

Audience: Environment Agency and other Risk Management Authorities

Flood and Coastal Risk Management (FCRM) Allocation Principles and Prioritisation Approach

FCRM Investment Programme 2026-2029

Summary

This document sets out the final approved version of the FCRM Investment Programme allocation principles and prioritisation approach. These have been developed since the start of the year, working with key stakeholders and governance groups and approved by the Environment Agency (EA) Board on 13 July 2026.

Context

The allocation principles provide a steer on how Flood and Coastal Risk Management (FCRM) grant-in-aid (GiA) will be invested across the portfolio. This document sets out the principles which in turn will support Environment Agency (EA) and other Risk Management Authority (oRMA) teams to focus their efforts on activities that are most likely to receive funding and are the most strategically aligned. It supports delivery of the 2026-2029 investment period but will form an important part of the longer term 10-year investment strategy ambitions.

The previous FCRM allocation principles were approved by the EA Board in October 2020, to support delivery of the previous programme. Last summer (2025), the EA Board approved a set of interim principles and prioritisation approach for the allocation of GiA for the FCRM Investment Programme for 2026/27. It was agreed that these would be updated following the Defra funding policy announcement.

In developing the principles, we have sought to align them with the government's new funding policy and HM Treasury's Green Book definition of Value for Money. We have also consulted EA teams across FCRM including Strategy and Adaptation (SA), and Standards, Asset Management and Engineering (SAME). We have also carried out consultation externally with Regional Flood and Coastal Committee (RFCC) Chairs and committees.

Several common themes emerged from the feedback we received from RFCCs, including balancing investment across strategic goals, geography and priorities, assessment of benefits through value for money approach, role of local decision-making, catchment and strategic approach and local levy under the new funding policy.

These representations have been taken into account, resulting in a final version of allocation principles and prioritisation approach which have now been formally approved by the EA Board.

FCRM allocation principles – The What

The overarching guidelines for the allocation of GiA start with the [government's funding policy and strategic objectives](#):

- **Reduce risk from, and increase resilience to, flooding and coastal erosion** and deliver environmental outcomes that are intrinsic to meeting this ambition. Invest to ensure communities and infrastructure are resilient and can adapt to future flooding and coastal risks in a changing climate.
- **Value for money** – weighing a project's costs against its benefits making sure it supports strategic objectives and government policy. This is in line with HM Treasury's Green Book guidance (UK Government guidance on appraisal) and optimising the **return on government investment**.
- 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.
- **Ensure government investment goes further**. This includes using public money to unlock additional contributions from public, private and charitable sources and encourage joint working.
- An **increasing level of investment in natural flood management solutions**. 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.
- **Greater local choice**. Communities will have greater choice, via Regional Flood and Coastal Committees, to decide how best to use local levies to support local priorities.

Within the scope of the funding policy, we also recognise that we need to:

- **Fully fund legal obligations** to continue to comply with all our legal duties, including any in relation to asset operation, maintenance and response, health and safety, creating compensatory habitat for new projects, and complying with biodiversity net gain requirements.
- **Invest to achieve a wider range of outcomes:**
 - An effective **Flood Warning System to warn and inform people** at high risk of flooding from rivers or the sea **and respond to incidents** so as to save lives and property.

- **Enhance the environment.** Continue to contribute to biodiversity net gain, creating and improving habitat and rivers alongside flood and coastal projects, including delivery of nature-based solutions.
- **Support economic growth.** Deliver projects which help **benefit the economy**, through working in partnership with local authorities.

FCRM allocation principles – The How

We want the below principles to be applied to our projects and programmes across all RMAs to ensure we achieve the best possible benefits for the delivery of our FCRM programme across the spectrum below:

- **Manage public money** effectively. Ensure capital (CDEL) and resource (RDEL) funding is invested in line with accountancy rules and is compliant with accounting standards.
- **Work in partnership and make every £1 of government investment go further** by working with Local Authorities, Internal Drainage Boards, water companies, environmental non-government organisations, partners and stakeholders through effective engagement to **empower communities with greater choice**. From the early stages of project identification and development, local priorities are fully considered by Regional Flood and Coastal Committees (RFCCs), to help build balanced programmes.
- Invest in establishing and maintaining **long term collaborative partnerships** to deliver multiple benefits and maintain an adaptive pipeline of local investment needs, balancing expenditure between preserving existing assets and developing new projects. Maximise benefits of multi-functional assets to achieve multiple outcomes, such as navigation improvements.
- **Support our carbon and sustainability ambitions.** Commit investment and delivery to support the UK Government's target to achieve net zero greenhouse gas emissions from across the UK economy by 2050. Encourage innovation to support the Environment Agency's ambition to meet a 45% carbon reduction target by 2030. Support all Risk Management Authorities to meet their carbon reduction ambitions.
- **Remain agile and responsive** to change, incidents and risks to ensure maximum outcomes from investment and stability in the overall investment programmes. Continue to deliver innovative approaches and solutions, following the government functional standards.

Prioritisation approach – FCRM schemes programme

Proposed approach for funding allocations for the planning and allocation process from Summer 2026 onwards.

The list below outlines the proposed approach to prioritising funding:

1. **Moderation and legal obligations:**
Projects with statutory or legal requirements, or those subject to moderation,

are prioritised to ensure compliance and continuity. Tighter controls on moderation will be applied through the use of a panel to scrutinise bids. A new role for the Chief Engineer's team in understanding works relating to reservoir measures in the interest of safety (MIOS).

2. Projects in or starting construction: *Optimise*

Projects already in or starting construction are prioritised to avoid disruption, cost escalation, reputational risk and delivery delays. This will apply to all EA projects, and RMA projects >£50million past Full Business Case (FBC), and RMA projects <£50million past Outline Business Case (OBC) as RMA projects are not required to submit an FBC for EA independent assurance for projects under £50million as stated in the Grant Memorandum.

3. Return on government investment score: *Prioritise*

This is based on value for money. "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". This accounts for partnership funding contributions and allows these contributions to influence the ranking of projects incentivising those projects that secure partnership funding.

4. Strategic objectives alignment: *Balance*

If targets for the following strategic objectives are not already met after the first three steps, then the programme is balanced to ensure they are:

- reducing risk from, and increasing resilience to, flooding and coastal erosion and delivering environmental outcomes that are intrinsic to meeting this ambition
- guaranteeing 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.
- guaranteeing 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.
- Part of this balancing process will also be to ensure that in-construction, in development and new projects are balanced to contribute to a more stable, longer-term programme.

Next steps

Following formal approval by the EA Board, this new set of allocation principles and prioritisation approach will be implemented through this year's planning and allocation process and will provide a framework to support the 12 RFCCs in exercising their statutory consent role in relation to Environment Agency regional programmes of flood and coastal erosion risk management, in accordance with section 23 of the Flood and Water Management Act 2010

Towards the end of this FCRM Investment Programme period (2026-2029), a review will take place to ensure that the allocation principles and prioritisation are

working as expected, and any subsequent changes in policy, and Spending Review settlements are considered prior to the start of the next investment period, expected to be in 2029.

For more information relating to this document, please contact anna.webster@environment-agency.gov.uk in the first instance.