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LEGACY 2014  
XX COMMONWEALTH GAMES  
SCOTLAND

12 December 2013

Dear Colleagues

**Distribution of the flooding component of the General Capital Grant for 2014-15 and 2015-16 - Guidance for Councils**

In December 2011 we wrote to Councils inviting applications for funding of large flooding projects. At that time applications were restricted to those projects which had been granted approval and had the necessary planning permission as part of the Flood Prevention (Scotland) Act 1961. We advised that further guidance would be issued in due course to allow Councils to apply for any remaining balance of funding after applications from round one had been assessed and awards of funding made.

This approach to the funding of large flooding projects was for the period 2012-2015 (SR2011).

The Scottish Government and COSLA have agreed that this approach to funding large flooding projects is to be extended to include the financial year 2015-16.

We are now inviting applications for the funding of large, new, flooding projects which are to be funded from the remaining 2014-15 component and the 2015-16 component. Eligible schemes include both 1961 Act schemes plus any new flood protection schemes which have been approved and have the necessary planning consent as outlined in the Flood Risk Management (Scotland) Act 2009. Full details on project priority and eligibility can be found in the joint guidance for local authorities, which has been updated and revised. This sets out the process for applying for this component of the grant, the information which must be provided, the eligibility criteria, the assessment process and the payment process. The guidance accompanies this letter.

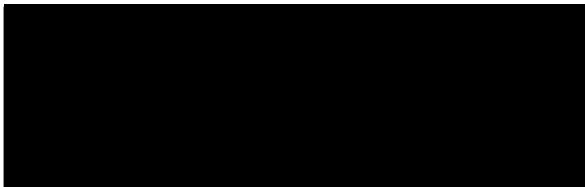
Local authorities seeking funding will be required to make an application and provide the information required as set out in the guidance.



Local authorities should return individual applications which meet the criteria to the Scottish Government Flooding Team by 21 January 2014. Contact details are set out in the guidance.

I should be grateful if you would disseminate this information to your Director of Finance and other relevant staff in your authority.

Yours faithfully,



**W. George Burgess**  
**Deputy Director, Environmental Quality**  
**Scottish Government.**



## **DISTRIBUTION OF THE FLOODING COMPONENT OF THE GENERAL CAPITAL GRANT FOR 2014-15 AND 2015-16**

### **GUIDANCE FOR COUNCILS**

#### **Background**

1. As part of the 2008 Local Government settlement (SR2008) a number of former specific grants were rolled up and became part of the General Capital Grant paid to Councils. The flood prevention and coast protection capital grant was a specific grant which was rolled up. This specific grant was previously paid out to councils for agreed projects, the payments being made as expenditure was incurred over a number of years. When the grant was rolled up it was agreed that the allocation of the flooding component of the General Capital Grant for SR2008 and future Spending Review periods for a 6 year period would be made first to known and agreed flooding schemes with any balance then distributed on a formula basis of properties at risk of flooding. From 2014-15 this approach would have led to the flooding component being allocated solely on a formula basis.
2. Feedback from a number of local authorities identified a number of issues on what this meant for councils wishing to undertake large flood projects. Concerns were raised on the frequency of projects, the "lumpiness" of the expenditure profile and the financial issues these large projects raised, particularly for smaller Councils.

#### **Spending Review 2011**

3. As part of the SR2011 political discussions which covered the period 2012-2015, it was agreed that the distribution methodology for the flooding component of the General Capital Grant would change. The new distribution methodology was to allocate the flooding component only to large, new, flooding projects. This is based on an application process.

#### **Budget 2015-16**

4. COSLA and Scottish Ministers have agreed that the same arrangement for the flooding component of the General Capital Grant should also apply for the financial year 2015/16.
5. This arrangement only applies to 2014-15 and 2015-16. The distribution methodology for future flooding projects after 2015-16 will form part of the discussions for the next Spending Review, and are likely to take account of the development of local flood risk management plans. This will support the statutory requirement for responsible authorities to agree funding of measures in the Local Flood Risk Management Plans.
6. This guidance sets out the process for applying for this grant, the information which must be provided, the eligibility criteria, the assessment process and the payment process.

#### **Process**

7. Local authorities seeking funding from this General Capital Grant component will be expected to make an application for funding and provide the information as set out in this guidance. Applications will be considered by a panel consisting of

representation from: COSLA, Scottish Government and SCOTS Flood Risk Management Group. This group will make recommendations for grant allocation. These recommendations will be reviewed by an officer group which includes Directors of Finance before being recommended to COSLA and Scottish Ministers for approval.

8. The officer group will meet periodically as required. The officer group will review progress of projects, consider slippage/ projects ahead of schedule and ensure optimum resource allocation. It will also consider proposals for flood funding for future Spending Review periods..

9. The Scottish Environment Protection Agency (SEPA) may be asked to provide expertise as necessary. This will ensure there is consideration of potential benefits and a link to the Flood Risk Management Planning process is provided as appropriate. It is unlikely SEPA input will be required for the 1961 Act projects.

#### **Eligibility Criteria**

10. The following criteria have been agreed by both COSLA and Scottish Government as an appropriate basis for project priority and eligibility for funding.

#### ***Project priority***

- I. In the first instance, priority is given to those schemes which have already been granted approval and necessary planning permission as part of the Flood Prevention (Scotland) Act 1961.
- II. Priority should then be given to any new flood protection schemes which have been granted appropriate statutory consent as outlined within the Flood Risk Management (Scotland) Act 2009.

#### ***For projects to be eligible***

- I. The scheme/project must be new and has not been awarded/ received funding under any previous arrangements for funding flood protection/prevention schemes.
- II. Schemes should be able to demonstrate a positive benefit cost ratio of greater than 1 and demonstrate project value for money.
- III. Applications should only be made where the main construction of the scheme is either ready to start or will start in 2014. The application will need to include evidence which demonstrates the certainty of starting the construction works following an award of a grant, including a robust timetable ;
- IV. Schemes should be able to demonstrate multiple benefits in a catchment area, e.g. water environment, asset management;
- V. Schemes should fit within a potentially vulnerable area as identified by the National Flood Risk Assessment.

#### **Funding Criteria**

11. Grant funding will only be available to support large new flooding projects. The project threshold is set at £2 million.

12. The General Capital Grant conditions apply to applications made for funding of flood projects. In essence only capital expenditure costs will be eligible for grant

funding. Grant payments to third parties may be eligible if permitted by the General Capital Grant conditions.

13. Large flooding projects which meet the criteria will be eligible to receive grant funding of 80% of eligible capital costs. For clarity, any eligible costs already incurred by a council for a project can form part of the grant application and subsequent funding if the application is successful.

14. A funding allocation will be made taking account of actual eligible costs incurred to date plus estimated costs to complete the project as set out in the Council's application for grant funding. Councils may be asked to provide additional information on their cost estimates.

15. For the avoidance of doubt, funding allocations will not be revisited. Any cost increase after the grant award is made are the responsibility of the Council who will need to fund all additional costs i.e. 100% of any cost increase. However, to ensure that projects do not receive funding in excess of 80% of actual project costs grant allocations will be reduced if the cost of the scheme is lower than the estimate.

#### **Information Requirements**

16. Demonstrate that the project will deliver a positive benefit – cost ratio of greater than 1 and demonstrate project value for money.

17. Provide information on the breakdown of project costs (as per the headings outlined below). This should specify the costs incurred to date (excluding any ineligible costs), expected future costs and an anticipated spending profile. Please include a commentary or evidence to support the cost estimates.

#### **Headings for Project Cost Estimates (eligible costs only)**

- Scheme Preparation
- Construction Preparation
- Works
- Utilities
- Survey and Site Investigation
- Site Supervision/design office support and cost management
- Land/Compensation and fees (e.g., District Valuer)
- Client Risk
- Miscellaneous (advertising, CAR fees, publicity, community engagement, etc)

18. Confirmation that the appropriate statutory consents are in place and there is Ministerial confirmation where required. This will include a copy of the letter confirming the Ministerial approval of a 1961 Act scheme, and any evidence of statutory consents.

19. Demonstration of the benefits that will be delivered by the project. These should not be restricted to reduction in flood risk within the local authority area but should demonstrate wider catchment or national level benefits.

20. An outline programme to completion, setting out the various stages such as procurement, advance/enabling works, CAR licence, planning conditions, environmental licences, committee approvals, for example.

21. An expenditure profile to complement the above (graphical and tabular form).

### **Timing**

22. Councils should return individual applications which meet the criteria to the Scottish Government Flooding Team by **Tuesday 21 January 2014**.

23. Ideally, applications should be made electronically to Bob Bridges at bob.bridges@scotland.gsi.gov.uk or by post to Bob Bridges, Scottish Government, 1D North, Victoria Quay, Edinburgh EH6 6QQ.

24. Individual Councils will be notified of their allocation of funding as soon as possible following political agreement, with the expectation that any award of funding will be included within the appropriate Finance Circular.

### **Payments**

25. There is only a finite amount of grant available within the General Capital Grant to fund flood projects. Council will receive 80% grant on eligible expenditure for an approved project. However, based on the experience of the current funding of approved projects it may not be possible to pay grant at 80% of eligible expenditure as it is incurred. Alternatively, to ensure the funding component is fully spent each year it may be necessary to pay some grant in advance of actual expenditure. Recognising that a Council will wish to have some certainty as to when funding will be received we will include details of when grant payments will be made when an allocation is agreed.

26. To ensure projects do not receive funding in excess of 80% of actual project costs we will need a return from the Council each year setting out actual cumulative eligible expenditure incurred to the end of the financial year. The expenditure analysis should be broken down to reflect the project cost elements as set out in the original application. The return must advise whether the project is financially complete. This return is to be signed as a correct record by the section 95 officer of the Council. When a project is financially complete any overpayment of grant will be repaid by a Council as a reduction in the next years General Capital Grant.

Scottish Government  
December 2014