WHAT IS PARTNERSHIP FUNDING?

In May 2011, the Secretary of State for the Department of Environment, Food and Rural Affairs (Defra) introduced a new policy, 'Flood and Coastal Erosion Resilience Partnership Funding', better known as `Partnership Funding`. The policy describes a new approach to the funding of projects to reduce flood and coastal erosion risk. This new approach requires the project costs to be shared between national and local funding sources. Government funding is only available for projects for which the qualifying benefits outweigh the costs.

Partnership Funding is a new way of thinking and relatively new policy but it isn't a new concept. The Environment Agency, Risk Management Authorities and others have been working in partnership and jointly funding projects for years.

Defra's Partnership Funding approach

The overall objectives of the partnership funding arrangements are to better protect more communities and to deliver more benefits by:

- encouraging total investment to increase beyond levels affordable to Government alone
- enabling more local choice, and encouraging innovative, cost-effective options to come forward in which civil society may play a greater role
- increasing levels of certainty and transparency over the national funding for individual projects, whilst prioritising action for those most at risk and least able to protect or insure themselves

The Partnership Funding arrangement means that the maximum amount of Flood and Erosion Coastal Risk Management Grant in Aid (FCERMGiA) available to any project can be calculated based on the outcomes it is expected to achieve, expressed as a Partnership Funding Score. This represents the percentage of project costs that has been secured and hence the size of any funding gap. Once other sources of funding are added, a project will require a score of 100% or more in order to be considered for funding.

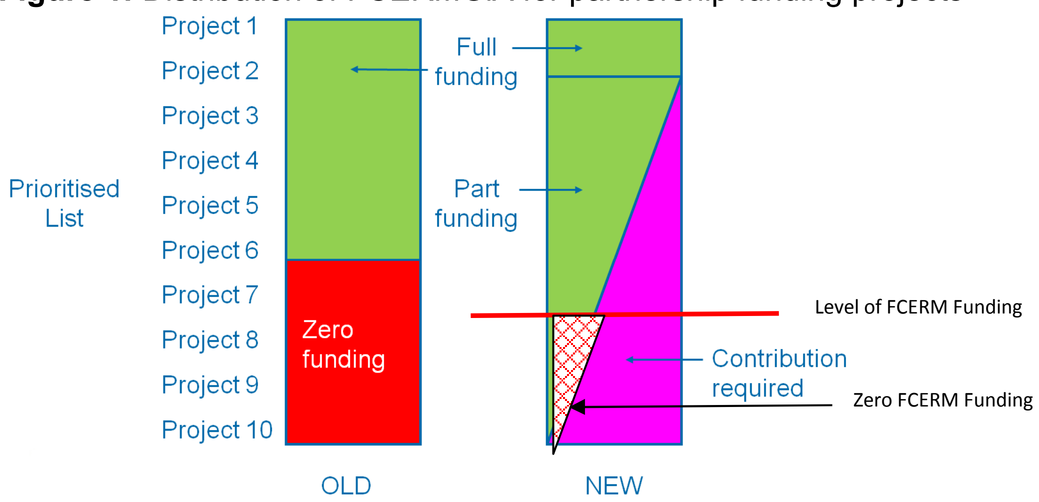
The overall amount of FCERMGiA is limited and the allocation of funding is therefore subject to availability at the time of approval by the Environment Agency. Figure 1 shows how the available FCERMGiA can stretch further and contribute to a greater number of schemes through the new Partnership Funding policy.

'Funding the gap'

The Environment Agency's Long Term Investment Strategy has demonstrated that, to prevent further properties being put at risk in England by 2035, the Environment Agency would need an additional £20m per year, just to deal with the impact of climate change. Even if the funding level remained flat, there would be a further 350,000 properties at risk of flooding by 2035.

Overall funding for Flood and Coastal Erosion Risk Management (FCERM) depends on an allocation in the Spending Review but does vary. However there will always be a funding gap and partnership funding can help to bridge that gap. Realistically it will never bridge the gap completely so practitioners need to be innovative and consider different solutions.

Figure 1: Distribution of FCERMGiA for partnership funding projects



Why FCERM projects need to consider Partnership Funding

Rather than fully funding some projects and declining others, many more projects may now be able to proceed by building partnerships and securing funding agreements with other parties. Partnership Funding means that organisations and communities that have a financial stake in managing risk, and remain involved throughout the life of their investment, have an incentive to manage project costs throughout the project life cycle.

Partnership Funding will help to deliver innovative approaches to managing flood and coastal erosion risks. It will encourage efficiencies and reduction in costs, and promote joint solutions that bring together the different aims of partners and potential investors. In turn this will deliver benefits wider that those related to flooding or coastal erosion alone.

Partnership Funding Calculator

Under the Defra policy on Partnership Funding the amount of FCERMGiA available to any capital project will directly relate to the outcomes the project delivers. The Partnership Funding Calculator will determine the amount of FCERMGiA that a project is eligible for. The calculator and guidance for calculating outcome measure contributions can be downloaded from the Environment Agency website https://www.gov.uk/government/collections/flood-and-coastal-defence-funding-for-risk-management-authorities

By inserting summary data on estimated costs and outcome measures the Partnership Funding Calculator will:

- estimate the amount of eligible FCERMGiA (as a percentage of the total estimated cost of the project)
- identify the likely amount of local FCERM investment needed to make the leading option/s of a potential project viable

If the estimated eligible amount of FCERMGiA is less than 100% of estimated costs local contributions will be **essential** to making the preferred option/s viable. 'In principle' offers of local funding will be required to demonstrate the potential financial viability, before a detailed business case can be developed.

If the estimated eligible amount of FCERMGiA is greater than 100% but less than 150% of estimated costs then it is **likely** that local contributions will be needed to complete the business case and attract FCERMGiA funding to deliver it. However, the partnership funding score threshold is likely to change year on year.

Investment Partnerships

Where appropriate, dependent on the scale of the project, an FCERM local Investment Partnership may be needed to:

- respond to investigations into the viability of the scheme
- identify, prioritise and commit the necessary amount of local FCERM investment to make the scheme viable
- ensure that all beneficiaries have been identified
- ensure partnership contributions identified are proportional to their benefit