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Subsidies encourage housebuilding on floodplains, report finds

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The UK taxpayer is left to pick up the cost of flooding because housebuilders do not contribute enough when building homes, giving them an incentive to build on floodplains, according to research.

Flooding costs between 2 and 8 per cent of an area's economic activity in the year after a flood, the research for the London School of Economics' Centre for Economic Performance found.

The figures come in the aftermath of widespread flooding in parts of northern England and Scotland, after warm, rainy weather that broke meteorological records.

December was the warmest on record, according to the Met Office, and the month's record-breaking rainfall put 2015 among the 10 wettest years for more than a century.

The devastation will cost the economy as much as £3bn according to estimates by PwC, the consultancy firm.

The impact of the floods on a number of towns and villages has triggered a political row about spending on flood defences.

David Cameron had to rebut accusations that there was a north-south divide when it comes to the UK's flood defences.

Some local media and politicians claimed the government would never permit extensive flooding in city centres in London and south-east England.

Labour leader Jeremy Corbyn promised to fight for more money to protect homes and businesses.

Guy Michaels, one of the authors of the research, said his team looked at 53 incidents of widespread flooding around the world.

Despite the economic impact of flooding, "within a couple of years it's back to business as usual" he said, with no evidence that people and businesses reacted to the emergency by moving.

This was because “governments really bear a lot of the cost” of flooding by subsidising protection measures and clean-up efforts, he said.

“That creates incentives to build on floodplains,” Mr Michaels said. “Developers don’t really bear the full cost of building there, and because there is such a housing shortage then if something gets built, people will move into it despite the flood risk.”

Britain builds nearly 10,000 homes a year on floodplains despite growing warnings over extreme flooding. One new home in every 14 built in 2013-14 — the most recent year for which data are available — was constructed on land that has a significant chance of flooding, either from a river or the sea.

The government’s planned Flood Re reinsurance scheme — which will create a collective fund to mitigate insurers’ costs, making affordable insurance available to people in flood-prone areas — will further encourage developers to build on floodplains, Mr Michaels added.

“Making sure people are insured is very important,” he said. “But it is trying to correct one problem while making another potentially worse.”

A spokeswoman for the scheme said that homes built after 2009 would not be eligible for insurance that is backed by Flood Re.

The research comes as environmental campaigners argued that England’s division of responsibilities contributed to the problems.

Richard Dixon, director of Friends of the Earth Scotland, told the Guardian newspaper that there was a “systemic difference” between flood defence funding in Scotland and England.

“In Scotland, flood defence is the responsibility of each local authority, while in England and Wales it is the responsibility of the Environment Agency,” he said. In Scotland the system was “more locally democratic and councils can be more aware of the public mood”, he said.

Criticism of Nicola Sturgeon’s Scottish National party administration on the issue has been muted compared with that aimed at the UK government south of the border.

Flood warnings remained in place across the UK on Friday, with forecasters predicting more rain and possibly snow for the first days of 2016.

More than a dozen Environment Agency warnings were in place for parts of the Midlands, North East and North West England, Scotland and Wales.

The Met Office said fresh rain could be expected on Sunday, and warned of snow in some parts of Scotland.

The Environment Agency said that flooded areas would continue to have high river levels, particularly the River Severn in parts of Shropshire, Worcestershire and Gloucestershire and the River Ouse near York.

The levels were expected to gradually fall over the weekend.

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