

North West Regional Flood and Coastal Committee (RFCC)

Local Levy Strategy [DRAFT FOR COMMENT]

January 2024

This Strategy sets out the key principles and commitments the North West RFCC will apply to make the most of its Local Levy funding and to further its Business Plan goals.

The Strategy will be reviewed again after 2 years.

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Foreword

The North West RFCC first produced a Local Levy Strategy in 2020. We have refreshed it in consultation with constituent organisations to reflect ongoing change in the flood risk and coastal change management programme and to update it in line with the RFCC's Business Plan (currently 2022-2025). The RFCC still holds a balance of Local Levy resource that is additional to what is raised annually but this is intended to reduce to ensure that resources raised are deployed on reducing flood risk. This reduction in balances will potentially constrain the size of the programme, and potentially individual project contributions. We want therefore to be clear on our priorities and ensure Levy funding is focussed on these. This Strategy sets out the RFCC's high level aims, principles, and expectations around the use of our Local Levy funding.

Local Levy is our local source of funding, raised from local authorities, which we use to address flooding and coastal erosion risk and to lever in significant funding from other sources. In the last 6-year programme (2015-2021), for every £1 of Local Levy invested in schemes, on average we drew in £2 of other funding, and on over half of schemes this was as high as £100. This return makes it a sound investment option for local authorities to attract significant national and private sector funding for making their communities more resilient to the changing climate.

Often, it is the Local Levy contribution which makes capital schemes affordable - either that or it would take many more years to raise the required funding from other sources, leaving communities at greater risk for longer.

Unlike many other public finances, Local Levy balances can be carried forward and earmarked for use in future years, providing flexibility to respond to evolving needs and programme changes.

The programme is better protecting thousands of homes, businesses, and infrastructure; protecting future development sites enabling regeneration and job creation; creating habitat for biodiversity; providing new green space, improving footpaths and cycleways for recreation and amenity; along with the associated social, health and wellbeing benefits. Through the Business Plan, we are investing in projects to develop deeper understanding of issues and barriers, to explore innovative and different ways of working, to develop and maintain tools and resources (e.g. the Flood Hub website), to explore alternative sources and mechanisms for funding, and to provide vital additional resources and capacity to support all risk management authorities.

Adrian Lythgo

Chair, North West Regional Flood and Coastal Committee



1. General principles

- 1.1. Priorities for the funding will be to reduce flood and coastal erosion risk across the North West through the investment programme and to help achieve the strategic aims set out in the RFCC's Business Plan.**
- 1.2. We want to provide equal opportunity for all risk management authorities to access Local Levy funding.**

This does not mean equal allocations to risk management authorities as the programme must reflect flood and coastal risk and the readiness of projects.

We aim to make Local Levy more equally accessible for all types of flood and coastal erosion risk.

Through the Business Plan we are considering current barriers to accessing funding for different types of flood risk and for different risk management authorities, and to devise alternative funding mechanisms. We will be open to considering other measures we could take to make Levy funding more equally accessible.

- 1.3. The Local Levy programme will not include reserved funding to support maintenance of main river assets by the Environment Agency.**

All risk management authorities including the EA can apply for Local Levy funding for capital projects to repair or replace flood risk and coastal assets, which will be assessed on a case-by-case basis against agreed criteria.

Local Levy will not generally be provided for revenue maintenance activity by the EA unless the RFCC feels that there are exceptional circumstances.

2. Local Levy contributions for FCERM capital schemes

- 2.1. A primary aim of the Local Levy funding is to lever in other funding and continue to provide an excellent return on investment for local authorities.**

The Local Levy programme will be managed as far as possible to allocate Local Levy funding when needed to align with the timing of other funding.

Flexibility within the programme should normally enable Local Levy funding to be re-profiled in line with any re-scheduling or re-profiling of other funding, in particular FCERM Grant in Aid (GiA).

- 2.2. We will continue to make Local Levy available to allow schemes to progress while seeking other funding contributions, effectively underwriting the other funding.**

There is a clear expectation on applicants to go to sufficient lengths to seek other funding sources first so that Local Levy is not the first option. However, the RFCC also recognises that this is balanced with the benefit of securing Local Levy contributions to encourage other potential funders.

Applicants will need to set out a proportionate project funding strategy and to report back on developments as it is implemented.

Ultimately if other funding options are not successful, Local Levy will generally still be provided to make a scheme fully fundable but this may be subject to confirmation from the RFCC.

2.3. As far as possible schemes receiving Local Levy funding should deliver benefits wider than properties better protected from flooding and coastal erosion.

Wider benefits include environmental (habitat, biodiversity, water quality, water retention), economic, social, recreation, amenity, health and wellbeing.

2.4. We will continue to expect and support the mainstreaming of nature-based solutions as part of reducing flood and coastal erosion risk.

The RFCC has moved away from providing a substantial standalone Local Levy allocation for natural flood management projects. We will work with the RFCC leads for natural flood management (NFM) to continue to support nature-based solutions becoming an integral part of the investment programme, funded from a variety of sources. This applies to both nature-based solutions and NFM in both rural and urban settings.

2.5. For Levy contributions of £0.5 million or more, there is a presumption against Levy contributions that are greater than 15% of total scheme cost.

In other words, for a Levy contribution of £0.5 million, the total scheme cost should be at least £3.3 million.

By introducing this as a presumption against, the RFCC could still choose to approve a contribution which exceeds this in exceptional cases.

2.6. For Levy contributions of less than £0.5 million, the RFCC will be open to considering requests that would represent more than 15% but would not expect Local Levy to be funding the majority (over 50%) of the scheme cost.

While not extending the same expectation of at least 85% of other funding contributions to smaller schemes, the RFCC expects Local Levy contributions to smaller schemes to be appropriately proportionate.

2.7. The RFCC will not normally support Local Levy contributions on single capital schemes of more than £5 million.

This principle has been introduced due to the increasing complexity and cost of schemes, for which a 15% contribution would take up a very large and disproportionate amount of the programme. To date the RFCC has not received requests exceeding £5 million as they already feel disproportionate but it now feels appropriate to introduce a specific value above which the RFCC would not normally approve.

By introducing this as a presumption against, the RFCC could still choose to approve a contribution which exceeds this in exceptional cases where it feels it is warranted and subject to funding availability.

2.8. The principle of proportionality applies to Local Levy requests so that there is greater scrutiny and justification required for larger Levy contributions.

For larger contributions, led by any risk management authority, there is an expectation of early engagement and discussion with Environment Agency Programming teams, Area Flood Risk Managers, the Finance and Business Assurance Sub Group Chair and the RFCC Chair.

3. Partnership Quick Win funds

3.1. We will continue to make funding available to each of the sub-regional partnerships each year for use as required to deliver small-scale 'quick win' projects.

The amount of funding made available to the partnerships was reviewed and increased from £50K to £100K per year. Spend against the allocation will be reviewed at appropriate intervals to ensure the level of funding being provided remains appropriate.

4. RFCC Business Plan

This Local Levy Strategy does not set long term strategic objectives, which is the role of the RFCC's Business Plan.

The Business Plan will continue to be reviewed as required to reflect ongoing changes to national drivers and regional priorities and progress towards them.

- 4.1. We have adopted the model of individual sub-regional partnerships leading on a specific Ambition of the Business Plan. Where Local Levy funding is being provided to carry out projects, it is likely that the lead partnership(s) may derive slightly more direct benefit from the project than others. It is therefore vital that we apply a key principle of transferability to all Business Plan investment requiring consideration of applicability across the North West in all projects, and requiring the project to include knowledge sharing as an explicit element.**

The Environment Agency with its strategic overview role will support and facilitate this knowledge sharing, working in conjunction with project leads and partnership coordinators as appropriate.

- 4.2. We will use Local Levy funding to provide additional capacity and resources, normally on a temporary basis, where this is needed to meet the aims of the Business Plan or to support the delivery of the North West investment programme and wider flood risk and coastal change management functions.**
- 4.3. Some principles will be applied to the processes for reviewing these roles and the associated Local Levy funding.**

The review process for Levy funded roles will not always be exactly the same, due to their having different hosts, employment and funding arrangements,. However, we will seek to maintain a degree of consistency in all reviews, applying the following principles.

1. An independent RFCC member will be asked to sponsor and oversee role and funding contribution reviews.
2. An appropriate senior Environment Agency manager with a degree of separation from the role(s) will normally act as the lead for the review, in consultation and conjunction with the sponsoring member.

5. Programme and fund management

- 5.1. We will continue to build a long-term Local Levy programme to show how the funding will be used over the coming years, how this is predicted to change any balance, and to provide greater certainty around Local Levy funding contributions.**

We currently operate a rolling 6-year programme to tie in with the national Grant-in-Aid 6-year programme but this is flexible to adapt to any future changes.

This relies on all risk management authorities planning ahead and developing pipeline projects of all sizes for the coming years.

- 5.2. We will continue to allocate Local Levy funding to enable as much activity as possible. We intend to reduce the balance and then keep it at a lower level than in previous years.**

Once we have achieved a smaller balance, natural fluctuation in the programme size may cause the balance to increase again but we would expect this to be allocated to the future programme.

We will consider setting a trigger level (desirable maximum balance) which if reached will initiate a review of the balance and future programme to identify any proactive action required to accelerate spend.

- 5.3. When a smaller balance of funding is achieved, we will consider if there is a need to introduce some unallocated contingency funding to retain some additional flexibility in the programme.**

This will enable the RFCC to respond to short term needs without significantly disrupting the indicative programme.

- 5.4. We will not allow the balance to fall below 5 - 10% of annual income, maintaining a reserve for unplanned but urgent and high priority work. This is in accordance with Defra's recommendation.**

This provision would only come into play if the existing balance was largely drawn down and this would act as a minimum that we would not allow it to fall below.

If this minimum balance position were to be reached, we would need to agree the detail of how it is managed and what would be eligible uses.

6. Expectations of project leads

- 6.1. Risk management authorities who are allocated Local Levy funding are expected to progress the projects and spend the funding in the years allocated.**

Updates on progress are expected to be provided through regular reporting routes which highlight any potential slippage. If Levy allocations need to be moved to a later year, this must be formally notified and must be approved by the RFCC.

Allocations not used within the agreed period may be deferred or removed by the RFCC.

Specific requirements on reporting, requesting profile changes and timescales within which Levy allocations must be used will be agreed in consultation with risk management authorities.

7. Local Levy income

- 7.1. The RFCC acknowledges that the decision on whether, and by how much, to raise the Local Levy is an annual one with a direct link to Council Tax. However, in common with local authorities' own medium term financial strategies, the RFCC also takes a medium-term approach to forecasting needs and resources. This covers a 3-year timeframe, the next period from 2025/26 to 2028/29. LLFA members will need to consider this each October as part of the annual Local Levy vote.**

Appendix - Rules for all RFCCs governing use of Local Levy funding

- RFCCs can only commit expenditure in line with the legislative responsibilities of RFCCs.
- RFCCs cannot commit expenditure to resolve sewer flooding which should be referred to the utility provider.
- Local Authorities (LAs) allocated Local Levy by RFCCs must comply with the project approval and grant claim process described in the "[Memorandum relating to capital grants for other risk management authorities in England \(2020\)](#)". This is the latest version of the Grant Memorandum but it is currently undergoing a further review in 2023/24 so a revised version is expected.
- LAs cannot apply for funding for work which would be covered by the Revenue Support Grant.
- Projects must be in the interests of the public and be cost beneficial. RFCCs cannot undertake expenditure that does not deliver benefits at least as great as the proposed expenditure.
- Expenditure must not break subsidy control rules on providing a direct private benefit for a company, organisation or individual.
- Procurement of services must be in line with best practice.
- Local Levy can be used as a contribution towards capital projects part funded from GiA provided that, taking into account all the contributions, the project meets the requirements of the partnership funding policy. Levy can also fully fund capital projects where GiA is not available but must have a benefit:cost greater than unity, i.e. more than 1:1 benefit:cost ratio.