

Approval for risk management authorities

Flood and coastal erosion risk management studies, strategies and projects

April 2013

What is this document about?

This guidance note, which you must follow, sets out how we approve and pay capital grants for flood risk management authorities (RMAs), including all payments to local authorities and Internal Drainage Boards, flood and coastal erosion risk management (FCERM) studies, strategies and projects.

It covers how we:

- create programmes of future work
- allocate funding
- approve grants
- make interim grant payments.

And it explains how you should deal with:

- variation orders
- completing the project
- final accounts
- emergency projects.

Who does this apply to?

It applies to:

- area flood and coastal risk managers
- area asset management teams
- partnerships and strategic overview (PSO) teams and the national capital programme management service
- asset management
- the national environmental assessment service
- finance staff.

Contents

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Background

Our role	We can make capital grants available to other risk management authorities. This responsibility was transferred from the Department of Environment, Food and Rural Affairs (Defra) to us under section 16 of the Floods and Water Management Act 2010.
Types of flooding	Coastal erosion covers the protection of land against erosion or encroachment by the sea. Flood and coastal erosion risk management involves all forms of flooding from rivers and the sea and water level management and an increase in the amount of water below the ground

Creating the flood and coastal erosion risk management (FCERM) programme

Programme description	<p>Risk management authorities should send us their plans for future studies and projects once a year, using the medium term plan (MTP).</p> <p>Each regional flood and coastal committee develops a flood and coastal erosion risk management (FCERM) programme, which includes projects for all risk management authorities. We combine the regional programmes to create the national FCERM programme.</p>
Roles	<p>The roles and responsibilities for dealing with flood and coastal erosion risk management projects are as follows.</p> <p>Area flood and coastal risk managers (AFCRMs) formally ask you to send in your medium term plan forms.</p> <p>Area partnership and strategic overview teams and AFCRMs work with you to complete the medium term plan.</p> <p>AFCRMs forward the medium term plan to their regional programme team.</p> <p>Regional programme teams combine area plans and produce one medium term plan for each regional flood and coastal committee. Regional programme teams send this plan to the national allocation and programme team who prioritise proposed work against available funding to create the national flood and coastal erosion risk management programme.</p> <p>The Head of Allocation and Programme presents the national programme to directors and the board for approval.</p>
How to prioritise	We prioritise studies and projects nationally, using the partnership-funding system and conditions set by the board
Allocating funding	We announce the 'indicative allocation' of funding by the end of December. The indicative allocation will be the amount of capital grant RMAs are eligible for in line

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with the partnership-funding system, and may not be the full cost of the scheme.

Regional flood and coastal committees review the indicative allocation and recommend amendments to reflect any local choices. The national allocation and programme team adjust the national programme where necessary and ask for approval from the board. We announce the final allocation in February.

Keeping records

Under the partnership-funding system, we produce a national programme that shows:

Environment Agency schemes expected to spend FCERM grant in aid (GiA) or contributions (or both);

risk management authority projects which, depending on whether they are approved, are expected to receive a capital grant in the next financial year;

schemes expected to spend FCERM GiA and contributions (or both) or have indicative capital grant up to four years after the next financial year; and

schemes not expected to be approved and completed within the next five years because they are not ready to start, need to demonstrate better value for money or find further contributions.

The Head of FCERM and Business Finance (grant administration team) will give each new study and product a unique grant approval number once approvals are in place.

Approving an application

Who is accountable?

Risk management authorities are responsible for designing, procuring (see the grant memorandum) and delivering the project. If they want to, RMAs can

Assessing approval

When approving a project for a capital grant, we should assess the value of the outcomes the project will provide and how much it costs to deliver.

We will take care when approving the project to make clear the difference between the partnership funding grant RMAs are eligible for and the actual amount you will allocate to the RMA in the allocation letter. This does not include contingency. You can find guidance on eligibility in the grant memorandum. You will need form FCERM2, which forms part of the project appraisal report (PAR). If it is a study, you will need form FCERM 7.

Roles

The roles and responsibilities for approving an application are set out in the table below:

Role	Responsibility
Area flood and coastal risk manager	Receive all applications for a grant. Assess all RMA studies and projects under £100,000. Sign off applications through the approvals history sheet under the scheme of delegation. Contact the large projects review group (LPRG) or regional project assessment

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	board (PAB) to set a date for the PAR review.
National capital programme management service (NCPMS) National environmental assessment service (NEAS)	Oversee the delivery of the medium term plan and update any changes. Provide two days to assess proposals for projects (at the request of the Area FCRM Manager). Review applications and provide advice on current practice and guidance.

Approvals process

The table below describes the approvals process:

Stage	Description
1	RMA's will prepare a project appraisal report (PAR), in line with our PAR template, for applications for a grant. A study may be carried out before you do the report. The study will evaluate the potential options for the project and include outline planning permission and environmental assessment. The study will have its own unique grant approval number. Strategies will follow the StAR (strategy appraisal report) template.
2	We only act as a reviewer and our input should only take one to two days, including time spent carrying out the NCPMS role (see table above).
3	If RMA's would like us to help them with their application (for example, to carry out an economic appraisal), this type of work should be carried out on a commercial basis, with RMA's paying for our time (see table above).
4	RMA's apply to the AFCRM for approval of a study, in line with the grant memorandum, using form FCERM7.
5	We will try our best to provide comments on project appraisal reports or StAR reports, or a study, within two to four weeks.

Approving a study, strategy or project

Once we have told the RMA the submission date, they will send their completed application to the relevant AFCRM as follows:

- Two copies of the StAR (strategy appraisal report) or project appraisal report (copies can also be on email or CD)
- Two copies (or email) of the study
- It is normal practice for the relevant project executive or project manager to present a study, strategy or project to the project assessment board or large projects review group and to answer questions on the day.

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The AFCRM will forward the application in line with our scheme of delegation. All approvals depend on consultation with the Head of FCERM and Business Finance.

- If the cost of the project is less than £100,000, the area manager is responsible for approval.
- If the cost of the project is between £100,000 and £10million, the application is passed to the project assessment board.
- If the cost of the project is more than £10million (or if there are significant environmental issues), the application is passed to the large projects review group.

Once the project is approved in line with the financial scheme of delegation, the AFCRM will send the project appraisal report and allocation letter to the grant administration team.

- If the PAR does not include the FCERM2 scheme application form, a separate FCERM2 should also be attached.
- If it is a study, use form FCERM7 instead of a project appraisal report or an FCERM2.
- If it is a coastal scheme, you should include a coastal projection project consultation CPA1 form and coastal protection project application CPA2 form with the project appraisal report for formal financial approval.
- Guidance note 2 (April 2011) for maritime local authorities - approval of coastal erosion studies, strategies and projects

Grant administration team email: laidbfinance@environment-agency.gov.uk

Approval

Once we have approved the application, the AFCRM will tell the RMA, in writing. This letter must also give the amount of grant we have allocated and give a grant approval number.

Delegation

Our scheme of delegation is extended to cover risk management authorities' studies and projects in consultation with the Head of FCERM and Business Finance. The approval value is not the same as the grant we will allocate. Once we have allocated an amount of grant we cannot reduce it and have to pass that sum to the RMA.

We have a limited ability to approve business cases. If a project costs more than our financial authorisation limit of £100million, we will need to get approval from Defra and possibly the Treasury before we can respond to the RMA.

Financial approval

RMAs must follow the latest grant memorandum when applying for a grant under the Land Drainage Act 1991, Coast Protection Act 1949 and the Floods and Water Management Act 2010.

The grant memorandum sets out the terms and conditions we must keep to when approving grants. Grants are available for studies or a scheme and projects either

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as part of an approved strategy or as a stand-alone project.

The approval value is for the capital grant but it is essential that the allocation letter does not include contingency, which is retained and managed centrally by us and released to the RMA when required.

Changes to your project

If the RMA makes substantial technical changes to the project or asks for a change to the allocation needed (contingency) or the approved amount, they must make the changes on form FCERM4 and send it to the AFCRM.

The AFCRM will consider the technical and environmental aspects. Changes to scheme projects which have a total value of less than £10million will be reviewed by the project assessment board. Those with a total value of more than £10million will be considered by the large projects review group.

The AFCRM will forward notifications of approval of changes to the Head of FCERM and Business Finance. He will consider requests for supplementary spending and tell the AFCRM the outcome.

The AFCRM will tell the RMA, in writing, that the project changes are approved and the revised amount of funding we have allocated.

You should send the approved form FCERM4 to the Head of FCERM and Business Finance. If you need extra funding, the Head of FCERM and Business Finance will discuss this with you.

Completing the project

Once the project is completed on-site, the RMA must inform the Head of FCERM and Business Finance, and the AFCRM, using form FCERM8 (project closure report). They should do this within six months of substantially completing the project.

The Head of FCERM and Business Finance will record the completion date as this acts as the start date for completing the final statement of account (form FCERM5). The timescale for completing final accounts is 24 months. The RMA should send your final accounts directly to the grant administration team.

Paying grant

Interim payments

We have deadlines to meet when making payments. To avoid delay, RMAs should send claims for interim payments directly to the grant administration team, using form FCERM3. The team will process the payments and arrange for them to be paid.

Final statement of accounts

Final statements of account (FCERM5) no longer have to be passed to the Audit Commission. RMAs should send their completed final statement to the grant administration team for financial review.

The grant administration team will tell the AFCRM when payments on the study or project have been formally completed.

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Emergency project

- Definition** There is no legal definition of an emergency under the Land Drainage Act. However, the Coast Protection Act defines an emergency as:
'...an unpredictable and sudden situation that poses a serious threat to loss of life and requires immediate action.'
- Notification** In all cases, RMAs must tell the AFCRM if they need to carry out emergency work. If they don't, we cannot consider the work for a grant. It is their responsibility to consult statutory bodies, for example Natural England.
- Funding** Emergency work, by its nature, will not have any provision for funding. The AFCRM will advise the RMA that they can go ahead with the work without formal approval and that there is no guarantee of funding.
The AFCRM must consult with and keep the Head of FCERM and Business Finance, the national capital programme management service and the national environmental assessment service informed about the progress of the work.
If the RMA want a grant for the emergency work, the AFCRM will ask them to apply for one as though the work is a stand-alone flood and coastal risk management project. Not all the parts of a project appraisal report are needed as the work will already have been completed, nor will the emergency work reduce the grant rate.

Related documents

- Links**
- 22_08 FCERM Capital grant guidance note 2 for maritime
 - Grant memorandum 2013-07-03:
 - Environment Agency - Local authority and internal drainage board funding