

# Detailed guide: Flood and coastal defence: develop a project business case

*Updated:* Note added to say that although HM Treasury has updated the Green Book you should continue to use this current policy and guidance until we update them.

HM Treasury has updated the [Green Book](#) – its guidance on how to appraise and evaluate government policies, projects and programmes.

You can continue to use this appraisal guidance on developing a project business case until we update it. You can also follow:

- [flood and coastal erosion risk management appraisal guidance](#)
- the [Defra policy statement](#)

Before you can submit a business case for technical and financial approval, your project, strategy or study must be included in the [programme of flood and coastal risk management schemes](#). Find out how to [submit your flood or coastal erosion risk management project proposal](#) to be included in the programme.

You'll need technical and financial approval before you can [claim FCERM grant payments](#).

## **1. Contact the local Environment Agency Area Flood and Coastal Risk Manager (AFCRM) who is your local contact**

Tell your [local Environment Agency contact](#) that you're starting your appraisal – you can ask them for help and advice.

You should also agree a submission date together.

Tell your local Environment Agency contact when you start to write a business case or a Strategy Appraisal Report (StAR), or if the whole life cost of your project is likely to exceed £50 million. The Environment Agency tells the Department for Environment, Food and Rural Affairs (Defra) about projects with an estimated whole life cost of more than £50 million.

## 2. Develop your business case

This stage identifies the preferred approach to reduce the risk of flood or coastal erosion. The outcome of the appraisal process is a business case for the project you are developing.

You must carry out an appraisal.

By following the Environment Agency's [appraisal guidance](#) your project will keep to [Defra's policy statement](#).

The appraisal process applies to new and on-going flood and coastal erosion risk management (FCERM) strategies and projects funded by government. This includes those carried out by maritime local authorities. They have coastal erosion responsibilities under the Coast Protection Act 1949.

More appraisal guidance for specific tasks during an appraisal includes:

- [FCERM economic appraisal spreadsheet](#) to assist economic analysis
- [appraisal summary table supporting note](#) to enable the clear presentation of negative and positive impacts. This helps the consideration of wider issues within the appraisal
- [apply the scoring and weighting methodology](#) to complete economic valuations of more intangible benefit types
- [adapting to climate change](#) to demonstrate how risk management authorities can account for climate change within their FCERM investment decisions
- [risk to people guidance](#) to provide a method for the evaluation of the risk to life associated with flood risks
- [interim guidance note](#) to take account of Defra's policy on socio-economic equity and appraisal of human-related impacts of flooding
- [treatment of risk](#) to describe the latest approach to project optimism bias

There is also supporting guidance for tasks that you do in certain circumstances during an appraisal:

- [economic evaluation of environmental effects](#) assists in applying a monetary value to environmental effects associated with FCERM schemes
- [assessment of coastal erosion and landsliding](#) provides guidance on coastal erosion, cliff instability and coastal landslides
- [treatment of agricultural land](#) provides an update on the valuation of agricultural land and output

## 3. How to apply

You need to use the right template and form. Send 2 copies of your completed business case and the forms to the [local Environment Agency contact](#) by e-mail or post. You can submit the copies on a CD/DVD.

### **3.1 Studies**

Use the [FCERM7](#) form to make an application to apply for funding to start a study or a strategy. You can present the study in a format of your choice. A strategy should be presented on the Strategy Appraisal Report (StAR) template which is available from your [local Environment Agency contact](#).

A study could lead to a strategy, a management plan, investigate options for schemes of works, or investigate the environmental impacts of FCERM on an area of statutory environmental designation. The [grant memorandum](#) explains the full definition.

### **3.2 Schemes**

Use the [FCERM2](#) form to make an application for grant to undertake an FCERM scheme. There are 2 templates you can use to present the business case, depending on the value of the scheme:

- [Short Form Business Case template](#) to request approval of an FCERM scheme with a capital cost less than £2 million
- [Business Case template](#) to request approval of an FCERM scheme with a capital cost more than £2 million

### **3.3 Coastal erosion schemes**

Use both forms for coastal erosion schemes:

- [CPA1](#) – certificate of statutory consultations and response for coastal erosion schemes
- [CPA2](#) – application for formal approval of coast protection project

### **3.4 Other requirements**

You must complete a contributions and efficiencies data sheet for all schemes. Contact your [local Environment Agency contact](#) for a copy. You must also demonstrate compliance with the Equalities Act 2010.

Check with the local Environment Agency contact that your project has allocated funding. This might be an indicative allocation of government capital grant, partnership funding or a mixture of both.

## **4. Getting technical approval**

Your application will be reviewed by the Environment Agency. The review provides you and the approving officer with assurance that the project:

- is good value for money
- can be completed within the budget and time stated in the business case

There are 4 assurance review categories. The assurance review can be carried out by the:

- Area Flood and Coastal Risk Manager (AFCRM) – value less than £500,000
- National Project Assurance Service (NPAS) – value less than £2 million
- National Project Assurance Board (NPAB) – value less than £10 million
- Large Projects Review Group (LPRG) – value exceeding £10 million

The monetary value of your application will decide the review category.

#### **4.1 Assurance by AFCRM / NPAS / NPAB**

We aim to give you the results of the review within 10 working days of receipt of the application. The review may recommend a discussion between you, the assurance reviewers and the [local Environment Agency contact](#). Following the review, you may be asked to submit a revised application.

#### **4.2 Assurance by the LPRG**

The LPRG meets monthly. The [local Environment Agency contact](#) will tell LPRG when your application is due and sends it to them before the monthly submission date. You and the local Environment Agency contact will be asked to present the application by teleconference.

The LPRG will then complete the assurance review and send you the results. You may be asked to attend a meeting with the local Environment Agency contact and the LPRG to resolve complex issues. Following the review, you may be asked to submit a revised application.

### **5. Get financial approval (excluding coastal erosion work)**

When the project has been assured the [local Environment Agency contact](#) will submit the application and the assurance review record for financial approval.

Once approved, we will write to you with a grant approval number. You need this to apply for interim and final capital grant payments.

#### **5.1 Coastal erosion work (excluding studies): tendering stage**

The process is different for coastal erosion work (excluding studies). To get technical approval you should send a [CPA1](#) and your business case to the [local Environment Agency contact](#). After you got technical approval, you can ask for tenders to do the work.

To apply for formal grant approval you need to send the [CPA2](#), with supporting information (the business case updated with tender prices and the tender assessment report) to the local Environment Agency contact.

After the tendering stage, your local Environment Agency contact will write to you with a grant approval number. This is needed to apply for capital grant-in-aid payments.

## 6. Exceptions to the process: emergency works

You do not need to wait for formal approval from the Environment Agency to carry out emergency works (section 5 (6) of the Coast Protection Act). If you intend to claim capital grant for emergency works you will need to seek both technical and financial approval as soon as possible. Note that approval is required from Natural England if you need to do emergency works on designated environmental sites – you will not be able to claim capital grant in aid without it.

### Grant memorandum

The [grant memorandum for local authorities and internal drainage boards](#) provides a comprehensive explanation of the process you need to follow. You can get a copy of old versions by emailing [LAIDBFINANCE@environment-agency.gov.uk](mailto:LAIDBFINANCE@environment-agency.gov.uk).

## Contact the Environment Agency

### Environment Agency

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