

Who will meet the costs?

The best defence against the atom bomb is not to be there when it goes off.
-- The British Army Journal

- 1.1. If this development goes ahead it will flood. The fact that the proposed sea wall has retreated away from the mean high water mark twice since the extant was approved, some 20 years ago, indicates the lack of confidence in the sea defences that were originally proposed. There is still nothing in the planning application to give any greater confidence in the new sea wall.
- 1.2. The previous sea wall which involved a beach recharge, (subsequently refused by the Secretary of State following a Public Inquiry) had a condition which required a sum of money to be held in trust for the repair and maintenance of the sea wall.
- 1.3. This idea was also proposed as a requirement by the authors of the Draft Shoreline Management Plan for Cornwall and the Isles of Scilly (available at ciscag.org.)
- 1.4. In that draft Shore Line Management Plan (SMP) it highlights the danger:-

"Given that it is anticipated that a condition of the planning permission would be that the site owners and managers remain responsible for any defences for the life of the development, the no active intervention policy therefore also reflects the position of the coast protection and flood defence authorities, in that they would not become default maintainers of the defences at Crinnis Beach in the future. Importantly this avoids any future risk or obligation to be placed on the public purse."
- 1.5. That the author(s) of the SMP highlight a need for the site owners to remain responsible for the life of the development and that should avoid future risk or obligation to the public purse re-affirms that there is a sustainability issue with this site.
- 1.6. It cannot be conceivable that this development will not need intervention over its proposed lifetime and the author(s) of the SMP clearly thought that was the case.

- 1.7. However, I would suggest that the proposition that current and successive site owners would retain the full financial responsibility for the flood defences for the next 100 years is fanciful to say the least.
- 1.8. Exhortation may be made to the contrary and monies may be put aside but no-one can sensibly predict or afford the levels of money required.
- 1.9. The 'right level of investment' can be an extremely costly process. Essex County Council has approached the Government for £20 million to build a sea wall to protect 35 high-flood-risk homes at Great Wavering. (Appendices *Rise in flood risk could make one million homes uninsurable*, www.independent.co.uk 9 January 2011)

The Insurance Option.

- 1.10. To counter this claim with 'occupiers will be obliged to see them properly insured' is to once more ignore what is taking place around us.
- 1.11. Recently reported (9th Jan 2011) in the Independent:-

" homeowners living near rivers and the coast face losing up to 40% of the value of their homes as flood risk makes them uninsurable."
- 1.12. In tackling the issues of home insurance the Association of British Insurers (ABI) produced a document entitled: "Fighting Flood Risk Together, November 2010". In it they state:

"Since 2000 the ABI (Association of British Insurers) and the Government have had an agreement known as the Statement of Principles on the Provision of Flood Insurance. The Statement which was intended as a temporary measure, has been revised over time, most recently in 2008, and versions have been agreed with the devolved administrations.

The Statement of Principles commits insurers to make flood insurance as widely available as possible until 2013, and as a result the industry has been providing cover for the last decade to some otherwise uninsurable properties. In return, the Government is committed to ensuring that flood risk is appropriately managed..."
- 1.13. They go on to say Under the Paragraph heading **3. The Role of Government:**

"The Planning System and New Developments.

It is vital that there is a robust planning system to ensure that the (flood) risk is not increased through unwise developments. In recent years, too many developments have been built in high-risk areas. Buildings built after 1 January 2009 are not covered by the Statement of Principles and may not be insurable at all.

The ABI wants to see the maintenance of a rigorous planning system which takes account of insurability, directs development away from the highest risk areas, discourages building on the flood plain, and where such development is necessary, requires account to be taken of flood risk both to the property itself and nearby properties."

- 1.14. Potential flood risks continue to be a source of concern in the industry. AXA a major Insurance company points out on its own web site:

"In its presentation at the Conservative Party Conference on Tuesday 5th October, AXA will underline that without this certainty, insurers will find it hard to continue to provide affordable cover to those living in flood-prone areas once the insurance industry's 'Statement of Principles' comes to an end in 2013."

"The need for certainty from government can only become more urgent. Many areas of the UK continue to face serious flood risk, highlighted by the recent substantial UK flood events including Boscastle (August 2004), Carlisle (January 2005), Hull & South Yorkshire (June 2007), large parts of the South West of England (June/July 2007), and Cumbria (November 2009)."

- 1.15. The ABI has additionally expressed its alarm at climate change and associated increasing flood risk. Nick Starling ABI Director of General Insurance and Health expressed his concern at levels of Government funding. He said:-

*"We all want flood insurance to continue to be widely available and competitively priced into the future. But for this to happen we need the Government to keep to its pledge, under our agreement, to deliver a long-term flood management strategy backed by the right level of investment. **This must include robust planning decisions, so that new homes are not built in areas at high risk of flooding.**" (ABI News Release 29 July 2010.)*

- 1.16. The issue of Insurance availability and its estimated costs were covered in some depth in the Public Inquiry in relation to the revised sea wall. A Mr Lucas

appeared on behalf of the Cornwall County Council. Mr Hicks QC, in his closing submission to the Inquiry, dismisses any suggestion that Insurance would not be available. However, he makes two observations that time and design no longer have relevance.

1.17. In that submission he states:

"Anyone with any familiarity with the insurance industry would have known that buildings insurance for the flats would be obtained by the landlord not the individual tenants." (Para 93.)

He continued:

"Insurance in this case therefore will be part of a large commercial contract." (Para 99.)

And:

"The realities of such a commercial insurance contract are that:

The underwriters will receive a large overall premium of several 100k

The main risk with which the underwriter will be concerned is fire. It is that which gives the greatest risk of a very large loss.

Small flood damage claims will not be of great importance to the underwriter." (Para 100.)

1.18. The "several 100k" to which Mr Hicks refers arises from an annual rental charge on the whole development. That assertion must require the total realisation of all sales of the apartments. Risk of flooding or fire will cause risk to the whole development. Partial ownership will result in partial contribution to the insurance cover.

1.19. Mr Hicks also belittles the potential costs of flood damage claims citing instead that fire posed a greater risk of substantial loss.

1.20. Again in the article "Rise in flood risk could make one million homes uninsurable" referred to above.

1.21. *"Nick Starling, of the Association of British Insurers, said, "We must ensure that our spending on flood defences and flood management is targeted to those areas*

where it is needed the most, and that the Government implements a long-term flood management strategy."

Flooding is expensive for insurers, with claims typically between £20,000 and £40,000. In the past decade insurers have paid out £4.5 bn to customers whose homes or businesses have flooded, three times the £1.5 bn in the previous decade."

- 1.22. The article gives an example of one house holder's premiums rising from £150 per year to £2,111 per year.
- 1.23. An example of how weather patterns and insurance costs are linked is illustrated in events which occurred in the St Austell area. In November 2010 St Austell, Par and St Blazey were hit with devastating floods. The impact of insurance premium rises was reported on in the St Austell Voice newspaper on Wednesday March 23rd 2011. They reported that *"Many residents in the flood hit areas are seeing their insurance policies at least double as they come up for renewal"*.
- 1.24. They quoted Cornwall Councillor Roy Taylor as saying: *"One lady who's in her mid 70's and has a heart condition, who's premium was under £200 last year. She had a pay out from the flooding but her insurance company have now refused to re insure her. She's now insured by a different company but her new premium is in over of £600 and she now has an £2000 excess"*.
- 1.25. Given that the proposed development will be at risk of flooding either by inundation by the sea or entrapment by sudden heavy rainfall as happened recently in St Austell, or a combination of the two we fail to see how flooding to the development won't be a serious consideration both for the purchasers and the insurance companies.
- 1.26. During the Public Inquiry into the revised sea wall consideration was also given to the financial viability of the extant. It is another example of the extreme difficulty of forecasting or anticipating events in the future. For example, within Mr Hick's closing submission, at 134 – 135, he highlights the anticipated levels of house price rises in the immediate future. This information being provided by the Applicants own experts in this field.
- 1.27. *"If house prices were to rise at 1% per annum during the 4 years that would add £9m to the value (2% per annum would give £18m and so on). (Para 134.)*

"Savill's forecast is that house prices in the South West will rise at the rate of 6.2% over that period. That rate of increase would lead to an additional £63M in sales value." (Para 135.)

1.28. What actually took place is now well known. An illustration of the impact of the collapse of financial institutions on house prices is given in the attached document "House Prices 'now at 2006 levels'. (BBC News 28 July 2010.)

1.29. Even more sobering for those who wish to project financial viability of this development or the extant is the prediction that *"In real terms, house prices could fall by 8% from now to 2015, according to a report by the National Institute of Economic and Social Research (NIESR).*

"While we have assumed the housing market remains stable, there remains the risk that house prices in the UK could decline at a more rapid pace," the report said.

"By 2015, real house prices are expected to fall back only to the level of 2003."

A separate forecast published earlier this months(sic) by accountants PricewaterhouseCoopers suggested that house prices might not reach the levels seen at the peak of the market for another decade."

1.30. With the current austerity measures proposed by the Government, a loss of confidence in the consumer market and the spectre of rising unemployment it remains doubtful, in my opinion, that the development will achieve full sales in the near and possibly long term future. If that remains the case, where will the financial returns come from to support the development?

1.31. Since that Inquiry in 2006 there have been examples of our inability to forecast sudden and violent weather occurrences. Climate change is real and is having a direct effect upon our environment.

1.32. The Government is not short of advice in this area. The Committee on Climate Change are independent advisors to the UK Government on tackling and preparing for climate change. Through that committee the Adaption sub-committee which provides expert advice and scrutiny produced a report for the UK Government in September 2010 entitled "How well prepared is the UK for climate change."

- 1.33. We refer to page 4 of the executive summary of that document under the heading:

"What steps should the UK be taking now to adapt?"

" 1. Taking a strategic approach to land use planning – for example to (i) ensure that new buildings and infrastructures are sited in areas that minimize exposure to flood risk, do not increase flood risk to others, and do not create a legacy of flood defence or water supply costs;...."

- 1.34. Coastal Planning has long been covered by the Governments own Planning Policy Guidance PPG20. The following paragraphs are taken from that document, the most pertinent sections I have underlined:

Policies for development

"2.9 On the coast, opportunities for development may be limited by physical circumstances, such as risk of flooding, erosion and land instability, and by conservation policies. Where the coastal zone is only a small part of the territory of a local planning authority it is reasonable to expect provision of land, for example, for housing and employment, to be made elsewhere in the district. Thus, in the coastal zone, development plan policies should normally not provide for development which does not require a coastal location."

"2.10 Therefore, whilst realistic provision should be made in development plans for the foreseeable development needs of an area, the coast, particularly the undeveloped parts, will seldom be the most appropriate location. Few developments require a coastal location. Given both the physical and policy constraints in most parts of the undeveloped coast, it should not be expected to accommodate new development that could be located inland or in existing developed areas."

Policies for risks

"2,13 Due to the nature of coastal geology and landforms, there are risks, particularly from flooding; erosion by the sea; and land slips and falls of rock. The policy in these areas should be to avoid putting further development at risk. In particular, new development should not generally be permitted in areas which

would need expensive engineering works, either to protect developments on land subject to erosion by the sea or to defend land which might be inundated by the sea. There is also the need to consider the possibility of such works causing a transfer of risks to other areas."

- 1.35. Given that the ABI, in order to continue with a Statement of principles, is seeking an undertaking that the Government will not give support to developments in high risk areas. This development cannot be approved.
- 1.36. It is in direct contradiction of the PPG 20, the Governments own advisors and the advice from the ABI.
- 1.37. And in the current climate of austerity, the idea that the Government should look to maintain, what will be necessary flood defences for the indefinite future, on a development that hasn't even been approved, is perverse.

Further Financial Risks to the Taxpayer.

- 1.38. There is also another and unavoidable cost to the ratepayer. Should there be a need for an evacuation of the site, this will be carried out by the emergency services. Potentially, the Coast Guards, RNLI, Air Sea Rescue, Police, Ambulances, Fire Service could all be called in to render assistance. Emergency accommodation would have to be found for the occupants of over 500 dwellings. The recent floods in St Austell gave rise to the local authority giving exemptions or discounts to Council Tax payments. These costs have to be recouped from somewhere.
- 1.39. Why should hard pressed tax payers be asked to fund a speculative development whose only reward will be to investors and shareholders who live elsewhere?
- 1.40. The proposed development will impact upon the taxpayers of this country.
- 1.41. There are many other areas of land which could be used to build a new residential housing estate which would bring with it the benefits the developer espouses without any financial risk to the local taxpayer.