

THE FINANCIAL POSITION ARISING FROM JULY 2007 FLOODS

PORTFOLIO RESPONSIBILITY: RESOURCES

CABINET

Wards Affected

County-wide.

Purpose

To note the financial implications of the floods affecting Herefordshire in July 2007 and to endorse the proposal that further updates are brought to Cabinet in the coming months.

Key Decision

This is a key decision because it is likely to result in the Council incurring expenditure above the agreed budgets for the service or function (shown as a line in the budget book) to which the decision relates but allowing for virements between budget heads and savings within budget heads of up to £500,000.

Recommendation(s)

- THAT (a) The financial implication of the floods is noted; and**
- (b) Further updates are brought to Cabinet in the coming months**

Reasons

In July 2007 the heavy rain that affected much of west and central England caused considerable disruption and damage in Herefordshire.

In some circumstances the extent and nature of such incidents can receive financial mitigation from central government and it has been confirmed that this regional incident is covered by the relevant regulations. However, some expenditure is not covered including a sum up to a threshold calculated by government.

Considerations

1. The Department of Communities and Local Government (DCLG) has confirmed that it will use existing legislation to set up a separate funding scheme (known as the 'Bellwin Scheme') to deal with the July floods. The proposed scheme has improved terms compared to the existing regulations because of the extent of flood damage. The improved terms are as follows;
 - An increase in the period for completion of eligible works from 2 to 6 months.

Further information on the subject of this report is available from
David Powell, Head of Financial Services on 01432 383173

- An increase in the proportion of costs local authorities can claim above threshold to 100% instead of the usual 85%.
2. To be eligible for reimbursement local authorities had to register with the DCLG and this was done on 25 July 2007. The DCLG has confirmed Herefordshire is now eligible to claim under the scheme. There is a threshold of £408,526 for Herefordshire based on a DCLG's calculation of 0.2% of Herefordshire's annual budget being spent on grant eligible work.
 3. The Bellwin Scheme states that in order to meet the basic statutory requirement 'expenditure must have been incurred';
 - by a local authority 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;
 - as a result of the incident(s) specified in the scheme, which involved the destruction of or danger to life or property.
 4. The scheme does not reimburse all expenditure. The overriding rule is that expenditure which is clearly not incurred on or in connection with the immediate action to safeguard life or property or to prevent suffering or severe inconvenience as a result of a disaster or emergency will not be eligible for grant. Expenditure that is not additional to what the authority would normally expect to incur will not be eligible, for example, expenditure in an area for which there is already a government expenditure programme.
 5. Capital expenditure will only be allowed under the scheme in exceptional circumstances.
 6. The guidance outlines examples of expenditure that would be expected to qualify and those not expected to qualify. Information has already been gathered on the expenditure incurred on the incident. Annex A outlines expenditure estimates. In some circumstances expenditure will not be reimbursed where insurance does not exist. Expenditure is tested against whether the loss can normally be covered by insurance.
 7. As of mid August the damage and additional costs caused by the floods totalled at least £3.45m. This is an estimate based on best available information from across the Council. The majority of the estimate is in the area covered by the Environment Directorate. The estimated damage to the County's schools is £730,000.
 8. Under current rules the Council will not be able to recover the threshold sum of £408,526. In addition some of the damage affecting schools is viewed as 'insurable' and would not be eligible for re-imburement. The precise scale of the gap is not yet determined but is likely to be significant.
 9. Some funding allocations have already been announced. It is known that the Department for Children, Schools and Families (DCSF) allocated Herefordshire £50,000 for the June floods and £86,000 for the July floods. Advantage West Midlands (AWM) is making £50,000 available for reinstatement work where the Council does not necessarily have a duty to act. One such example is clearance of private drainage ditches where there is a clear benefit for the public.
 10. There is also a Flood Recovery Grant Scheme for assisting private homeowners. Herefordshire has received £100,000 on the basis of approximately 480 homes affected by the floods. There is no guidance on distributing the allocation and the

methodology is a matter for the Council to establish.

11. Other potential funding sources include the Department of Transport's Emergency Capital Highway Maintenance Funding, the European Union Solidarity Fund (EUSF) as well as the Council's self insurance scheme that may help meet some of the cost of damage to schools.

Financial Implications

The threshold of £408,526 is not being met by DCLG and is therefore a pressure in 2007/08. The extent of damage viewed as insurable will need to be assessed. If no cover is available it will be a funding pressure.

Risk Management

The Council will need to manage the financial risks over the remainder of 2007/08. Mitigation may be through use of general reserves, specific reserves being redesignated or capital programme reassessment.

The Council also faces a reputational risk if it does not quickly and fairly distribute the Flood Recovery Grant Scheme allocated of £100,000 to homeowners affected by the floods.

Alternative Options

The Council must ensure damages caused by the floods are made good where appropriate.

Consultees

None.

Appendices

Annex A - List of estimated damage.

Background Papers

Bellwin Scheme Guidance - DCLG