



GM HOUSING FIRST, PLANNING AND INFRASTRUCTURE COMMISSION

Date: 22/01/2026

Subject: Flood and Coastal Erosion Risk Management (FCERM) new flood policy.

Report of Jill Holden (Greater Manchester Flood and Water Management Programme Manager)

Purpose of Report

This paper provides a briefing to the Commission on:

1. FCERM funding policy – government consulted summer 2025, its response and the details of the new flood funding policy can be found at [Flood and coastal erosion risk management funding policy](#)
2. Further detail will be provided verbally by the Environment Agency at the Commission on 23 October.

Recommendations:

Members are requested to:

1. Note the contents of the paper specifically the Environment Agency report in Annex A.

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New flood funding policy.

1.0 Background

- 1.1 Defra have consulted on the existing FCERM (Flood and Coastal Erosion Risk Management) partnership funding - Grant in Aid approach. From the findings they have simplified the existing complex funding model. The new policy was published October 2025, and we are now in a transition period until March 2026.
- 1.2 The new policy should make it easier for surface water and NFM projects to secure funding projects that previously struggled under risk-band rules. It supports collaboration with local environmental groups and gives RFCC's some discretion, for balancing statutory obligations with local priorities.
- 1.3 The new policy simplifies funding and broadens eligibility; national prioritisation by EA still underpins allocation decisions and whilst local priorities (e.g., surface water schemes, NFM) now score better under strategic objectives, competition for national GiA will increase.

2.0 Funding model summary – transition to new funding policy

Funding model/stage	Pros	Cons
Partnership funding pre-October 2025 <ul style="list-style-type: none">• Partnership funding formula.• Move to a lower risk band required for prioritisation.• RMA's only eligible.• Limited local choice.• Minimal innovation support.	<ul style="list-style-type: none">• Encourages local investment and collaboration.• Transparent formula for calculating funding.• Targets high-risk areas for maximum impact.	<ul style="list-style-type: none">• Complex and bureaucratic, slowing project delivery.• Disadvantages small-scale or innovative projects (e.g., NFM, property-level resilience).• Heavy reliance on partnership contributions, challenging for deprived or rural areas.• Excludes post-2012 properties, creating inequities.

Funding model/stage	Pros	Cons
Transition Period – until March 2026 <ul style="list-style-type: none"> Dual system (old & new rules). Move to a lower risk band applies if Full Business Case approved pre-2026. RMA's only eligible. Limited local choice. Minimal innovation support. 	<ul style="list-style-type: none"> Provides certainty and flexibility for projects already in development. Avoids disruption for schemes near approval. Allows time for RMAs to adapt to new appraisal guidance. 	<ul style="list-style-type: none"> Creates a dual system, adding complexity for delivery partners. Risk of projects being delayed benefitting from new rules. Requires careful coordination to avoid funding gaps.
New flood funding policy – post March 2026 <ul style="list-style-type: none"> £3m fully funded + 90% above. Move to a lower risk band removed. RMA's and non-RMA's eligible. Expanded RFCC local choice. Strong NFM resilience. 	<ul style="list-style-type: none"> Simplifies funding process, reducing administrative burden. FCERM assets can be fully funded for major refurbishment. Encourages innovation (NFM, resilience measures). Improves equity by including post-2012 properties. Strengthens local influence and collaboration. Supports climate adaptation and environmental benefits. 	<ul style="list-style-type: none"> Still reliant on EA national prioritisation, so competition remains high. 10% local contribution above £3m may still challenge deprived areas. Requires robust governance to manage expanded eligibility and local choice. Uncertainty until policy review in 3 years.

3.0 Full funding report – Environment Agency

3.1 Further details can be found in the Environment Agency report in Annex A.

Appendix A: Flood and Coastal Erosion Risk Management (FCERM) funding policy.

Report of Dermot Smith (Flood Risk Senior Adviser, Environment Agency) **Nick Pearson** (Flood Risk Manager, Environment Agency).

Summary

In summer 2025 the government consulted on a new funding policy for flood risk. On the 14th October 2025 it published its response and the new funding policy. This can be found here [Flood and coastal erosion risk management funding policy](#)

Policy Aims

The new funding policy aims to:

1. Balance money for new capital projects and maintaining existing assets
2. Ensure funding focuses on risk areas highlighted by the new National Flood Risk Assessment 2 (Nafra2).
3. Simplify the current model
4. Achieve a better spread of project types including natural flood management, sustainable urban drainage and property flood resilience.
5. Retain principle of partnership funding

Funding Eligibility

- Asset preplacement and repairs will be fully funded.
- Projects below £3 million fully funded.
- Projects over £3 million will get first £3million and 90% of cost above £3million.

Prioritisation by value for money

- Prioritisation will be based on Benefits Cost Ratio (BCR)
- A wider range of benefits can be used.
- The cost element is based on cost to Defra, not project cost.
- Increasing the contribution from others will increase the BCR.

Strategic Objectives

- Overarching: Reduce flood risk and increase resilience.
- Deliver environmental outcomes that are intrinsic to reducing flood risk.
- Remove old limits on environmental benefits (previously capped at 20%).
- Deprived communities: At least 20% of investment to the 20% most deprived communities; 40% to 40% most deprived.
- Natural Flood Management (NFM): Minimum 3% of investment over 3 years, 4% over 10 years (£300M total).
- Promote partnership funding and local choice.

Other changes

- Properties built after 2012 are now eligible.
- Environmental NGOs will be able to apply for flood defence grant in aid (FDGiA) for NFM schemes.
- Speeding up early project development, simpler business cases and proportionate appraisal processes
- Focus on asset management with focus on asset health over asset condition
- New metrics to measure environmental, social and economic benefits.
- No need for projects to demonstrate they are moving from high to lower flood risk band

Implementation Dates

The policy will take effect on the 1st April 2026. However, the funding for 2026-27 has been allocated on the current system.

There is a transition with projects who have a Full Business Case approved by 31st March 2026 will use the old system

Some projects, though none to my knowledge in Greater Manchester, will lose out under the new system if their partnership funding score was over 90%. However, most projects in GM will do better under this policy.

Detailed Guidance

The above sets out a clear change to the current system which looks simpler. However, as a policy statement it does not contain the detail of how many of the policies will be implemented. The Environment Agency is currently drafting the detailed guidance of how this will be done. For example, we know that projects will be prioritised on their BCR. However, that will favour projects with high property values, yet the policy wants to ensure the 20% most deprived communities will get at least 20% of the funding, guidance will be needed to ensure the policy outcome is achieved.

How we achieve £300 million spend on NFM will need to be detailed. How these projects are prioritised and how it will be divided between current Risk Management Authorities and NGOs will need to be outlined. We know for 2026-27 the programme has been fully allocated and there is no separate pot for natural flood management (NFM) projects so achieving that ambition will need guidance.

The current appraisal guidance is a mighty tome and many of the policy outcomes will need changes to the appraisal guidance. Initial guidance will be issued in the New Year which will be followed by further updates as the guidance is completed.

Implications for Greater Manchester Flood Risk

The new system looks much easier and simpler. However, this also means that many more projects will now have a much smaller partnership funding gap to fill, and so there will be a lot more projects asking for money. There will therefore be intense competition for FDGiA.

Although the policy sets outcomes for the next 10 years, i.e. spending £300 million on NFM over 10 years, the current funding settlement is for just 3 years. The FDGiA fund

was heavily oversubscribed for 2026-27 and many existing projects were not allocated any money. Therefore, starting new projects may be difficult. How projects are prioritised will become even more important. It looks like the best way to achieve a higher priority will be to bring in more external contributions than 10% and even fully funded project may need a contribution to get a good enough BCR.

One of the intentions of removing risk band crossing was to enable more surface water management projects. However, the policy does not say how else surface water projects will be encouraged.

The policy also talks about greater local choice for communities and the Regional Flood and Coastal Committee. However, how that can be exercised will need to be decided as the system will still retain a national prioritization.

Discussion

How can we ensure that Greater Manchester is well placed to take advantage of the new funding policy.

Firstly, it is important that we focus on risk. The national Environment Agency allocation team will be using Nafra2 data to indicate where the most risk. The GM IWMP has also been using that data and our Data Analyst has been analysing sewer, surface water and river flooding to identify hot spots, or wet spots, where we should be targeting future investment. This is still to be developed but should mean we have a common understanding of risk and are focusing on the right areas.

However, the current programme is oversubscribed to existing projects and projects in construction are being prioritised over new starts. Therefore, it is important that we continue to focus on the current programme. The current programme focuses on Littleborough and Rochdale, Poise Brook, Hindley, River Mersey Manchester and Leigh. These are all places with a very recent history of flooding, so I think we are focusing on the right places.

The new funding system will make the funding gaps smaller, however, small gaps on large projects are still significant amounts of money. We therefore need to work harder with a wider variety of beneficiaries to secure contributions and use a wider variety of ways to identify and work with beneficiaries. This will include developers of new developments.

We also need to ensure business cases are robust and take early decisions on viability, i.e. not continue developing projects we know will not be viable.

The key to this is working in an integrated way with all Risk Management Authorities, catchment partnerships and taking a holistic view of flooding including the upstream causes and the downstream impacts.

Recommendations

1. We need to agree a common understanding of risk underpinned by good data
2. We need all Risk Management Authorities (GMCA, Lead Local Flood Authorities, UU and the EA) to work with all public departments, environmental NGOS, developers, private companies and people who have expertise in finance and funding to develop our pipeline of flood risk schemes that is evidence based, robust, integrated and funded.