

Department for Environment, Food and Rural Affairs

Central Government Funding for Flood and Coastal Erosion Risk Management in England

February 2015

Contents

Introduction	1
Explanation of funding sources	1
Financial terminology	3
Budget allocation	4
Historical expenditure	5
Funding trends	6
Other funding for FCERM	7
Updates to this document	9
Sources and other relevant publications	9

Introduction

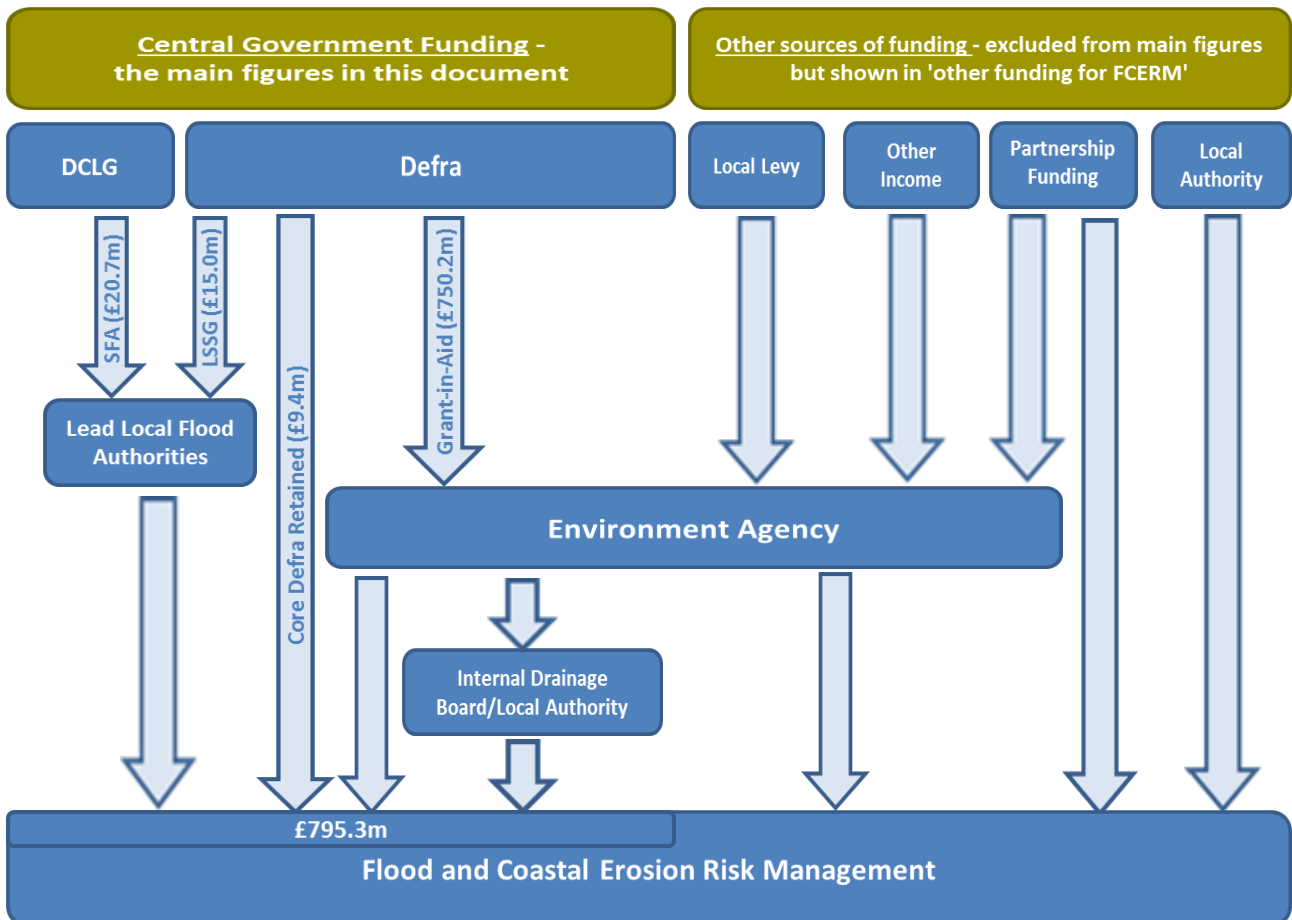
This document sets out Central Government funding for Flood and Coastal Erosion Risk Management (FCERM) in England, since financial year 2005/06. The figures are taken from Defra and Environment Agency (EA) accounting systems and historical management information. They are shown with and without the effects of inflation.

This funding is administered through Defra, the EA and the Department for Communities and Local Government (DCLG). Other sources of funding are excluded from the main figures because they are raised locally, but can be found in the section 'Other funding for FCERM'.

Explanation of funding sources

Figure 1 – Diagram of FCERM funding

The figures included in this diagram are the 14/15 budget allocations, as per Figure 2 on page 4.



1. Central Government Funding

Central Government funding is the funding for FCERM which has originated from Central Government, mainly Defra.

Defra gives the majority of its floods funding to the EA as **Grant-in-Aid**, which is the mechanism for financing a Non-Departmental Public Body such as EA. The EA spends this funding directly on FCERM, but also passes some on as grants to **Local Authorities** or **Internal Drainage Boards** – local public authorities established in areas of special drainage need which manage water levels within their respective drainage districts.

Defra also transfers some of its FCERM funding to **Lead Local Flood Authorities** (LLFAs) via DCLG. The Flood and Water Management Act 2010 defined LLFAs for an area as the unitary authority or the county council, with the role of managing the risk of all local causes of floods. The funding enables LLFAs to carry out the new duties that were introduced by the Act, for example the duty to develop and apply a local flood risk strategy. In 2013 Defra transferred budget cover for a proportion of this funding to DCLG. Since 2013 LLFAs have therefore received part of this funding from Defra and part of this funding from DCLG. The Defra component is paid via DCLG **Local Services Support Grant** (LSSG), which is one of the mechanisms for Central Government to give funding to local authorities. The DCLG component is provided to LLFAs through the overall **Settlement Funding Assessment** (SFA) for Local Authorities.

Finally Defra retains a small proportion of its FCERM funding for schemes such as the **Community Pathfinder** projects, a two-year scheme, covering property-level protection; flood resilience groups and volunteer flood wardens. This retained element of the Central Government funding is referred to in this document as **Core Defra Retained**.

2. Other Sources of Funding

As well as the Central Government funding for FCERM, there are a number of other funding sources for FCERM. This includes a levy on local authorities (**local levy**) raised by the EA's **Regional Flood and Coastal Committees** (RFCCs). These committees bring together members appointed by LLFAs and independent members with relevant experience, to ensure there are coherent plans for managing flood and coastal erosion risks across catchments and shorelines; encourage efficient, targeted and risk-based investment in FCERM; and provide a link between the EA, LLFAs, and other relevant bodies to build understanding of flood and coastal erosion risks.

Another source of funding is that raised through the **Partnership Funding** scheme, which allows Central Government to contribute to a range of worthwhile schemes rather than meeting the full costs of a limited number of schemes. Local communities raise funding towards a scheme and either channel this through EA or use it directly on FCERM projects, with Central Government also contributing.

The Environment Agency also raises **Other Income** from outside of Central Government. This includes Internal Drainage Board Precepts; General Drainage Charges; and Sales of Assets.

Finally, Local Authorities (district authorities in County Council areas and unitary authorities) retain powers to carry out flood risk management works on ordinary watercourses under the Land Drainage Act 1991 and as amended by the Flood and Water Management Act. They can use their general funding provided by DCLG through the Settlement Funding Assessment to do so. This is different to the element of the Settlement Funding Assessment which is provided to LLFAs specifically to meet their roles and responsibilities required under the Flood and Water Management Act 2010.

Financial terminology

Total Central Government spending is split between **Departmental Expenditure Limits** (DEL) and **Annually Managed Expenditure** (AME). DEL is the amount that Government Departments have been allocated to spend. AME is money spent in areas outside budgetary control – all spending that is not controlled by a Government Department including welfare, pensions and things such as debt interest payments. All figures in this publication relate to DEL and exclude AME.

Money within DEL can be further split into **Resource** spending and **Capital** spending. Resource spending is money that is spent on day to day resources and administration costs. Amongst other things it covers spend on **Evidence** (information used to support sound decisions in developing, implementing, and evaluating policy) and **Depreciation** (the current cost associated with the ownership of assets). Capital spending is money that is spent on investment and things that will create growth in the future. The figures in this document exclude Core Defra Retained administration costs; spend on Evidence and Depreciation.

The figures in this document are shown with and without the effects of inflation. Inflation rates are taken from HM Treasury's **GDP Deflator**, which is a measure of general inflation in the domestic economy.

Budget allocation

Figure 2 below sets out the resource and capital budgets for 2014/15. Real terms figures are shown in 14/15 prices throughout this document, using HM Treasury's GDP Deflator. The total figure below is therefore the same in both real and nominal terms.

Figure 2 – Budgets for FCERM 2014/15 (£m)

	Core Defra Retained		DCLG	EA		Total	Total real terms (14/15 prices)
	Resource	Resource – LSSG to LLFAs	Resource – SFA to LLFAs	Resource	Capital		
2014/15	9.4	15.0	20.7	281.4	468.8	795.3	795.3

Points to note:

- The EA resource and capital figures take into account an estimated budget switch, whereby an additional one-off £100m was given to EA as resource, but of which an estimated £65m will be switched to and spent as capital during the year.
- In addition to the above figures, Defra has set up the 'Repair and Renew' capital grant to fund flood resilience and/or resistance measures for homes and businesses that had been flooded between April 2013 and March 2014, to the value of up to £5,000.

Looking further forward, Defra is committed to a six-year programme of capital investment to improve defences up to 2021, of £2.3bn. This had previously been profiled as £370m in 2015/16 then the same in real terms each year; however in the Autumn Statement 2014 HM Treasury announced exceptional flexibility to move funds between years for effective delivery.

Figure 3 – Profile of 6-year Capital Settlement (£m)

	Original	Adjustment	Total
2015/16	370	-	370
2016/17	375	20	395
2017/18	385	20	405
2018/19	390	20	410
2019/20	395	(30)	365
2020/21	405	(30)	375

In addition to the above, HM Treasury are providing a further £25m capital in 2015/16, as part of a one-off additional £270m package announced following the flooding in winter 2013/14. This package also included an extra £35m resource in 2015/16. The remaining 2015/16 resource budget will be confirmed in due course, whilst resource funding for 2016/17 onwards is subject to future Spending Reviews.

Historical expenditure

Figure 4 below provides a summary of Defra spending on FCERM from 2005/6 until 2013/14. Real terms figures are shown in 14/15 prices, using HM Treasury's GDP Deflator.

Figure 4 – Expenditure on FCERM 2005/06 to 2013/14 (£m)

	Core Defra Retained			DCLG	EA		Total	Total real terms (14/15 prices)
	Resource	Resource – Paid to LLFAs	Capital	Resource – Paid to LLFAs	Resource	Capital		
2005/06	0.1	-	63.5	-	228.3	216.8	508.7	630.7
2006/07	0.0	-	67.2	-	232.6	207.0	506.9	610.8
2007/08	1.1	-	39.3	-	240.2	219.2	499.8	587.6
2008/09	0.9	-	1.1	-	249.6	316.0	567.6	648.9
2009/10	11.2	-	1.8	-	260.0	360.1	633.1	704.6
2010/11	13.6	-	4.9	-	291.6	360.0	670.1	726.7
2011/12	3.4	21.0	-	-	287.8	260.7	572.9	607.2
2012/13	3.2	36.0	-	-	268.0	269.1	576.3	600.2
2013/14	4.3	15.0	-	21.0	250.6	315.3	606.2	618.9

Points to note:

- Expenditure by LLFAs, shown in the columns 'Resource – paid to LLFAs', began in 2011/12 to support their new roles under the 2010 Flood and Water Management Act. In 2013 Defra transferred budget cover for a proportion of this expenditure to DCLG.
- Core Defra Retained capital figures related to expenditure through Local Authorities to support a limited number of coastal change pathfinder projects. These projects finished in 2010/11.

Funding trends

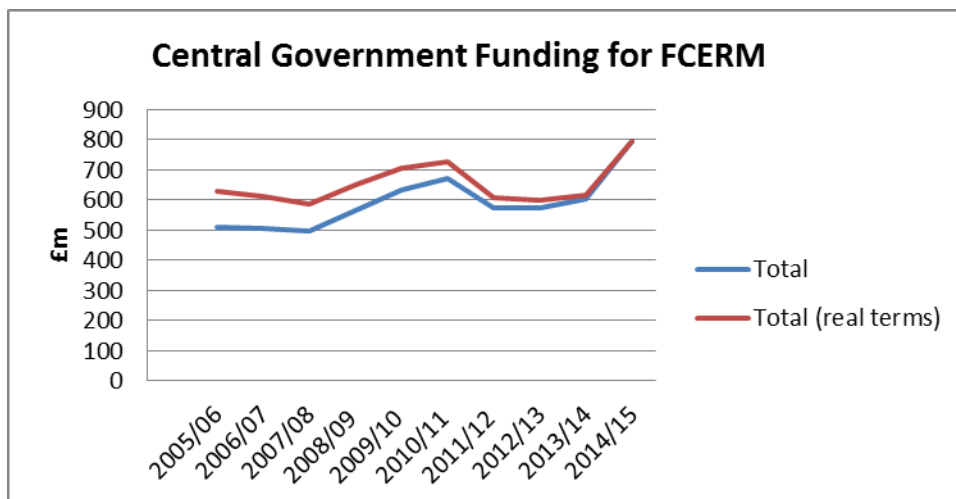
Figure 5 – Total FCERM Funding 2005/06 to 2014/15 (£m)

	Total	5-Year Period	Total Real Terms	5-Year Period
2005/06	508.7	2,716.1	630.7	3,182.6
2006/07	506.9		610.8	
2007/08	499.8		587.6	
2008/09	567.6		648.9	
2009/10	633.1		704.6	
2010/11	670.1	3,220.8	726.7	3,348.3
2011/12	572.9		607.2	
2012/13	576.3		600.2	
2013/14	606.2		618.9	
2014/15	795.3		795.3	

Figure 5 shows that Central Government is on course to invest more than £3.2 billion in FCERM over the five years from April 2010 to March 2015. This includes additional funding announced on 6 February 2014 (£130m, split £30m 13/14, £100m 14/15) and in the Budget on 19 March 2014 (£140m, split £80m 14/15, £60m 15/16), in response to the flooding in winter 2013.

Real terms figures are shown in 14/15 prices, using HM Treasury’s GDP Deflator.

Figure 6 – Time Series of Total FCERM Funding 2005/06 to 2014/15 (as per Figure 5)



As per Figure 6, FCERM funding has fluctuated across the period. After remaining stable in cash terms between 05/06 and 07/08, following the floods in summer 2007 additional funding was announced under the 2007 Spending Review. This additional funding was allocated incrementally to each year of the 2007 Spending Review – 2008/09 to 2010/11.

Following the Spending Review in 2010, covering the period 2011/12 to 2014/15, £2bn was allocated to FCERM. Expenditure levels remained stable in 2011/12 and 2012/13, however £120m additional capital funding was announced in 2012’s Autumn Statement, for 2013/14 and 2014/15. This accounts for part of the increase in funding in those years.

Following the flooding in winter 2013/14, an exceptional additional £270m funding was announced, of which £30m related to 13/14, £180m to 2014/15 and £60m to 2015/16. This accounts for the large increase in funding to 2014/15.

As well as the additional funding for 2015/16, a 6-year programme of capital investment has been announced of £2.3bn for the period 2015/16 to 2020/21.

The remaining 2015/16 resource budget will be confirmed in due course, whilst resource funding for 2016/17 onwards is subject to future Spending Reviews.

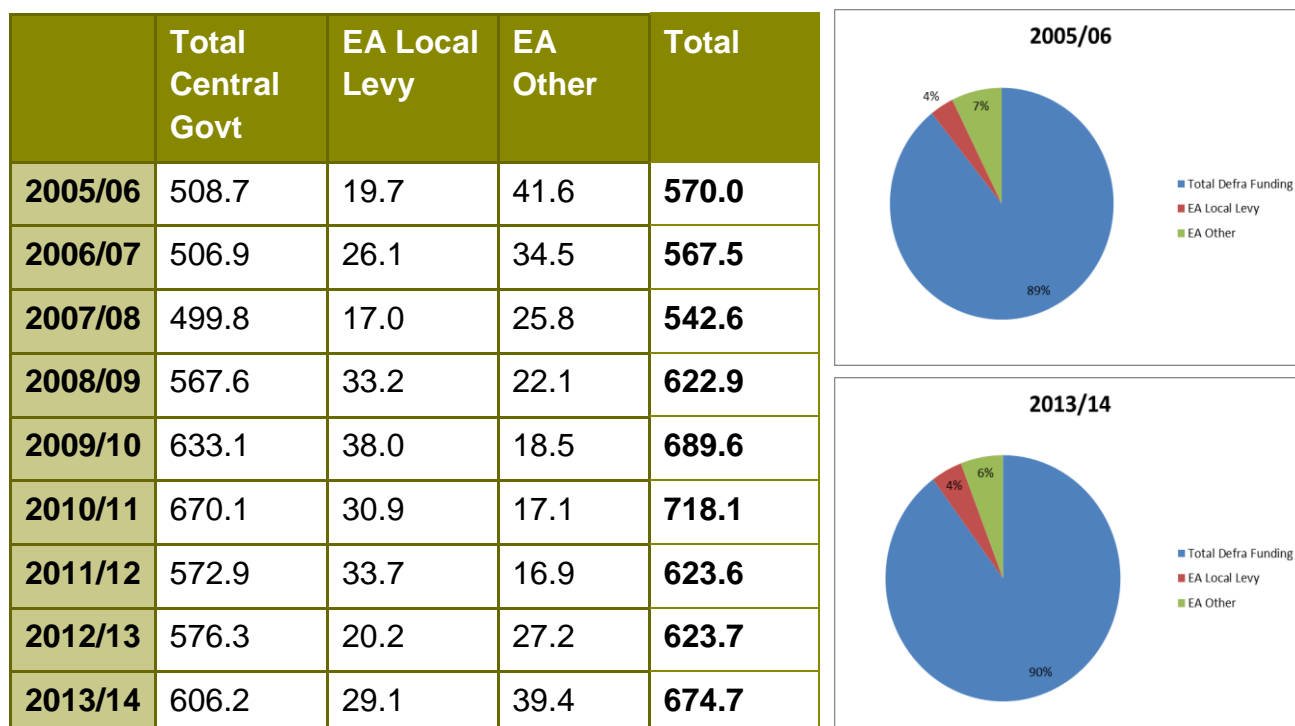
Other funding for FCERM

In addition to the above funding provided by Central Government, the Environment Agency's Regional Flood and Coastal Committees raise funding through a local levy for flood management schemes. This is spent through the Environment Agency but is not included in the tables above, as it is raised locally rather than provided by Central Government.

The Environment Agency also raises other income from outside of Central Government. This includes a proportion of income raised through the Partnership Funding scheme which comes through EA; Internal Drainage Board Precepts; General Drainage Charges; and Sales of Assets.

Figure 7 below shows all the expenditure by Central Government, as per Figure 4, and also shows expenditure by EA funded by local levy and the other sources described above. All figures are provided in £m.

Figure 7 – Total Expenditure Through Central Government 2005/06 to 2013/14 (£m)



In addition to the funding set out above, there is further funding which does not come through Central Government at all. This includes the proportion of Partnership Funding which does not come through EA and Local Authorities who may choose to spend their SFA on FCERM activity, separate to the element of SFA given to LLFAs as detailed above. This funding is not reported here because it is a matter for Local Authorities, who are free to set their own priorities and are accountable to local communities for the effectiveness of their spending decisions.

Updates to this document

February 2015: Following consultation with the UK Statistics Authority, this document has been updated to become an Official Statistic. This document is not a National Statistic.

These statistics have been produced to the high professional standards set out in the Code of Practice for Official Statistics, which sets out eight principles including meeting user needs, impartiality and objectivity, integrity, sound methods and assured quality, frankness and accessibility.

More information on the Official Statistics Code of Practice can be found at <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html>.

This document will typically be updated annually in July following the publication of Defra's Annual Report and Accounts. The prior financial year's actual spend will be added, as well as the current and future year budget figures (where available).

Sources and other relevant publications

The figures in this document have been taken from Defra and EA accounting systems and historical management information.

Other relevant publications:

[Defra Consolidated Annual Report and Accounts 2013/14](#) – Figures in the Consolidated ARA include Local Levy, Depreciation, AME, Evidence and Core Floods Admin. They exclude the Settlement Funding Assessment element of expenditure by LLFAs and Capital Assets.

[Environment Agency Annual Report and Accounts 2013/14](#) – Figures in EA's ARA include local levy and Evidence.

[Managing Flood and Coastal Erosion Risk in England 2013/14](#) – EA's Annual Report on FCERM.

[Defra Funding for Lead Local Flood Authorities 2015/16](#) – Separate Defra publication on the amounts to be paid to LLFAs.

[Introductory Guide to Partnership Funding](#) – Separate Defra publication on the Partnership Funding scheme

[Local Authority Resource Expenditure 13/14](#) – Showing resource expenditure by Local Authorities in 13/14, relating to their Settlement Funding Assessment

[Local Authority Capital Expenditure 13/14](#) – Showing capital expenditure by Local Authorities in 13/14, relating to their Settlement Funding Assessment

[Main Estimates](#) and [Supplementary Estimates](#) – The Main Estimates show the amounts (budgets) approved by Parliament for a given financial year. The Supplementary Estimates update these amounts in-year. The Estimates have a discreet heading for the EA element of FCERM spend: ‘Prepare for and Manage Risk from Environmental Emergencies (NDPB)’, whereas Core Defra FCERM spend is wrapped up in the heading ‘Prepare for and Manage Risk from Environmental Emergencies’. The Estimates include Local Levy, Depreciation, Evidence and Core Floods Admin. They exclude the Settlement Funding Assessment element of funding to LLFAs and any agreed over/underspends against budget. The Supplementary Estimate differs from the Main Estimate as it includes any agreed in-year budget movements.

[Public Expenditure Statistical Analyses \(PESA\)](#) and [Country and Regional Analysis 2013](#) – The figures used in these statistical publications cover the EA element of FCERM spend only. These figures are not discreet in the publications, but are wrapped up in the heading ‘Environment Protection’. They include Local Levy, Depreciation and Evidence and make additional adjustments, including for grants to and from local government, impairments/revaluation of assets, and profit on disposal of assets. EA spending data is separately identifiable in the [transparency publications of the OSCAR database](#) which underlies the PESA and CRA publications.

[GDP Deflator](#) – Produced by HM Treasury as a measure of general inflation in the domestic economy.

[Managing Public Money](#) and [Consolidated Budgeting Guidance 2014/15](#) – HMT guidance on managing and accounting for public funds.

© Crown copyright 2015

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/ or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or e-mail: psi@nationalarchives.gsi.gov.uk

This document/publication is also available on our website via www.gov.uk/defra

Any enquiries regarding this document/publication should be sent to us at fmpso@defra.gsi.gov.uk

PB13900