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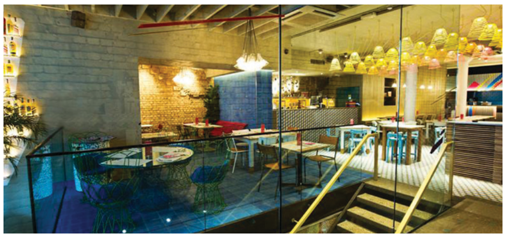

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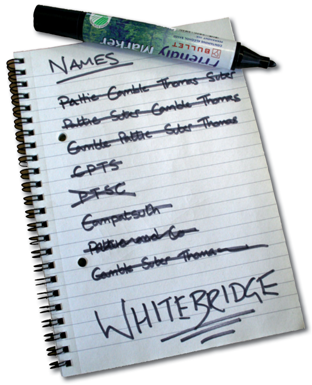
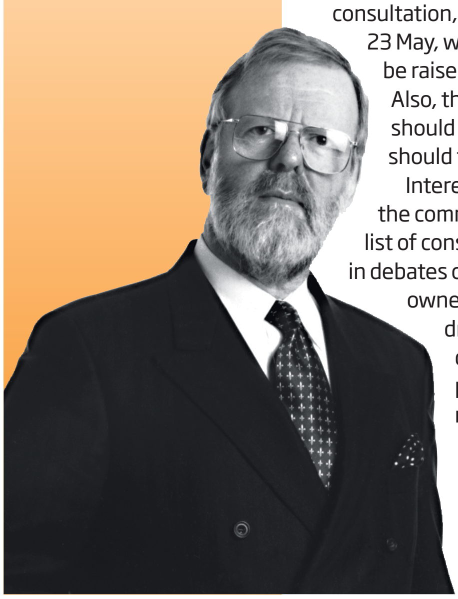


PROFESSIONAL OPINION Bill Gloyn

Hopes sink as criticism of DEFRA's flood defence proposals fall on deaf ears



My involvement with public consultations was fairly limited until I assumed my roles with the City Property Association in 2008. Since then I have been party to drafting many responses, often on my "favourite" topic: floods.

Sometimes the outcome is very satisfying. Something is identified that appears to have been overlooked by the consulting party and its plans are amended accordingly.

If only it were the case that reason had been heard in the Department for Environment, Food and Rural Affairs' (DEFRA) consultation on the future of funding for flood defence expenditure, which closed in February this year.

The Comprehensive Spending Review last year led to a considerable reduction in the proposed budget for flood defence expenditure for the next few years. The DEFRA consultation, the final proposals of which were published on 23 May, was based on the proposal that funding needs to be raised from other sources, primarily the private sector. Also, that the decision-making process on what schemes should go ahead should be devolved to a local level, as should the responsibility for fundraising.

Interestingly, it seems that no representatives of the commercial property world were included in the list of consultees, despite many having a past involvement in debates on flood defence – a matter that affects building owners and occupiers alike. Nevertheless, several did draw attention to deficiencies in the proposals, despite reluctantly accepting that private sector payments were inevitable. Real estate already makes considerable direct and indirect contributions to the public purse.

Particular concerns were voiced about the risk that schemes would not proceed – even with partial government funding – if the balance could not be raised locally.

The result of the consultation is that, basically, they will take no account of the objections and will go ahead as originally planned. There is however, a small concession in that the first 12 months of the new arrangements, which start in March 2012, will be treated as a "transitional period – allowing lessons to be learned and refinements made" before the final scheme is permanently adopted from 2013.

Against the tide

Unless refinements are made, future funding decisions will be based on three main criteria: the value of benefits to householders; the value of other benefits, including those to businesses and agriculture; and environmental benefits.

There is a set of formulae by which the actual benefits will be calculated, based on the simple proposition that a flood causes damage of £30,000 to each affected household and protection should last for at least 50 years. Future benefits are discounted by "standard Treasury rules" and, understandably, deprived areas can expect a higher share.

That leads me to a final thought. What is going to happen to flood insurance after June 2013, when the current agreement between the government and the insurance market to maintain cover expires? A spokesman for the Association of British Insurers is already reported to be warning policyholders in Hull, which was severely affected by the June 2007 flood, that they should brace themselves for the worst.

That warning needs to be heeded by all those in flood risk areas. Insurers cannot be expected to continue to provide cover where flooding is inevitable, whether because of climate change, inadequate drainage or the failure to raise sufficient funds to provide proper protection.

Bill Gloyn is a European real estate partner at JLT Specialty and immediate past-president of the City Property Association