vulnerable and low income households living with a significant risk of flooding and provide appropriate support. However, it is important to keep in mind the large number of households which might not fit within these groups but who are still facing **unaffordable** premiums or excesses.

The LGA agrees that investing limited public funds into flood defences and increasing the capacity of Lead Local Flood Authorities to manage flood risk (helping to reduce the risk of flooding and associated non-monetary health and wellbeing impacts of flooding) realises significantly higher cost-benefit ratios than using funds to effectively provide a taxpayer-funded subsidy to the insurance industry.

However, the LGA is concerned that the Government has not taken fully into account the 6% **cut** in Government funding for managing flood and coastal erosion risk in this current spending period, especially in light of the Environment Agency's estimates that an average annual **increase** of £20 million needs to be invested in flood

defences between 2010 and 2035, to sustain current levels of protection. If the extra £20 million was invested each year of this spending review period, it would equate to an overall percentage **increase** of 9% (*Flood Risk Management in England report - National Audit Office, 2011*).

The LGA acknowledges that the new model of partnership funding for flood defences is one mechanism by which Government hopes to enable more flood defences to go ahead (by securing increasing levels of **external** contributions).

We recognise that this new model can work in areas where there are high levels of inward investment and where multiple outcomes can be achieved. We acknowledge that there are a number of examples of this happening. However, there are many areas which will not have the ability to raise the funds they need. The recent Public Account Committee's report agreed with this. It found that many councils and local partners are having difficulty raising and securing partnership contributions, particularly in the current economic climate and accompanying significant budget restraints.

The LGA would like Defra to ensure that councils and others continue to be supported in the development and improvement of flood defence projects. In addition, we request that Defra makes a commitment to monitor the impact of the new partnership funding arrangements and that Defra should seek to fund any evidential shortfalls once public finances improve by feeding this into the next spending review.

The LGA asks Defra to put pressure on the insurance industry to:

- Use and share the most accurate and up to date data available in making risk assessments to ensure that premiums reflect most accurately the known risks, taking into account *all* resilience measures in place. It is vital that there is a **shared understanding** of risk for flooding from **all** sources (including surface water) and an **agreed approach** to determining risk based policies based on all available information.
- Ensure that any new model of flood insurance **takes into account and provides incentives** for householders to reduce their own flood risk through resistance or resilience measures, so that cover is specific to the property - not dissimilar to car insurance that is based on specific information about the car and the driver.
- Ensure that any new model of flood insurance allows homeowners/businesses to **flexibly use insurance payouts** to **resiliently** reinstate and refurbish their homes/businesses to reduce future flood risk, rather than restoring to "pre-flood" conditions.
- Ensure that there are **clear transition arrangements** in place between the end of the Statement of Principles on 30 June 2013 and any new model for flood insurance cover.

The LGA has written separately to the Association of British Insurers (ABI) to stress the important role that the insurance industry has to play in identifying a future

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solution for flood insurance and how they might help local communities more. (Copy of letter attached for reference).

We would also like to take this opportunity to invite you to attend the next meeting of the LGA Inland Flood Risk Management Group and National Partners Group on 22 May 2012 to talk through some of the concerns and possible solutions.

Yours sincerely,

Cllr Andrew Cooper
Chair, LGA Inland Flood Risk
Management Group

Cllr Clare Whelan
Member, LGA Environment and Housing
Board

Text of Letter to Association of British Insurers

Dear Otto,

The Local Government Association (LGA), which represents English councils, is aware of the dialogue and work that has taken place across central government and the insurance industry to address what will happen after the current Statement of Principles regarding flood insurance expires, and in particular work that Defra and HM Treasury are currently leading on.

At our recent Inland Flood Risk Management (FRM) Group meeting, elected members expressed frustration with the current rate of progress being made on the future of flooding insurance coverage. The LGA's Inland FRM Group is made up of local councillors from around the country, and they represent the views of councils and their communities on issues relating to flood risk.

We have continued to urge central government officials and ministers to continue to show leadership in bringing a sustainable solution to availability and affordability of flood insurance cover.

However, the LGA also feels strongly that the insurance industry should also play a fuller role on the future direction of flood insurance in the light of the Government's December update.

The recent Climate Change Risk Assessment (CCRA) publication provided a timely reminder to us all that an increase in flooding events is likely to be one of the greatest consequences of climate change. This reports that the Expected Annual Damage (EAD) to properties from river and tidal flooding is to rise to between £1.8 billion to £6.8 billion by the 2050s if there were to be no further investment in defences or adaptation measures (a not insignificant sum). Coupled with the existing difficulties that householders are having getting and/or affording flood insurance (which will be exacerbated once the Statement of Principles comes to an end), it is unsurprising that this is causing some concern nationally.

The LGA recognises that identifying a future solution for flood insurance is a complex issue requiring everyone involved to play a role. We ask that the ABI (in representing the insurance industry) shows strong leadership in ensuring both the long-term availability and affordability of flood insurance.

The LGA is in agreement with Defra that investing limited public funds into flood defences and increasing the capacity of Lead Local Flood Authorities to manage flood risk (helping to reduce the risk of flooding and associated non-monetary health and wellbeing impacts of flooding) realises significantly higher cost-benefit ratios than using funds to effectively provide a taxpayer-funded subsidy to the insurance industry.

We are aware of the work that has been done in Morpeth in developing a model proposal for household flood insurance. This is a good example of how local councils are working in partnership with local organisations and communities. The LGA would welcome the opportunity to help Defra and the insurance industry in bringing together councils to look at the role they could play in developing new and creative **local** approaches to securing affordable insurance - especially for low income groups. We have already had expressions of interest from some councils offering to be involved in this work.

Whilst the LGA does acknowledge the shortcomings of the current Statement of Principles and recognises the impacts that it does and doesn't have, LGA asks that the insurance industry ensures that any new model of flood insurance:

- Uses and shares the most accurate and up to date data available in making risk assessments to ensure that premiums reflect most accurately the known risks, taking into account *all* resilience measures in place. It is vital that there is a **shared understanding** of risk for flooding from **all** sources (including surface water) and an **agreed approach** to determining risk based policies based on all available information.
- Is based on a shared understanding of risk for flooding from all sources, including surface water, and an agreed approach to determining risk based policies based on all available information.
- **Takes into account and provides incentives** for householders to reduce their own flood risk through resistance or resilience measures, so that cover is specific to the property - not dissimilar to car insurance that is based on specific information about the car and the driver.
- Enables homeowners/businesses to **flexibly use insurance payouts** to **resiliently** reinstate and refurbish their homes/businesses to reduce future flood risk, rather than restoring to "pre-flood" conditions
- Ensures that there are **clear transition arrangements** in place between the end of the Statement of Principles on 30 June 2013 and commencement of any new model

Our local councillors up and down the country are only too aware of the impact of rising insurance costs on households, especially given the current economic climate. It causes anxiety and frustration amongst communities when they cannot understand why premiums increase when the perceived risk has not changed.

The LGA has written separately to Defra about the important role that Government has to play in identifying a future solution for flood insurance.

We would welcome the ABI, as a member of the National Partners Group, to discuss some of the concerns and possible solutions at the next meeting of the LGA Inland Flood Risk Management Group and National Partners Group on 22nd May.

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Attached as an annex to this letter are a number of examples which serve to act as a reminder of some the concerns facing many householders at this time about whether they will be able to get and/or afford flood insurance in the future.

Yours sincerely,

Cllr Andrew Cooper
Chair, LGA Inland Flood Risk
Management Group

Cllr Clare Whelan
Member, LGA Environment and Housing
Board