



Department
for Environment
Food & Rural Affairs

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Elizabeth Truss
Secretary of State
Defra

From Bronwyn Hill
Permanent Secretary

29th June 2015

Dear Secretary of State,

FLOOD REINSURANCE: MINISTERIAL DIRECTION

In June 2013, your predecessor and I exchanged letters on the likely need for a Ministerial direction on the implementation of the Flood Reinsurance ("Flood Re") scheme, should that continue to be the preferred policy option for flood insurance.

If you agree, we will shortly withdraw, amend and re-lay secondary legislation for Flood Re. This will confirm the Government's commitment to implement Flood Re, using the powers in the Water Act 2014.

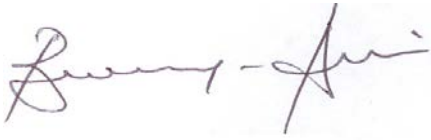
Whilst there are social and equity benefits from Flood Re in terms of stability in local housing and mortgage markets and keeping households insured and financially resilient, the quantifiable economic costs included in the technical impact assessment of Flood Re continue to be greater than its estimated benefits. I will therefore require a Ministerial direction on the grounds of value for money in order to proceed with implementation.

I fully understand that there are wider social and equity reasons for pursuing the Flood Re scheme which are not fully reflected in the strict value for money assessment, which is based on a net national economic viewpoint as set out in Treasury appraisal guidance. There are also significant uncertainties in the assessment, relating to the technical difficulty of estimating the impact on the housing insurance market of transferring high risk properties into a separate pool. I am also conscious of the importance that both Government and Parliament have placed on addressing the problem of the availability and affordability of insurance for homes in high flood risk areas. I understand there is therefore a strong public interest in proceeding to implement the Flood Re scheme to mitigate the impact on individuals and on the wider housing market and communities affected.

I would be grateful if you could confirm that you are content to issue such a direction; and I attach a draft letter which you may wish to use to respond.

I will copy my letter and your response to the Comptroller & Auditor General and the Treasury Officer of Accounts. The C&AG will bring this to the attention of the Committee of Public Accounts.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Bronwyn Hill". The signature is written in a cursive style with a horizontal line through the middle.

BRONWYN HILL