



Department
for Environment
Food & Rural Affairs

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

September 2019

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Introduction

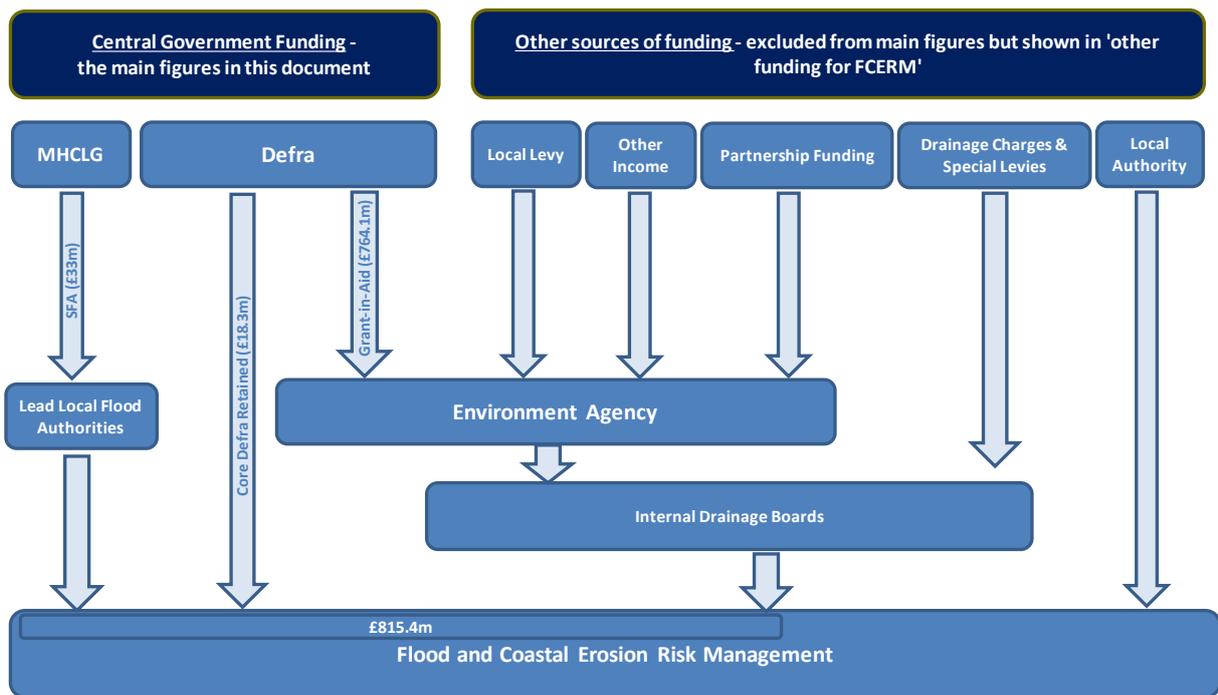
This document sets out central government funding for Flood and Coastal Erosion Risk Management (FCERM) in England, since the financial year 2005/06. The figures are taken from Defra and Environment Agency (EA) accounting systems and historical management information. Total annual figures are shown with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

Funding for FCERM is administered through Defra, the EA and the Ministry of Housing, Communities and Local Government (MHCLG). Other sources of funding are excluded from the main figures because they are raised locally, but some details can be found in the section '[Other funding for flood and coastal erosion risk management](#)'.

Explanation of funding sources

Figure 1 – Diagram of Flood and Coastal Erosion Risk Management funding

The figures included in this diagram are the 2019/20 budget allocations, as per Table 1 on page 4.



1. Central Government Funding

Defra provides the majority of its funding for FCERM to the EA as **Grant-in-Aid**, which is the mechanism for financing Non-Departmental Public Bodies (NDPB), such as the EA. The EA spends this funding directly on managing flood risk, but it also passes some of this funding on as capital grants for flood or coastal erosion defence improvements 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.

Until 2015/16, Defra transferred some of its FCERM funding to **Lead Local Flood Authorities** (LLFAs) via the Ministry of Housing, Communities and Local Government (MHCLG). [The Flood and Water Management](#)

[Act 2010](#) defined LLFAs for specific areas, and gave those authorities the role of managing local flood risk. The Funding made available by the Act enabled LLFA's to carry out their new duties (introduced by the Act), but it is not ring-fenced. Such duties include the duty to develop and apply a local flood risk strategy. In 2013, Defra transferred budget cover for a proportion of this funding to MHCLG; the remaining budget was transferred to MHCLG in 2016. Between 2013 and 2016, LLFAs therefore received part of their funding from Defra and part of their funding from MHCLG. The Defra component was paid via MHCLG's **Local Services Support Grant** (LSSG), which is one of the mechanisms for central government to give funding to local authorities. The MHCLG component is now provided to LLFAs through the overall **Settlement Funding Assessment** (SFA) for local authorities.

Finally, Defra retains a small proportion of its funding for FCERM for ad-hoc programmes, such as the **Community Pathfinder** projects, a two-year scheme which ran from 2013-15, covering property-level protection; flood resilience groups; and volunteer flood wardens. The element retained 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 there are a number of other funding sources for FCERM. These include a levy on local authorities (local levy) raised by the EA. EA levies are subject to approval of the relevant Regional Flood and Coastal Committee (RFCC). RFCCs are composed of a chair appointed by the Secretary of State, a majority of members appointed by LLFAs and independent members with relevant experience appointed by the EA. Their roles are to ensure that there are coherent plans for managing flood and coastal erosion risks across catchments and shorelines; encourage efficient, targeted and risk-based investment; and to provide a link between the EA, LLFAs, and other relevant bodies to build understanding of flood and coastal erosion risks in their regions.

Another source of funding is raised through the [partnership funding](#) approach, which allows central government to contribute to a range of flood schemes rather than meeting the full costs of a limited number of schemes. Under this mechanism, local communities raise funding towards a scheme and either channel it through the EA or use it directly on FCERM projects, with central government also contributing. This ensures total investment in defence improvements is not restricted to what central government alone can afford over any period.

As well as receiving funding from the EA, internal drainage boards raise funds from **Drainage Charges** and **Special Levies** on properties in their areas. The EA also raises **other income** from outside of central government including through internal drainage board precepts; General Drainage Charges; and the sale of assets.

Financial Terminology

Total central government spending is split between **Departmental Expenditure Limits** (DEL) and **Annually Managed Expenditure** (AME). DEL is the amount that HM Treasury has allocated to departments to spend within a specified period i.e. within a financial year. AME covers unforeseen or uncontrollable expenditure that fall outside the ambit of the normal budgetary control, such as a government department exercise e.g. welfare, pensions and the cost of responding to disasters etc. All figures in this publication relate to DEL and exclude AME.

Money within DEL is further split into **Resource** funding and **Capital** funding.

Resource funding is money that is spent on day to day resources and administration costs. Amongst other things, it covers spending on routine **maintenance** of defences; **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 funding 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 totals in Tables 2 and 3 of this document are shown with and without the effects of inflation based on 2019/20 prices where applicable. Inflation rates are taken from HM Treasury's [Gross Domestic Product \(GDP\) Deflator](#), which is a measure of general inflation in the domestic economy. This provides an indication of the "real terms" value of the funding in 2019/20 prices for the purpose of comparison.

Budget Allocations

Table 1 – Budgets for Flood and Coastal Erosion Risk Management, 2019/20 to 2021/22 (£m)

Financial Year	Core Defra Retained		MHCLG	EA		Total
	Resource	Capital	Resource - Paid to LLFAs	Resource	Capital	
2019/20	18.3	0.0	33.0	262.9	501.2	815.4
2020/21	tbc	0.0	tbc	tbc	469.0	469.0

Table 1 details the capital and resources budgets that have been allocated for the present and future financial years. The definitions of “[Resource](#)” and “[Capital](#)” and the allocations paid to LLFA by MHCLG are explained in the section on [Financial Terminology](#).

Future allocations have only been agreed for capital funding in 2020/21, to better protect the country from flooding, including defence improvements, Table 1 sets out these budgets. Resource budgets in 2020/21, for work such as planning and incident management, will be confirmed once the allocation process following the 2019 Spending Round has been concluded. This means that we cannot confirm the total budget for 2020/21 at this time.

As part of Defra Group’s Spending Review commitment to transform its corporate services, such budgets for a number of bodies have been consolidated. These cover generic I.T., estates, procurement & commercial, finance, communications and human resources functions. Therefore, the figures in this table reflect that the total corporate services budget of £51.3m has been re-assigned from the EA’s resource allocation and now forms part of a wider budget to deliver corporate services across the Defra Group. However, £15.6m of this relates to I.T. services which specifically support Floods Maintenance and so this figure is included within the Core Defra retained amount for Resource for 2019/20.

The above changes need to be taken into consideration when comparing previous core Defra retained and EA resource funding detailed in Table 2.

Historical Expenditure

Table 2 – Expenditure on Flood and Coastal Erosion Risk Management 2005/06 to 2018/19 (£m)

Financial Year	Core Defra Retained			MHCLG	EA		Total	Total - Real Terms ¹
	Resource	Resource - Paid to LLFAs	Capital	Resource - Paid to LLFAs	Resource	Capital		
2005/06	0.1	-	63.5	-	228.3	216.8	508.7	663.3
2006/07	-	-	67.2	-	232.6	207.0	506.8	641.7
2007/08	1.1	-	39.3	-	240.2	219.2	499.8	617.6
2008/09	0.9	-	1.1	-	249.6	316.0	567.6	682.8
2009/10	11.2	-	1.8	-	260.0	360.1	633.1	751.1
2010/11	13.6	-	4.9	-	291.6	360.0	670.1	780.4
2011/12	3.4	21.0	-	-	287.8	260.7	572.9	658.5
2012/13	3.2	36.0	-	-	268.0	269.1	576.3	649.4
2013/14	4.3	15.0	-	21.0	250.6	315.3	606.2	670.8
2014/15	6.0	15.0	11.6	20.7	282.6	466.7	802.6	876.8
2015/16	2.6	10.0	12.4	20.6	274.5	390.7	710.8	770.4
2016/17	2.4	-	-0.1	31.1	314.6	446.9	794.9	842.3
2017/18	2.5	-	0.8	32.4	338.2	403.1	777.0	807.1
2018/19	2.3	-	-	32.3	304.8	453.0	792.4	808.2

¹ Real terms figures are shown in 19/20 prices, using HM Treasury's GDP Deflator (June 2019 publication).

Table 2 provides a summary of Defra spending on FCERM from 2005/6 until 2018/19. The totals are shown with and without the effects of inflation to give an indication of the “real terms” value of funding in today's prices.

Points to note:

- Core Defra Retained capital figures to 2010/11 related to expenditure through local authorities to support a limited number of coastal change pathfinder projects. These projects finished in 2010/11
- Expenditure by Lead Local Flood Authorities (LLFA), shown in the columns ‘Resource – paid to LLFAs’, began in 2011/12 to support their new roles under the Flood and Water Management Act 2010. In 2013, Defra transferred budget cover for a proportion of this expenditure to Ministry of Housing, Communities and Local Government (MHCLG), with the remainder being transferred in 2016. From 2016/17, Defra no longer fund LLFAs as funding comes directly from MHCLG.
- The capital figures in 2014/15 and 2015/16 relate to the Repair and Renew Grant scheme, set up following the winter 2013/14 flooding.
- The -£0.1m capital figure in 2016/17 relates to refunds from local authorities under the Repair and Renew Grant Scheme following receipt of their audit reports.
- The £0.8m capital figure in 2017/18, relates to a Flood Asset Register (FAR) grants scheme which was a one off scheme in that year alone.
- Autumn Statement 2017 added an additional £20m of capital funding for 2018/19.

Note: 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](#) as amended by the [Flood and Water Management Act 2010](#). They can also use their general funding provided by MHCLG through the Settlement Funding Assessment for flood management. This is in addition 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.

Funding Trends

Table 3 –Total Flood and Coastal Erosion Risk Management Expenditure 2005/06 to 2018/19 (£m)

Financial Year	Total	Total - Real Terms	Rolling 5-Year Average - Real Terms ¹
2005/06	508.7	663.3	n/a
2006/07	506.9	641.7	n/a
2007/08	499.8	617.6	n/a
2008/09	567.6	682.8	n/a
2009/10	633.1	751.1	671.3
2010/11	670.1	780.4	694.7
2011/12	572.9	658.5	698.1
2012/13	576.3	649.4	704.4
2013/14	606.2	670.8	702.0
2014/15	802.6	876.8	727.2
2015/16	710.8	770.4	725.2
2016/17	794.9	842.3	761.9
2017/18	777.0	807.1	793.5
2018/19	792.4	808.2	821.0

¹ Real terms figures are shown in 19/20 prices, using HM Treasury's GDP Deflator (June 2019 publication).

Historically funding has increased steadily in real terms since 2005/06, from an average of £671m a year for the period 2005/06 to 2009/10 to an average per year of £821m for the period 2014/15 to 2018/19.

Total Central Government budget for 2019/20 is £815m, compared to long term average funding in 2019/20 prices of £821m which is broadly in line with average levels of funding in recent years.

Government funding varies from year to year. This is partly because the need for work varies including responding to significant flood events. This means that comparing any 2 years in isolation does not give a good indication of trends in spending.

Therefore, Table 3 also includes 5-year rolling averages for the "real terms" values. These show that on average, annual Defra funding in the most recent 5 year period from 2014/15 through to 2018/19 (£821 m) was higher than it was in any of the earlier 5 year periods since 2005/06 to 2009/10.

A 5-year rolling figure is calculated by using the figures for the five years ending on the financial year on which the average is given.

Other Funding for Flood and Coastal Erosion Risk Management

Table 4 – Total Expenditure through central government, 2005/06 to 2018/19 (£m)

Financial Year	Total Central Government	EA Local Levy	EA funding from other sources	Total	Total Real Terms ¹
2005/06	508.7	19.7	41.6	570.0	743.3
2006/07	506.9	26.1	34.5	567.5	718.6
2007/08	499.8	17.0	25.8	542.6	670.5
2008/09	567.6	33.2	22.1	622.9	749.4
2009/10	633.1	38.0	18.5	689.6	818.1
2010/11	670.1	30.9	17.1	718.1	836.3
2011/12	572.9	33.7	16.9	623.5	716.7
2012/13	576.3	20.2	27.2	623.7	702.8
2013/14	606.2	29.1	39.4	674.7	746.6
2014/15	802.6	24.1	42.9	869.6	950.0
2015/16	710.8	18.2	55.8	784.8	850.6
2016/17	794.9	27.1	55.0	877.0	929.3
2017/18	777.0	29.3	49.8	856.1	889.2
2018/19	792.4	35.5	42.8	870.7	888.1

¹ Real terms figures are shown in 19/20 prices, using HM Treasury's GDP Deflator (June 2019 publication).

In addition to the funding provided by central government, the EA's Regional Flood and Coastal Committees raise funding through a local levy for flood management schemes. This is spent through the EA but is not included in Tables 1, 2, and 3, as it is raised locally rather than provided through central government.

The EA also raises other funding for flood and coastal erosion risk management from outside of central government. This includes a proportion of income raised through the partnership funding scheme which comes through the EA; Internal Drainage Board precepts; General Drainage Charges; and the sale of assets.

Table 4 shows all the expenditure by central government, as per Table 3, together with other expenditure by the EA funded from the local levy and the other sources including partnership funding –contributions to EA schemes that are partially funded by Defra.

The table does **not** include partnership funding raised by other risk management authorities, Internal Drainage Board funding raised from drainage charges and special levies, or local authority funding from their Settlement Funding Assessment (SFA) spent on flood or coastal erosion risk management (except the element of SFA given to LLFAs detailed in Tables 1 and 2 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

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

September 2019 update: Annual update, including replacing 2018/19 budget figures with actual expenditure and adding agreed budget figures for 2019/20 and 2020/21.

These statistics have been produced to the high professional standards set out in the Code of Practice for Statistics.

The responsible statistician is Rocky Harris - rocky.harris@defra.gov.uk

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

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 2018/19](#) – 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 2018/19](#) – Figures in EA's ARA include local levy and Evidence.

[Managing Flood and Coastal Erosion Risk in England 2011/17](#) – EA's Annual Report on FCERM 2011/17

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

[Local Authority Resource Budget 2019/20](#) – Showing local authority budgets in 2019/20 relating to their Settlement Funding Assessment.

[Local Authority Provisional Capital Expenditure 2018/19 and Forecast](#) – Showing local authority capital expenditure and financing in England: 2018 to 2019 individual local authority data forecast.

[Main Estimates](#) and [Supplementary Estimates](#) – The Main Estimates show the 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 2018](#) – 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 June 2019](#) - Produced by HM Treasury as a measure of general inflation in the domestic economy.

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



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