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**Grant Memorandum**



June 2018

**What is this document about?**

Memorandum relating to capital grants for local authorities and Internal Drainage Boards in England under the Flood and Water Management Act 2010, Coast Protection Act 1949, and Land Drainage Act 1991 (April 2016) Applies to studies and projects started after 1 June 2018



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Introduction

1.1 We (the Environment Agency) provide capital grants to other flood and coastal erosion risk management (FCERM) operating authorities in England under section 16 of the Flood and Water Act Management 2010. Applications must also meet the conditions relevant to flood risk management work under the Land Drainage Act 1991. Applications relating to coastal protection work must meet the relevant requirements of the Coast Protection Act 1949. We can fund capital grant for all types of flooding except sewer-related flooding (which is not caused by increased rainwater) and flooding caused by burst water mains. This includes surface water, groundwater and Property Flood Resilience schemes. This grant memorandum applies to flood and coastal erosion studies and projects which began after 1 June 2018. Schemes which began before 31 May 2018 should follow the grant memorandum in force at the time the scheme was approved.

1.2 This memorandum explains the processes and requirements local authorities (LAs) and Internal Drainage Boards (IDBs) should follow when applying for grants. The terms and conditions are consistent with arrangements for capital grants elsewhere in Government. Local authorities can also make applications on behalf of communities or private organisations.

1.3 We aim to treat everyone applying for grants fairly and at the same time try to make sure that Government outcomes are delivered. Many of the principles are the same as those in earlier memoranda, but the amount of grant for flood and coastal erosion risk management (FCERM) projects depends on the partnership-funding system introduced by the Government in May 2011. This memorandum also includes changes introduced by the Ministry of Housing, Communities & Local Government (MHCLG).

1.4 All the grant we provide is bid-based capital grant. Under MHCLG rules, the authority receiving the grant has flexibility as long as the grant is spent on capital projects. In practice, we award grants to approved projects and release the money as the project progresses. The methods for paying grants will stay the same as those that local authorities and Internal Drainage Boards are familiar with. Most of the requirements set out in this memorandum are general ones. Where there are differences for coast protection, or other FCERM grants, the differences are highlighted in a box as shown below.

Following the Spending Review 2013 the Government announced a six year capital funding settlement for FCERM. This enabled us to replace the annual medium term plan with a six year capital investment programme.

Coast protection:

(including Coast Protection Act)

Other FCERM:

(including Land Drainage Act and Internal Drainage Board)

1.5 In this document certain words have the following meanings.

Authority means a risk management authority (RMA). This includes maritime local authorities (LAs) or, for flood risk, district, metropolitan district and county councils, and unitary authorities, and Internal Drainage Boards (IDBs). It also includes all London boroughs, highways authorities and water companies.

FCERM means flood and coastal erosion risk management and includes the management of the shoreline on the sea side of boundaries. It also includes all forms of flooding, including flooding by the sea and

water-level management in land benefiting from watercourses in the care and control of an authority.

Riparian owners - is the owner of property (i.e. land) alongside a natural watercourse. Under common law they possess rights and responsibilities relating to the stretch of the watercourse which falls within the boundaries of their property. They are also entitled to carry out drainage work.

Projects include strategies, studies and schemes.

Outcomes are what the project has delivered (for example, the project may have protected homes or created habitats). Partnership funding provides a tariff (payment) for each outcome delivered.

We may pass information you provide to us to other people or organizations or third parties under the

Freedom of Information Act 2000 and Environmental Information Regulations 2004.

2. How to apply for capital grant

2.1 FCERM schemes are identified for all operating authorities through the capital Investment programme. The national flood risk management strategy aims to manage FCERM risks in a way which reflects both national and local priorities, to:

(i) reduce the threat to people and their property;

(ii) deliver the greatest environmental, social and economic benefit consistent with the Government’s sustainable-development principles; and

(ii) discourage inappropriate development in areas at risk from flooding (see also National Planning Policy

Framework published in March 2012).

2.2 We carry out an annual refresh of the capital investment programme inviting RMAs to confirm present projects for grant allocation are on track. Following the review we update the list of projects that are eligible for a grant. You can then make a formal application to have a listed project approved.

2.3 If a flood or coastal risk problem is identified by an RMA, the authority responsible may carry out some initial investigations with advice from the local Area Flood & Coastal Erosion Risk Manager(AFCERM), to identify the issues and potential solutions.

2.4 We assess projects on the basis of the outcomes delivered, costs and benefits and we decide which projects to prioritise and approve on this basis. The actual grant we pay and the approved project sum is different. We decide the amount by looking at the costs of the project, or cap it at the amount set by the partnership-funding tariff associated with the outcomes delivered by the proposal.

2.5 In line with the Defra Investment Plan “reducing the risks of flooding and coastal erosion” the 6-year plan allocation conditions require the FCERM GiA programme to attract 15% partnership funding contributions, realise 10% efficiency savings and contribute towards the 300,000 houses target over those six years.

RMAs are expected to take into account any efficiency savings released in order to meet the 10% efficiency before claiming the contingency for the project.

3. What can capital grant be used for?

3.1 The MHCLG rules on grant from government departments state that the grants to local authorities cannot be specific to a project but, because of their nature and cost, FCERM projects have to be bid for. We will only provide grants in response to a bid to investigate and deal with a flood or coastal erosion problem in line with the partnership-funding rules under the National Flood and Coastal Erosion Risk Management Strategy approved by Parliament in July 2011.

3.2 Formally capital grant is only due once you have successfully completed your project. However, because of the general scale of the projects, we can make interim payments of grant as the project progresses. If you do not deliver your project, it will no longer be eligible for capital grant funding as no capital asset has been created.

3.3 When you apply for capital grant, you must show how your ‘capital asset’ (your project) will be properly maintained. If you fail to maintain the project for its planned lifecycle, we may take this into account when assessing any future application for grant.

Studies

3.4 You can use a study to investigate a flood or coastal risk problem and appraise potential solutions or investigate the environmental effects of FCERM on an area that has a statutory environmental designation. A typical study will define the problem, identify a range of potential solutions and undertake a technical, environmental and economic appraisal to determine the outline design of an optimum solution that can be developed into a capital scheme. The study will also demonstrate that the solution has outline planning approval, define the most appropriate procurement strategy for delivering the solution and provide an assessment of the risks, dependencies and constraints. To help you investigate a problem, we have decided to fund, as the study progresses, 100% of the costs of a study that is included in the 6 Year Capital Programme. When we approve the capital scheme, we will use the whole cost, including the cost of the study, to decide the partnership-funding grant. If the study does not result in a capital scheme, the RMA may need to discuss how they account for the grant under the MHC&LG capital rules.

3.5 You must send the scope of the study to us using form FCERM7 and we must approve them before you begin your study. The FCERM7 application form should set out your initial assessment including:

• what you want to study, including the geographic area of the study;

• the objectives of the study;

• how you plan to achieve these objectives;

• links to catchment flood management plans (CFMPs) and shoreline management plans (SMPs), local flood risk management strategies and so on, consistent with the principles of the National Flood and Coastal Erosion Strategy as laid before Parliament;

• a schedule of the main parts of the study and their estimated costs; and

• an outline schedule for completion, showing how long you expect the study to take. You must meet the following conditions:

(a) You must complete the study and publish the findings.

(b) Your study report must identify problems and reach conclusions.

(c) You must make the results of the study available to other flood risk management authorities.

3.6 If the scope of the study shows that any emerging scheme may need extensive investment over more than five years or involve long lengths of river, estuary or coastline or complex sources of flood risk which affect each other, you should consider a study to prepare a strategy, complete with a strategic environmental assessment (SEA) report, for approval by us.

3.7 We do not specify the format of the study report but we strongly recommend that it follows the 5 case model format as defined by the HM Treasury. Presenting the study in this format will reduce the work involved in developing a capital scheme Outline Business Case. The format of a Strategy Study should follow the Strategy Appraisal Report (StAR) template available from your [local EA contact](https://www.gov.uk/guidance/flood-and-coastal-defence-appraisal-of-projects#contact).

Works (Capital Schemes)

3.8 Grant is available towards capital spending that has been approved for improving existing or constructing new, flood or coastal erosion risk management and water level management works. Within this category, grant is available for a project, whether or not it is recommended by an approved Strategy Study.

Grant is also available for:

• An estuary or beach-management project (recharging, replenishing, recycling and monitoring), as long as it is part of an agreed long-term beach-management plan.

• A project designed to manage water levels for various reasons, including environmental benefits, which may also support surface irrigation through increased water levels. We will give priority to a project in sites of international and national conservation importance. (Note: We will not give a grant for a project where the main objective is spray irrigation or water supply.)

* Purchasing land for habitat compensation to allow schemes to meet the Habitats Regulations.

Coast protection

(Including Coast Protection Act) The preparation of environmental statements under the Environmental Assessment of Plans and Programmes Regulations 2004. For projects that need a marine license; the Marine Works (Environmental Impact Assessment) Regulations 2007 (the MWR) (as amended by the Marine Works (Environmental Impact Assessment) (Amendment) Regulations

2011) will also apply. The Town and Country Planning (Environmental Impact Assessment) (England and Wales) Regulations 2011 are also relevant for projects that need planning permission.

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Other FCERM

For IDBs only under section 59(7) of the Land Drainage Act, the rebuilding of any bridge maintained under statute or custom, or repair other than routine maintenance work

4. What are the grant conditions?

4.1 When considering a proposal for grant, we will assess the following:

* Has the problem been correctly identified and validated with historic evidence?
* Has the full range of options been the subject of a proportionate technical, environmental and economic appraisal?
* Has the preferred option been selected in accordance with the FCERM Appraisal Guidance or the HM Treasury Green Book?
* Does the proposal comply with statutory legislation?
* Is the capital scheme on the Sanctioned List of projects and studies we have agreed are eligible for grant?
* Can the proposed solution be fully funded under the terms of the Defra Partnership Funding Policy and eligible for grant under the terms of the relevant Act?
* Are reliable commitments for non-grant funding (partnership match funding) in place?

Coast protection

Coastal schemes need to be accompanied by form CPA1 at technical approval. This may be affected by

The Marine and Coastal Access Act (Marine Act)

Section 5.5 of the Coast Protection Act has not been repealed.

5. What costs are eligible for grant?

5.1 Partnership funding has changed the way we decide who to award grants to. Under partnership funding, the amount of grant available for a scheme is decided on the basis of the outcomes of the scheme. You should try to get contributions from beneficiaries for your scheme, but under partnership funding the amount of grant we provide will be capped depending on the cost of the scheme or its outcomes. You can find guidance on partnership funding at:

[www.environment-agency.gov.uk/research/planning/134732.aspx](http://www.environment-agency.gov.uk/research/planning/134732.aspx)

5.2 Councils can include in their business case the costs of people working on the project including the overheads for them.

5.3 Renewed Cabinet Office to Strengthen Grant Funding Controls - On 13 October 2015, the Minister for the Cabinet Office wrote to the Chair of the Home Affairs Committee (HAC) seeking clearance for ensuring tighter guidelines on the use of grants for the purposes for which they are intended. The purpose of this clause is to ensure that taxpayers’ money is spent appropriately and in line with the intentions of elected government. Grant recipients are still free to engage in lobbying but should not fund this sort of activity from government grants.

As such we need to make clear that the following costs are not Eligible Expenditure:

“Payments that support activity intended to influence or attempt to influence Parliament, Government or political parties, or attempting to influence the awarding or renewal of contracts and grants, or attempting to influence legislative or regulatory action”.

Coast protection

Work eligible for a grant – work necessary because another scheme at the same or a nearby location would cause a negative effect.

6 What is not eligible for capital grant?

6.1 Partnership funding and the MHC&LG rules on government grants remove barriers of how the grant can be used. However, if any of the following applies, we will not consider awarding a grant.

• The work has not already had approval (unless done in an emergency under section 5(6) of the Coast

Protection Act 1949).

• You have failed, without reasonable cause, to modify the work, as specified in a notice served by any government department or other statutory authority.

• The work should form part of your maintenance tasks (as opposed to capital renewals) or it is work arising from a lack of regular maintenance or repair.

• The work arises from damage or negligence caused by others.

• The work is on top of, or not essential for, FCERM requirements, except for a reasonable allowance for environmental aspects and to support existing amenities, which might be lost as a result of approved work.

• The work is needed to cater for new development.

• It is work that should be done under public health legislation, for example, sewerage work.

• While IDBs and metropolitan local authorities may do work for other people (riparian owners) under sections 20(1) and 20(2) of the Land Drainage Act, and we have the power to make grants under section 16 of that act, we are currently unable to award grants for these individual schemes. (This may change, depending on national policy priorities and the availability of funds.)

7. Are overheads eligible for grant?

7.1 Although, under MHC&LG rules, there is some freedom in how the funds are used, a key principle is that we should not pay grant on costs funded by other Government departments so that there is no ‘double funding’ by the Exchequer.

7.2 If the Regional Flood and Coastal Committee agrees to grant a local levy (alongside capital grant from the Government), the levy should be for additional costs you (the risk management authority) have, and you should pay the cost of the overheads.

8. Land purchase and compensation

8.1 Your grant application should include a schedule of estimated spending for land purchase and compensation payments. You should, where practical, aim to purchase land by negotiation before beginning compulsory purchase. If you do need a compulsory purchase order, you must, under section 62 of the Land Drainage Act, get authorisation from the Minister by writing to the Secretary of State for Environment, Food and Rural Affairs, Seacole Building, 2 Marsham Street, London, SW1P 4DF. The Ministry for Housing, Communities and Local Government publishes detailed guidance on compulsory purchase.

8.2 You should complete all land-purchase and access (easement) agreements before you award the construction contract.

8.3 Under sections 14 and 15 of the Land Drainage Act, you may have to pay compensation if someone is affected by you carrying out the project. You are eligible for a grant to cover these payments.

8.4 You should make a survey record of the condition of the site and any affected nearby buildings before you begin the work. This will help when deciding on any compensation to be paid.

8.5 Interest paid on compensation is eligible for a grant, as long as it was not run up as a result of your delay in processing the claim. You should provide details of the reasons for interest and for any delay in settling compensation.

8.6 We will not give grant on spending on a claim that has arisen as a result of negligence or damage that was otherwise avoidable.

8.7 If, as a result of carrying out the work, you expect to have to pay to reinstate or make good structures or work done by someone else (for example, roads and bridges), we may award a grant for the cost (instead of a compensation payment). This will depend on you having carried out a survey of the condition of the site before you began the work. We will not award a grant for improvement work.

8.8 We can pay a grant if a land-purchase or compensation claim has been legally agreed and the agreement is authenticated. We will need a valuation certificate signed by a qualified valuer for all land- purchase claims of £10,000 or more, and £5,000 or more for all other compensation claims. Also, we will only pay the grant if your claim is supported by a plan showing the location related to the reason for payment.

Coast protection

Under section 19 of the Coast Protection Act, you may have to pay compensation if the value of the land reduces or you disturb a person’s enjoyment of the land. These payments are eligible for a grant.

9. Contributions towards the cost of a scheme

9.1 Wherever possible, we expect you to get contributions towards the cost of your scheme from people who will benefit from it or whose actions or requests have led to the scheme being carried out. Under partnership funding, we will cap the grant at a level depending on the cost of the scheme or its outcomes.

9.2 If contributions are made towards work which is on top of, or not essential for, FCERM (for example within schemes with joint objectives and non-FCERM benefits), we will deduct these contributions and their associated spending before we calculate the partnership-funding grant. These are known as ‘deductible contributions’.

9.3 Deductible contributions should apply:

(a) if part of the work will allow new development (development after 1 January 2012 cannot be included in a bid for a grant);

(b) if, through local choice, an option for reducing risk is chosen that is an improvement (for example, through replacing or repairing existing roads, bridges or other property or through improving amenities or economic potential) but is more expensive than would otherwise be necessary;

(c) for work which removes the existing duties of care or responsibly or service; or

(d) for work carried out as a result of subsidence due to coal mining or other operations involving extraction, where you have asked mine owners or the Coal Authority for contributions.

Examples of other contributions

9.4 The Environment Agency grant can include contributions received from other bodies. In particular, grant may include levy contributions from Regional Flood and Coastal Committees (RFCC), as well as other contributions received from private companies, public companies, NGO, charities etc for the scheme. If a project has many objectives, and contributions from other Government-funded bodies (such as Natural England) under other legislation including the European Regional Development Fund (ERDF), in assisted areas, and other European Union (EU) funding, it can still be eligible for FCERM capital grant.

10. Approval

Studies

10.1 To get formal financial approval for a study you should complete an FCERM7 form including sufficient detail to explain the reasons for the study, the work planned and the likely outcomes.

Works (Capital Schemes)

10.2 You will provide an Outline Business Case for the capital scheme in line with the HM Treasury five case model setting out the option you prefer. An Outline Business Case confirms the choice of option and the strategy for delivery and demonstrates how this conclusion has been reached through an appropriate and proportionate appraisal. We will assess the Outline Business Case and, to help you negotiate contributions, pass it for technical approval. This does not mean we have approved your scheme for an award of grant at that stage, but it helps you to move forward and get agreement to contributions to funding.

10.3 Once you have confirmed that all funding requirements are in place, including the Capital Investment programme allocation and local levy from the Regional Flood and Coastal Committees (RFCC), we will provide formal financial approval to allocate the grant. This allocation is a commitment to funding depending on the terms of this memorandum. You will need a formal allocation letter from us, with the approved partnership grant, before work can begin (except in emergencies). The grant offer is a capped sum based on the cost or tariff for the outcomes of the scheme. The allocation letter will confirm both the grant and local levy amounts agreed by the RFCC.

10.4 To get formal financial approval, you should fill in an FCERM 2 form and append the Outline Business Case signed by your authorised officers. You will also need to provide the Area FCERM Manager with an undertaking to keep to the grant conditions. You should draw the attention of consultants employed on the project to these conditions relating to approval.

Coast protection

You should send us form CPA 1 together with an Outline Business Case to gain technical approval of a coastal scheme. Following technical approval the tendering process can be carried out and once concluded you should submit form CPA 2 to confirm all necessary stages are complete and to obtain formal financial approval under section 21 of the Coast Protection Act 1949 (as amended). If the tender prices are in line with the estimates included in the OBC then no further support is necessary. If costs are higher the CPA 2 should be accompanied by an revised Outline Business Case (OBC) identifying the amendments.

11. What if we have to change the design of a project after you have approved it?

11.1 You can make variations (changes) to a project without our approval, as long as they do not alter the outcomes of the project. However, if the changes affect the cost, extent, scope or type of outcome, you will need to fill in an FCERM4 form to get our approval before you make the changes. If you do not get our approval beforehand, we may not award you a grant to make the changes.

1.2 If you make a significant change to the design of a scheme, particularly one that changes its effect on the environment, you may need to reapply for planning approval. All consents for the scheme may need to be reconsidered and the project may have to be re-advertised for consultation.

12. What if the costs of the project are more than the amount of grant allocated?

12.1 The capital grant is based on cost or partnership-funding outcomes and caps the Government’s contribution. All project business cases include a sum to show the risk of unexpected events increasing costs − this sum is called the contingency. We manage project contingency at a programme level and do not allocate contingency to individual projects. Your allocation can be increased up to the value of the contingency included in the Outline Business Case approval amount. If you want to increase the grant you have been allocated you will need to fill in form FCERM4.

12.2 You should also use FCERM 4 if the project is going to cost more than the amount approved in the Outline Business Case. You should send us this form as soon as you realise you will need to spend more than the approved amount to complete your scheme. With the form, you should provide details of the reasons why the project will cost more than expected, the impact of the extra costs on the Outline Business Case and how the overrun is to be managed and financed. This should include the steps you have taken to generate efficiencies to offset the need for additional sums. We are keen to make sure that all schemes are delivered and we will support you in your efforts to get extra funding. Capital grants are normally capped, depending on the cost or the outcomes delivered. If you do not get our approval for spending over the approved grant amount, we may not allocate a supplementary grant. Please refer to the programme efficiency target and note the 10% is expected to be sought for all FCERM Capital Grant allocations. When savings are successfully claimed, their use to offset materialisation of risk and / or inflation is recorded and approved. In short efficiency claims record how the saving was used to offset the need to draw down additional contingency. Efficiencies should be attributed pro-rate to the contributions received.

13. What if we do not complete the scheme?

13.1 We provide grants for the specific scheme being carried out as approved. If you propose not to complete a scheme we have approved, you must tell us immediately and fully explain the reasons. In these circumstances, we may withhold any grant payments that we would have otherwise paid.

13.2 If you decide not to carry out work we have approved, or you are prevented from doing so by circumstances beyond your control, you must tell us immediately.

14. Sale of surplus land or assets funded by the grant

14.1 If you sell land or assets funded by the grant, you must repay a share of the proceeds, based on the original purchase financed from the grant.

15. Who else do you need to consult?

15.1 You should make sure that you carry out all necessary consultations. This will include consulting our relevant area offices, including the National Environmental Assessment Service (NEAS), Natural England, other environmental bodies, for example the Marine Management Organisation (MMO), and neighbouring risk management authorities and planning authorities, well in advance so that statutory plans and environmental effects can be considered from the outset along with engineering and economic objectives. Also, if relevant, we advise that you consult coastal groups to make sure your scheme is compatible with shoreline management plans (SMPs).

15.2 By law, you must carry out an environmental impact assessment for your project. If necessary you must produce a strategic environmental assessment report or an environmental statement (or both), in line with the Environmental Impact Assessment (Land Drainage Improvement Works) Regulations 1999 (S.I.

1999/1783) amended 2006

15.3 Before carrying out any work that is likely to damage a site of special scientific interest (SSSI), you must give notice, in writing, to Natural England (NE). This also applies to work outside an SSSI that is likely to damage it. Natural England may give notice that it does not agree to the work or that it does agree to it (with or without conditions). If Natural England has not responded after 28 days, they have decided not to give permission. You should get any necessary permission before applying for a grant for any project that

is likely to damage an SSSI. As part of carrying out your role properly, you have a duty to take reasonable steps to help conserve and improve SSSIs. You should consider this and include it in the design of your

project from the outset, in consultation with Natural England.

15.4 Any plan or project that is likely to have a significant effect on a European site (Special Protection Area (SPA) or Special Area of Conservation (SAC)), or a designated European Ramsar site (Wetlands of International Importance, especially as Waterfowl Habitat) must be assessed under the Conservation of Habitats and Species Regulations 2010, regulation 61 (1). You must ask Natural England to carry out this assessment and take account of their comments. This must be done before you apply for a grant. You will need to get written confirmation from Natural England stating that the project keeps to the Habitats Directive, the Countryside and Rights of Way Act, and the Wildlife and Countryside Act.

15.5 Objections to the new work not covered by SI1999/1783 (amended 2006) and made under the planning regulations, including concerns about environmental issues not dealt with elsewhere, are

important and dealt with by the Minister for Housing Communities and Local Government. We will not give

a grant to a project if objections to the project have not been resolved.

Coast protection

Objections as a result of notices are of major importance. You should start discussions with objectors and try to reach a solution you both agree with. However, if they do not withdraw their objection, or it is not resolved, and the objector states in a letter to you that they are not going to withdraw their objection, you should send their objection to the Secretary of State for Environment, Food and Rural Affairs, Seacole Building, 2 Marsham Street, London, SW1P 4DF. The Secretary of State may order a local inquiry be held under section 5(4) of the Coast Protection Act 1949 (as amended).

16. What to do in an emergency

16.1 Coast Protection emergency works have a special treatment to enable us to approve works to progress without prejudice before completing the business cases. This provision does not apply to non- coast protection schemes. Any non-coast protection emergencies should be referred to the Area Flood and Coastal Risk Manager for urgent inclusion in the Capital Investment Programme.

Coast protection

In an emergency (for example where major repairs are needed to restore the current standard of protection following a storm), you can begin urgent work carried out under section 5(6) of the Coast Protection Act 1949 (as amended) without getting formal project approval beforehand. However, you must tell us beforehand and tell other statutory authorities as soon as you can. You must also tell the nearest office of Natural England (particularly if a site of special scientific interest (SSSI) is involved). You must, as soon as possible, also make an application for grant (using the Short Form Business Case) and fill in forms CPA1 and CPA2. Whether we pay you a grant will depend on the funds we have available and whether we think your scheme is eligible.

17. Your obligations

17.1 Neither we nor Defra will accept legal liability if the work is found to be inadequate or defective. Also, the fact you have financial approval does not relieve you of any obligation you may have, by law or otherwise.

17.2 It is your responsibility to get all necessary environmental clearances, planning approvals and other consents, under the relevant legislation. We will approve your grant on this condition.

17.3 You must properly maintain all FCERM work we approve and do necessary repairs adequately and promptly. If you do not, we will take this into account when assessing any future application for a grant.

17.4 Contributions made towards an FCERM project under the partnership-funding policy are made on the basis of ‘whole life’ costs and so include an allowance for future maintenance. You should use this commuted element to provide funding for future years.

18 Access to work and records

18.1 You must make sure that our officers and other people we authorise can enter the work area and inspect the work at all reasonable times (this includes the land on which you are doing the work).

18.2 So that we can evaluate the scheme once you have completed it, and carry out a technical review, you must make sure our officers and other people we authorise can inspect records relating to the scheme at all times.

19. Acknowledging the grant

19.1 If you have put up construction signboards or permanent commemorative plaques or published material about the work, including magazine articles and so on, you should include a reference to the fact the work was supported by a grant provided by the Environment Agency or the Regional Flood and Coastal Committee (or both).

20. Starting and completing the work

20.1 You must tell us the date you start work on a site or begin a study and when you finish it. This helps us to schedule funds. If you do not give us this information we may withhold your grant. You must also

send us a project completion form (FCERM 8) once the scheme has been ‘substantially completed’ (that is, the earliest date on which the benefits of the scheme are fully realised).

21. What rates of grant are available?

21.1 Rates of grant have been replaced by a grant for the cost of the project or up to the amount defined

by partnership-funding outcomes. The amount of grant a scheme is eligible for depends on the outcomes a scheme delivers. There is one restriction - studies and schemes that do not provide evidence that they

have assessed costs and benefits strategically will be capped at a grant rate of 45% of the approved

partnership-funding outcomes. This will reduce the risk of several one-off schemes in the same rate area trying to claim the same benefits.

22. How do I claim grant?

22.1 We will pay the grant as your scheme progresses. If you do not keep to the terms and conditions which apply to the grant, we may withhold it.

22.2 Grant becomes due once a study, strategy or scheme is satisfactorily completed. However, because the cost of schemes can be significant for an authority, we pay interim grants during the study, strategy or scheme. You must apply for this interim grant using form FCERM3, on the basis of what you have spent so far and up to three months in advance, as long as this is within the current financial year. We will only pay once we have received written confirmation that your work or study has begun (‘written’ includes post, fax

or email).

22.3 If the Regional Flood and Coastal Committee are providing funding we will pay the grant as in 22.2 above. The approval letter will set out the grant payments. You make a single claim using the FCERM3 form and we will make sure that you receive the correct amount of grant.

22.4 We will pay the grant to your authority’s bank, normally within one month of receiving your FCERM3.

22.5 We may withhold the grant if you do not tell us the start date of the scheme, or if the amount of grant you need changes over more than one financial year, without our agreement beforehand.

23. Evaluating your project

23.1 We or Defra may select some projects for Post Project Evaluation (PPE). The aim of this is to improve how projects are assessed, designed, managed and put in place, and you must make any relevant information (including any you have got through monitoring or maintenance) freely available to us and Defra, or any consultants we have authorised.

24. Monitoring the progress of the work

24.1 To help us manage capital grant payments, you must tell us if you think that the amount you will claim in a financial year changes by more than £100,000. We need to manage the amount of grant that all authorities may claim. At the start of each financial year, you will have to fill in an FCERM6 form, which sets out proposed claim dates and their expected value this enables us to arrange for funding to be available for you when you submit your claim. If these dates or amounts change, you must send us an amended FCERM6 as soon as possible. When you send us an FCERM4, you should send your revised FCERM6 with it to allow us to set up and maintain a current profile for expected claims.

24.2 When we ask, you must give us information on the progress of the work, such as estimated dates the work will be completed and estimates of grant claims, dates and values, to help our financial and other planning.

25. Sending us final accounts

25.1 Once you have completed the scheme and returned form FCERM8, you have two years to send us a final account, using form FCERM5. If there are land-purchase and compensation issues outstanding, fill in FCERM5 and make a note on the form that you will send form FCERM5A once these issues are finalised.

25.2 You have up to six years to send form FCERM5A if land-purchase and compensation issues, for example arbitration, prevent the account being closed. If you choose to do this you must send us a list of the land-purchase and compensation issues and highlight those not cleared. You can also use an FCERM5A if a compensation issue that you could not have expected happens. We may, under the partnership-funding rules, consider paying a supplementary grant in these cases.

25.3 When sending us a final account, you must send an FCERM4 if there have been any final changes in the project or the way you have used the grant funding. The final FCERM4 should provide a record from the original amount you were allocated to the amount you spent, including any use of contingency and supplementary grant approval.

25.4 Form FCERM5A should include a list of people you have paid compensation to and all amounts you have paid them. We also need evidence, including plans with Ordnance Survey map referencing, relating to claims you have settled.

25.5 For studies, once you have sent form FCERM8 with the date your study report is complete, this date will begin the 24-month period you have for completing your final statement of account (to be sent on form FCERM5).

25.6 The deadlines given above are the very latest you should aim for in normal circumstances. In practice, we expect you to send us final accounts as soon as possible. If you do not meet these deadlines you may no longer be entitled to the grant, unless there are exceptional circumstances.

25.7 We will normally process final accounts within four months of receiving them, and make any final payments for the grant we pay, if necessary.

26. Competitive tendering and contracts and EU directives on procurement

26.1 Your main aim when procuring (buying) work, equipment, goods and services should be to make sure you choose those which are most likely to offer the best value for money. In general, competitive tendering is most likely to result in the best value for money, unless you are satisfied that there are good reasons to use another method.

26.2 Your procurement policy should reflect guidance from the Cabinet Office including their Procurement Policy Guidance and Notes. You must also make sure that you keep to any relevant European Union (EU) or other international procurement rules. The [Cabinet Office website](https://www.gov.uk/government/organisations/cabinet-office) will have the most up-to-date information.

26.3 If necessary, the lowest tenderer can enter into a contract bond as a guarantee of fulfilling the contract. Any extra cost for the bond may be considered for a grant. You may accept a tender without further reference if you consider it to be the best overall value for money and it is within the cost estimate approved for the scheme. We may ask for a copy of the signed contract or priced bill of quantities.

26.4 You should consider using the contracts secured by us which are available for other risk management authorities to use. You may also use term contracts where the cost of tendering would be greater than the benefits of competition. And, you may consider procuring services through a public or private partnership including private finance initiatives, but you should consult us first.

Loans and overdrafts for Internal Drainage Boards

If you are an IDB you may apply for permission for a loan or overdraft for the following purposes. (a) To borrow for a period of not more than 50 years to meet your share of the cost (less grant) for

an approved scheme.

(b) Temporary borrowing (an overdraft) if loan negotiations at (a) above are not complete before work is approved to start on a scheme.

(c) To borrow for a period of not more than 50 years to meet the cost of an unapproved scheme, as long as you meet the following conditions.

The proposals are compatible with any current Environment Agency strategy for flood or coastal defense.

Statutory environmental assessment procedures are satisfactorily completed.

The loan can be financed from your expected revenue over the period of the loan agreement.

An overdraft for either the capital project spending, or revenue for operating expenses, where you need to borrow temporarily until you receive revenue from rates.

(e) We may consider applications for purposes other than (a) to (d) in exceptional circumstances.

How do I apply?

You must apply, through us, for the permission of the Minister under section 55 of the Land Drainage Act. Make your application in a formal letter signed on behalf of your IDB by the clerk or their authorised deputy, giving at least two weeks’ notice. The application should show:

the scheme concerned or other purpose of the loan or overdraft;

the period of the loan or overdraft (overdrafts are normally granted for a maximum of 12 months up to the end of the financial year), and the date of repayment;

the amount you need; and

in the case of overdrafts, the expected revenue from rates and special levies in the financial year concerned.

Your clerk or finance officer should send the application letter to the Head of FCERM Finance, Environment Agency, Manley House, Kestrel Way, Sowton, Exeter, Devon, EX2 7LQ, who will send it, with supporting comments, to Defra. Any applications Defra receive without Environment Agency support will be returned.

Can loan charges be included for grant?

The costs of raising loans and interest payments on overdrafts by IDBs are not eligible for grant.

Public Works Loan Board

The Public Works Loan Board makes loans to IDBs – you can find details on their website [www.pwlb.gov.uk](http://www.pwlb.gov.uk/). However, your choice of lender is up to you. The fact that Defra may approve your IDB for a loan or overdraft does not mean they have considered whether the IDB is creditworthy. Neither we nor Defra will be responsible for repaying the loan or overdraft under any circumstances.

Forms and returns

You can find all forms on our website at

[Flood and coastal defence funding: for risk management authorities - GOV.UK](https://www.gov.uk/government/collections/flood-and-coastal-defence-funding-for-risk-management-authorities)

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| FCERM 2 | Flood risk management scheme − application for grant funding |
| FCERM 3 | Application for interim payment of grant funding |
| FCERM 4 | Application for the allocation of contingency or a change in total project cost of approved schemes or studies |
| FCERM 5 | Final statement of account |
| FCERM 5A | Final statement of account (form FCRM5A) – when outstanding land purchase and compensation claims are settled |
| FCERM 6 | Project forecast and profile form |
| FCERM 7 | Application for approval of studies and strategies |
| FCERM 8 | Risk management authority (RMA) |
| CPA 1 | Certificate of statutory consultations and responses to them |
| CPA 2 | Application for formal approval of a coast protection project |