

Public services

National report

December 2007

 **audit**  
commission



# Staying afloat

Financing emergencies

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we seek to ensure that public services are good value for money and that public money is properly spent.

For further information about the Audit Commission, visit our website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)



Photographs: Getty Images

Printed in the UK for the Audit Commission by CW Print

Design and production by the Audit Commission Publishing Team

Summary	2
Introduction	11
Total costs	13
Sources of funding	20
Impact on finances and services	39
Assessing and sharing risks	54
Appendix 1 – List of study sites and methodology	69
Appendix 2 – Analysis of distribution of government assistance	71
Appendix 3 – Insurance cover	74
Appendix 4 – Case studies	75
Appendix 5 – Impact on health bodies	78
Appendix 6 – Impact on police	79
Appendix 7 – Fire and rescue services	81
Appendix 8 – Housing associations	85
References	86

© Audit Commission 2007

First published in December 2007 by the Audit Commission for local authorities and the National Health Service in England, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

ISBN 1-86240-539-5

# Summary

## Total costs of the flooding

- 1 The floods in the summer of 2007 cost the 18 local authorities in this study almost a quarter of a billion pounds<sup>I</sup>. Seventy per cent of these costs have been incurred by just four local authorities.
- 2 These costs cover the emergency response and clean up, and repairing the damage done by the flooding, particularly to local authority housing, roads and schools.
- 3 Not all of this cost has to be borne by the affected local authorities. There are sources of external funding, mainly government assistance and insurance claims.

## Government assistance

- 4 The authorities in the study expect government assistance of over £100 million, almost half of the total costs. This support has clearly helped local areas to deal with the flooding and has been welcomed.
- 5 The assistance was paid out (or is expected to be paid out) in four main schemes:
  - the statutory Bellwin<sup>II</sup> emergency funding scheme designed to cover the costs of the emergency response;
  - a scheme to provide support for the repair of roads damaged in the floods provided by the Department for Transport (DfT);
  - Flood Recovery Grant (FRG) that was mainly used by local authorities to ease the plight of those affected by the floods; and
  - a grant, to help schools and services for children, young people and families, paid by the Department for Children, Schools and Families (DCSF).

---

<sup>I</sup> Costs included are those identified by the local authorities as being related to the flooding, and are estimates of the final total cost. This total does not include redirected time and effort of local authority staff, nor the considerable unpaid overtime and free volunteer contributions made by many.

<sup>II</sup> Bellwin is the statutory scheme for emergency assistance. Once it is activated, local authorities can claim back some of the costs 'of, or in connection with, the taking of immediate action to safeguard life or property, or to prevent suffering or severe inconvenience, in their area or among its inhabitants' (**Ref. 1**) once the totals of these costs rises above a pre-set threshold of 0.2 per cent of their budgets.

- 6 Payments under the statutory Bellwin scheme are expected to meet 9 per cent of the total cost of the flooding. The additional three schemes listed above are expected to cover a further 39 per cent of the costs.
- 7 Two of these schemes (FRG and the DCSF grant) were created in the days following the June floods and had never been available before. The government has been keen to stress that they should not be seen as setting a precedent and that they should not be relied on in the future. The Department for Environment, Food and Rural Affairs (DEFRA), which is responsible for public rights of way, has not provided any funding to repair damage to footpaths.
- 8 Each of these schemes has an internal logic, but there is no consistency between the approaches adopted. The differences in how they operate have led to a confused picture for local authorities. For example, some authorities where the cost of flooding to the council was low have received government assistance, while other authorities have suffered considerable losses which they will have to bear themselves.
- 9 The amount of support each authority received depended on the type of assets that were damaged, and the decision taken by the responsible government department. As a result, if the damage was mainly to roads, most of the costs will be funded. There was some help for damaged schools. But no specific government help was provided for repairing, for example, flooded residential care homes or public rights of way.
- 10 There is no clarity about what government assistance will be available for the next major emergency, other than the likelihood that the Bellwin scheme would be activated. Even that is, strictly speaking, at the discretion of Ministers.

## Insurance

- 11 The levels of insurance were variable, from very little to almost comprehensive cover. Around a third of the insurable<sup>I</sup> cost of the floods was covered by insurance (including self insurance funds) but the proportion of costs covered by insurance varied between authorities from 0 to 91 per cent. Levels of excess on external insurance policies were generally high, reducing the amount insurance companies will pay to affected authorities by about a third.
- 12 Early evidence from authorities that have renewed their policies, and comments from Zurich Municipal Insurance, suggest that insurance premiums will increase, in some instances very significantly, following the 2007 floods.

## The cost to local authorities

- 13 After government help and insurance claims, the rest of the cost has to be funded by the local authorities. The proportion of the total cost that each local authority included in this study will have to find from its own resources varies from 3 to 73 per cent. This<sup>II</sup> represents an average of £21 per household.
- 14 How easily this net cost can be met depends on the size and general financial resilience of an individual body, including how much the costs represent as a proportion of its expenditure, the size of its reserves and its overall financial health.

## Impact on budgets

- 15 All authorities will be able to manage the costs of the flooding on this occasion, although this is more difficult for some than others. For some, reserves are adequate and the main issue is the time needed to build them back to appropriate levels. For others, meeting the costs could require increases in council tax, cuts in planned expenditure in other areas, not repairing all of the damage or rescheduling other work.

---

<sup>I</sup> The figure for insurable damage is a broad estimate using the total cost of the flooding excluding the cost of the emergency response and road damage, which are not normally insurable. There may also be small elements within other categories that are not insurable. The insurable total largely comprises the cost of repairs to housing, schools, social care establishments and leisure centres, and some loss of income.

<sup>II</sup> This excludes Hull, that has by far the highest cost at £317 per household.

## Impact on services

- 16 The effects of the flooding on local public bodies are not confined to the difficulties of repairing damaged buildings and how that can be funded. There are significant consequential effects on the ability to deliver some services, and on the people who need those services. There are wider impacts, for example on:
- service delivery and the performance of affected public bodies;
  - the image of an area and potentially its future economic performance;
  - people's physical and mental health; and
  - the environment.
- 17 People who were already vulnerable, for example, the elderly or those living in deprived communities, have been particularly badly affected.
- 18 The indirect or intangible impacts of a major event such as the flooding are rarely taken into account when weighing up the risks of an event versus the costs of prevention or insurance.

## A tale of two floods

- 19 Each authority has its own unique story of how the flood has affected its area, but collectively they tell a tale of two floods. There are some local authorities which, although badly hit by the flooding, will bounce back quickly. There are others which will be dealing with the effects of the flooding for some time to come.
- 20 This study considered the impact of the flooding on the finances and services to residents in the local authorities affected. In doing so we have identified a number of the features that, particularly when compounded, can indicate whether an area is likely to suffer significant longer-term financial and service impacts should it be flooded. These features are linked to: knowledge and experience of flooding; the financial position of an authority; the vulnerability of its assets to flooding; and the level of deprivation in its area.

## Risk assessments and financial resilience

- 21 The scale of the flooding was unprecedented. Nevertheless, some areas were prepared both practically and financially. Usually these were the areas that had had experience of flooding in the past. Others were not so well prepared. Whether in each individual case this was due to bad luck or poor risk assessment was beyond the scope of this study. The purpose of this work is not to audit each local authority's risk assessment, but to highlight learning that could benefit others.
- 22 The key findings on the approach to risk assessment are that:
- the total cost of the flooding was reduced where authorities had specifically considered the impact of a wide scale, serious event affecting many assets, and had taken appropriate action, for example, negotiating insurance policies that capped the total excesses linked to one event;
  - local authorities in areas with experience of flooding had a better understanding of the risks, terminology and consequences of flooding;
  - among those with little recent history of flooding, there was some confusion about what constituted a low risk. Two authorities quoted a 1 in 50 year risk as 'low' in their risk assessment. The Environment Agency defines significant risk as more frequent than 1 in 75 years;
  - consideration of the risk of flooding was weak in a number of our study sites;
  - in one authority the risk of flash flooding was highlighted as a high risk, above the risk tolerance set by the authority, but no mitigating action was taken; and
  - there were some examples where the cost of damage was reduced because risk assessments had focused on the risks to specific council buildings.
- 23 The experience of councils affected by the summer 2007 flooding has highlighted the inherent difficulty of predicting, and trying to mitigate, the risks of catastrophic events at a local authority level. The difficulties include:
- how to assess the likelihood of a catastrophic event in a local area;
  - the fact that the mitigating actions, such as flood defences, are not entirely within a local authority's control;
  - the fact that the cost of bringing the risk down to an acceptable level, for example, through insurance or prevention measures, may be prohibitive; and

- the lack of clarity about what government support would be available.

## Key messages

- 24 The cost to local authorities was high but manageable on this occasion because of generous government assistance, local authority insurance arrangements and the level of reserves.
- 25 The Bellwin scheme alone is insufficient to deal with catastrophic events. This was demonstrated by the government's decision to announce the provision of £80 million<sup>1</sup> of additional funding to local authorities for the summer 2007 flooding through other schemes.
- 26 The government assistance has helped and has been welcomed by local authorities. However the overall package of government assistance was hastily put together, unpredictable and inconsistent between different government departments.
- 27 The government has said that the additional help should not be relied on in the future. However, for catastrophic events local authorities now have a realistic expectation that additional government funding would be made available.
- 28 It is therefore not clear what government assistance will be available for the next catastrophic event. Or, taking a wider view, it is currently unclear how the risks of future catastrophic events will be shared between government and local authorities, and between local authorities and their insurers. This clarity is needed to enable local authorities to make informed decisions on risk planning.
- 29 The emotional aftermath of a serious event such as flooding can create a situation where decisions on providing assistance are made quickly, perhaps for political reasons. It has the potential to encourage political brinkmanship, for example with authorities delaying the start of repairs in the hope of more government funding. This could be avoided if a scheme was, as far as practicable, developed in advance.

---

<sup>1</sup> This is what has been pledged by government, including £50 million so far set aside by Department for Transport (DfT) for highways damage. Our research indicates that £73 million is expected to be claimed from DfT by the authorities in this study. It is not known whether these claims will be paid in full.

- 30 The approach of local authorities to their risk assessments was very variable and there is much that can be learnt from the experiences of those affected this time that could improve risk assessments in the future. Generally we found that local authorities are finding it difficult to predict and to mitigate the risks of catastrophic events as opposed to the usual risks they have to face.
- 31 Assessing the risks for the whole country, however, is a more straightforward task. While a small number of disasters can be expected and predicted nationally every year, in any particular locality the probability is very low. In other words, we know someone will be affected, but we don't know who it will be.
- 32 Also the cost of this small number of events each year is likely to be significant for the areas affected, but affordable nationally.
- 33 Local authorities are responsible for assessing the risks in their areas, and need to take appropriate mitigating action. However:
- without clarity on how risks are shared, and what government funding would be available, there is a danger that local authorities would make judgements about the risks they have to cover, based on incorrect assumptions about the availability of government assistance;
  - some of the responsibility for mitigating the risks of catastrophic events such as flooding lies with central government, for example decisions on the level of spending on flood defences.
- 34 The risks associated with catastrophic events are currently shared between local government, central government and insurers. However, the current arrangements are neither transparent nor optimal in terms of minimising the overall costs to the taxpayer or ensuring that appropriate measures are taken to reduce risks. Any shift in responsibility for risk would suggest a redistribution of funding, but the overall cost to the taxpayer should be lower.

## Recommendations

### Overall

- 35 Central government and local authorities, perhaps through the Local Government Association, should work together to determine the clearest and most cost effective way to share the risks of catastrophic events. This should include a consideration of how to finance any changes in responsibility for risk.

### Central government

- 36 The government needs to develop, as far as possible, a clear approach to the support it will provide to local public bodies in the event of a catastrophic event. This should build on an enhanced Bellwin scheme, which may be all that is needed except in the most serious circumstances.

- 37 Such a scheme should:

- be clear about:
  - the circumstances in which extra funding would be made available;
  - the principles of the scheme, for example whether it would be a grant or a claim;
  - the level of support that would be available; and
  - what, if any, restrictions would be placed on its use;
- retain incentives for local preventative action;
- be simple and responsive, so that it did not prevent immediate action to protect life and limb in an emergency; and
- include an incentive to minimise the costs of immediate and remedial action, for example by incorporating the principle that a percentage of the costs should be borne by affected local authorities.

### Local government

- 38 Risk assessments should consider the risks of an unlikely, but catastrophic emergency of any kind, not just flooding, separately from the more localised risks that are easier to understand, predict and mitigate. For example, local authorities should differentiate between the risks of river and coastal flooding in known high risk areas, and flooding due to excessive rainfall (pluvial), which is more difficult to predict.

39 Risk assessments should consider:

- the specific risks to a local authority's assets;
- when looking at risk by area, the vulnerability of each area's population; and
- the risks of a widespread event rather than a local one, particularly:
  - the implications of this in determining the excesses on insurance; and
  - whether levels of self insurance and reserves are adequate in the event of a serious emergency.

40 Local authorities with little previous experience of flooding should take steps to learn from others that have been living with the risk for some time, and have a good understanding of the issues.

# 1

## Introduction

- 41 June and July 2007 saw very high rainfall that led to two periods of serious flooding. This affected many areas, particularly South and East Yorkshire and Humberside in June, and Gloucestershire and Oxfordshire in July.
- 42 Some of the places affected have little recent history of flooding. For others, flooding is a fairly regular occurrence. For many, the impact has been significant, both in terms of human suffering and in damage to property and infrastructure.
- 43 The recent floods have put the long running debate among experts about flood defences, and preventative measures, into the public arena. There are many questions now being asked about the reasons for the flooding, and the response to it. To address these concerns, a Government Review, under the independent chairmanship of Sir Michael Pitt was announced by the government. The Pitt Review's scope is necessarily broad and will cover:
- why the flooding was so extensive;
  - whether it could have been predicted/prevented; and
  - the adequacy of the emergency response.
- 44 Local authorities were key agents, with the emergency services, in the immediate efforts to help the victims of the flooding, and their role in this will be covered in the Pitt Review. But local public bodies were also victims, with many properties damaged, schools closed, and services compromised.
- 45 The effects of the flooding on the finances and services of local public bodies are not being covered in any detail in the Pitt Review. The Audit Commission is well placed to investigate this, and to comment on the local and national issues raised.
- 46 The objectives of this report are therefore to:
- compile an emerging picture of the net costs to local public bodies in areas affected by flooding;
  - identify the impact that paying these costs might have on, for example, council finances and services; and

- use the information gained to raise questions for wider debate on:
  - whether there is sufficient clarity about what constitutes an emergency and which sources of funding will be available;
  - how the flooding might affect the decisions local public bodies need to make about risk assessment, insurance and level of reserves; and
  - which approach to risk sharing provides the best value for public money.

47 This study has been done in a very short time to enable the findings to influence the national debate. It is, therefore, based on a still emerging picture of costs and impact. The work has been very tightly scoped to avoid any overlap with the remit of the Pitt Review. It focuses primarily on the costs to local authorities, and the impact on local communities, but does include some information on the costs and impact in other sectors, specifically the police, fire and rescue services and health.

48 The findings will be made available to the Pitt Review.

## Methodology

49 Many of the areas that experienced the most serious flooding in summer 2007 have participated in this study. A full list is at **Appendix 1**. The study team visited each area and carried out structured interviews with key staff. All of the local authorities completed a detailed proforma setting out their costs, sources of funding and statistics on the numbers of publicly owned properties affected.

50 The work focused mainly on local authorities, but other public bodies, such as the police and health services, have been included in areas where they experienced serious financial consequences from the flooding.

51 Discussions were also held with national stakeholders including relevant government departments, insurance experts, the Local Government Association and the Chartered Institute of Public Finance and Accountancy (CIPFA). A full list is included at **Appendix 1**.

52 The Commission would like to thank everyone who helped us with this study, particularly the group of local authorities affected by the flooding. They were willing to get involved and help others to learn from their experience, even while they were still busy dealing with the aftermath of the flooding.

# 2

## Total costs

- 53 The flooding in June and July 2007 affected many public bodies. This report looks at the impact of the flooding on the finances and services of these bodies, primarily local authorities.
- 54 The cost of the flooding to public bodies has been considerable. Examples include:
- **local authorities** that have incurred costs for providing emergency shelters, cleaning up, re-housing their tenants, repairing flooded buildings, and much more. These costs are the main focus of this report;
  - **police** and **fire and rescue services** that played key roles in the emergency response. They have incurred overtime costs in dealing with the emergency, and some of their assets have been damaged;
  - **health services** which were affected in the immediate aftermath. Several hospitals were closed to non-emergency admissions for the period of the flood which has affected their income; and
  - **internal drainage boards**<sup>1</sup> that have incurred emergency costs such as extra pumping, and subsequent repairs to damaged pumps and watercourses.

## Compilation of cost information

- 55 This study was carried out in 18 local authorities in the areas most seriously affected by the two incidents of summer flooding.
- 56 The information on costs is based on Audit Commission cost proformas completed by the public bodies, mainly local authorities, which took part in this study. The picture on costs is still emerging. The main area of continuing uncertainty is around damage to roads. Most local authorities now have a reasonably clear picture of these costs, but surveys to assess road conditions are still ongoing. Another uncertainty is the cost of assistance from the Army and the Coastguard. They are entitled to charge for this and may yet send bills to the local authorities for their services. The remaining costs are well understood, and are unlikely to change significantly.

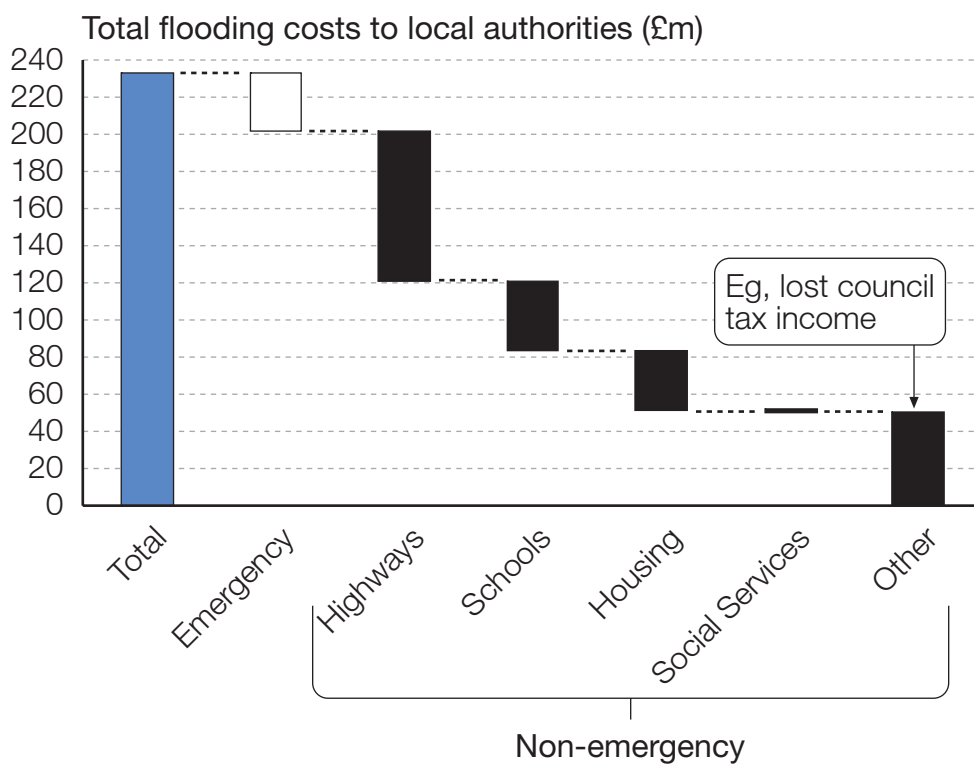
---

<sup>1</sup> Internal drainage boards exist in areas of special drainage need. They manage drainage of agricultural land, and farmers still pay about half their overall running costs. With changes in land use they are increasingly involved in managing watercourses in some urban areas, and for this they raise special levies on local authorities.

57 The total estimated cost of the flooding to the local authorities involved in this study is £233 million (Figure 1).

**Figure 1**  
**Costs of flooding to the most severely affected local authorities analysed by type**

Just 13 per cent of the costs were for the emergency response.



Source: Audit Commission research

- 58 The costs incurred fall into the following categories:
- emergency action<sup>I</sup> – £31 million (13 per cent of the total costs);
  - costs of service disruption and repairs, capital and revenue, to damaged public assets and infrastructure, mainly:
    - schools (and children’s services) £38 million (16 per cent);
    - housing £32 million (14 per cent);
    - highways infrastructure £81 million (35 per cent); and
  - other costs such as lost council tax income and damage to public rights of way £51 million (22 per cent).
- 59 As expected, given the difference in how the flooding affected each area, the total cost in different local authorities varies enormously from a few hundred thousand pounds in some of the district councils to £51 million in Hull. Overall, 70 per cent of the cost of the flooding is accounted for by just four local authorities.
- 60 **Figures 1 and 2** (overleaf) only identify the cost to the local authorities. Other public bodies such as the police, fire and rescue services and health services in these areas were affected by the flooding, and have incurred costs totalling approximately £10 million. Internal drainage boards in the same areas incurred costs of around £1.2 million. The boards will need to find £760,000 after expected insurance and Environment Agency contributions, some of which may be passed on to local authorities in higher special levies in the future.
- 61 Other costs of the flooding, for example to individuals, local businesses and the voluntary sector, are considerable. The Association of British Insurers estimates insured losses of £3 billion (**Ref. 2**). However, consideration of these wider losses is beyond the scope of this study.
- 62 Only 13 per cent of the total cost to authorities was for the emergency response. The rest is for service disruption and repairs, so unsurprisingly the size of this bill is largely driven by the numbers of public assets that were damaged in the flooding and the severity of that damage. The average cost to children’s services is £73,000 per flooded school, or £220 per pupil, and the average cost is £10,000 per flooded council house.

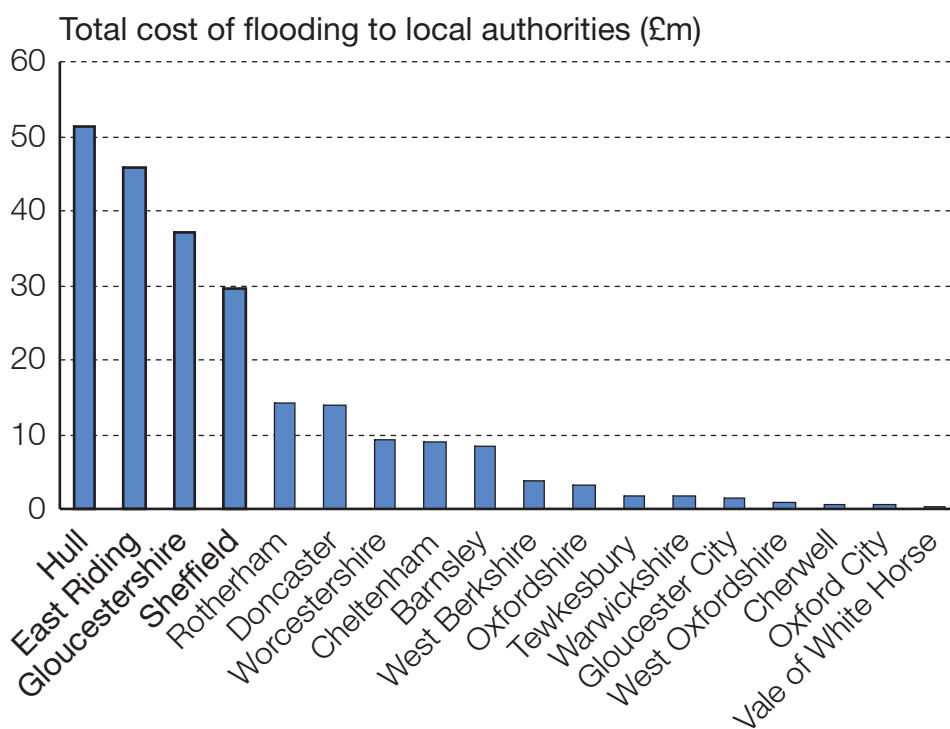
---

<sup>I</sup> This figure is based on the costs local authorities have incurred, or estimate that they will incur, which they believe meets the Bellwin criteria. Not all of this can be claimed because there is a Bellwin threshold, so around 9 per cent of the total costs will be claimed from the government under the Bellwin scheme. The claims have to be verified by the Department for Communities and Local Government, so it may be that not all of what is claimed is paid.

**Figure 2**

**Total cost of flooding to most severely affected local authorities**

Seventy per cent of the total cost of flooding to the most severely affected areas was incurred by just four local authorities: Hull, East Riding, Gloucestershire and Sheffield.



Source: Audit Commission research

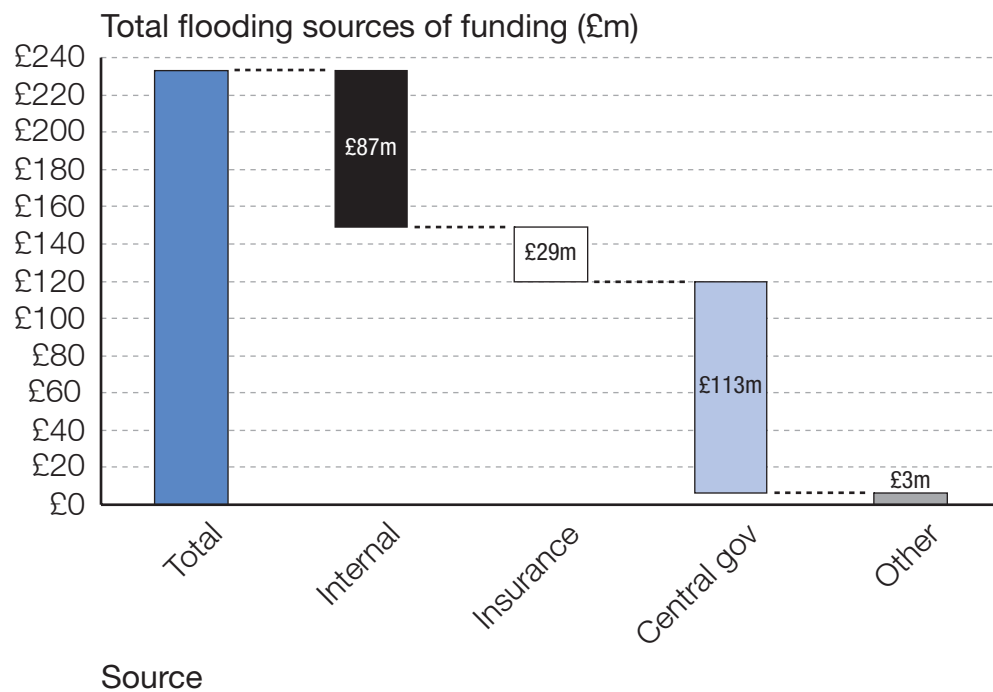
**The impact on local authority budgets**

63 Although these costs are significant, they do not have to be entirely borne by the local authorities. Local authorities have received government assistance and most will be able to claim back some of the losses from insurance. Overall 37 per cent of the costs will have to be funded by the affected local authorities (**Figure 3**).

**Figure 3**

**Total flooding costs (to most severely affected local authorities) and sources of funding**

Overall 37 per cent (£87 million) of the costs of flooding will have to be funded by local authorities.

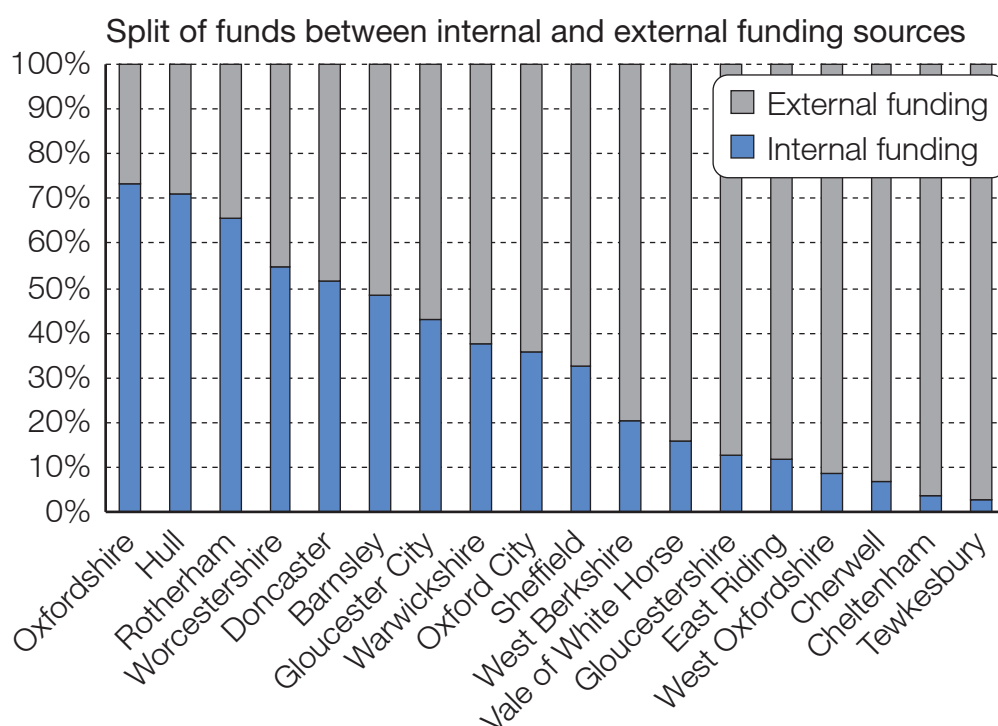


Source: Audit Commission research

64 Local authorities expect to fund between 3 to 73 per cent of their total costs (Figure 4).

**Figure 4**  
**Proportion of the total costs that will have to be met by each of the most severely affected local authorities**

Local authorities will fund between 3 and 73 per cent of the costs.<sup>I</sup>



Source: Audit Commission research

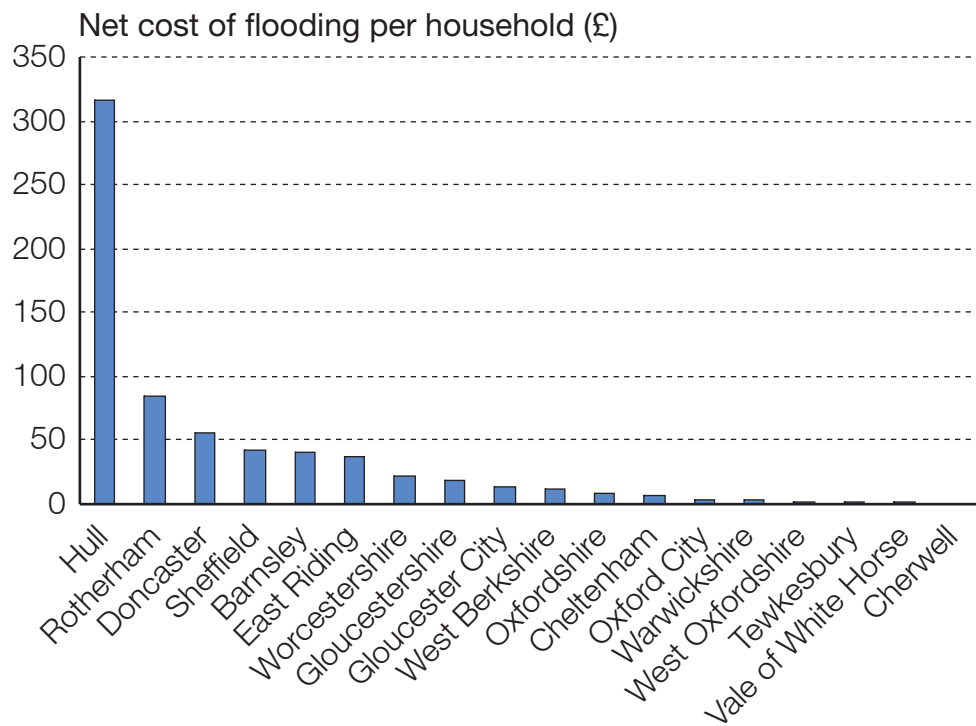
65 The predicted net cost that will have to be found from local finances, although probably not in any one financial year, therefore ranges from £1 per household<sup>II</sup> in Cherwell to £317 per household in Hull<sup>III</sup> (Figure 5).

- <sup>I</sup> Local authority self insurance is included in internal funding. Claims from insurance policies are in external funding.
- <sup>II</sup> This is based on the total number of households in the area, not just those that were flooded.
- <sup>III</sup> There is some uncertainty about Figures 3, 4 and 5 as they assume that everything local public bodies are currently planning to claim from central government, ie on their Bellwin claims and for road damage, will be paid. However this may not be the case as claims have not yet been submitted.

**Figure 5**

**The cost of the flooding that will have to be funded by the most severely affected local authorities – per household**

On average, excluding Hull, the net cost of flooding to local areas is £21 per household<sup>1</sup>. Hull has by far the highest local cost to bear at £317 per household, reflecting the widespread damage to the council-owned housing stock, which was mostly uninsured.



**Source:** Audit Commission research

# 3

## Sources of funding

66 There are two main sources of external funding for the flooding:

- government assistance; and
- insurance cover.

### Government funding

67 Almost half of the total costs have been met, or are expected to be met by the various forms of government assistance (**Figure 3**).

68 Councils have welcomed this help. They felt that the early announcements on additional funding enabled them to take immediate action to reduce the impact of the floods on services and local people. Without this funding, they would have been more cautious about the level of support that they could have offered in the immediate aftermath of the floods.

‘Flood Recovery Grant was very helpful in enabling us to take immediate action to support local people.’

East Riding of Yorkshire Council

69 There were four sources of government funding<sup>1</sup>. Of these, two are based on claims for expenditure incurred, and two are grant schemes. These are:

#### Claims:

- **Bellwin**. This is the statutory government scheme for reimbursing the costs of dealing with emergencies. The national total that will be paid is not yet known since claims have not yet been submitted, but authorities covered by this study expect to claim around £22 million; and

---

<sup>1</sup> Government funding of approximately £113 million has been received by (in the case of FRG and DCSF Grant) or will be claimed by (for Bellwin and DfT Grant) the local authorities included in this study. This includes planned claims of £73 million for DfT grant, which exceeds the £50 million currently set aside.

- **Department for Transport Grant.** £50 million has so far been made available to cover damage to roads, but the authorities included in this study are planning to claim £73 million.

### Grants:

- **Flood Recovery Grant.** Over £17 million has been distributed to local authorities, following consultation with the Local Government Association and local authorities, from the Department for Communities and Local Government (CLG). There were no restrictions on how this could be spent; and
  - Flood Recovery Grant from the Department for Children, Schools and Families (**DCSF Grant**). Over £13 million was paid to education authorities that had suffered damage during the floods.
- 70 A bid has been made to the European Commission for funding from the European Union Social Fund. The European Commissioner for Regional Policy recommended that the government receive around £115 million, but the final decision lies with the European Union. It is not yet known how funds will be distributed should the bid be successful.
- 71 The claims schemes have been available in the past. The grant schemes were created in the days following the June floods. The government has been keen to emphasise that this assistance should not be seen as setting a precedent and that local public bodies should not expect to receive this extra help in the future.
- 72 The various sources of government funding each had their own criteria, and operated differently. These differences are summarised in **Table 1** (overleaf).

**Table 1**  
**Comparison of government funding schemes**

There are a number of differences in the criteria used for the various sources of funding for the flooding.

Scheme	Pre-existing scheme?	Type of scheme	Criteria for distribution	Constraints? On what can be claimed and what £ can be used for?	Type of authority eligible
Bellwin	<b>Yes</b> Discretionary scheme enabled by statute for funding emergencies.	<b>Claim</b> 85% above threshold of 0.2% of net expenditure. (But 100% allowed in 2007 flooding.)	To local authorities that have applied to be included in the Bellwin scheme because they have been affected by the flooding and will incur costs.	<b>Restrictive</b> Only covers the costs of the emergency response to safeguard life and property and to prevent severe inconvenience.	<b>All</b>
DfT	<b>Partly</b> Established through custom and practice but only put in writing in 2007.	<b>Claim</b> 100% of spend above a threshold of 15% of an authority's capital allocation for highway maintenance.	Based on estimates of cost of damage to roads, bridges etc. Not necessary to have applied for the Bellwin scheme.	<b>Restrictive</b> Can only be spent to restore roads and highways infrastructure to pre-emergency conditions.	<b>Single tier and county councils</b>
FRG from CLG	<b>No</b> New scheme for summer 2007. Government states that it should not set a precedent.	<b>Grant</b> Fixed amount made available by CLG.	Based on early estimates of the number of homes flooded. The methodology for determining the distribution has not been published.	<b>No restriction</b> on how the money can be spent.	<b>Single tier and district councils</b> (not given to counties)
DCSF grant	<b>No</b> As above.	<b>Grant</b> As above, but from DCSF.	Based on extent / severity of school damage and the number of houses affected. Min. £50,000.	<b>Few restrictions</b> To be spent on schools and services for children, young people and families affected.	<b>Single tier and county councils</b>

## Claims schemes

### Bellwin scheme

- 73** The scheme of emergency financial assistance to local authorities is named after the late Lord Bellwin, a minister in the former Department of the Environment who introduced the scheme in 1983. The power to operate such a scheme was given a statutory basis in Section 155 of the Local Government and Housing Act 1989. A local authority which wishes to claim under the scheme must register an intention to do so within one month of the incident. This is a discretionary scheme and Ministers take the decision to activate the scheme on a case-by-case basis. Once it is activated, local authorities can claim back some of the costs 'of, or in connection with, the taking of immediate action to safeguard life or property, or to prevent suffering or severe inconvenience, in their area or among its inhabitants' (**Ref. 1**). They can claim 85 per cent of eligible costs incurred above a threshold of 0.2 per cent of their net expenditure. The rationale for paying only 85 per cent of the costs incurred above the threshold is to retain an incentive for local authorities to get best value for money from their emergency arrangements.
- 74** Since its introduction Bellwin has been activated on numerous occasions. These include previous flooding, for example, in Boscastle, Carlisle and North Yorkshire, and the floods in 2000, the storm damage in 1987, the foot and mouth outbreak in 2001, and the Buncefield oil depot fire in 2005.
- 75** Bellwin was deliberately designed to be strictly limited in its scope, to encourage local areas to be self sufficient and take preventative action. It should be a safety net and a last resort. What can be claimed is therefore restricted, both by type of expenditure and time period. Government reserves the right to determine the circumstances in which the scheme is activated.
- 76** However, the guidance on Bellwin is not always followed in practice. Examples of this are separated into:
- variations in how the scheme operates depending on the incident (**Table 2**); and
  - differences in how local authorities are compiling their claims (**Table 3**).
- 77** The Bellwin guidance can be varied based on the circumstances. For the summer 2007 floods, this flexibility has been used to make the scheme more generous in response to the severity of the event (**Table 2**).

**Table 2**  
**Bellwin – Guidance and application**

Bellwin guidance	Bellwin as applied
Bellwin is to cover 'immediate action', hence all work must be complete by a specified deadline, usually within two months of the incident.	This deadline is sometimes extended. The deadline has been set at six months in this instance. It was extended to nine months for flooding in Cumbria in 2005.
85 per cent of expenditure above 0.2 per cent of annual revenue budget can be claimed.	100 per cent above the threshold will be paid in this instance. This has happened in the past, such as for the autumn 2000 floods. The circumstances in which the terms of Bellwin will be enhanced in these ways are not clear to local public bodies.
Bellwin has traditionally been seen as a response to incidents in which bad weather, or other emergencies, cause a threat to life and property beyond all previous local experience. It is meant to be a scheme of last resort and to encourage self reliance and preventative action.	Some areas have made several Bellwin claims for the same type of event. One council claimed for the flooding in 2000 and many of the same areas and buildings have been flooded again in 2007. Another council claimed in 2000/01 and 2003. Several of the areas flooded this time are generally at high risk of flooding, and have been flooded before.

- 78 There is substantial scope for interpretation of the guidance on what is eligible expenditure for Bellwin. Some applicants are finding it difficult to apply the definitions in practice and there is a wide variety of approaches being taken to compiling Bellwin claims, some of which raise questions about how Bellwin will apply in the future (**Table 3**).

'We are pleased that the government is providing help but are frustrated by the lack of clarity over guidance, especially for Bellwin.'

Kingston Upon Hull City Council

'We are not entirely clear what costs are eligible for funding under Bellwin and this makes it difficult to fully estimate what we can claim under this scheme.'

Barnsley Metropolitan Borough Council

**Table 3****What local authorities are planning to claim**

There are some differences between local authorities in how they are compiling their Bellwin claims, and what they are including.

Bellwin rules	What will be claimed
Only covers 'uninsurable losses'.	A council plans to claim for damage to a building that has been flooded before, and declared uninsurable by its insurers. The council has an earmarked self insurance fund to pay for damage to this asset, but has been told by CLG that they should include these costs on their claim and it will be considered.
Insurance excesses have been specifically excluded since 2001.	Two councils are planning to make significant claims for insurance excesses.
Bellwin generally excludes capital costs, although will allow if the capital option provides better value for money.	A council has been given dispensation by the government to buy caravans for its homeless council tenants while their homes are being repaired as this was cheaper than renting them for six months.
Staff costs are not usually allowable.	One authority has been granted an exception from the criteria to employ additional staff for flood recovery associated work.
Bellwin does not cover loss of income.	A number of councils have made, or intend to make, claims here. For example, for loss of income from unused car parks, because no cars could get into the town centre during the flooding, and for a leisure centre used as a rest centre.
Bellwin covers costs 'of, or in connection with, the taking of immediate action to safeguard life or property, or to prevent suffering or severe inconvenience, in their area or among its inhabitants'.	A number of authorities have incurred additional costs on waste disposal. However, only two are claiming for these additional costs against Bellwin.

**Source:** Audit Commission research

- 79 It is not yet clear, because few claims have yet been submitted, how this will operate in practice. Possible scenarios are that:
- CLG will take a narrow approach when judging claims against the scheme's criteria, and some claims will not be paid in full. This will mean an unexpected increase in the amount to be found by the local authority;
  - in the spirit of being helpful and flexible, claims will not be closely scrutinised by CLG, or will be judged generously, resulting in an inconsistent application of the rules, and more money going to those who 'gave it a try'; or

- a combination of both depending on the circumstances.

80 These variations raise some wider questions about the operation of Bellwin in future. For example, the definition of ‘uninsurable’ and the principle that Bellwin events should be unpredictable.

### Previous research on Bellwin

81 There have been two reviews of Bellwin in recent years, in 2001 and 2004.

#### 2001 review

82 The then Department for Transport, Local Government and the Regions set up a review following the autumn 2000 floods, which published its findings in October 2001 (**Ref. 3**). It made the following recommendations:

- retain the existing provisions of Section 155 of the Local Government and Housing Act 1989;
- retain the existing thresholds and grant rate (0.2 per cent of budget requirement and 85 per cent);
- remove eligibility for grant for minimum insurance excesses, to reduce confusion and simplify the guidance;
- retain all the administrative improvements introduced after the 2000 floods on a permanent basis;
- rewrite the guidance to bring out the underlying principles of the scheme more clearly;
- introduce new funding arrangements, with separate provision earmarked for Bellwin expenditure, which could be carried forward if not used;
- where capital represented better value than revenue expenditure it should be considered eligible; and
- combined fire authorities should be brought within the remit of the scheme.

These were all adopted ahead of the 2004 research.

## 2004 research

- 83 The then Office of the Deputy Prime Minister commissioned research to provide more information following the 2001 review (**Ref. 4**). Published in October 2004, the review addressed how well the scheme operated in practice and how well the scheme supported forward planning for emergencies and emergency expenditure. It concluded that:

‘The Bellwin scheme poses a difficult presentational issue. On the one hand, authorities are not encouraged to rely on it (at the expense of making adequate safeguards and preparations). On the other hand, authorities need to know it is available in the last resort and need to know how to operate it. It has generally operated well for those authorities who are familiar with it. Our broad conclusion is that the scheme is “fit for purpose”. However the fact that the Department wishes to promote the scheme as a scheme of last resort has tended in fact to obscure the circumstances when it is accessible and therefore its perceived usefulness as a potential funding instrument. This is unfortunate given that the nature of climate change and other potential environmental disasters (such as an incident like the loss of the Prestige oil tanker off the Galicia Coast in November 2002) may increase the potential need for the scheme in the future.

Several measures could be taken to address this situation:

First, despite the review of 2001, there still appears to be some concerns about the details of the scheme particularly the size and treatment of the threshold. The possibility of more widespread incidents in the future may also require some scheme amendments such as opening an “advance funding stream” or keeping the scheme open for longer.

Second, unified guidance on the various sources of funding available to meet the costs of emergencies in the future, including expectations on the proper role of reserves and insurance may help to both clarify and effectively publicise the role of the scheme.

Third, it would be appropriate to provide additional guidance to local authorities on the incorporation of emergency planning in their risk management strategies. None of these conclusions vitiate the basic principle, encapsulated by the scheme that self-reliance is the first priority.’

- 84 The second recommendation has not been implemented by CLG.
- 85 There have been recent reviews of equivalent schemes for the devolved administrations in Scotland and Wales. For both, a threshold of a percentage of net revenue budget remains but, unlike in England, these two schemes require auditor certification to get final grant. In Scotland, the scheme now pays 100 per cent of costs above the threshold. In Wales the scheme pays 85 per cent of costs above the threshold, though this increases to 100 per cent when costs reach ten times the threshold level. In Scotland, the scheme continues to pay some insurance excess.

## Conclusions on Bellwin

- 86 The flooding in 2007 raises a number of challenges to the Bellwin scheme.

### Uncertainties around how the scheme will operate

- 87 The terms of the scheme are flexed to help local areas cope in a variety of difficult circumstances, and this has been welcomed by local authorities. But the result is unpredictability around:
- when Bellwin will be activated;
  - whether the percentage above the threshold will be increased;
  - whether the time frame for allowable expenditure will be extended; and
  - how rigorously the guidance will be applied.
- 88 This uncertainty, when combined with the broader question of whether any additional (to Bellwin) funding will be available, makes it difficult for local authorities to plan for emergencies.

### The definition of uninsurable

- 89 If Zurich Municipal won't insure a building, it potentially meets the uninsurable criterion in the Bellwin scheme<sup>1</sup>. If more buildings are refused insurance, as the risk of flooding is perceived to have increased, this could pass considerable risks onto the government via Bellwin. There could be less incentive for local authorities to fund flood prevention work, or to self insure buildings.

---

<sup>1</sup> As the Zurich standard policy is used as the basis for some of the definitions, for example of what is uninsurable, in the Bellwin scheme.

## Implications of making the scheme more generous

90 When it is felt that Bellwin should be more generous, this is done by:

- paying 100 per cent above the threshold; or
- extending the two month deadline.

However, the first negates the incentive to minimise costs.

A longer time frame muddies the definition of spending 'on, or in connection with, the taking of immediate action to safeguard life or property, or to prevent suffering or severe inconvenience, in their area or among its inhabitants'.

## The definition of unpredictable

91 Bellwin is intended to meet the costs of unpredictable events. If flooding becomes more common, and some areas are suffering repeated floods, will they become ineligible for Bellwin?

## Department for Transport scheme – emergency capital highway maintenance funding

92 On 14 July 2007 DfT announced a grant of £3 million as an initial estimate to help local authorities repair flood damaged roads. This funding has now been increased to £50 million and the DfT has told councils it will consider all reasonable claims. In fact our study sites plan to claim up to £73 million so it seems likely that the amount set aside may not be sufficient. This grant is the largest single source of government assistance to local authorities.

93 As with Bellwin, there is a threshold below which the cost of repairs must be met by a local authority. Claims for emergency funding will be considered where the cost of works needed to restore infrastructure to the level of provision applying before the emergency exceeds 15 per cent of an authority's capital allocation<sup>1</sup> for highway maintenance. A deadline for claims has not been set. Authorities have been advised not to delay urgent remedial work, which they will later be able to include in their claims.

---

<sup>1</sup> Relevant year's formulaic capital allocation for highway maintenance.

- 94 DfT has found funding to help local areas deal with emergencies on several occasions in recent years. However there was not a written scheme until summer 2007, and it is not statutory.

## Conclusion on claims schemes

- 95 Bellwin alone is insufficient to deal with such catastrophic events. The government's generous provision of additional funding for the summer 2007 flooding illustrates this point as £80 million<sup>1</sup> has so far been made available to local authorities by the government, in addition to Bellwin claims, and in fact this total may be exceeded once claims for road damage are received.
- 96 The DfT grant is the largest single source of government funding. For those local authorities where road damage was severe, the availability of this support was crucial. However there was not a written scheme until summer 2007. This scheme does not have a specific statutory basis, but relies on the Secretary of State's general powers.
- 97 Both of these schemes have thresholds, but for the summer 2007 floods both paid 100 per cent above their threshold. This does not provide any incentive for local authorities to seek best value for money in carrying out the repairs.

## Grant schemes

### Flood recovery grant from CLG

- 98 FRG was a special grant scheme to local authorities, under section 31 of the Local Government Act 2003, set up as part of the wider package of government financial support to areas affected by the exceptional national flooding of June and July 2007.
- 99 Over £17 million has been distributed to local authorities in two tranches for the June and July floods. There was no restriction on how it could be spent, but it was intended to help flood hit members of the community, as the following quote illustrates.

---

<sup>1</sup> This is what has been pledged by government, including £50 million so far set aside by Department for Transport (DfT) for highways damage. Our research indicates that in fact £73 million will be claimed from DfT by the authorities in our study. It is not known whether these claims will be paid in full.

‘...the funding is intended to support the work of authorities in helping those in greatest and most immediate need to get back on their feet. Local authorities will be able to spend the money how they wish to in line with local priorities.’

Letter to local authorities from CLG (13 July 2007)

- 100** The amount each authority received was based on early estimates of the numbers of homes flooded, both private and local authority owned, although the precise methodology has not been published. This was a proxy measure for the extent of the flooding. The FRG was not intended to be used to repair flooded council homes, and none of the authorities involved in this study have used it for that purpose.
- 101** Examples of how the grant has been used include:
- support payments to flood affected households, in some cases giving more to those who were uninsured;
  - purchase of new household items for flood affected households, for example fridges, cookers, washing machines;
  - provision of temporary caravans to allow people to remain within their communities while houses are repaired;
  - reductions in council tax for those affected; and
  - engineering work to review water courses.
- 102** The government has made it clear that the FRG was a one-off which local public bodies should not expect to get in future.

‘.. these were in recognition of the exceptional nature of the flooding and should not be considered as setting a precedent for future funding.’

Cabinet Office response to the consultation on this study

- 103** The FRG has been largely welcomed. However some issues were identified:
- Some authorities felt that the amounts that could be given to victims were so small that they were ineffective and that the money would have been better spent on flood defences or recovery. They felt obliged to distribute FRG to residents as many other authorities announced their plans to do so.

West Oxfordshire conducted a survey of those flooded about where the money should be spent. Around 50 per cent of respondents said they should look at watercourses and ditches rather than give money to individuals.

Hence some of the FRG money (up to £170,000) will be spent on additional engineering work to review the water courses and ditches and to clarify responsibility.

- FRG went to single tier and district councils. This decision was based on consultation with those affected in the June floods, who felt the money should go to lower tier authorities. However most of those affected, and therefore consulted, were unitaries or metropolitan boroughs. The July flooding affected mainly two tier areas, and some counties were concerned that all the FRG went to the districts.

## Flood Recovery Grant from Department for Children Schools and Families (DCSF grant)

- 104** This grant scheme was developed quickly in the days following the flooding to help schools and minimise the impact on children. It has been welcomed by local authorities.
- 105** £13 million was distributed between 46 local authorities in two tranches for the June and July flooding. This was allocated on the basis of local authorities' assessment of severity of damage to schools caused by floods and the number of households and pupils affected. Where any grant was allocated, DCSF set a minimum of £50,000 per authority. It could be spent on supporting children and their families affected by the flooding. Most authorities have used this money to provide temporary classrooms and to repair damaged schools.
- 106** There was no threshold for receiving this grant, unlike for Bellwin and the DfT grant which encompass the principle that authorities should be expected to meet some of the costs from their own resources before government help is provided.
- 107** The methodology adopted for distribution was not consistent with the other government funding streams, and has resulted in a number of authorities in areas that did not apply to be included in the Bellwin scheme receiving sums from this grant.

**108** In total £1.6 million was distributed to 21 local authorities in areas where flooding was not considered serious enough for local authorities to apply for Bellwin funding. For example two London Boroughs, Harrow and Lambeth, that received no other form of government funding, each received £50,000. These amounts fall below the thresholds they would have had to reach to claim under the Bellwin scheme, of £566,000 and £892,000 respectively, and should have been affordable from the authorities' normal resources.

### Conclusion on grant schemes

- 109** Both of these grants have been welcomed by local authorities, and have helped local authorities and individuals affected.
- 110** However, the methodologies for distributing these grants were developed very quickly, and in the case of the FRG, were not transparent. They used different criteria, and followed different principles, both from each other, and from the other government funding schemes for the flooding.
- 111** There was no consistent method of determining which areas had been badly affected, that would have then triggered access to other assistance via the FRG or DCSF grant.
- 112** The DCSF grant included a minimum payment, but no threshold. As a result, money was paid to authorities that were not badly affected by flooding and had suffered relatively minor damage to schools. These authorities would have had to cover the cost of minor damage to any other type of asset from their own resources.

### Government assistance – the whole package

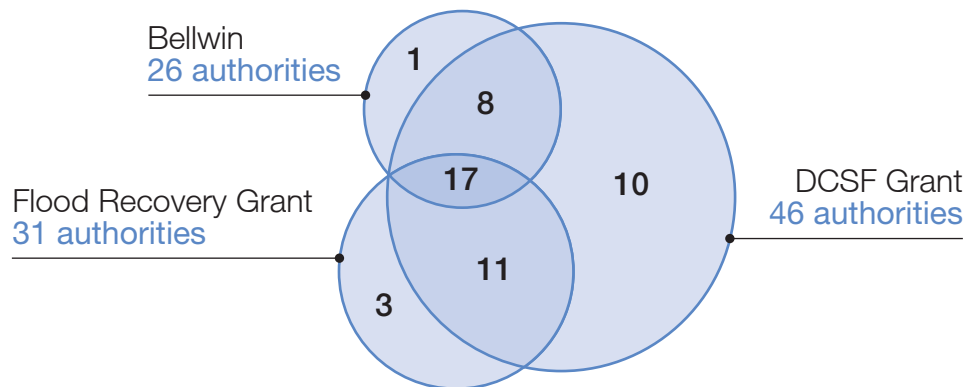
- 113** The established scheme for providing funding for emergencies is Bellwin. When there is an incident that might qualify, the Secretary of State for Communities and Local Government determines whether Bellwin will be activated. Authorities that have been affected by the incident, and know that they will incur costs, apply to be included in the scheme. CLG then produces a list of the authorities that can make a claim. This list should, therefore, include all areas that have been significantly affected by the flooding.

114 The differences in how each scheme operates (Table 1) have resulted in a mixed pattern of assistance at a local level (Figures 6 and 7).

### Figure 6

#### Government assistance to single tier and county councils

Twenty-six single tier and county councils have registered for the Bellwin scheme, but 24 authorities that did not register for Bellwin received other grants.



**Note** – it is not yet known which authorities will receive DfT funding, hence this scheme is not included here

**Source:** Published information from government departments

115 This analysis of the assistance available to single tier and county councils (Figure 6) reveals that:

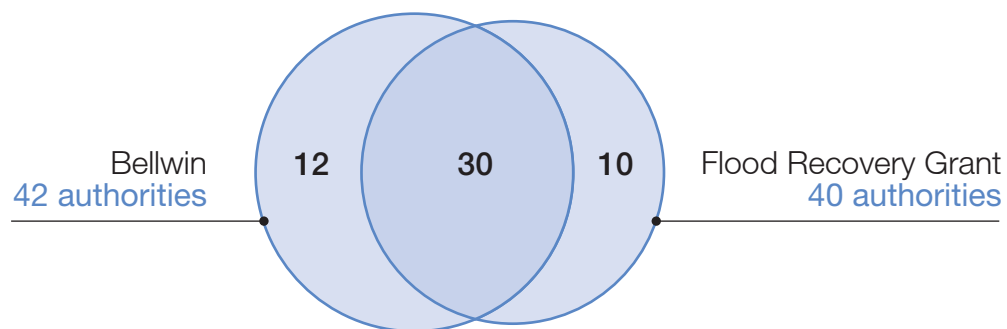
- of the 50 authorities that received some form of funding, only 17 received all three types;
- 21 local authorities received a total of £1.6 million of DCSF grant but did not apply to be included in the Bellwin scheme;
- of these, ten local authorities that did not register to claim on the Bellwin scheme, **nor** received FRG from CLG, received £770,000 of DCSF Grant; and
- no counties received FRG because the government made the decision to give this grant to lower tier authorities.

- 116 There were differences even between the two schemes administered by CLG. **Figure 7** shows, for example, that ten districts received FRG but did not feel they had been badly affected enough to apply to be included in the Bellwin scheme.

**Figure 7**

### Government assistance for district councils

Fifty-two district councils have registered for or received money from at least one of the government schemes.



**Note** – districts were not eligible for DCSF grant

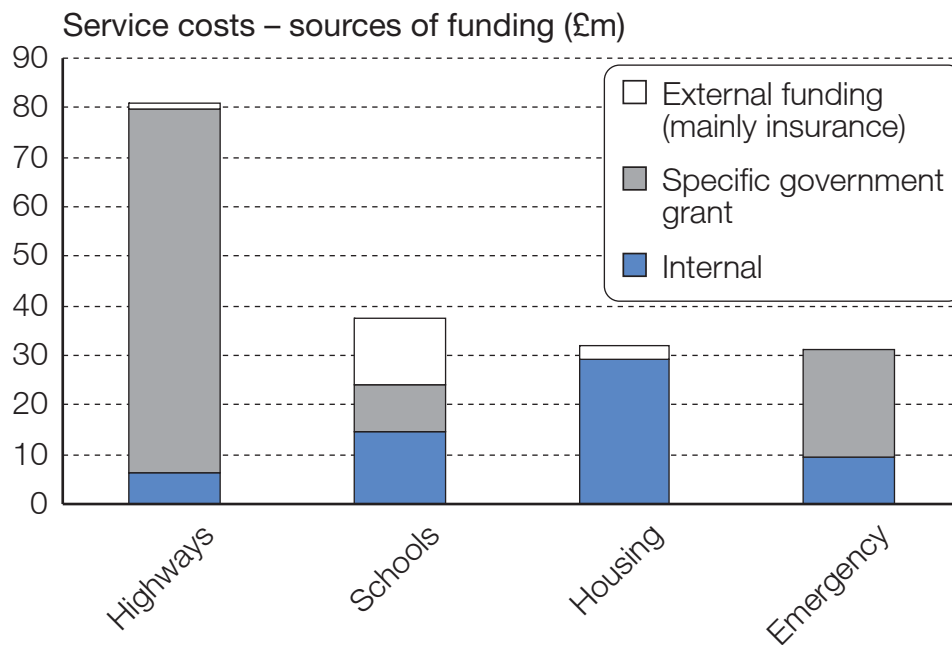
**Source:** Published information from government departments

There are further analyses by different types of authority in **Appendix 2**.

- 117 Each department made its own decision on whether to provide additional funding, how much to make available and how it should be distributed. As a result the proportion of the costs in each local authority that is borne by central government depends on the type of asset damaged and which government department has national responsibility (**Figure 8, overleaf**).

**Figure 8****Government assistance to fund different types of damage**

Twenty-six per cent of the cost to children's services (including repairing schools) will be met by the government, but there was no specific central government help to meet the cost of repairing flooded houses.



**Source:** Audit Commission research

- 118** Some government departments have not provided any funding towards damage that falls within their remit. For example DEFRA has, so far, not provided any help towards the costs of repairing public rights of way damaged in the floods.
- 119** As a result, if the damage was mainly to roads, most of the costs will be met. There was some help for damaged schools. But no specific government help is being provided for repairing other assets, for example flooded council houses, residential care homes or public rights of way.

## Conclusions on the package of government assistance

- 120** Government departments responded quickly and each of the funding schemes had an internal logic. But the lack of a pre-existing statutory scheme for financing anything other than the immediate emergency effort (Bellwin) means that as a whole package of assistance, it was unexpected and incoherent.
- 121** The lack of a coordinated approach between government departments meant that:
- there was no consistent measure used to judge the impact of the flooding in an area;
  - some authorities that were not seriously affected by the floods, and where the costs of damage were low, received government assistance;
  - some authorities received more government help than others because of the type of damage they suffered. For example damage to pavements will be paid for by DfT, but there is no money to repair damaged footpaths which are the responsibility of DEFRA; and
  - authorities have to deal with several government departments to obtain funding.

‘While funding has been made available by different government departments over and above Bellwin and this is very welcome, it would be more useful in future if the different government funding streams could be subsumed into a single pot approach.’

**Barnsley Metropolitan Borough Council**

- 122** Despite the government’s desire not to set a precedent, local authorities now have a realistic expectation that funds will be made available in extreme circumstances. However the nature and extent of such support is unclear. This is unhelpful for local authorities in future risk assessments.
- 123** The reluctance to set a clear policy on government assistance in wide scale and serious emergencies means that:
- it is difficult for authorities to plan, financially, for emergencies; and
  - any future assistance could be subject to the level of uncommitted resources within individual government departments and, potentially, the political climate of the day.

- 124 Separate funding streams, from different government departments, are counter to the general direction of travel towards a more cross-cutting, area-based approach, with local areas given the freedom to determine their own priorities.

## Sources of funding – insurance

- 125 Insurance is the other main source of external funding for local authorities. The extent to which local public bodies were covered for flood damage varies significantly. Overall around a third of insurable losses<sup>1</sup> are covered by insurance, but this varies between authorities from 0 to 91 per cent. Those with no flood cover, or very high excesses, have found themselves having to fund a significant proportion of the costs.
- 126 The decision on levels of insurance, and self insurance, should be taken in the context of a wider risk assessment process. This is discussed in the fifth chapter, Assessing and Sharing Risk.

---

<sup>1</sup> The figure for insurable damage is a broad estimate principally based on the cost of the flooding damage to schools, houses and residential care homes. It excludes emergency response and road damage which are not insurable. There may also be small elements within other categories that are not insurable.

# 4

## Impact on finances and services

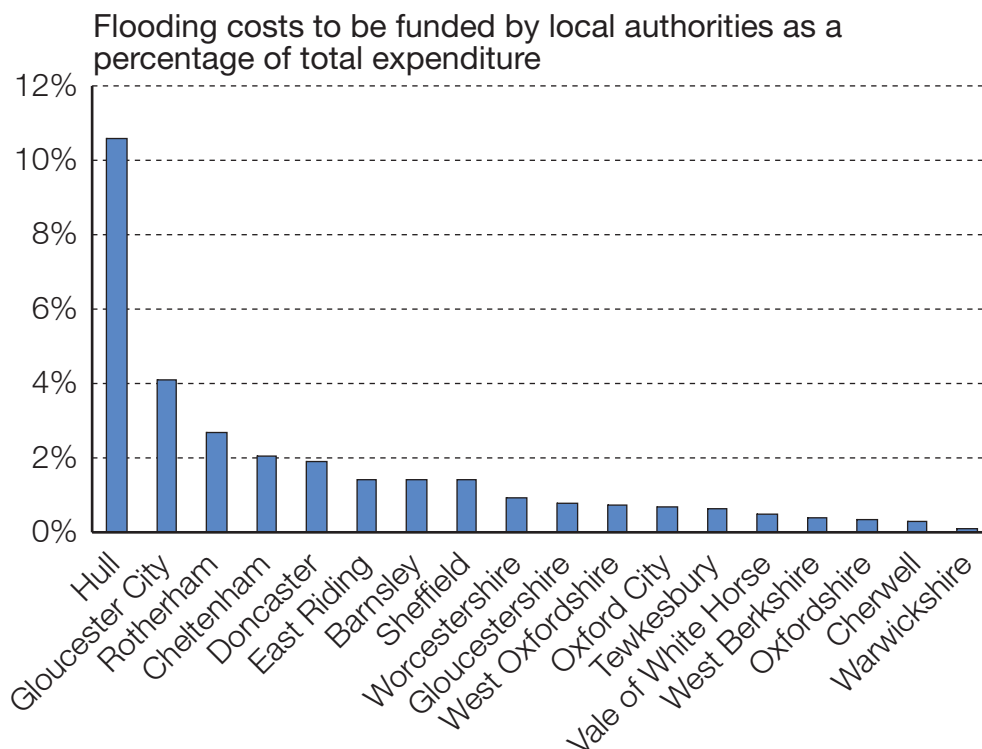
### Impact on local finances

127 The impact on the finances of local public bodies is not driven by the general extent of the flooding in their areas, but by the damage done to their own property, the proportion of that cost they have to fund and whether that is a significant sum in the context of their overall size, level of reserves and financial position.

128 **Figure 9** compares the net cost of the flooding as a proportion of each authority's annual revenue budget.

**Figure 9**

#### Flooding costs in the context of overall spending



**Source:** Audit Commission research; budget data published by CLG

- 129** As **Figure 9** illustrates, some of the areas affected have been left with significant sums to find from their own resources. For others, most of their costs will be covered by insurance and government assistance. For example:
- Cheltenham's total cost of £9.1 million represents 58 per cent of its annual budget, but it anticipates that 96 per cent of this will be covered by government assistance and insurance.
  - By contrast, Hull needs to find £36.6 million – 73 per cent of its total costs of £51.4 million. This net cost represents over 10 per cent of its annual expenditure.
- 130** All authorities will be able to fund the costs of the flooding on this occasion, although this is more difficult for some than others. For some, reserves are adequate and the main issue is over what time period to build them back to appropriate levels. For others meeting these costs will require some difficult decisions.
- 131** In many authorities these decisions on how to pay for the flooding damage have not yet been made. Options include:
- using reserves;
  - cuts in services;
  - choosing not to reinstate damaged assets;
  - increases in council tax;
  - rescheduling planned work; and
  - increased borrowing.
- 132** It is not yet clear what the longer-term impact on services or council tax levels will be. Even if, on this occasion, reserves are sufficient to cover the costs, these reserves will need to be rebuilt, again raising the possibility, albeit over a longer period, of cuts in service budgets or increases in council tax.

## The impact on services

- 133** The effects of the flooding on local public bodies are not confined to the difficulties of repairing damaged buildings and how that can be funded. There are significant consequential effects on the ability to deliver some services, and on the people who need those services.

- 134** Local authority staff have been diverted from their normal duties to deal with flooding issues. Management capacity has also been stretched.

‘The entire housing management team is dealing with floods not improvement. Flood related activity is consuming a large proportion of senior management time.... I estimate that normal business was put on hold for three months. If you let it, it can take up half your week.’

**Chief Executive of Kingston Upon Hull City Council**

- 135** In many areas residents will have to wait longer for improvements to their transport systems and their homes as future plans, such as that for the Decent Homes<sup>I</sup> Programme, are reprioritised to deal with flood damage.

‘During the first two weeks of the floods some 100 of Tewkesbury’s 320 council staff were working almost exclusively on water distribution. This, combined with the logistical problems of collecting household waste, has clearly had an adverse affect on performance indicators. The Council has seen a reduction in the collection of council tax and business rates, planning applications processing has dropped, the number of missed bins has increased and the processing of invoices has suffered.’

**Tewkesbury Borough Council**

- 136** There is a wide variation between the affected areas in how much long-term impact they will suffer as a result of the flooding. At a minimum, this has created backlogs of work; at worst it is threatening the capacity of the bodies to carry out their place-shaping role.
- 137** It is worth noting, however, that the effects of the flooding could have been much worse if it had not happened in June and July. The impact on children’s education was not as serious as it could have been as the timing was so close to the summer holidays. Also winter flood damage takes much longer to repair due to the difficulties of drying properties out in colder weather.

---

**I** Decent Homes is the programme through which government aims to bring all social housing into decent condition, with most of the improvement taking place in deprived areas, and to increase the proportion of private housing in decent condition occupied by vulnerable groups. Every local authority that owns social housing has a Decent Homes programme for that stock.

138 There are currently two major ongoing capital programmes: the Decent Homes and Building Schools for the Future initiatives. These have been reprogrammed in some areas to repair damaged assets. Once these schemes are finished, then wide scale damage to schools and homes might be much more difficult for councils to fund.

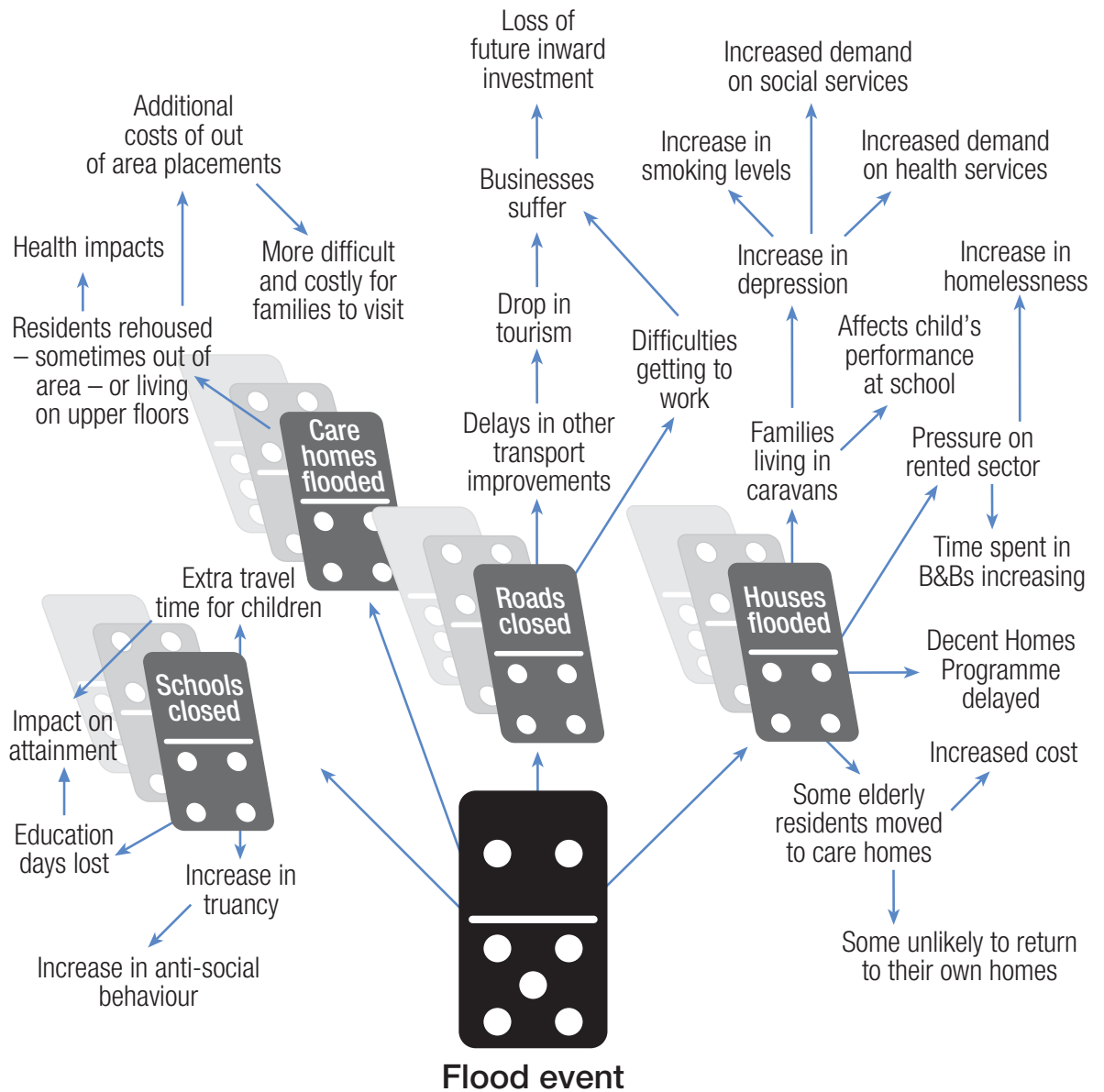
## Overall impact of flooding

139 The overall picture this presents, particularly for the areas that have suffered the most extensive damage, is one of a domino effect started by the flooding, but spreading out into many areas of service delivery. In some of the worst affected communities the impact of the flooding may continue to be felt even after the physical damage has been repaired. Examples of the longer-term effects already being reported or anticipated are illustrated in **Figure 10**.

140 If services need to be cut, or other programmes rescheduled to meet the costs of the flooding this could exacerbate some of the problems linked to the flooding.

141 The total costs of the damage, and how the costs are funded, varies by sector (**Figure 8**). Housing is mainly self insured by councils; road damage is mainly funded by DfT; and schools are partly insured, but also received some DCSF grant.

**Figure 10**  
**Impact on services – the domino effect**



Note – this diagram is illustrative. It is not an exhaustive list of the impacts, and not all of these effects will be experienced in every area. The key issues for each area will depend on its demography and the way the flooding occurred locally.

Source: Audit Commission

## Homes flooded

- 142** The flooding damaged 2,900 local authority houses at a cost of £32 million. There has been no additional government funding for housing, and most council houses are self insured by local authorities. Hence most of the cost will have to be met from local finances.
- 143** In many cases contents were also badly damaged. This has disproportionately affected poorer households, which are far less likely to have contents insurance. Research carried out in 2006 (**Ref. 5**) showed that only half those with the lowest 10 per cent of income have contents insurance, compared to an average of 78 per cent. Households which rent are the least likely to have contents insurance. Although many councils and associations promote weekly with-rent insurance schemes, take-up remains low.
- 144** Council houses were flooded in many areas, with the most serious damage in Yorkshire and Humberside. Hull was the worst affected council by a large margin. In Hull and Doncaster many residents are still housed in temporary accommodation. This is often in caravans in newly created caravan parks, or parked in front of their damaged homes (see the Doncaster case study at **Appendix 4**).
- 145** In Hull an estimated 2,500 households, including people displaced from private homes as well as council-owned houses, are in alternative accommodation. Doncaster plans to house displaced residents in its caravan park for up to 18 months.
- 146** Some examples of how this has impacted on councils and residents include:
- increases in the length of time that homeless families have to spend in bed and breakfast accommodation and the number of families in temporary accommodation, because empty properties are not available; and
  - significant changes to the Decent Homes Programme.
- 147** Councils with large numbers of flooded council houses have found themselves responsible both for repairing the buildings and re-housing the tenants while the work is carried out.

**148** Some councils have sold off their housing stock. In these areas, the costs of stock damage will be borne by housing associations and their insurers (see **Appendix 8**). Housing authorities without their own housing stock have lower costs for asset damage, but can still be affected, because of the impact on temporary accommodation and because of short-term drops in new housing association lettings while damaged property is repaired.

**149** In some areas damage to homes is being repaired using funding from their Decent Homes Programmes. Some of the houses flooded were formerly classified as decent and now have to be added to the programme. This means that those living in non-decent homes, that were not flooded, may have to wait longer for their homes to be improved.

In Hull, 813 of the 1,986 houses flooded were formerly categorised as decent. These will now be repaired through the Decent Homes Programme as there was no insurance cover. This is having a significant impact on the Council's housing services. The Council reports that work on Decent Homes has been seriously delayed.

Also, while repairs to flood damaged houses are taking place, the timeliness of urgent repairs has been affected. Average re-let times have been affected by the flood situation. Longer repair times for empty properties have resulted as resources are diverted to repair flood damage.

### Care homes flooded

**150** Social care services in many flooded areas came under considerable pressure during the floods. Residents had to be evacuated from flooded premises, such as residential care homes. The floods affected the provision of day services and respite care.

**151** In many areas the impact was largely limited to the period of the flooding and few long-term problems are expected. The disruption to services may be more prolonged where it is not possible to repair and reinstate buildings quickly, and where the social care needs of the community have increased as a consequence of the floods.

In West Berkshire some elderly people had to go into residential care homes when their houses flooded and suffered such trauma that they are now not expected to be able to live on their own again.

In Hull, two council-owned residential care homes were flooded. One of them remains closed and the residents have been placed into other care homes in the city with a net cost of £63,000 per annum. In the other care home residents are still living upstairs and health and safety reviews are in progress to determine the risks of residents remaining in situ pending work on the building.

In Oxfordshire a private residential home was flooded, temporarily removing 100 local beds. In an area with a very high occupancy rate this is likely to mean that in the short term more local individuals who need a care home place will have to go outside the local area, whatever their preference.

## Schools closed

- 152 Eight hundred and fifty-eight schools were reported as damaged, of which the 500 schools in our study sites incurred damage costing authorities £38 million. This has been funded partly by insurance, and DCSF grant has also been used. The remainder will be met by the local authorities.
- 153 The floods caused widespread disruption to schools in most of the affected areas. Many schools are particularly vulnerable to suffering long-term damage from flooding as they have boiler houses in their basements. Even schools that did not flood were closed as it was impossible for staff and pupils to reach them. The number of school days lost in the Yorkshire and Humber region has been calculated as 400,000.
- 154 The majority of schools reopened within days but those most seriously damaged were not reopened before the start of the summer holidays and some were not even opened in time for the start of the autumn term. The impact on school days lost would have been much worse if the flooding had not occurred just before the start of the summer holidays.

In Gloucestershire the flooding damaged a total of 13 council owned schools, one of which, St David's in Morton in the Marsh, suffered severe damage and was closed. It reopened during the Autumn 2007 term, and is functioning in portacabins.

In Hull, 99 schools were affected and many of these did not reopen before the start of the summer holidays. Two schools had still not reopened by November 2007, with children travelling to alternative sites. The Council is concerned about the impact on educational attainment levels and absenteeism, issues that were already a problem in Hull. The Council is funding the repairs to some of the most damaged schools by bringing forward the Building Schools for the Future Programme.

## Roads closed

- 155 Roads were badly damaged by the flooding, representing the biggest area of cost; £81 million for the study sites. It is difficult to estimate all of the damage inflicted by the floods, and full road condition surveys are time-consuming.
- 156 This could have a long-term impact on local economies, tourism and traffic flows, and may divert money from other transport schemes, designed, for example, to reduce car use or improve road safety.

Oxfordshire County Council's and West Berkshire Council's biggest concern was roads, both the cost and the impact this will have on their road programme. There is uncertainty regarding what problems may arise with the roads over the next four to five years, and how the councils might pay for additional repair costs.

Gloucestershire County Council considers that of all its services the road network was hardest hit by the floods. For example, the A46 between Cheltenham and Stroud was still closed in November 2007. It is estimated that it will cost the Council over £25 million to bring the road network back to its pre-flood condition. Most of this is expected to be funded by DfT.

## Impacts on the health and the emergency services

- 157** There have been direct and indirect costs to other local public agencies, particularly the emergency services and some health bodies. The main costs for emergency services are additional staff overtime; health costs are more diverse. This study did not collect detailed costs for all the agencies affected, but some more information and examples are given in Appendices 5 to 7.
- 158** At least four hospitals reported direct costs, including flooded buildings and loss of income as non urgent operations had to be cancelled. For example, Sheffield Teaching Hospital calculates a loss of about £700,000 of income through cancelled or postponed elective and outpatient activity over the period of the floods. In Gloucestershire primary healthcare services were also affected with five GP surgeries flooded and many others inaccessible to patients for long periods. Some of the additional costs will be met by strategic health authorities.
- 159** A bid may be made to the EU Solidarity Fund for the whole of the health community in Gloucestershire, with current estimates of the cost of around £6 million. The potential additional costs to local health economies of changes to personal health linked to stress or less healthy housing conditions are, as yet, unknown.
- 160** The police services in all flooded areas provided immediate assistance in managing the emergency situation. Most of the costs incurred were for overtime, which totalled over £1 million across five of the affected forces. Some also experienced damage to buildings and vehicles, which will be mainly funded from insurance. In Humberside the police headquarters was flooded, so 160 staff had to be relocated and temporary cells hired and located at another police station. Police authorities have their own Bellwin thresholds but most will not reach these.
- 161** Five fire and rescue services were particularly involved in the areas featured in this report. Their total extra costs were just over £2 million, ranging from £250,000 in Hereford and Worcestershire to at least £735,000 for South Yorkshire. Again, the bulk of additional costs are staff related. These include overtime and extra retained firefighter payments to authorities' own staff and similar payments to other authorities who lent staff and equipment under mutual aid agreements. There was little damage to fire service assets.

- 162 South Yorkshire, Humberside and Hereford and Worcester are independent fire and rescue authorities with their own threshold for claims under the Bellwin arrangements; they are currently intending to claim over £1 million. Gloucestershire and Oxfordshire are county fire and rescue services where all additional costs are reflected in the county council accounts. Current costs are below their respective Bellwin thresholds.
- 163 These emergency service costs do not take account of opportunity costs; that is they do not account for other activity that was not carried out because staff were helping in flooded areas.

## Intangible impacts

### On health

- 164 It is too early to assess any longer-term health impacts, but recent (April 2007) research carried out in Scotland (**Ref. 6**) on the health effects of flooding concluded that:
- households with an annual income of less than £20,000 reported higher levels of stress and anxiety and more adverse health impacts;
  - the trauma of being flooded and its immediate aftermath was by far the most significant intangible impact reported in the focus groups, disproportionately felt by the elderly and most vulnerable;
  - anxiety and stress often peaked after the flood, when the scale of disruption became clearer and initial coping strategies dwindled;
  - physical and mental ill-health impacts also became more apparent, exacerbating existing chronic conditions;
  - the loss of family photos and mementoes was particularly acute for the elderly for whom these items were among their most cherished possessions;
  - some participants reported how difficult it was to maintain family cohesion when children live in hotels or stay with grandparents and schooling suffers; and
  - relationships within families were severely tested by living in temporary accommodation.

165 There are early indications that some of these impacts may emerge in affected communities in England. Gloucestershire Primary Care Trust has undertaken research which shows there is an increasing need for psychological support and counselling services as a result of the flooding. Also a report from Gloucestershire Smoking Advisory Service indicates that the July floods have had an impact on performance with targets not being met for uptake of the service and for achieving the number of four-week smoking quitters.

## On sustainability

166 This study does not focus on the sustainability impacts of the floods. However, three broad issues were identified that could affect the delivery of sustainable development and sustainable communities:

- this event has had a bigger impact on those councils and communities that are less financially resilient;
- the floods have been a drain on resources and diverted attention from and disrupted key services, such as social care and education. This can compound deprivation and inequalities, making it more difficult for councils to deliver sustainable communities; and
- dealing with the floods and the recovery operation creates more waste and uses more resources, including energy, than otherwise would be the case.

Gloucestershire County Council estimates that it has incurred £250,000 in disposal and additional landfill charges associated with the clean-up operation following the July floods.

In Barnsley over 500 tonnes of household waste was collected, including a large number of white goods, such as fridges and freezers, which require specialised licensed disposal arrangements. An exemption from waste management legislation had to be obtained from the Environment Agency when normal storage capacity was exhausted to enable storage of the excessive numbers of damaged white goods.

## A tale of two floods

- 167** Each authority has its own unique story of how the flood has affected it, but overall they tell a tale of two floods. There are some local authorities which, although badly hit by the flooding, will bounce back quickly. There are others that will be dealing with the effects of the flooding for some time to come.
- 168** All will cope financially this time. This will take its toll, though, on their reserves and general resilience, which raises the question of how they would cope if another similar event should happen in the near future. This is a particular concern for those already in a difficult financial position.

## Financial and service resilience

- 169** This study has considered the impact of the flooding on the finances and services to people in the local authorities affected. It has identified a number of the features that, particularly when compounded, can mean that an area is more likely to suffer significant financial and service impacts should it be flooded.
- 170** These features are linked to knowledge and experience, affordability, and features of the people and places affected and are set out in the table overleaf.
- 171** Some of these factors are beyond the control of a local authority, but an awareness of them can help in assessing the impact of a major event on an area and should be considered in a risk assessment.

**Table 4****Features that influence financial and service resilience<sup>1</sup>**

A number of features, particularly when compounded, can indicate how an authority might cope with the aftermath of a significant disaster such as the summer 2007 floods.

Features	Resilient ←	→ At risk
<b>Knowledge and experience</b>		
Experience of flooding in the area	Flooding in the recent past. Preventative work done to minimise impact.	Little experience of flooding in recent past.
Knowledge of flooding issues	Familiar with the issues around flood risks, eg, understanding Environment Agency (EA) advice and risk assessments.	Limited knowledge of the issues and risk factors around flooding.
Risk assessment	Knowledge and experience is used to inform risk assessment. Risk of flooding given serious consideration, because of past experience. Action taken where risk was high. Results fed into decisions on insurance cover and level of reserves.	Considered in risk assessments, but analysis less sophisticated. Risk assessments from EA not well understood. Risk assessments from EA not available due to the low risk of river / coastal flooding in the area.
<b>People and place</b>		
Vulnerability of assets	Few major assets such as schools or leisure centres at risk. Either have no council housing or few houses at risk.	Many council assets at risk of damage. Large numbers of council houses in risk areas.
Level of deprivation in the area	Relatively affluent. Most residents insured, and / or can rely on their own resources or on friends and family. Few serious social problems.	Significant pockets of deprivation. Floods likely to disproportionately affect poorer residents, increasing demands for other council services. Pre-existing social problems, eg, with anti-social behaviour or low educational attainment that would be adversely affected by a major flood event. Should flooding occur, both social and physical costs would fall on the council.

<sup>1</sup> The emergency response of the local authorities was outside the scope of this review. The table above refers to an authority's ability to cope with the aftermath of a flood, NOT how it would cope in the immediate emergency.

Features	Resilient ←	→ At risk
<b>Affordability</b>		
Financial position	Generally good. Reserves healthy.	Finances tight. Reserves minimal.
Insurance cover	Generally good cover. Can afford high insurance premiums, and / or have appropriate levels of self insurance.	Limited insurance. Cover, either self insurance or external insurance, not adequate for wide scale event damaging numerous properties. Cost of premiums to be fully covered for flooding are unaffordable.
<b>Likely overall financial and service impact</b>	The compound effect of all or most of the factors above mean that the financial and service impact on a council should be manageable.	The compound effect of all, or most, of the factors above mean that the financial and service impact on a council could be significant and difficult to finance.

**Source:** Audit Commission field work and cost analysis

# 5

## Assessing and sharing risks

### Risk assessment

- 172** This section examines the process of assessing risks at a local level. It also considers how risk assessments<sup>1</sup> were carried out, and how the resulting decisions on levels of insurance and reserves were taken in the local authorities affected by the floods.
- 173** The aim is not to second guess these decisions with the benefit of hindsight, rather to use the experiences of those affected to highlight good practice and identify learning for the future.
- 174** Risk management and risk assessment are key elements of good governance in an organisation. A good risk management strategy or policy requires the authority to:
- identify corporate and operational risks;
  - assess the risks for likelihood and impact;
  - identify mitigating controls; and
  - allocate responsibility for the mitigating controls.

‘Risk management can be defined as “a logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise gains”. It is not about being “risk averse” but is about being “risk aware”.’

**CIPFA guidance on Good Governance (Ref. 7)**

---

**1** Risk assessment in this context should not be confused with the area risk assessment carried out through local resilience forums (LRFs). LRFs, normally based on police authority boundaries, involve local authorities and their emergency service partners. Guidance has been published on this by the Cabinet Office. This wider area risk assessment is likely to influence a local authority's own decisions. However, this report has not looked at wider questions of resilience and partnership working which are more a focus of the Pitt Review.

- 175** To decide whether and how a risk should be mitigated, local public bodies need to understand:
- the level of risk they are facing;
  - the potential cost of such an event occurring; and
  - their willingness or capacity to bear risk (risk appetite).
- 176** Risks can be mitigated through preventative action, for example by making buildings more flood-proof, or improving flood defences. Other ways of mitigating risk include setting appropriate levels of insurance cover, self insurance and financial reserves.
- 177** The geographical risk factors behind flooding are well understood, based on history, geology and topology. The difficulty is in predicting the major weather event, or combination of events, that may trigger flooding, be it storm, prolonged rain or tidal surge. Long periods of relatively dry weather can mean a loss of experience of flooding and expertise on assessing flood risks in some local authorities.
- 178** Current uncertainties include:
- the impact of climate change on weather patterns; extreme weather events, including greater intensity in rainfall, may be increasing; and
  - the adequacy of current road, gully and sewer standards, given increases in the intensity and extent of heavy rain, and reductions in the permeability of urban land, for example due to increased paving of gardens.
- 179** These uncertainties, particularly around possible changes in weather patterns, are recognised by Zurich Municipal, one of the main insurers for local government.

‘As insurers we do not have sufficient data or risk models to identify the extent, risk and accumulation. It could be considered that present planning / building regulations may not be sufficient to meet the challenges of climate change, and that with much of the drainage and sewer system being old, antiquated and under-maintained the risk may be greater than previously considered.’

Zurich Municipal in its response to this study

‘New risk management issues around identifying risk, resilience, resistance and mitigation will need to be understood and developed further.’

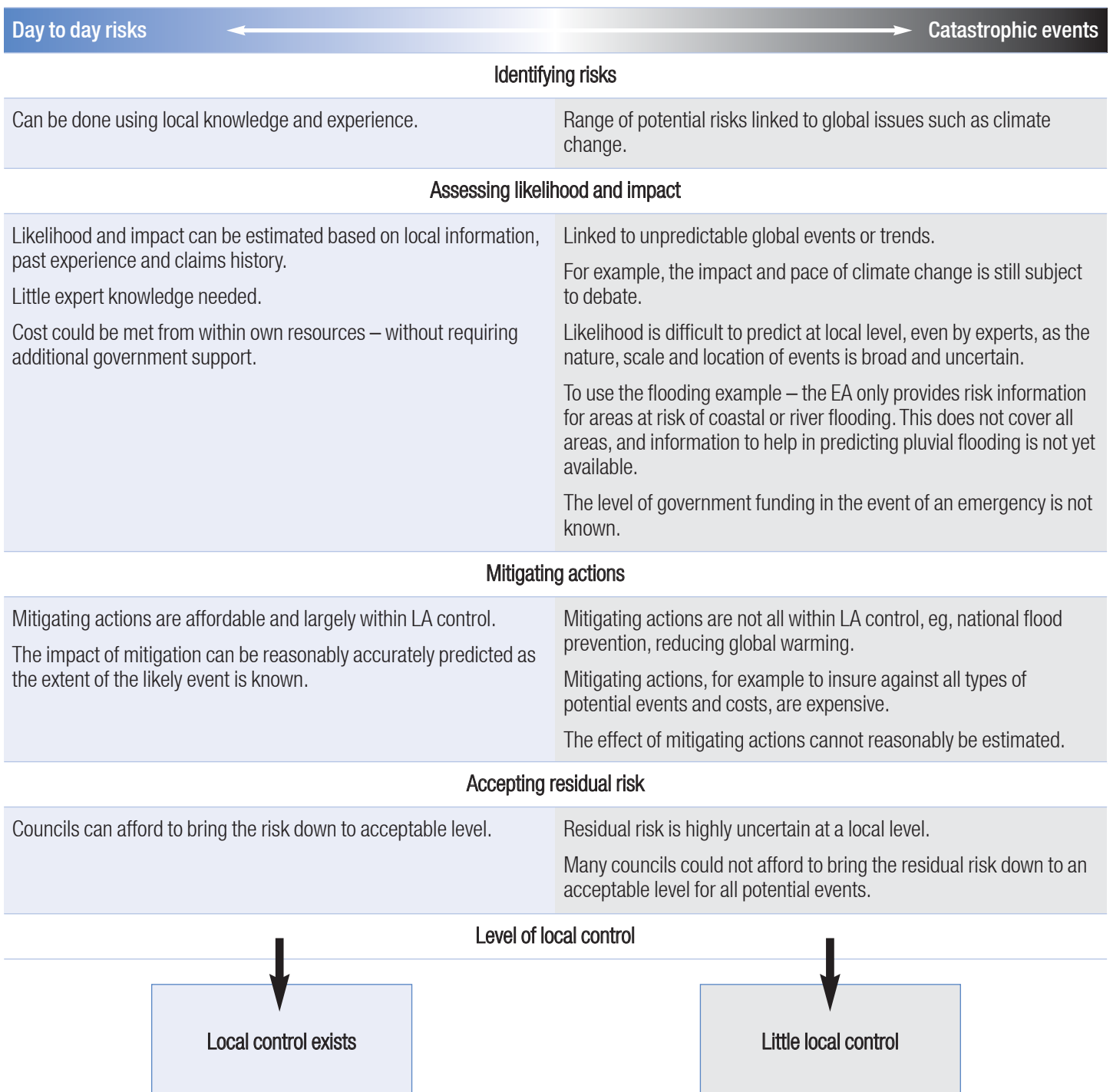
Zurich Municipal in its response to this study

- 180** Most of the risks considered in a local authority risk assessment should be within its capabilities to address. However the experience of councils affected by the summer 2007 flooding has highlighted the inherent difficulty of predicting, and trying to mitigate, the risks of catastrophic events (**Figure 11**).

## Risk assessments – experience of authorities affected by the flooding

- 181** The scale of the flooding was almost unprecedented. Nevertheless, some areas were prepared both practically, and financially. Usually these were the areas that had experience of flooding in the past. Others were not so well prepared. Whether this was due to bad luck or poor risk assessment was beyond the scope of this study to address in detail. The purpose of this work is not to audit each local authority’s risk assessment, but to highlight learning that could benefit others.
- 182** Our key findings on the approach to risk assessment are that:
- the total exposure of an authority to the consequences of the flooding was reduced where authorities had specifically considered the impact of a wide scale, serious event, affecting many assets, and had insurance policies that limited the total excesses linked to one event;
  - most local authorities had based their risk assessments on their claims history, the history of flooding in the area, and brokers’ advice. Using just this method can understate the risks of more catastrophic, and therefore, infrequent events;
  - local authorities in areas with experience of flooding had a better understanding of the risks, terminology and consequences of flooding;
  - among those with little recent history of flooding, there was some confusion about what constituted a low risk. Two authorities quoted a 1 in 50 year risk as ‘low’ in their risk assessment. The Environment Agency defines significant risk as more frequent than 1 in 75 years;

**Figure 11**  
**Levels of risk**



- consideration of the risk of flooding was weak in a number of our study sites;
- in one authority the risk of flash flooding was highlighted as a high risk, above the risk tolerance set by the authority, but no mitigating action was taken; and
- there were some examples where the cost of damage was reduced because risk assessments had focused on the risks to specific council buildings.

## Examples of success

**183** Below are some examples of appropriate risk assessment and mitigation. All of these areas had previous experience of flooding.

Cherwell District Council moved the plant and boiler to the second floor of their sports centre following previous flooding, avoiding higher costs this time.

Vale of White Horse District Council has one area that has been regularly flooded. Preventative action by the district and coordinating the efforts of the Parish Council, Police and Highways Authority meant it was not flooded this time. The Council is now extending this approach to other areas flooded for the first time in July. Council buildings are insured with an excess of only £15,000 on each.

The insurance arrangements for school property in Gloucestershire had only been in place since June 2006. Prior to this date all school properties were self insured. However, after a number of minor leaks and floods following rain at a small number of schools the risk of further flooding was identified through the Council's risk management process. These leaks combined with the perception of an emerging risk of more rain as a consequence of climate change, resulted in Gloucestershire re-appraising its insurance cover and deciding to insure all school properties against flooding. The additional annual cost of this cover totalled approximately £0.2 million, but has saved the Council £1.8 million in repair costs for its flooded schools.

## Mitigating risks

184 There are three ways to mitigate risks:

- preventative action;
- external insurance; and
- self insurance and ensuring adequate financial reserves.

### Preventative action

185 Preventative action may be identified through the risk assessment process as the best and most cost effective way to mitigate a risk. Examples related to flooding include:

- moving plant, boilers and other equipment to upper floors; and
- building flood defences for specific buildings.

### External insurance

186 The extent of external flood insurance cover varied between:

- almost none – one authority had only a handful of minor assets insured. The rest were self insured;
- limited – one authority was only covered for IT, some vehicles and works of art;
- partial – two authorities were covered for storm, but not flood, damage. In common with many authorities, a number did not have any external insurance on their housing stock; and
- significant – one authority has an excess of just £250 per building. Another has a cap on cumulative excesses at £250,000 on all events within 72 hours.

187 Where insurance was not held this seems to have been dictated by a belief in the low probability of, for example, a 1 in 50 years event, along with high premiums for full cover, and generally tight finances.

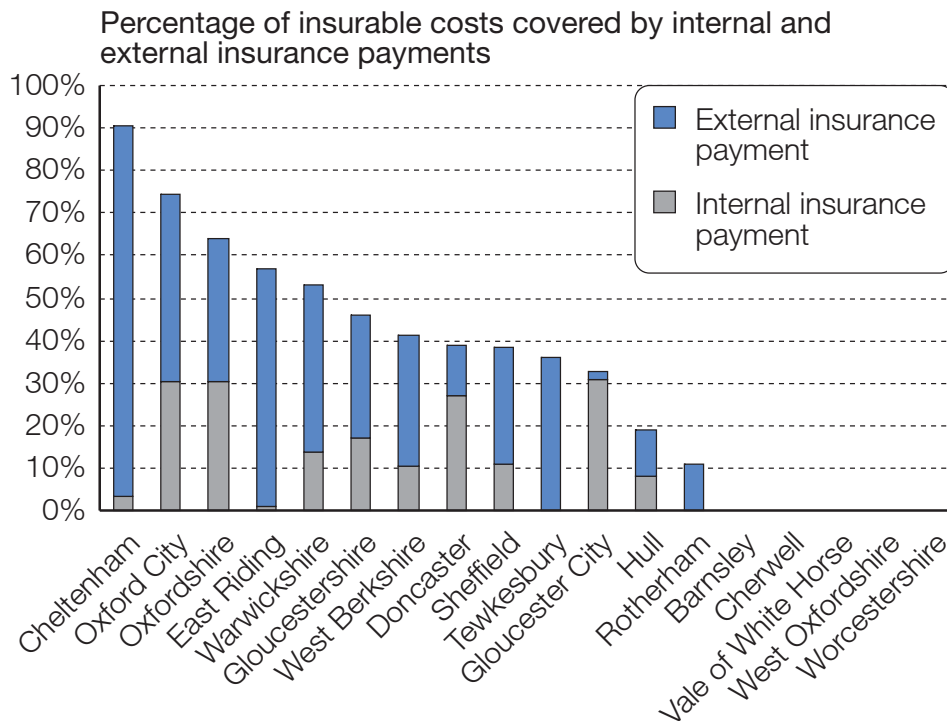
188 This work identified a broad pattern whereby authorities in a healthy financial position could both afford insurance and had sufficient reserves to cope with a disaster on this scale. By contrast, authorities in a tighter financial situation could neither afford the insurance premiums for full flood cover, nor had sufficiently high reserves to absorb the costs of a major event easily.

### Level of insurance cover and excesses

189 Taking out policies with high excesses is a way of reducing the cost of insurance, and is a valid way of sharing the risk between what can be carried internally and what needs external cover. **Figure 12** shows the varying proportions of the total insurable costs<sup>1</sup> covered by insurance, and how that is split between internal payments (self insurance and excesses) and claims (on external insurance). Overall, 33 per cent of the insurable cost of the floods was covered by insurance policies, but, between authorities, this varied from 0 to 91 per cent. The level of excesses also varied.

**Figure 12**  
Level of insurance cover

The level of insurance cover, both through self insurance and external policies, varies significantly. The balance between internal (self insurance and excesses) and income from external insurance claims also varies.



Source: Audit Commission research

<sup>1</sup> The figure for insurable damage is a broad estimate using the total cost of the flooding less the cost of the emergency response and road damage which are not insurable. There may also be small elements within other categories that are not insurable. The insurable total largely comprises the cost of repairs to housing, schools, social care establishments and leisure centres.

**190** This pattern is determined by the extent and structure of each local authority's insurance arrangements. For example:

- Ten Tewkesbury Borough Council owned properties were damaged in the floods. All of these were insured for flood damage and with an excess per property of only £250 almost all of the costs of repairing these buildings will be met by the insurers.
- The impact of the July floods on Cheltenham Borough Council has been limited with the exception of a leisure centre that was badly damaged and will not be fully operational until the summer of 2008. The flood caused an estimated £6.3 million of damage to the building. The Council also estimates there will be a further £1.5 million of net lost income before the centre reopens. The Council had full insurance cover for flood damage so all of the costs, including the loss of income, subject to a £3,000 excess, will be paid out by the insurers.
- But by contrast, Gloucester City had insured its housing and non-housing properties with an excess of £25,000 per house. The Council had 61 houses flooded, with the cost of repair at over £400,000. But as this is less than the excess per house, the local authority will have to fund the full cost.

**191** Five authorities had protected themselves against a wide scale event by limiting their excesses to a maximum ceiling from all events in a specified period. For example, East Riding's policy capped its excesses at £100,000 for all damage in a 72 hour period. Where the excess per building is not capped, a wide scale event can result in very high costs falling on the council.

### **Public liability insurance**

**192** The level of public liability insurance is being re-assessed in some authorities.

- One authority may be sued by householders who claim they were flooded because of failures to clear blocked gullies.
- Rotherham has reviewed its public liability insurance, and has increased its cover in the light of the difficulties at Ulley Reservoir (see case study in Appendix 4). If the reservoir, which is council owned, had failed, the Council's public liability cover of £35 million may well have been insufficient.

## Future trends in insurance costs

- 193** Although most policies have not yet come up for renewal, there is some early evidence that the amount spent on insuring for flood damage will increase:
- East Riding's insurance cover has been renewed since the flooding. The premium has increased by 25 per cent to £500,000 for a lower level of coverage and much higher excesses. The excess is now £100,000 per building compared to the previous excess which was capped at £100,000 overall.
  - Hull has asked for a quote for full flood cover, but its insurer is considering carefully whether and under what circumstances it would be prepared to provide cover.
  - There is some emerging evidence that insurance companies are setting conditions on providing cover, for example, requiring adherence to gully clearance codes, or ensuring that flood prevention work is done.
  - Zurich Municipal is planning to be more tailored in determining the risks presented by each local authority, as the comment below indicates.

'Generally weather perils underwriting will be more focused and insurers will seek to develop more sophisticated models that will adequately reflect storm water infrastructure inadequacies.'

Zurich Municipal in its response to this study

- 194** Some authorities are looking for a higher level of cover than previously. For example one authority that had very limited insurance, is now looking for a comprehensive policy that covers most of the risks.

## Self insurance

- 195** Authorities can decide to self insure instead of, or to supplement, external insurance. Self insurance involves a local authority setting up an earmarked self insurance fund within its accounts. This is used to pay for any damage that occurs.
- 196** The advantage of self insurance is that it is cheaper than taking out an external policy because it cuts out the profit margin, administrative costs and tax that is paid on an external insurance policy. The disadvantage is that in the event of a wide scale significant event it may be insufficient to cover the losses. Some authorities supplement their self insurance cover with external policies for wide scale losses.

**197** A number of local authorities had self insurance funds that can cover some or all of their anticipated losses. Again, levels of self insurance varied:

- Hull £9 million – this will not cover the costs incurred;
- Gloucestershire £6 million – of which £1 million will be used; and
- Cherwell £750,000 – which may need to be used but will not be exceeded.

## Reserves and the recent flooding

**198** There is no definitive guidance on appropriate levels, but reserves need to be set at an appropriate level as determined by a risk assessment process. The experience of the recent flooding is likely to provoke debate on the importance of adequate reserves. This is a difficult issue as adequate reserves are crucial to financial resilience, but building up reserves, including where they have been depleted by the costs of the flooding, may not be a politically popular call on scarce resources.

‘The impact of the flooding on our reserves is manageable, but to replace those funds in one year would require a 0.5 per cent council tax increase.’

### A local authority affected by the July flooding

**199** Overall no council is going to be pushed to the limit by this flooding but some will be left with very low reserves. The local authorities fall into the groupings below:

- reserves are adequate;
- meeting the net cost of the flooding is dependent on external funding that is not yet agreed; and
- the cost of the flooding is manageable, but leaves the authority in a difficult financial position, and with some hard choices to be made about how the costs should be funded.

## Government funding in an emergency

**200** There is a lack of clarity around what government help would be available in a future emergency – see paragraphs 120 to 124.

**201** It is important in assessing risks and making decisions about mitigation, that local authorities are clear about the full extent of their responsibilities.

## Conclusions on risk assessment

- 202** There are some examples where appropriate risk assessment has reduced the damage and cost of the flooding. These tend to be in the areas that have some experience of flooding.
- 203** Risk assessments that considered the specific risks to a local authority's assets, both individually and in the event of a wide scale incident, led to some fortuitous decisions, for example about flood proofing and insuring at-risk buildings, and limits on excesses.
- 204** Despite these successes, assessing the risks of a catastrophic event is extremely difficult for local authorities. At a local level the risk of such an event is small but the consequences are significant in terms of costs, and impact on services and people. The cost of insurance looks likely to increase which will make mitigating risks through external insurance potentially unaffordable for some authorities. The issues around preventative action such as flood defences are complex and not entirely within the control of a local authority. These issues are being addressed by the Pitt Review.
- 205** This leaves local authorities with a tough decision; either to spend a lot of money mitigating a highly unlikely event, or to accept the risk. Public bodies are already struggling with this:

‘Although we had some cover in place it would have been uneconomical to take out comprehensive flood cover for what was classed as an unlikely event. We do need to reassess the likelihood of flooding occurring in future but it already looks likely that the cost of future flood premiums will make external insurance prohibitive. Our main source of cover will be the Insurance Fund but this does not have any separate contingency in place for flooding at present and the level of provision will need to be assessed with a consequential budgetary cost.’

**Barnsley Metropolitan Borough Council**

- 206** Making this risk assessment at a national level, however, is a more straightforward task. While a small number of disasters can be expected and predicted nationally every year, in any particular locality the probability is very low. In other words, we know someone will be affected, but we don't know who. Also the cost of this small number of events each year is likely to be significant for the areas affected, but affordable nationally. This uncertainty has significant implications for financial planning and risk assessment.

**207** It is not clear what government assistance will be available for the next catastrophic event. Without this clarity, there is a danger that local authorities will make judgements about the risks they have to cover, based on incorrect assumptions about the availability of government assistance. Depending on their attitude to risk, they could therefore be under or over insured. The potential impact is explored in the scenarios below.

### Scenario 1 – Risk averse local authorities

**208** A risk averse local authority could insure itself based on the following assumptions:

- no help, other than Bellwin, will be provided by the government, no matter how serious the incident; and
- past history of flooding is not a sound indicator of future risks.

**209** The cost of insurance is likely to increase. If this approach is taken by large numbers of local authorities, then potentially the national spend on insuring against catastrophic events would be far higher than the cost of those events. This would represent poor value for public money.

### Scenario 2 – Risk taking local authorities

**210** Some authorities might look at the stated risks of flooding for their area, rising insurance premiums and the amount of government help that was given to public bodies on this occasion. They may decide that it is worth taking the risk of not being fully covered, assuming that if something that catastrophic, and relatively unlikely, happened to them the government would have to provide support. This could result in wide-scale under-insurance.

## Risk sharing

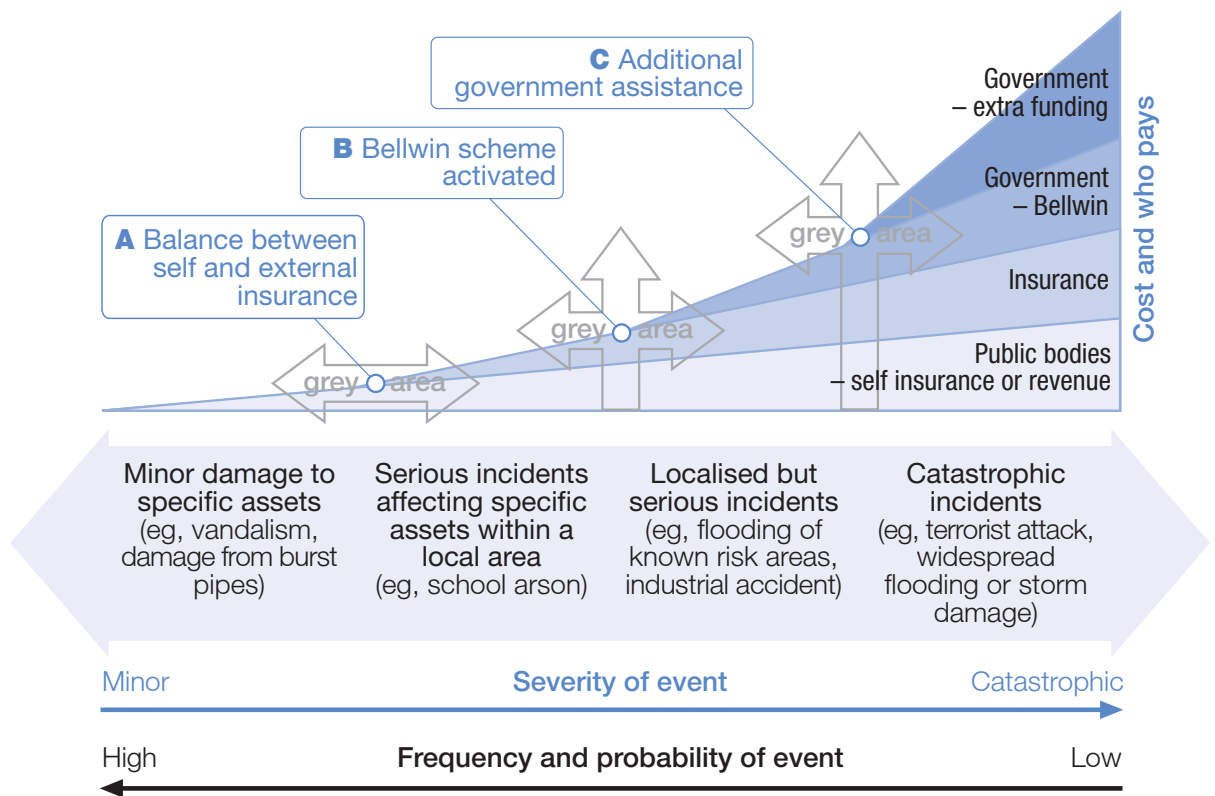
**211** Currently it is unclear how the risks of catastrophic events are shared between government and local authorities, and between local authorities and their insurers.

**212** The high cost but low frequency of this type of event, the difficulty of predicting which areas will be affected, and the expected increases in insurance premiums, raise the question of how the risks of catastrophic events, such as the flooding in summer 2007, should be shared to provide the best protection for our communities and the best use of public money.

213 The difficulties faced by local authorities are illustrated in **Figure 13**. There are three key points on a scale of the severity and frequency of events where decisions are required.

214 The point at which any additional government support might be available (point C), and, to a lesser extent, the point at which Bellwin is activated (point B) are unclear. Without this clarity it is difficult for local public bodies to decide on the level of risk that is their responsibility to mitigate and therefore to make an informed decision about the balance between self insurance and external insurance; that is, Point A.

**Figure 13**  
Risk sharing



Source: Audit Commission

- 215** The risks associated with catastrophic events are currently shared between local government, central government and insurers. However, the current arrangements are neither transparent nor optimal in terms of minimising the overall costs to the taxpayer or ensuring that appropriate measures are taken to reduce risks.
- 216** The theoretical arrangement is that, in the case of a major civil disaster, the Bellwin scheme is the only funding which the government signals in advance is likely to be available. Other support from government is discretionary and decided after the event. Even the Bellwin scheme is, strictly speaking, at ministerial discretion.
- 217** For some risks and for some areas, it is possible to insure, albeit the premiums may be increased following the floods. But for some risks, including road damage and flooding to certain buildings, insurance is not available. In any event, there are limits to the amount of risk that can be transferred to private insurers. Insurance companies can limit their exposure by refusing to insure, setting a limit to the level of cover, or by making cover contingent on preventative action. There could be the potential for insurance industry failure in extreme cases. Hence, even when cover is taken out, local or national government still bears some risk.
- 218** Even where insurance against the impact of a catastrophic event is available and affordable, it is questionable whether taking it out provides the best overall value for public money, for the following reasons:
- the probability of a catastrophic event happening somewhere in the country in a given period can be estimated more accurately than the risk of such an event happening in a specific area;
  - although the probability of a catastrophic event occurring in each area is low, many authorities will still insure because the potential impact would be so significant;
  - the cost of this insurance is likely to increase and may become more difficult to obtain; and
  - in the long run, the total spend by local government on this insurance will exceed the value of claims paid out. Otherwise the insurers would not be able to make a profit.

- 219 Risk sharing on a broad scale is currently being explored by some authorities. A consortium of fire and rescue services, and a group of London boroughs have set up mutual insurance arrangements in order to reduce costs and share risks more widely.
- 220 It is important, however, that under any arrangements, those that can reduce the impact of a risk bear some of that risk. Central government should not underwrite all risks as this would remove the incentive for local public bodies to do what they can to reduce those risks. However government should bear some of the risk, as some of the mitigating actions required to reduce risk are within the control of central rather than local government; for example the overall level of spending on flood defences. The challenge is to find the right point for government to step in (C in **Figure 13**) and to provide clarity on what help would be available beyond this point. This would provide a basis on which local authorities can plan, and would provide better value for all taxpayers. Any shift in responsibility for risk would suggest a redistribution of funding, but the overall cost to the taxpayer should be lower.

# Appendix 1 – List of study sites and methodology

221 This work has been carried out in the following areas.

## June flooding:

- Sheffield City Council;
- Rotherham Metropolitan Borough Council;
- Barnsley Metropolitan Borough Council;
- Doncaster Metropolitan Borough Council;
- Kingston upon Hull City Council; and
- East Riding of Yorkshire Council.

## July flooding:

- Gloucestershire, including: Gloucestershire County Council, Gloucestershire Primary Care Trust, Gloucester City Council, Cheltenham Borough Council and Tewkesbury Borough Council;
- Oxfordshire, including: Oxfordshire County Council, Oxford City Council, West Oxfordshire District Council, Cherwell District Council and Vale of White Horse District Council;
- Worcestershire County Council;
- Warwickshire County Council; and
- West Berkshire Council.

222 Our field work included working with local finance staff to collate costs using a standard cost proforma, and carrying out structured interviews with officers.

223 We have also obtained broad costings and information from a number of the health bodies, police forces and fire and rescue services affected, and from the Association of Drainage Authorities.

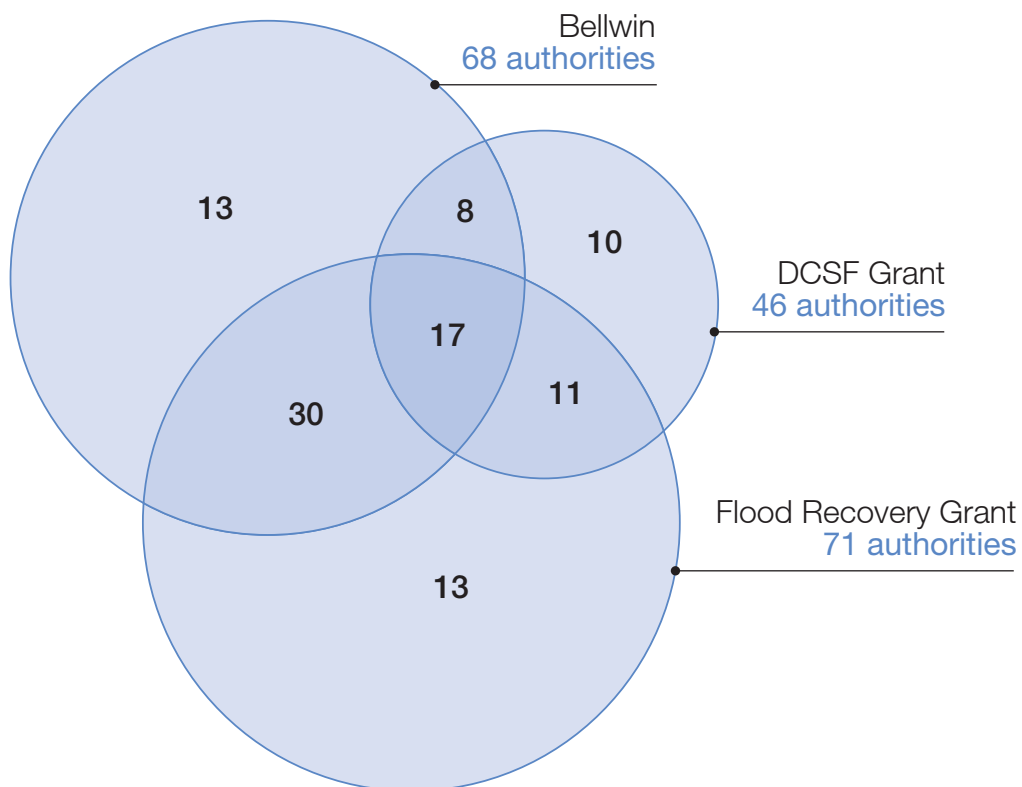
224 We have spoken with a number of national stakeholders including:

- CLG;
- DCSF;
- DfT;
- CIPFA;
- Local Government Association;
- Zurich Municipal; and
- Association of Local Authority Risk Managers (ALARM).

225 We also contacted some areas previously badly affected by flooding such as North Cornwall District Council, Runnymede Borough Council and North Yorkshire County Council to discuss their experiences.

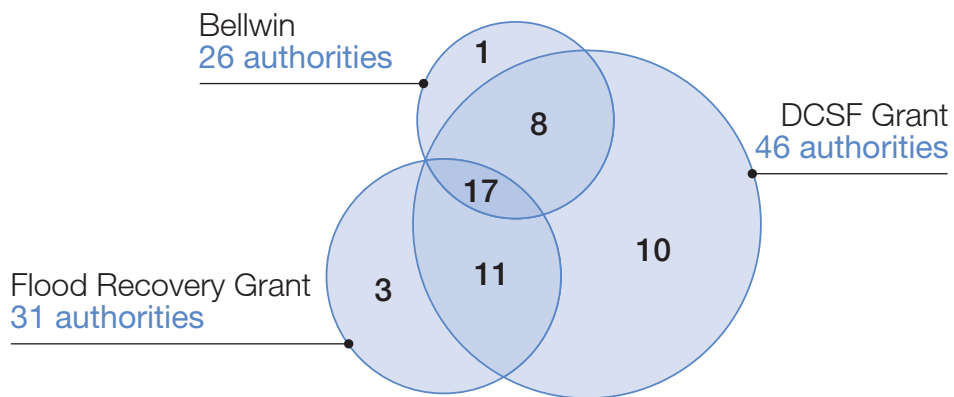
## Appendix 2 – Analysis of distribution of government assistance

One hundred and two local authorities have registered for or received money from at least one of the government schemes.



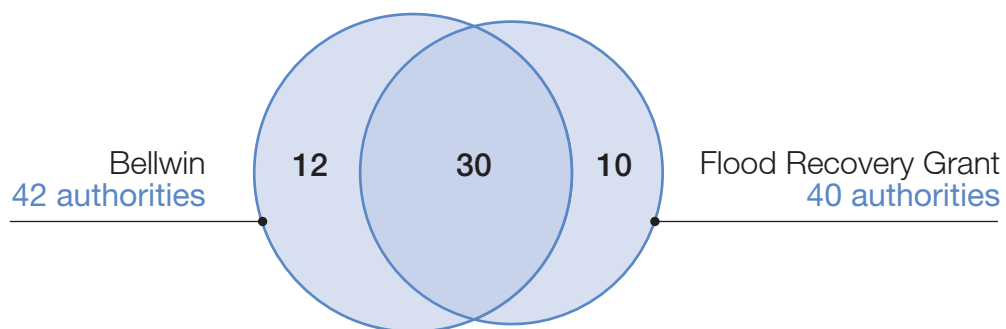
**Note** – it is not yet known which authorities will receive DfT funding hence this scheme is not included here.

Twenty-six single tier and county councils have registered for the Bellwin scheme, but 24 authorities that did not register for Bellwin received other grants.



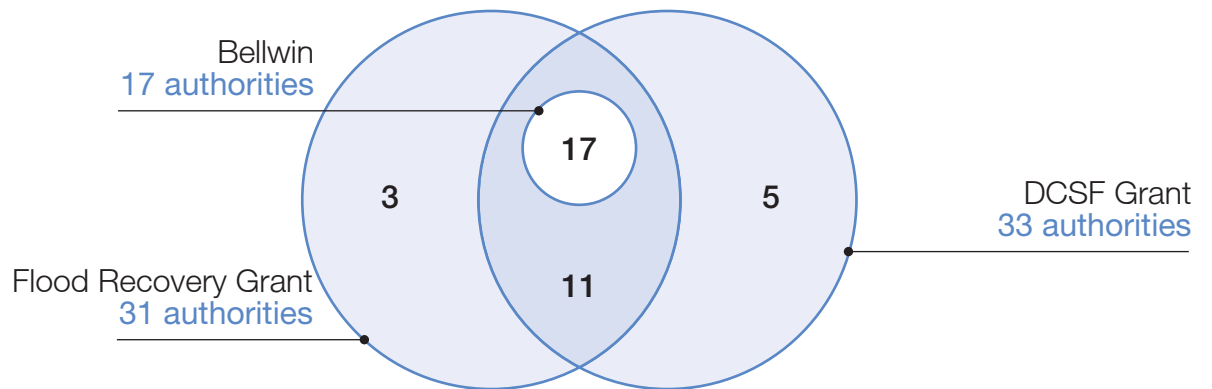
**Note** – it is not yet known which authorities will receive DfT funding hence this scheme is not included here.

Fifty-two district councils have registered for or received money from at least one of the government schemes.



**Note** – districts were not eligible for DCSF grant.

Thirty-six single tier authorities have registered for or received money from at least one of the government schemes.



**Note** – it is not yet known which authorities will receive DfT funding hence this scheme is not included here.

## Appendix 3 – Insurance cover

**226** The extent to which local public bodies were covered for flood damage varied significantly. Some examples are highlighted below.

### Low levels of cover

**227** Decisions to have low levels of cover were largely based on claims history where there was little or no experience of flooding:

- Council 1 had low levels of insurance cover. This was based on past history (no real history of significant flood problems) and advice from its insurer.
- Council 2 had no flood insurance – based on an assessment of low probability of flooding.
- In Council 3 houses were not insured as flooding was not considered a significant risk.
- Council 4 had limited flood insurance on basis of low probability and tight finances.
- Council 5 considered flood risk on projects and flood features on the emergency plan. This council took a measured decision that the cost of insurance was not justified by the low risk.

### High excesses

- Council 6 did not consider an event that would impact on many council houses in one event and hence had a policy with a high excess per house.

### Self insurance

- Council 7 decided to self insure its property after brokers' advice based on an analysis of past claims. The repair costs for these properties were comfortably covered by this self insurance fund.

### High levels of cover

- Council 8 had an excess of only £250 per property.
- Council 9 had a cap on excesses of £250,000 in total for events within a 72 hour period.

## Appendix 4 – Case studies

### Ulley Reservoir

Ulley Reservoir was completed in 1874. The reservoir provided Rotherham with about 180 million gallons of water per year. However, by the early 1980s, the reservoir was no longer needed for water supply and it was sold to Rotherham Metropolitan Borough Council for the token sum of £1.

In September 1986, Ulley was designated as a country park and is host to many educational and recreational activities including wildlife conservation, school group activities, walking and angling. Ulley Country Park is also home to Ulley Sailing Club.

During the evening and early hours of 25/26 June 2007 calls to the Council reported problems with the dam wall of Ulley Reservoir. One of the spillways through which water escapes had been damaged by the excessive amounts of water. It had overtopped and collapsed, resulting in water washing across the dam wall.

A multi-agency response was immediately put in place involving the council, police, fire and rescue, dam engineers Ove Arup & Partners Ltd and the Passenger Transport Executive. This resulted in road closures, including 12 miles of the M1, evacuation of more than 700 residents from nearby villages, installation of pumps, repairs to the dam wall and blocking the entrance to the damaged spillway. The dam was declared safe on 30 June.

The dam wall is still damaged and four hired pumps remain on site, in case heavy rainfall causes the reservoir to fill and overflow again.

Following extensive review, Rotherham Council decided that the reservoir should be repaired and reopened. More than 3,000 people had signed a petition urging councillors to reopen and restore the park.

The estimated cost of making good the Ulley Reservoir is £4.75 million for which the Council may need to make further bids for grant aid, for example, to the European Solidarity Fund. The report says removing the dam would present 'significant challenges', including the removal of fish stocks and the exposure of silt at the base of the reservoir which could be contaminated by pollutants from the nearby M1 motorway.

But the report adds: 'If the reservoir remains it will continue to be a liability and pose some risk. There will remain a statutory duty on the council to manage and maintain the asset which will require secure funding.'

## Toll Bar Caravan Park

The only purpose-built caravan park in England for the victims of summer 2007 floods opened in Toll Bar near Doncaster.

The village, which remained flooded for several weeks, now has a 50-berth caravan park to house people from the Manor Estate and portable classrooms were erected to allow the school to reopen in time for the new term in September 2007.

A £700,000 new neighbourhood team has also been set up for the village. Doncaster's Mayor Martin Winter said it was a 'radical solution' to keep the community together as it recovers from the damage suffered in June.

The Mayor is confident that the costs of the clean up following the biggest disaster to hit the region in half a century will all be met by government grants.

The government announced various funding streams to assist local authorities in the aftermath of the June 2007 floods. Doncaster Council received £1.6 million. Most of this has been used for the temporary caravan park.

An emergency decision was taken in July 2007 to create a mobile home park in Toll Bar. This involved the lease of land for two years, a £585,000 contract to create the caravan site infrastructure, and the purchase of 50 caravans for £967,000. The caravan park, complete with electricity supplies and its own sewage system, was completed within seven weeks.

Capital expenditure is not normally eligible for funding through Bellwin but CLG was consulted on the decision. It agreed to meet the lower of the caravan purchase price or six months' leasing costs. Procurement advice had shown that outright purchase offered better value for money than leasing.

In September 2007, the Council also agreed to write off rents for Council tenants for the period they were unable to occupy their own properties during the floods. Where tenants occupy a caravan, they will pay a maximum charge of £55 per week on the caravans or their substantive rent (whichever is the lower) in accordance with normal Council decant policy.

## Appendix 5 – Impact on health bodies

**228** In many areas the flooding has affected health care provision. Some hospitals suffered flooded buildings. Others struggled with staff not being able to get to work. Several cancelled non urgent operations for the duration of the flooding.

- In Gloucestershire the cost implications are significant. Gloucestershire Primary Care Trust (PCT) is collating a bid to the EU Solidarity Fund for the whole of the health community. Current estimates are that the bid will total approximately £6.2 million although this figure is an estimate and may be revised as costs are firmed up. The PCT has also been in contact with the strategic health authority which holds reserves and will cover some of the health community's costs should other income not be forthcoming.
- As a consequence of major traffic disturbance within the city, Sheffield Teaching Hospitals cancelled elective and outpatient activity on Tuesday 26 June following police advice. The hospital calculated that it lost about £700,000 of income through the cancellation or postponement of elective and outpatient activity over the period of the floods.
- Hull and East Yorkshire Hospital incurred direct costs of £152,000.

**229** The floods have also had a significant impact on the management capacity of some PCTs. Management time has been diverted to deal with flood related issues and staff are now re-focusing to catch up on deferred day-to-day activities.

The July 2007 floods brought widespread devastation to Gloucestershire and had a significant impact on health provision across the county. Specifically, the main hospitals in the county cancelled many elective (non-essential) surgery and all outpatient operations during the period 21 July to 31 July 2007. During this period, the main acute hospitals limited operations to emergencies and now face the challenge of catching up on the slippage. The two main acute hospitals in Gloucestershire, Gloucester Royal and Cheltenham General, both lost their water supply and were only able to remain open by using tanker water delivered by Severn Trent. Primary healthcare services were also affected with five GP surgeries flooded and numerous other doctors' surgeries and dental practices inaccessible to patients.

## Appendix 6 – Impact on police

**230** The police services in all flooded areas provided immediate assistance in managing the emergency situation. Where the police have provided financial data on the cost of the flooding, most was incurred for overtime. Some authorities also experienced damage to buildings and vehicles. These costs are analysed in **Table 5**.

**Table 5**  
**Costs to police authorities**

Police service	Overtime costs	Other costs	How costs will be covered
South Yorkshire Police	£416,000	£150,000 water damage to estate. £40,000 water damage to fleet vehicles.	Bellwin claim (eligible expenditure of £576,136 against threshold of £479,250).  Self insurance and local district and department devolved budgets.  Reserves will not be used.
Humberside	£135,000	£84,000 lost canteen income. Damage to vehicles £30,000. Business interruption £300,000.	Insurance for business interruption of £250,000.  Net costs are £300,000 which will be covered from revenue budget.
Thames Valley	£113,000	1 police house flooded £17,500.	Insurance for flooded house (£5,000 excess).  Revenue budgets.
West Mercia	£348,000		Cannot claim through Bellwin as threshold is £368,000.
Warwickshire	£3,000		

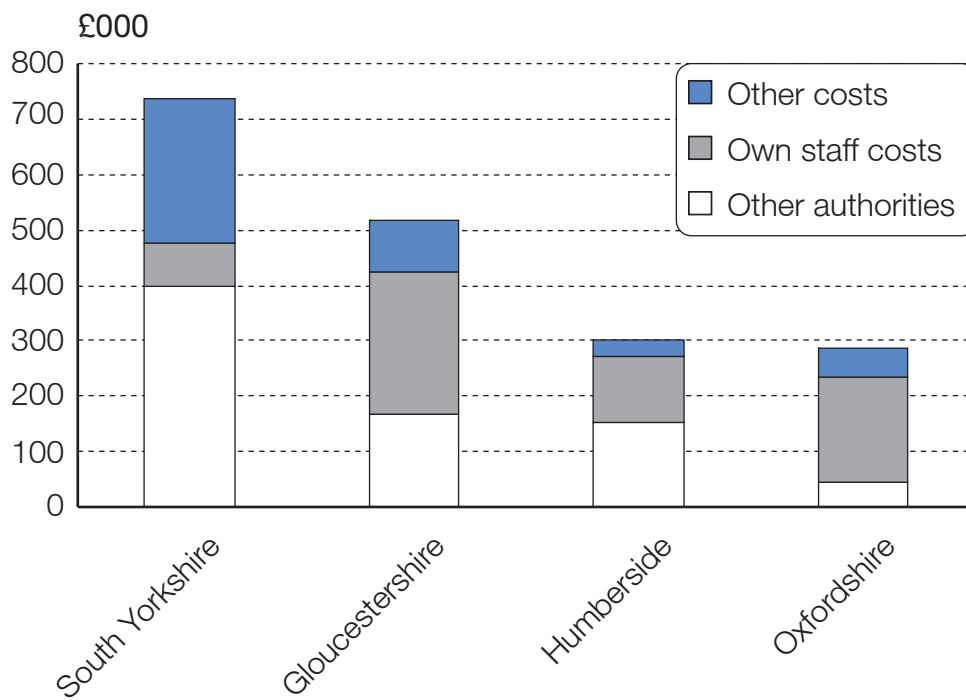
**Source:** Audit Commission research

- 231 The worst affected authority was Humberside as its police headquarters was flooded and remains closed. Over 160 staff have been redistributed across the authority's estate. Temporary custody cells have been hired from a local company and located at another police station.
- 232 South Yorkshire Police is considering taking out flood and storm damage cover for the future.
- 233 Humberside Police has appointed consultants to look into how the authority can reduce flood risk. The business interruption insurance seems to have been a fortunate decision.

## Appendix 7 – Fire and rescue services

- 234** Fire and rescue services were at the forefront of the emergency response. Five services were particularly involved in the areas featured in this report. South Yorkshire, Humberside, and Hereford and Worcester are independent fire and rescue authorities that have their own threshold for claims under the Bellwin arrangements; Gloucestershire and Oxfordshire are county fire and rescue services where all additional costs are reflected in county council accounts. Hereford and Worcester Fire and Rescue provided the national control centre, which was activated from the time of the initial flooding in Yorkshire.
- 235** The total extra cost of the emergency for these five services was just over £2 million, ranging from £250,000 in Hereford and Worcestershire to at least £735,000 for South Yorkshire. The three fire and rescue authorities are currently intending to claim over £1 million through their Bellwin arrangements, which is between 70 per cent and 85 per cent of identified costs.
- 236** By contrast, total expenditure in the two counties eligible under the Bellwin regulations was less than the county thresholds, so all additional fire costs will have to be met from existing county resources.
- 237** The costs to some of the fire and rescue services are summarised in **Figure 14** (overleaf). Further details are given in **Table 6** (overleaf).

**Figure 14**  
**Breakdown of costs to fire and rescue services**



**Source:** Audit Commission research

**Table 6**  
**Detailed costs to fire and rescue services**

Service	Staff costs	Other costs	Total	How covered?
Hereford and Worcester (Authority)	Front line and support staff £130,000.	£116,000	£246,000	£10,000 income from other authorities for assistance. Own resources £57,000. Bellwin claim £179,000.
Humberside (Authority)	Front line and support staff £121,500. Recharges from other authorities £151,300.	£20,600	£301,100	Own resources £88,500. Bellwin claim £212,600.
South Yorkshire (Authority)	Front line and support staff £75-£100,000. Recharges from other authorities of £400,000 expected.	A £260 -£350,000	£735,000 so far	Own resources £110,000. Bellwin claim at least £740,000.
Gloucestershire (County)	£260,000.	£258,000	£518,000	Internal reserves, as total costs fell below county Bellwin threshold.
Oxfordshire (County)	Front line and support staff £189,200. Recharges from other authorities £45,800.	£52,100	£287,100	Internal reserves, as total costs fell below county Bellwin threshold.

**Source:** Audit Commission research

**238** The bulk of additional costs are for staff time. It appears that there was very little damage caused by the flooding to fire service assets. Other extra costs identified include fuel and equipment, but are mostly directly related to staff, for example including accommodation and supplies for some firefighters, including some from other authorities.

- 239 Staff costs include overtime for full-time crew and additional hours for retained staff<sup>1</sup>, who receive additional pay on top of their retainer for the incidents they attend. Neighbouring fire and rescue services and other specialist organisations make a charge for certain kinds of assistance given during the emergency. Again these charges are mainly staff related. South Yorkshire has the highest level of these recharges, which are currently over half the total identified costs.
- 240 Assistance included sharing the high volume pumping equipment provided to services over recent years as part of the government's New Dimensions programme, and sharing boats and trained boat crew.
- 241 All these costs are marginal costs and do not take account of opportunity costs; that is they do not account for other activity that was not carried out because staff were helping in flooded areas, such as carrying out fire prevention work. Traditionally most recharges have also been for marginal costs, for example, the cost of overtime, or accommodation for staff away from home bases. There is some current debate about whether the full costs should be recharged.
- 242 Hereford and Worcester Fire and Rescue Authority is also accounting for costs incurred under the Military Assistance to the Civil Community Scheme.
- 243 Where the emergency was relatively short-term the overall performance of a fire and rescue service is unlikely to be affected. There may be some effect where the emergency was prolonged and hence staff spent longer away from normal activity. Any effect on performance indicators will only become clear during the next review period.

---

<sup>1</sup> Retained firefighters are not full time employees; many have other jobs. They are fully trained and equipped in the same way as full time firecrew, and attend the same range of incidents as their wholetime counterparts at any time of the day or night. In return they are paid a retaining fee along with an additional payment for every incident attended.

The 18,200 fire-fighters that make up the retained fire service in England, Scotland, Wales and Northern Ireland are generally located in rural communities, although some units are located in more busy urban areas to provide fire cover alongside their wholetime colleagues.

## Appendix 8 – Housing associations

- 244 In some areas the social housing most affected belongs to housing associations. The Commission does not audit associations and this study did not collect detailed financial information from all those affected.
- 245 The housing associations most affected in terms of numbers were those that had taken on local authority transferred stock, as these associations were more likely to have stock concentrations. Examples include Severn Vale in Tewkesbury where 90 properties were flooded and Cottsway in West Oxfordshire where 45 properties were affected. In each of these cases the damage was treated as a single insurance claim with only one excess payment.
- 246 Some smaller associations had a higher percentage of stock affected. Insurance cover and policies vary considerably between associations; some expect to be fully covered, many had property excesses, but with a large range between £100 to £10,000, and others are still negotiating with loss adjusters.
- 247 Associations have also had to arrange temporary rehousing, and like local authorities have used a mixture of options including other association property, caravans and allowances for those willing to stay with friends and relatives.
- 248 As with many council house tenants, many housing association tenants do not have contents insurance (**Ref. 5**). Some social landlords are more proactive than others in offering and promoting low cost insurance schemes. For example, Cottsway in West Oxfordshire offered to purchase replacement white goods and arranged repayment plans without interest for affected uninsured tenants, as long as they took out contents insurance for the future.

## References

- 1 Office of the Deputy Prime Minister, *Bellwin Scheme of Emergency Financial Assistance to Local Authorities: Guidance Notes for Claims 2006-07*, Office of the Deputy Prime Minister, 2006
- 2 Association of British Insurers, *Summer Floods 2007: Learning the Lessons*, Association of British Insurers, 2007
- 3 Department for Transport, Local Government and the Regions, *Bellwin Scheme of Emergency Financial Assistance to Local Authorities – Report of the Review Group*, Department for Transport, Local Government and the Regions, 2001
- 4 Office of the Deputy Prime Minister, *Financial Management of Local Disasters: Local Authority Use of the Bellwin Scheme of Emergency Financial Assistance to Local Authorities*, Office of the Deputy Prime Minister, 2004
- 5 Demos and Services Against Financial Exclusion, *Widening the Safety Net: Learning the Lessons of Insurance With-Rent Schemes*, Demos, 2005
- 6 University of Dundee, *Exploring the Social Impacts of Flood Risk and Flooding in Scotland*, Scottish Executive Social Research, 2007
- 7 CIPFA, *Delivering Good Governance in Local Government: Guidance Note for English Authorities*, CIPFA, 2007







This report is available on our website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). Our website contains a searchable version of this report, as well as a text-only version that can easily be copied into other software for wider accessibility.

If you require a copy of this report in large print, in braille, on tape, or in a language other than English, please call **0844 798 2116**.

To order additional copies of this report or other Audit Commission publications please contact **Audit Commission Publications, PO Box 99, Wetherby, LS23 7SA Tel: 0800 502030**.

Audit Commission  
1st Floor, Millbank Tower,  
Millbank, London SW1P 4HQ  
Tel: 0844 798 1212 Fax: 0844 798 2945  
Textphone (minicom): 0844 798 2946  
[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

Price £25  
Stock code: GNR3421

ISBN 1-86240-539-5

Barcode Scaled  
TIFF Preview  
Laser Proof

9 781862 405394 >