Department
for Environment
Food & Rural Affairs

Flood and coastal erosion risk management funding policy

Government response to the consultation on reforming our approach to floods funding

14 October 2025

We are the Department for Environment, Food and Rural Affairs. We are responsible for improving and protecting the environment, growing the green economy, sustaining thriving rural communities and supporting our world-class food, farming and fishing industries.

We work closely with our 33 agencies and arm's length bodies on our ambition to make our air purer, our water cleaner, our land greener and our food more sustainable. Our mission is to restore and enhance the environment for the next generation, and to leave the environment in a better state than we found it.

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Foreword

Flooding has devastating impacts on communities, families and businesses across the country. Despite this, the previous government left flood defences in their worst condition on record.

This government inherited an outdated funding formula for allocating money to proposed flood defences. We are replacing that complex and outdated approach with simpler and more transparent rules.

Our new funding policy and record levels of investment will help kickstart economic growth, accelerate the construction of flood and coastal erosion schemes and protect homes, businesses and agricultural land across our nation’s towns, cities and rural areas.

Economic growth is the number one mission in the government’s [Plan for Change.](#) We are committed to making every pound we invest count, and ensuring our flood resilience and coastal erosion investment policy enables new innovative approaches that respond to current challenges and prepare us for the future.

Emma Hardy

Executive summary

Flood and coastal erosion risk has increased and is projected to continue increasing due to climate change, with impacts also growing due to economic and population growth. By 2024, flood defences were at their poorest condition on record, and communities and flood risk management authorities struggled to deliver new flood and coastal erosion defences.

We are reforming our flood and coastal erosion funding policy to accelerate the construction of flood schemes and reduce risk to thousands of homes and businesses. We will do this by replacing the old complex and out-dated approach with simpler and more transparent rules.

Vision

We have a bold strategic vision for the future to radically change our approach to investing in flood resilience.

We will ensure we are promoting the right floods solution in the right place at the right time, helping to kickstart economic growth, accelerate the construction of flood and coastal erosion schemes and protect homes, businesses and agricultural land across our nation's towns, cities and rural areas.

We want to:

1. Optimise funding between building new flood projects and maintaining existing defence assets. New strategic objectives will drive funding towards the most beneficial interventions measured by an integrated set of outcome metrics.
2. Ensure we allocate our funding in locations that reflect new risk information from the Environment Agency's latest National Flood Risk Assessment and other key sources of evidence.
3. Simplify the current complex funding model.
4. Have a better spread of resilience actions, including more innovative approaches such as natural flood management, sustainable drainage and property flood resilience.
5. Retain the core principle of local partnership funding to make government investment go further, but simplifying the funding formula significantly.

This executive summary provides an overview of the new flood and coastal erosion risk management (FCERM) policy.

Funding eligibility

FCERM projects that are prioritised will be eligible for FCERM funding to the following levels, depending on project size and whether the funding is for refurbishing existing projects or for building new projects:

- for existing projects and assets - eligible for 100% of costs for refurbishing existing assets
- for new or improved projects and assets - eligible for 100% for the first £3 million, and 90% for costs above £3 million

Prioritisation by value for money

Our flood and coastal erosion mitigation schemes generate a wide range of benefits. Benefits assessed by projects include flood damages avoided, but also wider benefits like natural capital, which adds up all environmental benefits. Value for money is defined as using public resources to deliver policy objectives in a way that creates and maximises public value.

FCERM projects will be prioritised by their benefit-to-cost ratios to drive value for money, with partnership contributions boosting a project's prioritisation. This approach uses government funding to unlock investment from public, private and charitable sources. It makes every £1 of government investment go further while also encouraging the joined-up partnership working that improves project quality.

Collaboration across organisations and sectors is needed to effectively deliver the investment that will reduce the risk of flooding and coastal erosion to our nation. This includes joint working between:

- government
- the Environment Agency
- other risk management authorities
- partners delivering FCERM projects
- the supply chain
- communities and landowners

Strategic objectives

Strategic objectives are applied on top of the prioritisation by value for money to ensure the FCERM programme achieves specific policy priorities.

The overarching strategic objective of the FCERM programme is to 'reduce risk from, and increase resilience to, flooding and coastal erosion and deliver environmental outcomes that are intrinsic to meeting this ambition'.

The risk reduction and resilience strategic objective directs the FCERM programme to minimise the damages from flooding and coastal erosion. The environmental outcomes strategic objective directs the FCERM programme to maximise natural capital.

The FCERM investment programme will have the following additional strategic objectives.

There will be an objective to guarantee deprived communities receive at least the same share of investment as their representation in the population, as these communities struggle more to recover from flooding. A minimum of 20% of FCERM investment will go to the most deprived quintile and a minimum of 40% to the 2 lowest quintiles combined, over both the next 3 and 10 years.

Another objective is to make government investment go further. This includes using public money to unlock additional contributions from public, private and charitable sources and encourage joint working. Non-Defra contributions will boost a project's prioritisation, making every £1 of government investment go further.

Natural flood management can reduce flood risk while also delivering multiple benefits to people, communities and the environment. There will be an objective to help tackle natural flood management projects being under-represented in the investment programme. A minimum of 3% of FCERM investment will go to natural flood management over the next 3 years and a minimum of 4% over the next 10 years. We will be investing at least £300 million in natural flood management over 10 years – the highest figure to date for the floods programme.

Removing risk bands barriers to investment

FCERM projects will no longer need to demonstrate they are moving properties from a higher risk band to a lower one to attract Defra FCERM funding. This was unfairly disadvantaging good projects that achieve lower levels of flood risk reduction, such as natural flood management, sustainable drainage or property flood resilience projects compared to traditional engineered defences.

Local choice

Our reformed funding approach is designed to improve local choice by making more projects eligible for FCERM funding. It also gives greater choice for communities, via regional flood and coastal committees, to decide how to best use local levies to support local priorities.

Funding treatment for properties built after 2012

We will uphold the strongest planning protections to prevent inappropriate development in flood-prone areas, ensuring that new housing growth does not compromise flood resilience.

Recognising improved understanding and increases in risk due to climate change, we will enable existing properties built after 2012 to be counted as beneficiaries from funding of flood and coastal projects for the first time. This will reduce complexity and allow projects to include these benefits in their project appraisals.

Policy review

We will review the new policy in 3 years to assess its effectiveness in managing flood and coastal erosion risk. This will allow us to see if any policy adjustments are needed.

Summary of consultation responses

The summary of responses to the consultation sets out the views from consultees. These consultation responses have helped us improve the FCERM funding policy as set out in this government response.

The remaining sections set out the detail of the policy, views from consultees and the government response to those views.

Policy details and response to consultee comments

New approach to funding and prioritisation

The funding policy has 3 parts:

- funding eligibility determines the maximum Defra FCERM funding levels projects are eligible for
- prioritisation by value for money determines whether a project receives Defra funding
- strategic objectives are applied on top of the prioritisation by value for money to ensure the FCERM programme achieves specific policy priorities

FCERM funding and prioritisation policy

Funding eligibility

For existing projects and assets: 100% of costs for refurbishing existing assets.

For new or improved projects and assets: 100% for the first £3 million, and 90% for costs above £3 million, giving a crucial boost to schemes.

Prioritisation by value for money

Subject to meeting the strategic objectives, all projects are prioritised within the FCERM programme by their benefit-to-cost ratios, with additional funding contributions boosting a project's prioritisation.

Strategic objectives

Reduce flooding and coastal erosion risk and deliver environmental outcomes while reducing those risks.

Guaranteed share of investment for deprived areas and in natural flood management.

Use Defra FCERM funding to unlock additional contributions from public, private and charitable sources.

Funding eligibility

Existing projects and assets are eligible for Defra FCERM funding to the level of 100% of refurbishment costs. Additional optional contributions from others boosts a project's chances of being prioritised. Refurbishment is a significant fix or repair on an asset that cannot be addressed through routine maintenance alone.

New or improved projects and assets are eligible for Defra FCERM funding of:

- 100% for the first £3 million
- 90% for costs above £3 million

Additional optional contributions from others boosts a project's chances of being prioritised. This applies to new or improved assets and to refurbishing existing assets.

Most consultees were cautiously positive about the funding approach we consulted on. This was for Defra FCERM funding for refurbishment covering the full costs and Defra FCERM funding for new or improved projects covering the first £3 million and 90% of costs above £3 million.

Consultees agreed that this simplification would benefit smaller schemes if the work required to access funding was proportional to the level of funding sought. In contrast, there was concern that the proposed funding approach could lead to increased competition, putting greater pressure on the overall amount of investment available in any given financial year.

Some consultees were concerned the approach we consulted on was overly rigid and would discourage partnership funding and erode the resulting partnership working that improves project quality. Our revised approach, as outlined in the prioritisation by value for money chapter, now provides this greater flexibility and enhances encouragement for partnership working.

Some consultees questioned the rationale for the figures of £3 million and 90%. Evidence from the Environment Agency showed that increasing the £3 million threshold would only moderately increase the number of projects eligible for full funding and would reduce the overall amount of funding to other projects. Environment Agency evidence also showed that Defra funding for 90% of costs above £3 million provided the best balance between delivering programme outcomes while requiring contributions from others.

Some consultees were concerned that there will be a proliferation of smaller projects below the £3 million threshold, or of larger strategic projects being disaggregated into smaller projects which do not provide the same benefits as larger projects. Projects are prioritised by their net benefits for every £1 of government investment to mitigate this risk.

Consultees mentioned the impact of inflationary pressures should also be kept under review. The 3-year review will present an opportunity to check if we want to continue with funding eligibility for new or improved projects of £3 million, or if a different figure would be more appropriate.

Prioritisation by value for money

Calculating benefits to determine value for money is the cornerstone of our approach to FCERM funding. Projects in places at higher risk of flooding, erosion, or both, and with a higher density of assets such as properties, tend to have higher benefits in terms of damages avoided. This means the value for money approach incorporates an element of risk assessment.

Value for money is based on both monetised and non-monetised benefits. Monetisable benefits are appraised as set out in the Environment Agency's FCERM Appraisal Guidance, which is Green Book compliant.

The Environment Agency will update its project appraisal and funding guidance to reflect the new FCERM funding policy. The aim is to streamline processes for all risk management authorities. This update will be completed before the start of the next investment programme in April 2026. The appraisal guidance will continually be improved. We will work with regional flood and coastal committees and risk management authorities during this process.

Non-monetised benefits are those which have not been directly measured. This is either because they cannot be easily quantified or because the effort in measuring them would be disproportionate to the funding being sought.

The Green Book is guidance issued by HM Treasury on how to appraise policies, programmes and projects. The Green Book review calls for a move away from strict benefit-cost ratios being used to prioritise projects, ensuring non-monetised impacts are considered.

HM Treasury is also working to introduce place-based business cases, expected to arrive in 2026. These will bring together the different projects that are needed to achieve the objectives of a particular place. We will consider how to assess non-monetised benefits and how to integrate place-based business cases within FCERM policy.

Our flood and coastal erosion mitigation schemes generate a wide range of benefits. These benefits can be grouped into 3 types:

- flood and erosion benefits which are benefits to people, property, businesses and infrastructure from increased resilience to flooding or erosion

- wider benefits which are non-flood or erosion benefits that occur as a by-product of increasing resilience to flooding or erosion (for example, carbon sequestration from natural flood management, or increased tourism from beach nourishment)
- enhancement benefits which are actions delivered as part of the FCERM project, but which are not necessary to deliver increased resilience to flooding or erosion (for example, public art installations, active travel infrastructure or visitor facilities)

Floods benefits and wider benefits will be included in the ranking of projects for the purposes of funding and prioritisation. Enhancement benefits would be excluded from the prioritisation process and the costs to deliver those benefits are not eligible to receive Defra FCERM funding.

Examples of benefits assessed and appraised

Many consultees sought clarity on how we will calculate value for money under our new approach. Consultees have also asked for projects to assess the widest possible range of benefits, both monetisable and non-monetisable. Consultees also asked we ensure the process and effort remains proportional to the amounts of funding sought by projects.

Benefits assessed by projects include flood damages avoided, but also wider benefits like natural capital, which adds up all environmental benefits. Benefits are monetised when it is proportionate to do so. A small benefit may not be monetised if doing so would require a disproportionate amount of work.

The following benefits are already assessed following the Environment Agency’s FCERM appraisal guidance:

1. Direct damage to buildings and contents – avoided damage to contents and avoided costs of refurbishment for damage to buildings. This includes residential property, commercial property and publicly owned buildings such as schools and hospitals.
2. Infrastructure damage – avoided damage to infrastructure. Most floods will also affect transportation routes and utilities leading to disruption and outages.
3. Vehicle damages – avoided costs of replacement and repair of vehicles.
4. Emergency Services – avoided costs to the emergency services and local authorities.
5. Evacuation and temporary accommodation – avoided costs of re-homing people while their properties are repaired. Impacted people may need to stay out of their homes from a period of several weeks to a year, depending on severity and impact.
6. Mental health treatment costs – avoided NHS treatment costs for anxiety, depression and PTSD, which increase after a flood. Research from the UK Health Security Agency shows sustained and elevated levels of mental health impacts for victims of flooding.

7. Risk to life – avoided fatalities, valued using an approach based on the value of a statistical life used in Department for Transport guidance.
8. Recreation benefits – we include the benefits of avoiding lost recreation, for example, beaches, promenades, footpaths and open spaces.
9. Agriculture damages – avoided damage to crops and agricultural land. The FCERM appraisal guidance for agricultural land takes account of individual floods, long term change and total loss of agricultural land. The damage values are updated annually. Agricultural damages can be combined with ecosystem services damages to build a holistic picture of the impact on the land.
10. Net carbon benefits – these are the carbon emissions avoided by not flooding property and cars, minus the whole life carbon costs of the scheme.
11. Environmental and heritage damages – environmental damages avoided are valued using the ecosystem services approach. Heritage is also valued too.

Consultees commented that we should account for the benefits from regeneration and tourism. Regeneration broadly refers to encouraging local economic growth and future development. The Environment Agency will look at how our approach to appraisal can take account of other factors, such as local growth and regeneration, in a way that is consistent with the Green Book, including as place-based business cases develop in the future. Further, encouraging local economic growth is an important driver of contributions from local partners. These contributions will increase the return on central government investment.

We acknowledge concerns from risk management authorities that they are at a disadvantage compared to the Environment Agency. All risk management authorities should have equal access to FCERM funding.

The Environment Agency has a legal role and responsibility to nationally manage the allocation and delivery of the programme for all sources of risk. This includes making sure the funding rules are applied objectively, regardless of whether the project sponsor is the Environment Agency or another risk management authority. This is part of the Environment Agency's 'strategic overview' role, as required under the Flood and Water Management Act.

The FCERM programme directs investment towards projects where benefits are highest and the most damages are avoided for every £1 of government investment, irrespective of the project sponsor.

Many respondents supported prioritising projects in the places where flood and coastal erosion risk is greatest. Consultees mentioned examples such as surface water, frequently flooded communities and those in rural areas.

Our value for money approach incorporates an element of risk assessment. We will assess the effectiveness of our approach in reducing risk in the next policy review after 3 years.

We will account for both Defra funding and contributions from others in calculating value for money. **All projects, whether new or improved assets or refurbishment of existing assets, will be prioritised by their net benefits divided by their total Defra FCERM funding**.

As partnership contributions increase, the amount of Defra FCERM funding needed decreases, leading to higher project prioritisation. The more significant the partnership contribution, the larger the likelihood of boosting prioritisation. This approach maximises the benefits obtained for every £1 of government investment.

Prioritisation by value for money ultimately influences whether a project receives Defra funding.

The National Flood Risk Assessment and National Coastal Erosion Risk Map

Consultees were interested in the risk evidence base and how this is used to drive investment decisions.

In December 2024, the Environment Agency released new and improved flood and coastal risk data for the whole of England:

- a new National Flood Risk Assessment (NAFRA)
- a new National Coastal Erosion Risk Map (NCERM)

These tools use the best available data, information and modelling from both the Environment Agency and local authorities. For the first time this includes projections for future flood risk.

NAFRA and NCERM national data informs national and local decision-making and should be supplemented with local data and knowledge where this is available. We want to make best use of national data to reduce the amount of time and money risk management authorities spend on project development.

In some locations, other locally held datasets may be more suitable for justifying investment. Risk management authorities should use their best judgement as to what is the best evidence base. As our understanding of flood risk changes over time, the national NAFRA and NCERM data will be updated regularly as new mapping and modelling information becomes available. All risk management authorities are encouraged to contribute evidence and data to the Environment Agency, which maintains both NAFRA and NCERM.

Consultees raised a number of improvements that they thought should be made to NAFRA.

We want to ensure NAFRA is the most up to date model of flood risk in England so it can be effectively used to inform and drive project development. The Environment Agency is working to ensure NAFRA works everywhere in England and that it captures the widest possible range of assets to give the most up to date possible view of current risk levels.

The Environment Agency will work with other risk management authorities to drive continuous improvements to NAFRA, continuing to feed in high quality data and evidence from all risk management authorities.

Metrics

We have developed new outcome and output metrics to drive the best FCERM outcomes and explain the benefits of the FCERM investment to different audiences. These metrics will be used for the new programme starting in April 2026.

The outcome metrics are economic benefits and risk to properties. The output metrics are properties benefitting from different levels of risk reduction, and the condition of FCERM assets.

Outcome metric 1: economic benefits

This captures all damages avoided to properties, infrastructure, agriculture and a range of other areas. The main purpose of the FCERM investment programme is to reduce the damages of flooding and coastal erosion. This is the metric which measures the overarching strategic objective to ‘reduce risk from, and increase resilience to, flooding and coastal erosion’, which drives investment decisions. It drives investment as projects are prioritised by their economic benefits. All benefits are counted whether rural or urban, removing the bias towards property benefits in the current policy.

Risk to properties metric

To aid longer term decision making, the Environment Agency will also develop a way of reporting on the reduction in flood risk due to the investments made by the national flood and coastal investment programme.

Output metric 1: properties benefitting

This metric is made up of 2 parts:

1. Properties benefitting from maintaining flood protection or reducing flood risk. Examples of project types that may achieve these risk reductions include flood and

sea defences and capital maintenance.

2. Properties benefitting from more modest reductions in flood risk. Examples of project types that may achieve these risk reductions include natural flood management, sustainable drainage systems and property flood resilience.

Consultees raised concerns that the need to move properties from a higher risk band to a lower one to attract Defra funding unfairly disadvantaged projects such as natural flood management and property flood resilience compared to traditional engineered defences. The new funding policy removes the requirement to show properties have crossed a risk band, and the updated property metrics reflect this change.

Output metric 2: assets

For the start of the next investment programme the metric remains ‘asset condition’, which refers to the physical state of the FCERM asset. The Environment Agency plans to phase out ‘asset condition’ and replace it with a new metric of ‘asset health’ during the next investment programme.

Strategic objectives

Consultees expressed a clear preference for evolving our approach to prioritising FCERM projects. Many supported a framework that balances value for money and flood risk with the delivery of key policy outcomes. There was strong advocacy for ensuring that all risk management authorities have equitable access to funding, and that certain policy outcomes should be prioritised within the investment programme. However, we also noted concerns from consultees that putting additional burdens on project owners at the individual project level could present barriers to investment.

We are introducing programme-wide strategic objectives to guide investment decisions. These objectives are intended to result in a fairer, more equitable approach that maximises achieving multiple benefits for every £1 of government investment.

Overarching strategic objective

The overarching strategic objective of the FCERM programme is to ‘reduce risk from, and increase resilience to, flooding and coastal erosion and deliver environmental outcomes that are intrinsic to meeting this ambition’.

This overarching objective will ensure the FCERM programme reduces the damages from flooding and coastal erosion as much as possible, benefitting homes, business, farmland, roads and a wide range of other areas. It will also ensure the FCERM programme delivers as many environmental benefits as possible where this is a by-product of increasing resilience to flooding or erosion. The old limit on environmental benefits not making up more than 20% of a project will be removed.

Partnership contributions

We noted broad support for the removal of the partnership funding calculator. However, a wide range of consultees, including local authorities, water companies, and organisations with expertise in managing flood risk, highlighted continuing to secure partnership funding is a key element in successful delivery of an effective FCERM investment programme.

We agree that partnership funding is vital. It maximises the benefits for every £1 of government investment and it also fosters collaborative behaviours by bringing multiple partners together to create the best possible projects.

The FCERM programme will have a strategic objective to unlock further investment to make government investment go further. The FCERM programme will use public money to unlock additional contributions from public, private and charitable sources, encouraging joint working.

To support delivery of this objective, partnership contributions boost a project's prioritisation, as set out in the prioritisation by value for money chapter. This acts as an incentive for projects to attract other sources of private and public investment: the greater the benefits for every £1 of Defra FCERM funding, the greater the chances of a project being prioritised for receiving Defra FCERM funding. This makes every £1 of government investment go further.

Investment in deprived communities

We are setting a strategic objective to ensure at least 20% of FCERM investment is directed to the most deprived quintile, and at least 40% to the 2 lowest quintiles combined, over both the next 3-year and 10-year periods.

A deprivation quintile refers to one of five groups (quintiles) into which areas are categorised based on their level of deprivation. The most deprived quintile means it is the most deprived 20%. The 2 lower quintiles combined are the most deprived 40%.

Consultees frequently referenced the specific challenges faced by deprived areas, particularly in recovering from the impacts of flooding. There was broad support for more targeted investment in flood protection for these communities. This strategic objective will ensure that deprived areas receive at least the same share of funding as their weight in the population, strengthening community resilience and supporting long-term economic growth.

Investment in natural flood management

Natural flood management (NFM) plays a strong role in reducing flood risk while delivering multiple benefits to the environment, people and communities. We are setting a strategic objective to ensure at least 3% of FCERM investment over the next 3 years, and 4% of FCERM investment over the next 10 years is directed to NFM.

We agree with consultees that NFM is under-represented in the current investment programme. This strategic objective will mainstream delivery of NFM and ensure a minimum level of investment in NFM, which can be exceeded.

Consultees have highlighted that NFM projects have previously struggled to attract investment due to their locations in predominantly rural areas where there are fewer economic benefits from flood protection. The strategic objective on NFM will help address this challenge, ensuring at least £300 million is invested in NFM over the next 10 years. This is the highest figure to date for the floods programme. The strategic objective applies to standalone NFM projects. There will be additional NFM investment as all projects are encouraged to consider NFM in combination with traditional engineered protection. NFM includes investment in urban, coastal and rural locations.

We will remove the need for projects to demonstrate a step-change in flood risk by moving properties from one risk band to a lower risk band. This had previously hindered delivery of NFM where the measures are generally about slowing the flow or holding waters back to enhance flood resilience.

Prioritising projects by their benefits for every £1 of government investment also supports NFM. NFM has historically attracted contributions from partners, which will boost its prioritisation. NFM delivers multiple benefits, which will also boost its prioritisation.

We need the right FCERM measures in the right places. We note concerns from consultees that there must be guardrails which prevent inappropriate investment in NFM. The Environment Agency has checks and balances to prevent inappropriate investments. We will welcome NFM projects to manage FCERM risks where there is proportional evidence that they are the most suitable intervention. The Environment Agency will invite proposals for NFM projects noting that NFM interventions may be upstream or through the catchment, further away from areas at risk.

Consultees highlighted the evidence requirements have been a barrier to NFM and have asked for the work required to access funding to be proportional to the level of funding sought. We will make changes that address these concerns. The policy funding risk bands, which have required disproportionately costly evidence requirements, will be removed. The Environment Agency has also developed a national tool to estimate the flood risk reduction benefits of NFM interventions. This will help to reduce delays and enable more NFM projects to get into delivery faster.

Consultees also raised that NFM schemes require ongoing maintenance to remain effective. Consultees worry the maintenance would not take place without funding available. We share this priority and will continue to work to align FCERM investment with

Environmental Land Management schemes to support landowners with the long-term maintenance of NFM measures.

Some consultees want to see more landscape-sized NFM projects that bring in multiple partners and sources of funding. Consultees had concerns larger scale measures and catchment approaches are less well supported by funding rules. Consultees also supported taking a blended finance approach, with government funding used to unlock further investment from other sources.

Working with the Environment Agency, we will explore how we can enable more landscape-sized NFM through partnership working. This would also seek to build the evidence base around landscape-sized interventions. For NFM of all sizes, we will seek alternative sources of funding, including contributions in-kind, to maximise taxpayer value.

The Environment Agency will allow non-risk management authorities to apply for Defra FCERM funding.

Some risk management authorities expressed concerns about non-risk management authorities receiving Defra investment to develop projects without the involvement of the Environment Agency or other risk management authorities. We will consider how to best enable and support strong partnerships between risk management authorities and other organisations.

Funding treatment of properties built after 2012

We will enable properties constructed after 2012 to access funding, simplify the funding process, and address historic inequities for properties now considered at risk due to updated risk assessments. We will do this by removing the ‘2012 rule’ and therefore allowing projects to include benefits to existing properties in their project appraisals. This will reduce complexity in the funding system and address historic disadvantages for those that find themselves now at risk.

We acknowledge feedback from some consultees that the 2012 rule, which prevented the benefits of properties built after 2012 from being included in benefit appraisals, may not have effectively discouraged development in flood zones. Some consultees suggested that a more effective approach would be to strengthen planning policy, enhance the statutory powers of lead local flood authorities and improve the enforcement powers of local authorities. Others stated that a similar provision to the rule was necessary to deter inappropriate development in flood risk areas. Consultees also recommended that the government enact Schedule 3 of the Floods and Water Management Act 2010.

The government is clear that inappropriate development in flood-prone areas must be avoided. The national planning policy framework directs development away from areas at highest flood risk, including floodplains. It requires that where development is necessary, it must be resilient, safe for its lifetime, and not increase flood risk overall.

Where these strict tests are not met, development should not go ahead. In 2024/25, 96% of all planning decisions complied with Environment Agency advice on flood risk. This demonstrates the strength of our safeguards and the system's ability to steer development away from harm.

The government has committed to reviewing whether further changes are needed to manage flood and coastal erosion risk as part of the upcoming consultation on planning reform, including national policy for decision making, later this year.

Local choice

Consultees highlighted the need for greater local choice in FCERM investment. Local government organisations emphasised the value of local knowledge in ensuring that investment is aligned with local growth and environmental strategies. Regional flood and coastal committees and local authorities have expressed strong desire for increased involvement in project selection at the local level.

We are committed to empowering local communities with greater choice. Our streamlined approach to prioritising and funding projects is designed to expand access to FCERM funding. This approach is also designed to enable communities, through their regional flood and coastal committees, to have a stronger voice in deciding which projects and local priorities to support through local levies.

Regional flood and coastal committees consent to the Environment Agency's annual programme of flood investment and can raise and spend local levy. Greater local choice within these duties will support sustainable growth and ensure that decisions are made by regional flood and coastal communities in the best interest of their communities.

As we embed the new funding arrangements, there will be improved local choice in the floods funding programme. This is because there will be more eligible projects for regional flood and coastal committees to choose between when they make decisions on which projects go forward each year through their existing statutory consenting role.

The new funding arrangements are more favourable to natural flood management and refurbishment, which traditionally regional flood and coastal committees have funded through their local levy. This will free up local levy for regional flood and coastal committees to use for projects that advance other local priorities.

Property flood resilience

Under the old funding rules property flood resilience schemes could only be considered in places at the highest category of flood risk and required a proportionally high level of external contributions. We will remove the need for schemes to be in the highest category of flood risk. Alongside eligibility for the first £3 million of costs and 90% above that level. This means that property flood resilience schemes will be able to benefit from the same funding approach as all other projects.

Refurbishment of existing FCERM assets

In the consultation we sought views on the funding rules for capital refurbishment of existing assets, as opposed to the routine maintenance of assets, which is not in scope of this consultation. Refurbishment is a significant fix on an asset that can't be addressed by routine maintenance alone.

Refurbishment of assets that achieve flood risk reductions and other strategic objectives is eligible for Defra FCERM funding. Refurbishment work to fulfil other duties, such as duties related to sewage or highways management, is not eligible for Defra FCERM funding.

Refurbishment of some components of an asset that have an identified and planned investment need because their design life is shorter than that of the asset overall, is eligible for Defra FCERM funding. For example, a pumping station may have a long design life, but some parts may need to be replaced or rebuilt periodically in order to keep it working.

Consultees expressed widespread support for adequately funding refurbishment of existing assets.

Consultees asked for greater clarity on which risk management authorities are eligible to submit refurbishment projects for consideration. We can confirm refurbishment investment is available to all risk management authorities on an equal basis.

We note consultees called for a cap on FCERM refurbishment to avoid refurbishment investment not leaving sufficient FCERM budget to invest in new projects. The Environment Agency have reviewed available evidence and do not consider there is a need to set such a cap at this stage, but we will keep this under review. Eligible refurbishment projects will be prioritised like any other project, based on their net benefits for every £1 of government investment, and within the available budget.

Consultees have highlighted that fully funding FCERM refurbishment could risk project owners allowing their assets to fall into disrepair so that they are instead refurbished with Defra FCERM funding. Routine maintenance is an essential element of asset management, and an asset which is maintained at optimum standard over the course of its lifetime is much less likely to need refurbishment.

When applying for Defra FCERM funding for refurbishment of existing assets, asset owners will need to demonstrate that they have undertaken whole life asset management and routine maintenance.

Building new FCERM assets will eventually mean those assets require refurbishment, and so refurbishment needs are likely to grow over time.

Transition arrangements

Our clear rules will give certainty to FCERM projects, as to how we will transition from the current funding policy to the new funding policy.

Environment Agency projects

Projects that have an approved full business case by 31 March 2026 will stay on the old funding rules.

Projects that have not achieved an approved full business case by 31 March 2026 will move to the new funding and prioritisation rules.

Other risk management authority projects

There is currently a 2-tiered approach for approving other risk management authority projects. Projects above £50 million require approval of their full business cases by the Environment Agency. Projects below £50 million have a lighter touch approval with only their outline business cases being reviewed and approved by the Environment Agency.

We have reflected the current 2-tiered approach in the transition arrangements for projects from risk management authorities other than the Environment Agency:

- projects of a value greater than £50 million, which have an approved full business case by 31 March 2026, will stay on the old funding rules
- projects of a value under £50 million, which have an approved outline business case by 31 March 2026, will stay on the old funding rules
- projects of a value greater than £50 million, which have not achieved an approved full business case by 31 March 2026, will move to the new funding and prioritisation rules
- projects of a value less than £50 million, which have not achieved an approved outline business case by 31 March 2026, will move to the new funding and prioritisation rules

This approach will minimise disruption for all Environment Agency and other risk management authority projects above £50 million, which already have an approved full business case. It will avoid the risk of having to amend existing contractual agreements which would significantly increase costs and slow down delivery.

Other risk management authority projects less than £50 million go through their own approvals process beyond outline business case. For these projects we want to avoid them needing to be reapproved under new funding arrangements.

Some consultees raised concerns regarding the following proposals we consulted on for transition of existing projects to the new rules:

- all projects in delivery from April 2026 and that do not have contractual commitments in place for construction to move onto the new funding and prioritisation rules
- projects that have contractual commitments for construction would stay on the old funding rules

Most risk management authorities asked for transition arrangements to be more flexible. This includes a phased approach to avoid expensive and time-consuming changes to projects that have been developed under the old rules, but which do not yet have contractual commitments. We acknowledge these concerns and have sought to provide flexibility without undermining the stability of the programme or failing to bring in the new policy in a timely way.

Our updated transition arrangements allow other risk management authorities to continue with projects at an earlier stage which provides them with greater confidence for project delivery. They also have the opportunity to reassess projects and reapply for funding under the new funding rules by resubmitting their outline business case.

Some major projects may have requested approval but have not yet received it by 31 March 2026. For these projects, a bespoke approach may need to be taken to avoid delays and wasted investment. Defra will work with the Environment Agency to ensure these projects are reviewed on a case-by-case basis.

Where projects are impacted by the transition arrangements, the Environment Agency will commit to working with project teams and communities to develop new project proposals.

In some locations new funding rules may mean that natural flood management or property flood resilience, for example, are affordable options but were not previously proposed due to barriers accessing funding under the old funding policy.

Surface water

Surface water is the largest source of flood risk by the number of properties at risk: 73% of properties at risk of flood are at risk of surface water flooding. Surface water flooding is happening increasingly frequently, with more intense rainfall events projected to continue.

Some consultees noted that surface water flooding has been underinvested in under the current programme, despite it being a significant source of flood risk. The new funding rules will support investment in managing surface water flooding, We will assess the effectiveness of our approach in reducing surface water flood risk in the next policy review after 3 years.

Surface water projects have historically attracted higher rates of funding from partners than other types of projects, which will boost their prioritisation under the new funding policy.

Water companies highlighted in their consultation responses that surface water projects represent good value for money to the taxpayer because they are often co-funded and co-delivered with local authorities and private investors. They also enable multiple benefits reducing both surface water runoff that causes flooding as well water pollution into our rivers. We will continue to encourage that co-funded and co-delivery approach.

We will remove the need for projects to demonstrate a step-change in flood risk by moving properties from one risk band to a lower risk band. This had previously hindered delivery of surface water projects like sustainable drainage systems, which enhance flood resilience by reducing surface water flood risk.

In addition to the £300 million investment in NFM over 10 years, there will be further investment on sustainable drainage systems, which also provide multiple benefits to the environment, people and communities.

Coastal erosion

This consultation and government response is on the funding and prioritisation of flood and coastal erosion projects. Several consultees asked for clarification on this point, as the consultation did not have ‘coastal erosion’ in the title.

Consultees also highlighted coastal erosion projects tend to have higher costs and have struggled securing Defra funding under the old funding rules. Some consultees felt that our old approach to coastal erosion did not adequately fund coastal adaptation and climate adaptation outcomes. Our new approach will prioritise projects based on all their benefits, including wider benefits delivered by coastal erosion projects.

Working with the Environment Agency, we will explore how we can take forward the current Coastal Transition Accelerator Programme. We will build on lessons learned, also recognising the growing source of risk in this area from the latest NCERM data.

FCERM programme review

We will review the new policy in 3 years to assess its effectiveness in managing flood and coastal erosion risk. This will allow us to see if any policy adjustments are needed.

There are several areas highlighted through this document that we will want to keep under review including:

- the policy effectiveness at reducing damages and flood and coastal erosion risk to those in the highest risk areas

- the policy effectiveness at managing surface water flood risk
- whether to set a cap on the percentage of the investment programme that goes towards refurbishment
- whether inflationary pressures require us to make any changes to funding eligibility thresholds

There are also other areas which will impact funding and prioritisation, such as the Green Book review and the FCERM project appraisal guidance.

Integrated water management: regional planning and funding cycles

The government recognises the importance of integrated water management, encompassing all aspects of water, including flood risk. The government is working to respond to the Independent Water Commission recommendations. Further details will be set out in a forthcoming white paper.

Some consultees acknowledged the recommendations of the Independent Water Commission, led by Sir Jon Cunliffe, to establish a new regional system planner for water. Following the publication of the Independent Water Commission's report, the Defra Secretary of State committed to including a regional element in the new water regulator to ensure greater local involvement in water planning.

Consultees highlighted the importance of integrated water management, ensuring that future governance of flood funding should be closely aligned with the development of the regional element for water. Consultees also highlighted challenges in aligning strategies and accessing multiple funding streams as long as FCERM and water company funding cycles remain un-aligned.