

Flood risk: Planning in England and Wales

Professor David Crichton FCII, Chartered Insurance Practitioner and natural catastrophe researcher

Summary

- Local communities should receive direct revenue from new developments to fund local flood defences
- The current planning system and recent reforms do not offer enough protection against the dangers of building on flood plains
- Homes built since 1971 are more likely to be damaged by flooding and cost more to repair

It is not the role of insurers to dictate planning policy. However, some might say that insurers have a duty to warn society if current policies are likely to lead to problems with the availability or affordability of insurance. Indeed, for many years, I have been in close dialogue on such issues with almost every local authority in Scotland and this has helped to reduce flood plain development to zero in most of Scotland. The position is rather different in England and Wales, where vested interests have taken over the planning process.

Planning in England and Wales: Top down or bottom up?

England's National Planning Policy Framework (NPPF) was published on 27th March 2012. It is much shorter than all the previous planning policy statements and was written by a small coterie of civil servants with little effective input from practitioners or experts. It pays only lip service to sustainable development, then neatly sidesteps it. Concepts such as social justice and equity seem to escape it completely. There is no longer (if there ever was) any clear guidance on issues of interest to insurers, such as preventing building in flood plains. Indeed, in Wales, the then environment minister (now the First Minister) specifically instructed in 2006 that flood plain development should be resumed. Not that there is much building actually going on anywhere in England or Wales any more.

When Eric Pickles became Communities Secretary in May 2010, one of his priorities was to do something about new housing construction. The Department's website says:

"For decades, there have not been enough homes to meet the needs of our growing and ageing population. From 2009 to 2010, only 115,000 new-builds were completed in England – fewer than any year in peace time since the 1920s and nearly a quarter of a million homes in England have stood empty for more than 6 months."

The housing market is also one of the biggest casualties of the 2008 global credit crunch and the government's priority has been to rectify a situation where lenders couldn't lend, so builders couldn't build and buyers couldn't buy.

The government intended to increase the supply of housing by providing financial assistance for projects and buyers, and by removing unnecessarily complex regulations. This meant big changes in the planning system. The 2011 Localism Act was to replace any form of "top down" approach with a "bottom up" system. The position is summed up in a government guide to the Localism Act:

"Instead of being able to act only where the law says they can, local authorities will be freed to do anything – provided they do not break other laws."

At the same time, the guide makes it clear that the powers of local authority planners would be reduced and decision making transferred to individual neighbourhood communities.

“This Act passes significant new rights direct to communities and individuals, making it easier for them to get things done and achieve their ambitions for the place where they live.”

This means that every neighbourhood has the right to write its own development plan, and this is being seen as a NIMBY charter. People living in nice houses are probably not keen to see their neighbourhoods developed with new, high-density social housing, for example.

Pickles wrote to council leaders in May 2010 to state his intention to discard all the previously agreed strategic plans. Previously, local councils had come together in groups to propose housing numbers and locations in a co-ordinated way. They could work in conjunction with River Basin Management Boards, established under the Water Framework and the Flood Directives, to help to avoid development in flood hazard areas, working on a catchment-wide basis. These Regional Spatial Strategies (RSS) are now condemned as “top down”, even though in practice they were a compromise between the views of individual communities and local objectors. But Pickles insisted they would have to go, which had the almost immediate impact of reducing planned housing targets. Also discarded was the National Housing and Planning Advice Unit (NHPAU), which had been set up in 2006 to give advice on regional housing targets.

As a result, after only two years, houses that had previously been permitted in regional plans can no longer be built. The amount of new housing has been reduced by more than 270,000 from the RSS figures, according to research in 2012 completed for the Policy Exchange by Tetlow King Planning.

Tetlow King Planning states that:

“...local authorities across England have reduced their housing targets by a total of more than 270,000 from RSS targets. The largest reductions have been in the areas where housing affordability problems are the most acute – the South West, South East and East of England. The report provides a treasure trove of information and statistics on how localism is impacting on housing targets.”

And all this because of a letter of intent written in 2010. RSS targets have not been abolished yet, two and a half years later. It is not clear why. One problem is that removing the targets would mean that new development plans for those areas would then be subject to the Strategic Environmental Directive, requiring much more “red tape”. In the meantime, Government has become concerned at the collapse of new house building, due to its bottom up strategy and, in a major and relatively unpublicised “U-turn”, has introduced a number of “top down” initiatives. For example:

Removing regulations

Government has already said that it does not intend to change building standards to require new homes to be more resilient to storm or flood damage. Already, insurers know that modern homes are more likely to be damaged and to need more costly repairs than homes built before 1971. If building standards were to be relaxed even more, then this would cut the costs of construction but impact insurance costs.

“*Insurers know that modern homes are more likely to be damaged and to need more costly repairs than homes built before 1971.*”

New Homes Bonus

Local authorities can keep, for six years, the council tax income from all new housing built in their area. It has been claimed that this £1bn government scheme to encourage house building will benefit rich areas in the south of England, at the expense of poorer councils in the north.

Councillors in a number of northern authorities say the New Homes Bonus effectively moves millions from deprived neighbourhoods to affluent parts of the country.

The government says the scheme fairly rewards those councils that allow much-needed homes to be built.

“Buying” planning permission

Under this proposal, a proportion of the money from development would go to local groups to improve local infrastructure, instead of it all going to central government. This was introduced by Nick Boles, Minister for Planning, in January 2013, and he himself called it the “Boles’ Bung”. The idea is not new, and was indeed suggested by this writer some years ago. I proposed that the money might be used to pay part of the cost of new flood defences, and there is a certain irony in the fact that the current proposal suggests the money be used for developments such as swimming pools, so that more people can learn to swim. This is perhaps the next best thing. At the time of writing, the biggest top down change of all is before Parliament:

The Growth and Infrastructure Bill

Under this legislation, the government proposes to release large areas of greenfield land for development, especially in the South of England. The Growth and Infrastructure Bill, which passed its third reading in December 2012, would give developers powers to put major planning applications directly to central government, by-passing not only communities but also local planning authorities. So much for a bottom up approach.

It is not clear how long central government might take to make decisions on such developments, or how much regard they will pay to local feeling. Development could take place almost anywhere. The south of England is an attractive location for investment from China and other countries seeking property in an English-speaking area near stable and advanced financial, manufacturing and academic institutions and skilled workers. Increased flood plain building may be good news for vested interests such as property developers, councillors, and MPs, but should clearly be of concern to the insurance industry, not to mention our grandchildren. It now appears that much of this investment could take place on greenfield sites, including the “greenbelt” and flood plains.

John Prescott, when deputy prime minister, once told the BBC’s John Humphrys:

“The greenbelt is a Labour Party success story and we intend to build on it.”

It now looks like the current government plans to beat them to it.

“*Increased flood plain building may be good news for vested interests such as property developers, councillors, and MPs, but should clearly be of concern to the insurance industry.*”