



Llywodraeth Cymru  
Welsh Government

# Grant Memorandum

## Flood & Coastal Erosion Risk Management

**May 2020**



Llywodraeth Cymru  
Welsh Government

**MEMORANDUM RELATING TO FLOOD AND COASTAL EROSION RISK  
MANAGEMENT CAPITAL GRANTS FOR  
LOCAL AUTHORITIES AND NATURAL RESOURCES WALES**

**UNDER**

**THE FLOOD & WATER MANAGEMENT ACT 2010**

**MAY 2020**

Electronic copies of this Memorandum will be supplied to Welsh Lead Local Flood Authorities and Natural Resources Wales and are available on the Welsh Government website.

Any queries relating to the Memorandum should be addressed to the address below:

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This Memorandum replaces all previous versions and will apply to Local Authority and Natural Resources Wales flood and coastal erosion risk management projects in receipt of Welsh Government grant funding on or after **1 April 2020**.

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## **GLOSSARY**

Acronyms used throughout this Memorandum:

**BJC** – Business Justification Case – As described in the FCERM Business Case Guidance.

**FBC** – Full Business Case – As described in the FCERM Business Case Guidance.

**FCERM** – Flood and Coastal Erosion Risk Management. The management of all aspects of flood and coastal erosion risk through understanding risk (probability and consequence) and seeking to modify these factors to reduce its impacts.

**FCERM BCG** – Flood and Coastal Erosion Risk Management Business Case Guidance - Welsh Government guidance on preparing a Business Case for FCERM capital funding, issued to Local Authorities and NRW and published by Welsh Government.

**NFM** – Natural Flood Management – Measures which help to protect, restore and emulate the natural functions of catchments, floodplains, rivers and the coast. NFM takes many different forms and can be applied in urban and rural areas, and on rivers, estuaries and coasts. This term covers both coastal and flood risk management solutions in this document.

**OBC** – Outline Business Case – As described in the FCERM Business Case Guidance.

**RMA** – Risk Management Authorities – A Welsh Risk Management Authority is defined in Section 6 of the Flood and Water Management Act 2010 as NRW; a Lead Local Flood Authority, a district council for an area where there is no unitary authority, or a highway authority wholly in Wales; an internal drainage board for an internal drainage district that is wholly or mainly in Wales; a water company that exercises functions in relation to an area in Wales.

**SOC** – Strategic Outline Case – As described in the FCERM Business Case Guidance.

# 1. INTRODUCTION

## **Flood and Coastal Erosion Risk Management (FCERM) funding overview**

1. Under Section 16 of the Flood and Water Management Act 2010<sup>1</sup>, Welsh Ministers may provide grants on expenditure in connection with flood or coastal erosion risk management. This memorandum relates to grants for flood and/or coastal erosion risk management activities undertaken by Local Authorities and Natural Resources Wales (NRW) in their role as Flood and Coastal Erosion Risk Management Authorities in Wales as defined in this Act.
2. Grant funding can be considered for interventions which reduce risk of flooding from any source (with the exception of sewer related flooding for which water companies have a statutory duty to deal with) and coastal erosion to homes.

## **Grant Memorandum for FCERM Capital Schemes**

3. This Grant Memorandum supports the National Strategy for Flood and Coastal Erosion Risk Management in Wales which aims to ensure the risks to people and communities from flooding and coastal erosion are effectively managed.
4. The 2020 National Strategy sets out five objectives to support this aim:
  - Improving our understanding and communication of risk
  - Preparedness and building resilience
  - Prioritising investment to the most at risk communities
  - Preventing more people becoming exposed to risk
  - Providing an effective and sustained response to events
5. This Grant Memorandum applies to funding for capital schemes through the Welsh Government FCERM Programmes. It is aimed at Local Authorities and Natural Resources Wales (NRW), although some sections are only applicable to Local Authorities and are noted accordingly.
6. This Memorandum explains the procedure to be used in applying for grant funding and sets out the Welsh Government FCERM Branch's requirements for that funding. This complements the Grant Offer Letters issued on award of funding which set out the Welsh Government's generic Terms and Conditions.
7. Departure from the conditions of this Memorandum or the Grant Offer Letter may result in the withdrawal of award of funding, require repayment of all or part of the funding, suspend or cease further payments and/or make future payments subject to conditions specified by Welsh Government.
8. The Memorandum can only act as a guide. Individual cases will vary and final decisions on grant eligibility will therefore always rest with the Welsh Government FCERM Branch and, where necessary, Welsh Ministers.
9. The fact works are carried out by an Authority under a project approved for FCERM funding and in line with this Memorandum and the Terms and Conditions of the Grant Offer Letter, does not involve the Welsh Government beyond any offer of financial

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<sup>1</sup> <https://www.legislation.gov.uk/ukpga/2010/29/contents>

assistance towards the direct cost of these works. In particular the Welsh Government does not accept legal liability if the works are found to be inadequate or defective. Nor does such approval relieve an Authority of any obligation it may have in relation to the works funded, statutory or otherwise.

10. Funding for a capital scheme does not provide an ongoing commitment for the associated cost of maintenance work from the Welsh Government.

## 2. FCERM CAPITAL FUNDING – WHAT IS COVERED?

**This section covers the types of project which can be considered for FCERM Capital grant funding**

11. Grants are available towards approved capital expenditure incurred on:
- Completion of an Outline Business Case (OBC) – the first stage of this is to complete a Strategic Outline Case (SOC) which could include modelling studies to establish flood risk in a particular area. The SOC should be submitted to Welsh Government FCERM Branch for approval prior to continuing to complete the OBC (Local Authority schemes only). This could also include any necessary investigations or economic appraisals required to determine the feasibility of undertaking flood defence, land drainage or coastal erosion improvement works. This should be completed in line with the FCERM Business Case Guidance<sup>2</sup>.
  - Completion of a Business Justification Case (BJC) – this is a short form Business Case for use on low value capital projects which are neither novel nor contentious and where firm prices are available via pre-completed frameworks. The value thresholds for BJCs have initially been set at £500,000 (anticipated total costs at pre-application stage), however higher value schemes could be considered to progress through this route subject to agreement by Welsh Government FCERM Branch. A BJC would be completed instead of, rather than as well as an OBC and should be completed in line with the FCERM Business Case Guidance.
  - Completion of a Full Business Case (FBC) and detailed design of a preferred option following approval of an OBC. This could also include funding to support pre-construction ground investigation work, land compensation negotiations, completion of risk registers and compilation of tender documents. This should be completed in line with the FCERM Business Case Guidance following the approval of an OBC. A BJC would be followed by a period of detailed design and obtaining of relevant consents and permissions which would be submitted to Welsh Government in support of an application for Construction funding.
  - NRW manage and review their own programme of Business Cases, however the Welsh Government FCERM Branch can request information on any scheme at any stage of the development or construction including sight of business cases.
  - The construction of new flood and coastal erosion risk management assets or improvement to existing flood and coastal erosion risk management assets including Natural Flood Management (NFM) works and Property Flood Resilience measures following agreement of OBC/BJC and FBC. If appropriate, funding for construction costs for a scheme can be applied for and awarded in phases; however each phase needs to be eligible for FCERM grant funding in its own right.

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<sup>2</sup> <https://gov.wales/flood-and-coastal-erosion-risk-management-fcerm-business-case-guidance>



- Small Scale Work Grant (Local Authorities only) – whilst the conditions of this Grant Memorandum are applicable to schemes within the Small Scale Works Grant, the application process is simplified and set out in separate guidance available from the Welsh Government FCERM Branch.
  - Core funding (NRW only) – this covers capital requirements of NRW including capital staff costs, maintenance, mapping, modelling, forecasting, development of business cases and related scheme preparation including consultation, and smaller scale works with a value of £100,000 or less. This is agreed annually by the Flood and Coastal Risk Programme Board.
  - Emergency works required as a result of damage following flood events – FCERM funding should focus on preventative action rather than reactive work however, there will be times when flooding occurs and additional support is required urgently to repair damaged assets which reduce risk to homes. There is no guarantee of emergency funding and applications will be considered on a case-by-case basis.
12. This is not an exhaustive list of the work which can be considered for FCERM grant funding. Other work could be considered through discussions with the Welsh Government FCERM branch.
13. Applications for FCERM grant funding should be supported by the evidence outlined in Annex I. Annex II sets out the stages of a scheme development where grant funding is available.
14. In addition to the conditions laid down within Grant Offer Letters, the following must be satisfied to approve release of funding:
- The Business Case must be completed in line with the FCERM Business Case Guidance and set out using the 5 Case Business Model.
  - The results of any studies carried out in producing an OBC or BJC must be made available to the Welsh Government for consideration.
  - Any modelling carried out should be done in line with the NRW specification attached in Annex III and once complete all data must be provided to NRW to update national flood mapping.
  - The final detail of schemes carried out should be submitted to NRW within 6 months of completion to include within the National Asset Database or the database updated locally when available. The data required is set out in Annex IV.

### 3. ELIGIBILITY FOR FCERM FUNDING

This section covers the types of costs which are and are not eligible for FCERM grant funding.

#### Eligible costs

15. All schemes receiving Welsh Government FCERM funding must be shown to be reducing risk to life by reducing risk to homes. Schemes may also provide a risk reduction to businesses and infrastructure as a wider benefit; however homes remain the foremost priority for funding.
16. Costs will be considered for approval when the project is formally agreed, so long as they are essential to providing the flood or coastal erosion risk management benefit for which the project is being undertaken.
17. Eligible costs could include:
  - Staff costs for internal staff working directly on a scheme (excluding on-costs).
  - Consultants / contractors employed to work on any element of the scheme.
  - Land negotiations, purchase and compensation.
  - Post scheme modelling to show benefits of the scheme. This should be done in line with NRW modelling specification and details provided to NRW to update Wales Flood Map.
  - Equipment purchase directly related to the scheme or the monitoring of the scheme, e.g. telemetry, cameras etc.
  - Consultation, awareness raising and outreach activities with local communities as part of a capital scheme.
  - Signage and interpretation boards connected to a capital scheme.
  - Risk and optimism bias associated with the construction of the scheme, where accompanied by a fully costed risk register and in line with the FCERM Business Case Guidance.
18. This list is not exhaustive and any queries around whether the cost is eligible for grant funding should be discussed with the FCERM Branch and must be confirmed in writing prior to the costs are incurred; otherwise they risk being removed as ineligible costs.
19. Costs unrelated to the flood or coastal erosion risk management scheme will not be grant funded unless the project could not proceed without incurring them or where they provide reasonable wellbeing and/or environmental improvements. Such costs should be set out within the OBC and FBC, or BJC, for the scheme. Examples might include:
  - Reasonable additional costs for wider benefits such as environmental enhancements, biodiversity gains and amenity improvements **directly related to the scheme**.
  - Reasonable costs to make a scheme less environmentally intrusive.
  - If an operator must be permanently resident on site to monitor or operate machinery, the cost of their accommodation will be grant eligible.

- Where digging reveals finds of archaeological importance such that work cannot continue without first securing them, such costs can be considered for grant funding but only at the minimum level to allow the works to continue.
20. The Welsh Government FCERM Branch must be informed of the costs detailed in the paragraph above in writing and agreed by Welsh Government in advance of work going ahead and costs incurred in order they are deemed to be eligible.

### **Ineligible costs**

21. The following work will generally be ineligible for grant unless agreed in writing in advance of the costs being incurred:
- Work which has not been approved in the Grant Offer Letter or agreement of the Welsh Government FCERM Programme Manager.
  - Works undertaken and associated costs prior to written approval.
  - Work which forms part of an Authority's routine maintenance work (these costs should be considered as Revenue funded).
  - Capital works arising from lack of regular maintenance of an existing asset.
  - Work which arises from damage or negligence attributable to others.
  - Works to reduce flood risk or coastal erosion which is rightly the responsibility of another body (which is not a FCERM RMA), or works deemed appropriate for execution under alternative legislation e.g. public health or highway legislation.
  - Staff on-costs and overheads (excluding Travel and Subsistence associated with the scheme).
  - Recovery and clean-up costs following a flood event.
22. FCERM funding is not available to enable new development and schemes reducing the risk solely to new homes or businesses will not be prioritised.

### **Consultant's costs, staff and administration charges**

23. The Welsh Government is prepared to consider the fees or charges of consultants, whether external or internal to an Authority, for the preparation, design and supervision of a Business Case or scheme for grant funding. Where consultants are used, procurement methods must show best value for money and be in line with local procurement policies, however it should be borne in mind that the technical merit of a proposal is an important factor in ensuring value for money.
24. Internal Local Authority staff costs are eligible for grant funding against an approved scheme and this can include pay, National Insurance and Pension costs but would exclude overheads which should be part of the Local Authorities Revenue Support Grant from the Welsh Government.
25. Records in respect of staff engaged on a project, salaries paid and associated costs should be kept and made available for audit inspection.
26. Expenditure on legal advice from external legal companies is only eligible when specialist knowledge or expertise, not generally expected to be within the competence of the Authority, is required, e.g. when Counsel are engaged to advice on arbitration.

27. Grant provided under the terms of this Memorandum is not intended to offset administration costs and day to day running expenses which an Authority must necessarily incur to discharge its functions. These include:
- accommodation and related costs, insurance charges,
  - legal, and other professional costs,
  - costs of promoting private legislation,
  - costs of work of a type generally expected within the responsibilities of an authority e.g. printing costs and similar charges,
  - administrative charges of auditors.

### **Land Purchase & Compensation**

28. Costs incurred in relation to land purchase and compensation payments are grant eligible provided they are essential in order for the flood or coastal erosion risk management scheme to continue.
29. Grant is paid if a land purchase has been agreed, the agreement can be authenticated and valuers reports, where necessary, are readily available.
30. Grant is paid for compensation claims if supporting plans showing the areas relating to the compensation (including valuers reports) are readily available and this is included within applications to the Welsh Government for grant funding.
31. The application form (Local Authorities only) submitted to the Welsh Government FCERM Branch for grant approval should identify land purchase and compensation payments.
32. The value of any land purchase and compensation payments should be set out in the relevant Business Cases.
33. Where land is purchased for a scheme using Grant Funding, the Welsh Government's due share of the proceeds of the sale of any surplus land must be repaid.
34. Where expenditure is incurred by an Authority in reinstating or making good structures or works of a third party (e.g. roads, bridges etc.), in lieu of a compensation payment, grant may be paid on the cost subject to submission of details. Grant will, however, be restricted to the cost of replacing to an equivalent standard of the previous one.
35. Betterment will not be grant-aided unless:
- It is done in lieu of a cash compensation payment which would otherwise have had to be paid to the beneficiary, and,
  - It is demonstrably better value for money for the Authority.

### **Compulsory Purchase**

36. Authorities should, where practicable, seek to acquire land by negotiation before embarking on compulsory purchase. If however a Compulsory Purchase Order is needed the authority should submit in writing to the Welsh Government, outlining what and when negotiations have taken place at the earliest opportunity.

37. Costs associated with compulsory purchase would be eligible for Welsh Government FCERM Grant funding where they are essential for a scheme to go ahead.
38. All land transactions should be completed before the award of a contract.

## **4. APPLYING FOR FCERM FUNDING**

**FCERM capital grant funding is intended to offer financial support to RMAs with the cost of implementing flood or coastal erosion risk management measures.**

### **Flood and Coastal Risk Programme Board**

39. The Flood and Coastal Risk Programme Board helps to drive the Programmes forward and support the delivery of outcomes and benefits.
40. The Board provide advice to the Welsh Government on the allocation of annual budgets and the prioritisation of schemes for funding.
41. The Board is made up of representatives from the Welsh Government, NRW, Welsh Local Government Association, Local Authorities, Dŵr Cymru Welsh Water and the Institution of Civil Engineers (ICE).
42. Supported by the Programme Board, the Welsh Government FCERM Branch has established a prioritisation methodology for scoring schemes received from both Local Authorities and NRW to form a national annual programme. The methodology and scoring system is available from the FCERM Branch.
43. This methodology provides a transparent way of allocating annual funding for flood and coastal erosion risk management schemes

### **Criteria for Grant Funding**

44. Grant will only be paid on eligible expenditure (as defined in sections 2 and 3 of this Memorandum) incurred in line with delivering FCERM projects.
45. To qualify for grant, projects must satisfy the following criteria:
  - Proposals must be eligible within the terms of the Flood and Water Management Act 2010 and technically and environmentally sound and sustainable.
  - The costs must be reasonable and the benefits must be sufficient to justify the whole life cost of the project before grant is considered. Value for money must be based on latest HM Treasury Guidance.
  - The preferred option for a scheme must be developed in accordance with FCERM Business Case Guidance (BCG). It will be the option which best meets the investment objectives and represents the best value for money.
  - All objections must have been withdrawn or otherwise resolved through a hearing or inquiry prior to grant funding for construction being awarded.

### **Procedure & Documentation (this section applies to Local Authorities only)**

46. Annex I to this Memorandum provides guidance for applying for and claiming Welsh Government FCERM grant funding and sets out the documentation required to support applications.

47. Application forms for approval of grant funding must be signed by an officer authorised by the authority to do so as set out in local procedures. The submission of a signed application will be regarded as signifying the authority undertakes to comply with the conditions in the statutory Environmental Impact Assessment Regulations and all other conditions attached to approval, as set out in any Grant Offer Letter and this Memorandum and will ensure they are adhered to in all respects during the conduct of the project as well as providing confirmation of matching funding availability.
48. Signed and scanned applications are acceptable, hard copies are not required.
49. Applications for funding must be made prior to commencing work and incurring costs. If this is not possible, discussions should be had with the FCERM Programme Manager requesting to commence work early and set out in writing, by email, with an application submitted at a later date as agreed. A decision by the Welsh Government will also be provided in writing. Any costs incurred prior to this written agreement or formal award of funding will not be eligible for FCERM grant funding.
50. Local Authorities are advised to ensure applications are submitted to the Welsh Government with enough time for these to be considered prior to works starting.

#### **Partnership schemes**

51. Welsh Government promotes joint working between Risk Management Authorities and with external stakeholders, in particular where they are expected to benefit from a scheme. Funding may be withheld if opportunities for partnership working have not been explored where there are clear and identifiable benefits in doing so.
52. Schemes or work involving multiple Local Authorities are eligible for funding, however applications need to be made through one Local Authority, outlining the work being carried out and the other Authorities involved. Grant funding, if approved, will be awarded to the one lead Local Authority making the application on behalf of all. The Local Authority should make a decision which leads.
53. Schemes involving joint working between Local Authorities and NRW are also encouraged and eligible for grant funding. These schemes should be discussed in advance with NRW to ensure all necessary resources are in place. In these cases, it should be agreed between Risk Management Authorities alongside Welsh Government, where appropriate, to agree the lead authority and submission of the application for funding. Where agreed, funding will be allocated to the NRW associated works at 100% of the costs of that element of the scheme. The remainder will be funded at the grant rates below.

#### **Grant rates**

54. The rate of grant for FCERM works has been determined by the Welsh Ministers with Welsh Government funding up to the following rates:
  - Business cases at OBC and FBC (including detailed design stage): 100% (on a trial basis until March 2022, and subject to funding availability)
  - Local Authority fluvial/land drainage schemes: 85%
  - Local Authority coastal schemes: 85%

- NRW schemes: 100%
- Natural Flood Management schemes: 100% from April 2020 on a trial basis and subject to funding availability

### **Contracts and Value for Money**

55. The promoting Authority, in using Welsh Government FCERM funding, must demonstrate, that in the procurement of works, equipment, goods and services they seek to ensure that the “most suitable” is selected on terms that are likely to offer best value for money (VFM) based on the latest HM Treasury guidance.
56. Any procurement undertaken should be done in line with the procurement policy of the Authority and in accordance with all relevant legislation.
57. Payments to a contractor made as a result of arbitration or adjudication for which an Authority is liable, along with costs incurred by the authority as a result of the arbitration process, may be eligible for grant.
58. The Welsh Government must be informed of the circumstances of a dispute between an Authority and a contractor. Where the outcome is not in accordance with the Authority’s representation, or a decision in the Authority’s favour is not accepted by the contractor, the Welsh Government must be advised.



## **5. FINANCIAL / PARTERSHIP CONTRIBUTIONS FROM OTHER SOURCES**

59. The aim of FCERM in Wales is to ensure the risks to people and communities from flooding and coastal erosion are effectively managed. In doing so, it is recognised there are wider benefits which can be provided as part of a flood or coastal erosion risk management scheme and Welsh Government encourages works which provide these alongside reducing risk to homes.
60. Wider benefits could include works which reduce risk to other asset such as roads, railways or other infrastructure as well as to properties. They may also include ecological benefits such as improved biodiversity, or amenity benefits directly connected to a scheme.
61. Where benefits to third party assets are identified, the Welsh Government expects RMAs to investigate, and where possible obtain, contributions towards the costs of the scheme from these sources. In line with the FCERM Business Case Guidance, these should be set out within the Financial Case of the OBC and developed further during the FBC.
62. Where a scheme is extended to include businesses, infrastructure and/or utilities, this additional portion of the scheme must be funded by the beneficiary.
63. Where appropriate, and if identified within Business Cases, the Welsh Government FCERM Branch can support Risk Management Authorities with discussions across other Welsh Government departments to identify other funding options.
64. Where appropriate contributions are not obtained, the Welsh Government will consider the extent to which FCERM grant is justified on the cost of work being applied for by the Authority against the element of work reducing risk to homes.

### **Financial contributions**

65. Contributions from sources other than the promoting Authority will be deducted from the total cost of the works prior to grant rate being applied.
66. Such contributions could include:
  - Funding from other benefiting asset owners, for example Network Rail, Water companies, businesses etc.
  - Contributions from other Exchequer-funded bodies, international funding and contributions from bodies such as NRW or Dŵr Cymru Welsh Water.
  - Contributions from sources in recognition of the benefits or improvements to their assets, e.g. Highway Departments, utilities, infrastructure.
  - Funding from developers to cover the cost of benefit to new properties (FCERM funding is not available to enable new development and schemes).
  - Goodwill contributions from riparian owners in respect of benefits received.
  - Contributions received from neighbouring Authorities towards the cost of works which take account of their interests and needs (such Authorities will not be able to claim grant on their contribution unless there is benefit to their residents).

- Contributions for works undertaken as a result of subsidence due to coal mining or other extractive operations.

## **6. WIDER BENEFITS AND WELLBEING OF FUTURE GENERATIONS ACT**

67. FCERM projects are ideally placed to identify and achieve wider benefits and these are encouraged in line with the Wellbeing of Future Generations Act 2015<sup>3</sup>.
68. In line with the Wellbeing of Future Generations Act and the Business Case Guidance, RMAs applying for funding are encouraged to identify wider benefits which could be achieved through flood and coastal erosion risk management works. This could include regeneration opportunities, increase in or improvements to habitats/biodiversity or recreational benefits.
69. These wider benefits should be set out within the Business Case and must be directly associated with the scheme. Further information about the identification of wider benefits can be found in the FCERM BCG.
70. Where significant wider benefits are identified, it is expected RMAs will work both internally (for example with Local Authority regeneration, tourism and/or transport teams) and externally (for example Network Rail, Dŵr Cymru Welsh Water, benefitting businesses or other Welsh Government departments) to identify opportunities for bringing in additional funding to recognise these wider benefits.
71. Raising awareness and communicating risk of flood and coastal erosion risk is one of the supporting objectives of the National Strategy for Flood and Coastal Erosion Risk Management in Wales under “Preparedness and building resilience”.
72. In recognition of the importance of this work, appropriate awareness raising activities to highlight flood risk in the area of a capital scheme may be eligible for grant funding in line with the following criteria:
- The work is scheme specific and targets activities around the flood risk being addressed and targeted at residents within the areas benefitting.
  - Awareness raising activities are compatible with any similar work being carried out in the area by NRW and does not duplicate work.
  - A proposal for awareness raising activities to be carried out including the work to be undertaken and costs for this work are included within the grant application.
  - The proposal sets out how any such activities will be evaluated and a copy of the evaluation/feedback provided to Welsh Government with quarterly claims.
73. Such activities should be additional to consultation events which will specifically discuss the problem being addressed, preferred options and details of the scheme being taken forward.
74. General, non-scheme specific flood awareness raising activities are not eligible for capital grant funding and should be paid for through revenue funding.

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<sup>3</sup> <https://gov.wales/well-being-future-generations-act-essentials>

## **7. VARIATIONS**

**This section sets out how variations to schemes costs and timings outside of what has been agreed in the Grant Offer Letters are dealt with.**

75. From April 2019 for the Small Scale Works Grant (Local Authorities only), the Welsh Government will no longer accept applications for additional funding for schemes and any increases will need to be funded by the Local Authority to complete a scheme. Welsh Government reserve the right to claim back grant on incomplete schemes. Following this first year, the impacts of this change will be evaluated prior to a decision being made whether to roll this policy out to all FCERM grants.
76. In setting this position, the Welsh Government is passing the risk back to RMA's and reinforcing their responsibility to produce more accurate cost estimates. Any increases in cost, for schemes within the Small Scale Works Grant, compared to Grant Offer Letter will need to be funded by the RMA.
77. It is the responsibility of the RMA leading a scheme to appropriately assess all risks and evidence these risks when making applications for FCERM Grant Funding.
78. Requests to increase grant for schemes within the Coastal Risk Management Programme will also not be considered.

### **Requests to vary grant**

79. With the exception of schemes within the Small Scale Works Grant, where costs have increased from the agreed figures, Local Authorities will be able to submit a Variation Order (VO) or a Supplementary Expenditure Request (FORM G) from NRW to apply to Welsh Government to apply to increase the approved expenditure and therefore the amount of grant funding offered. This should be done immediately it appears forecast expenditure is likely to exceed the total costs approved.
80. These forms should be submitted to the Welsh Government FCERM Branch for consideration outlining the expected extra costs along with clear supporting evidence of the need for such increases. The RMA should also set out what they have done prior to or during the grant period to minimise risks and reduce the likelihood of cost increases.
81. Failure to seek approval for additional grant funding at the appropriate time may result in any additional costs submitted on the Final Claim Form not being paid. It is important to ensure the terms of agreement with any consultant who may be employed for a scheme takes the above requirement into account.
82. The Welsh Government reserves the right not to approve funding additional to that which was included within the original Grant Offer Letter or scheme approval.

**Requests to vary timing of a scheme (this section applies to Local Authorities only)**

83. Any requests to extend the deadline for completion of the work/scheme which extends beyond the end of the Grant Offer Letter needs to be made in writing to the Welsh Government FCERM Branch prior to the Grant Offer Letter expiring.
84. Such requests will be considered by the Welsh Government FCERM Branch and, if approved, a Variation Letter to the Grant Offer Letter will be issued. Without this agreement any grant beyond the period within the Grant Offer Letter will not be available to the grant recipient and if a scheme is incomplete the Welsh Government reserves the right to request any funding paid to be returned.

**Request to vary the scheme at construction stage**

85. Projects must be carried out in accordance with the option approved in the Business Case for which grant has been provided.
86. Variations to the scheme may be permitted provided they relate to detail, do not modify the concept of the scheme and are approved in writing by the Welsh Government prior to the variation occurring.
87. An alteration of concept includes instances where change could;
  - breach the terms and conditions of the grant,
  - alter the overall objectives or benefits of a scheme,
  - alter the standard of protection of a scheme,
  - extend a scheme beyond its original proposed limits,
  - affect the expected life of a scheme,
  - be open to objection,
  - result in a significant change to the environmental impact of a scheme, or
  - substantially increase the costs.
88. If such a variation results in a significant change to the environmental impact of a scheme it will be necessary to re-advertise in accordance with the statutory environmental assessment procedures.
89. It is important to ensure the terms of agreement with any consultant or contractor who may be employed for a scheme takes the above requirements into account.

## 8. CLAIMING FCERM CAPITAL GRANT FUNDING

This section sets out the process for claiming FCERM Grant funding and applies to Local Authorities only

90. The payment of grant is subject to an Authority carrying out an approved project in a satisfactory manner and observing all the conditions set out in this Memorandum and the Grant Offer Letter.
91. Payments will normally be made to the Authority's bank within one calendar month of the receipt of a claim and all supporting evidence required under the terms of the award of the grant, and the Authority will be notified in writing.
92. Grant funding is paid to Local Authorities in arrears and subject to provision of information set out within the guidance set out in Annex I and the requirements of the Schedules of the Grant Offer Letter.
93. Interim and final claims should be submitted using the templates provided together with all supporting documents by email to the Welsh Government at: [floodcoastalrisk@gov.wales](mailto:floodcoastalrisk@gov.wales). Claims submitted without the relevant supporting information will not be paid.
94. Signed and scanned claims are acceptable and hard copies do not need to be provided.
95. Grant payment may be withheld where the Welsh Government considers a claim has arisen as a result of negligence or damage which was otherwise avoidable.

### Claims for Interim Payments of Grant

96. Interim grant payments are paid in arrears against costs incurred using an Interim Claim Form.
97. Interim claims must be supported with a progress report to include details of the work done since the last claim, future work planned and forecast spend to cover the rest of the grant approved period.
98. Failure to follow these requirements and the grant terms and conditions could result in delays in releasing grant payments, or the Welsh Government disallowing items of expenditure as being ineligible.
99. Claims are invited from Local Authorities four times a year, the dates for which are outlined in the Grant Offer Letters:
100. Claims must be submitted by these deadlines. Late submissions are at risk of not being accepted. Where claims are not being submitted, there is a requirement to provide a progress report for **every** claim period.
101. The Welsh Government will pay up to 95% of grants for SOC/OBC/BJC/FBC until the review of these Business Cases is complete.

### **Claims for Final Payments of Grant**

102. Applications for final payment of grant can be made once a scheme or study is complete and all costs have been incurred. This should be done on a Final Claim Form and supported with the following information:
- A progress report including photographs of completed works where appropriate.
  - Copies of the completed business cases.
  - Invoices to support all costs being claimed for grants to undertake business cases and through the Small Scale Works Grant.
  - For construction schemes – a breakdown of the final cost of the works included on the final claim form and, for construction grants, a copy of the contractors final account.
103. To ensure all costs claimed are eligible, the final claim should be accompanied by a breakdown of the contractor's final costs, activity schedule and as built-drawings. This should include the cost of all works undertaken and any compensations events during the contract.
104. Final claim forms must be signed by a suitably authorised officer within the Local Authority, namely a Section 151 Officer or Chief Finance Officer.
105. Failure to provide such information may result in expenditure not being accepted for grant.
106. Where appropriate, documentation to support land purchase and compensation payments must be provided otherwise grant may be forfeited or recovered.

### **Deadlines for the Submission of Final Claim**

107. The authority must arrange for a certified final statement of the final claim form to be submitted to the Welsh Government within:
- **6 months** for SOBC/BJC/FBC from the date the report is approved by Welsh Government.
  - **18 months** following the completion of a scheme.

For the purposes of this section, "scheme completion" shall mean the issue of the Certificate of Completion in accordance with the ICE Conditions of Contract or the equivalent under any other approved contract.

108. The Local Authority must inform the Welsh Government of when the scheme has completed through the quarterly progress reports or email to the Branch.

### **Accounts**

109. All documentation relating to each approved scheme must be kept by the authority for 7 years from the Welsh Government's approval of the final account and be made available for inspection by an officer of the Welsh Government or other nominated person.

## **9. CONSULTATION**

110. Authorities are advised to consult the Welsh Government FCERM Branch, as soon as possible when first considering any flood or coastal risk management project for which grant funding may be sought.
111. Authorities are also advised to consult NRW, adjoining or impacted Local Authorities including their planning authorities and other operating authorities such as Network Rail or Dŵr Cymru Welsh Water, where appropriate, well in advance to ensure environmental considerations are integrated with engineering and economic objectives from the outset.
112. FCERM BCG requires RMAs to undertake stakeholder engagement at each stage of the Business Case development process. Further details on the consultation required at each stage of a Business Case and the development of a project is contained within the Business Case Guidance.
113. Consultation with the public should be considered at all stages of the development and construction of a scheme and is grant eligible. Feedback received should be taken on board and reported within the relevant Business Case.
114. All schemes carried out should be in line with Flood Risk Management Plans, Local Flood Risk Management Strategies and the National Strategy.
115. For coastal projects, liaison with Coastal Groups is advised to ensure consideration of the policies within the Shoreline Management Plans. The Wales Coastal Monitoring Centre should also be contacted to discuss existing data and future monitoring. Consultation should always include adjoining coastal authorities and NRW.
116. Local Authorities must consult with NRW if any planned work will be carried out in a watercourse. NRW should be informed before this work goes ahead and Local Authorities must show Welsh Government this has been done.



## 10. ENVIRONMENTAL REQUIREMENTS

### Environmental Impact Assessment

117. FCERM construction projects should aim to avoid adverse impacts on the environment and where possible seek to achieve environmental improvements.
118. The Town and Country Planning and Marine and Coastal Access legislation sets out the statutory environmental assessment requirements for FCERM projects.
119. It is also important to note the requirements of SI 1999/1783 Environmental Impact Assessment (Land Drainage Improvement Works) Regulations 1999 as amended. The Regulations apply when a Planning Authority deem proposed flood risk work to be permitted development under the Town and Country Planning Act.
120. Objections as a result of notices have paramount importance. Authorities should instigate discussions with objectors and attempt to reach agreed solutions. However, if an objection is not withdrawn or resolved, the objector should state this in writing to Welsh Government for determination at the following address:

Flood and Coastal Erosion Risk Management Branch,  
Welsh Government,  
Cathays Park,  
Cardiff,  
CF10 3NQ  
[floodcoastalrisk@gov.wales](mailto:floodcoastalrisk@gov.wales)

121. Authorities must be able to demonstrate all statutory environmental assessments and processes have been satisfactorily completed and any objections determined prior to commencement of construction.

### Compensatory Habitat and National Habitat Creation Programme

122. Where a Habitat Regulation Assessment for a proposed Welsh Government FCERM funded scheme identifies an adverse impact on the integrity of a Natura 2000 site, and it is determined compensatory habitat is required, this is provided through the National Habitat Creation Programme (NHCP), managed by NRW. The requirements for such compensatory habitat should be identified in advance of construction work within Business Cases.
123. Where opportunities for habitat creation are available and identified as part of a scheme, this could be grant eligible. The provision of land, qualitative habitat improvements or support to NHCP would strengthen a Business Case and may provide wider biodiversity and amenity benefits.
124. RMAs should contact the NRW National Habitat Creation Programme Manager to discuss compensatory habitat for any losses associated with a scheme.

## **11. GENERAL CONDITIONS**

### **Branding and Interpretation Boards**

125. Where appropriate, all construction works for FCERM schemes where grant funding has been provided by Welsh Government should reference this in some form of permanent plaque or board which includes the Welsh Government logo.
126. In addition, construction signboards or other publicity material published about the works, including magazine articles etc. should include reference the works were grant funded by the Welsh Government.
127. Any plaques/boards erected referencing Welsh Government funding are eligible for grant and should be included within an application for funding.
128. Where appropriate, the Welsh Government encourages the inclusion of interpretation boards as part of a scheme informing the public about what the scheme does and the flood risk in the area. The costs associated with such boards are eligible for grant funding.
129. All branding and interpretation boards must be produced bilingually with the Welsh text positioned so it is likely to be read first. Further information on branding guidance and requests for copies of logos is available through Welsh Government branding team: [brandingqueries@gov.wales](mailto:brandingqueries@gov.wales)

### **The Authority's Obligations**

130. It is the responsibility of the Authority to obtain all necessary consents, planning approvals, environmental clearances etc. as set out in Annex I.

### **Commencement and Completion of Works**

131. The Authority must notify the Welsh Government the date when works on site commence and are completed through the agreed reporting process.
132. Approval of a project will normally lapse if work associated with the grant funding does not begin promptly after the issue of the Grant Offer Letter. Any delay to planned start dates must be notified to the Welsh Government, setting out the expected impacts on delivery timescales and funding drawdown.

### **Maintenance**

133. All grant aided FCERM works must be properly maintained and necessary repairs adequately and promptly carried out. Failure to do so will be taken into account in the assessment of any future grant aid application.
134. Any scheme funded through Welsh Government FCERM grant funding remains the responsibility of the Authority who built it to take on future maintenance and the associated costs. The costs associated with maintenance should be clearly set out within the Business Case in line with the FCERM Business Case Guidance.

### **Cancellation of Approved Projects**

135. Grant is conditional on the project being carried out as approved.

136. If an Authority proposes not to complete an approved project, the Welsh Government must be notified in writing immediately with a full explanation of the reason. In these circumstances, the Welsh Government may require the Authority to repay any grant which has been made and/or withhold any grant payments which would otherwise be payable.

#### **Post Construction Evaluation**

137. Authorities are encouraged to undertake Post Project Evaluations on all schemes receiving Welsh Government FCERM funding. This is grant eligible and costs should be included within the business cases and applications. These will help to improve project appraisal, design, management and implementation and to obtain maximum benefit from accrued experience. This is a requirement within the Business Case Guidance and should be shared with Welsh Government FCERM Branch on completion.
138. Following construction, the final details of a scheme carried out should be submitted to NRW within 6 months of completion. This information will be included within the National Asset Database by NRW or the database should be updated locally when available. The data required is set out in Annex IV.

#### **Progress Reporting including forecasting**

139. Local Authorities must provide quarterly progress reports including forecast spend for the remainder of the approved grant by the dates set out in Grant Offer Letters.
140. NRW will claim grant via the Grant in Aid process and meet with Welsh Government FCERM Branch on a regular basis to provide updates on schemes and forecast spend. Forecast spend for the remainder of the financial year must also be provided to Welsh Government on the first working day of each month.

#### **Access to Works**

141. The Authority must ensure there is provision for an officer of the Welsh Government or any other nominated person to enter and inspect, at all reasonable times, the works which are grant funded.

## **12. OTHER FUNDING**

### **Funding for Emergency Works**

142. Where possible, and with appropriate evidence of need, the Welsh Government FCERM Branch will consider providing funding to support repair works to FCERM assets following a flood event.
143. Emergency funding is intended for repairs to assets which reduce risk to homes and businesses. Work to assets reducing risk to roads or other infrastructure remain ineligible, unless otherwise advised by the FCERM Branch and upon the agreement of Welsh Ministers. Costs associated with recovery and clean up are also ineligible through the FCERM grant.
144. Post flood funding is not guaranteed and is subject to availability of funding from annual budgets.
145. Funding can only be provided to support work where the Welsh Government has been made aware of the flooding issues and any properties affected. This demonstrates the importance of reporting flooding incidents to Welsh Government meaning the need is evidenced and conversations around support can start as soon as possible.
146. In an emergency, for example where urgent repairs are needed following a flood/storm event and any delay would put lives or assets at additional unacceptable risk, requests can be made to the Welsh Government for “Without Prejudice Consent” to allow urgent works to start prior to formal grant approval being granted. In such cases, the Welsh Government FCERM Branch must be notified by email immediately of the date of commencement of works on site and a formal application for grant must be submitted as soon as practicably possible.
147. RMAs should use their powers to undertake repairs or otherwise manage flood or coastal erosion risk where they deem it appropriate. This may extend beyond repairs to their own assets where there is an immediate risk to life.

### **Small Scale Works Grant (this section applies to Local Authorities only)**

148. The Small Scale Works Grant provides a simplified process for Local Authorities to access capital funding without having to undertake a full OBC/BJC or FBC.
149. This grant will see a set amount allocated from annual budget each year as proposed by the Flood and Coastal Risk Programme Board and agreed by the Minister.
150. Application forms and guidance will be provided to Local Authorities upon invitation to submit applications.
151. The claims process remains the same as capital schemes as set out in section 8.

### **Natural Flood Management (NFM)**

152. The Welsh Government support the use of NFM in reducing risk. NFM costs are grant eligible at 100% grant support for a trial period commencing April 2020. This includes the NFM elements of hybrid schemes.
153. Further details on NFM eligibility and practise are set out in separate guidance and the National Strategy for FCERM in Wales.

## **ANNEX I - Grant application procedures and necessary documentation**

This section details the supporting information required for different types of application, as described in this Memorandum.

In all cases the supporting information supplied should be appropriate to the type and scale of the proposed project.

The Welsh Government FCERM Branch will use the submitted information to undertake their assessment and prepare reports for internal Welsh Government decision-making, approval and audit procedures.

Strategic Outline Cases, Outline Business Cases, Business Justification Cases and Full Business Cases should be written in line with the Flood and Coastal Erosion Risk Management Business Case guidance and submitted on the templates included within that guidance.

The guidance below sets out the documentation necessary to support applications for grant funding.

### Business Cases:

Application for carrying Strategic Outline Case, Outline Business Case and Business Justification Case must be supported by the following information. This information is to be provided with the annual submissions to the pipeline to support with the prioritisation of funding:

- Reasons for wanting to carry out a SOC/OBC/BJC, including the level of risk
- Location plan
- History of flood incidents in the area of the proposed study – when these occurred, what was the cause, number of properties affected (any section 19 reports and photos of past flood events would be useful)

### Construction:

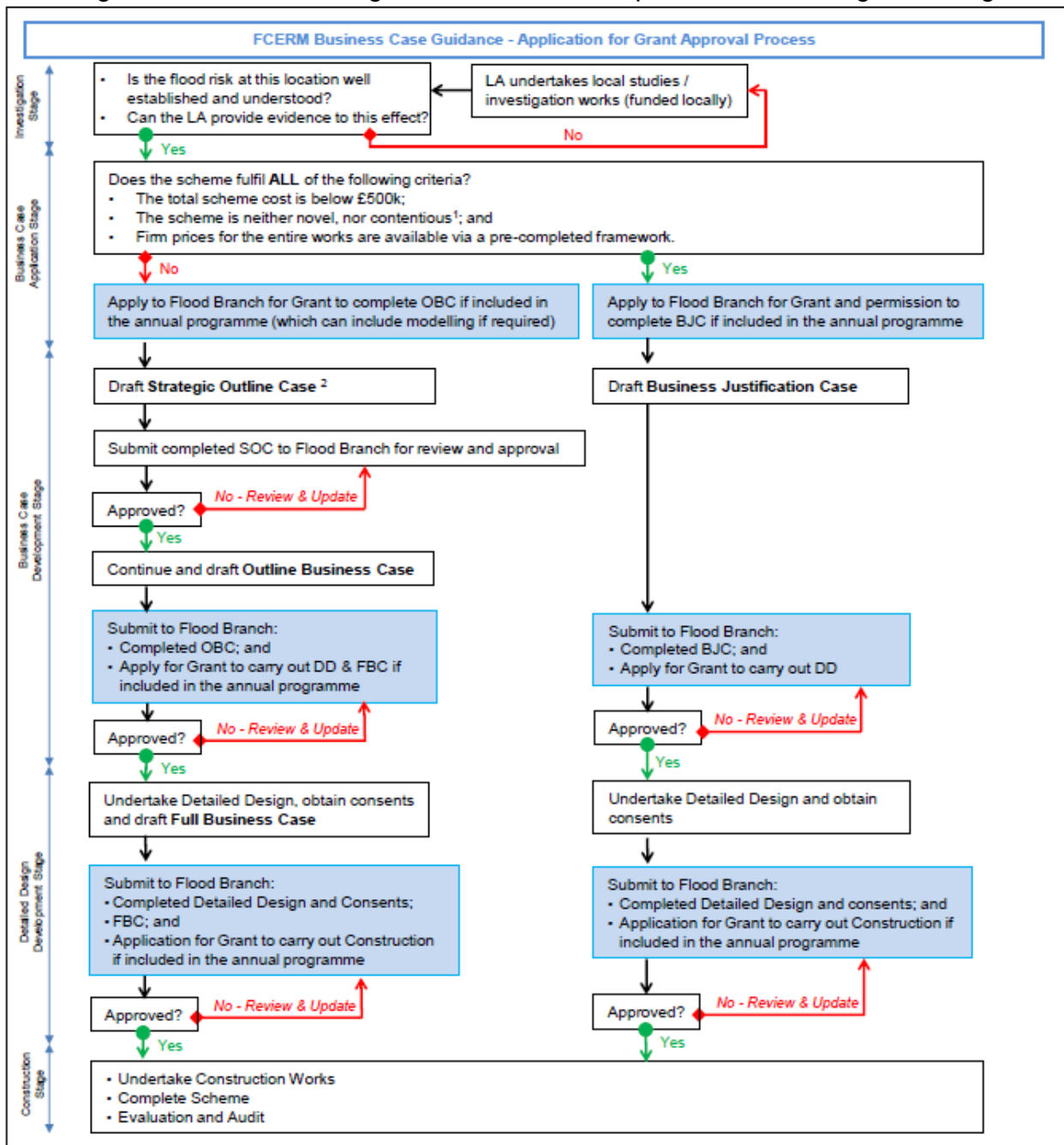
Applications for grant for construction must be supported by the following:

<b>Fluvial/land drainage schemes</b>	<b>Coastal Schemes</b>
Application form	Application form
Confirmation the proposed scheme is essentially as previously agreed in principle in the OBC/BJC	Confirmation the proposed scheme is essentially as previously agreed in principle in the OBC/BJC
Planning Consent or the planning authority's confirmation the scheme is consider as permitted development	Planning consent
If permitted development - copy of public notice in accordance with the Environmental Impact Assessment (Land Drainage Improvement Works) Regulations – and report on	Marine Licence

representations received	
Ordinary Watercourse Consent	Copy of the published Coast Protection Notice and report on representations received
Evidence of consultation with NRW under Section 23 Land Drainage Act (as amended). Or confirmation proposed scheme is consistent with the published local Flood Risk Management Strategy	Copy of Coast Protection Act Approval
Any other statutory consents required to carry out the works.	Any other statutory consents required to carry out the works.
Confirmation Land agreements are in place to enable construction	Confirmation Land agreements/Crown Estates agreement are in place to enable construction
Report on public engagement for the scheme and any issues arising	Report on public engagement for the scheme and any issues arising
General Arrangement Drawings	General Arrangement Drawings
Tender Appraisal Report	Tender Appraisal Report
Copy of successful tender	Copy of successful tender
Evidence NRW have been notified of work taking place in a watercourse	

# ANNEX II – Stages of grant funding and scheme development

The diagram below shows stages of scheme development and where grant is eligible.



N.B. This flowchart is intended to illustrate the relationship between the 5 Case Model Process and the FCERM Grant Application process. Grant claims, variations orders, consents etc. will also be considered during the application process, but are not referred to directly here.

LA – Local Authority  
 SOC – Strategic Outline Case  
 OBC – Outline Business Case  
 DD – Detailed Design  
 FBC – Full Business Case

Approval Decisions are indicated using the coloured arrows below.



Blue Boxes indicate where Local Authorities may wish to consider an application for grant funding approval

<sup>1</sup> In the case of FCERM schemes, this will mean a scheme where:

- The LA has confidence the preferred solution will reduce flood risk<sup>3</sup>; and
- The LA is confident that the scheme will not prove controversial with stakeholders.

<sup>2</sup> In some instances, a proposed project might be subject to an overarching Programme Business Case. This may mean that much of the information required at SOC stage had already been considered. In these instances, Flood Branch may be content for a Business Case to proceed directly to OBC stage, provided that the Programme Business Case has also been approved by Flood Branch. Please contact Welsh Government Flood Branch to discuss

<sup>3</sup> N.B. Welsh Government is still committed to encouraging the use of NFM Solutions. Uncertainty surrounding the quantifiable benefits of NFM should not preclude its use in a BJC.



**ANNEX III – Modelling Specification**

To be issued when finalised with NRW.

## **ANNEX IV – Scheme data for National Asset Database**

To be issued when finalised with NRW.