

Report to the Leader of the County Council
Report submitted by: Director of Programmes and Project Management
Date: 13 October 2015

Part I

Electoral Divisions affected:
All

LEADER Rural Funding - Approval in Principle
(Appendices 'A' – 'D' refer)

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Executive Summary

Lancashire County Council has been awarded £4.65 million to deliver funding to businesses and organisations located within rural areas to support employment and jobs growth over the period 2015 to 2020. The report sets out the detail of the LEADER programme in Lancashire.

This is deemed to be a Key Decision and the provisions of Standing Order No 25 have been complied with.

Recommendation

The Leader of the County Council is asked:

- (i) That approval in principle is given to enter in legal agreements with the Department for Environment, Food and Rural Affairs (DEFRA) and the Rural Payments Agency (RPA) in order for the County Council to deliver LEADER funding; and
- (ii) That detailed approval to enter in legal agreements be delegated to the Director of Legal and Democratic Services in consultation with the Director of Programmes and Project Management and the Director of Financial Resources based upon the satisfactory resolution of the issues highlighted in the Legal section of the report.

Background and Advice

The LEADER programme 2015-20 is part of the Rural Development Programme for England (RDPE) and is part funded by the European Agriculture Fund for Rural Development (EAFRD) and Department for Environment, Food and Rural Affairs (DEFRA).

LEADER is a French acronym which roughly translates as 'Liaison among Actors in Rural Economic Development'. The ethos of LEADER funding is that it takes a 'bottom up' approach by involving the local community and businesses in any decision making regarding the funding. In England, the funding is managed through local intermediaries who are fully funded for the programme management activity they undertake.

Lancashire County Council, having taken it over from the now defunct Lancashire Economic Partnership, successfully ran the 2007-13 LEADER programme. The County Council then submitted expressions of interest, in the form of Local Development Strategies, for the 2015-20 programme and was successful in being awarded £4.65m of LEADER funds.

- **Programme Development**

The types of activity that can be funded and the broad geographic area that can be targeted have been set nationally by DEFRA. Compared to the previous programme there is a very clear direction that funding should help create business growth and jobs and relevant targets have been set to support this. Although this activity was undertaken via LEADER in the previous Lancashire programme no targets had been set.

The role of the County Council would be to manage the project development, appraisal; approval and project claim/monitoring systems and support the Local Action Groups in overseeing the process.

There are six themes for funding:

- 1) Enterprise
- 2) Farming
- 3) Tourism
- 4) Forestry
- 5) Culture and heritage
- 6) Basic Services

The percentage of funding to be spent on each theme will vary, within a national framework, and in addition, each theme will have its own intervention level for grant funding ranging from 40% to 100%. Appendix 'A' to this report sets out the eligibility requirements in more detail.

Since the previous programme ended a great deal of work has been undertaken to learn from our experience in delivery and develop Local Development Strategies, based upon new geographies, that set out the economic context for delivery of funding in each area. These new geographies are a better fit with the economic issues that impact upon Lancashire's rural areas. The new areas also take into account the requirement to keep LEADER areas below a 150,000 population limit and a request by DEFRA to include rural parts of Greater Manchester North (which increased the funding available).

In support of the production of the Local Development Strategies a number of consultation events took place across Lancashire in the summer of 2014, attracting a

large number of local stakeholders to discuss local priorities and identify strengths, weaknesses, opportunities and threats for three proposed LEADER areas.

For the purposes of the LEADER programme Lancashire has been split into three rural areas each overseen by a Local Action Group;

Lancashire North & Bowland – Population 118,400, Financial Allocation £1.634m covering Lancaster, Wyre (part), Ribble Valley and Pendle (part)

Lancashire West – Population 95,533, Financial allocation £1.563m covering Wyre (part), Fylde, Preston and West Lancashire

Lancashire Pennine Moors – Population 70,381, Financial allocation £1.430m, covering Chorley, South Ribble, Blackburn with Darwen, Hyndburn, Rossendale, Pendle (part), Burnley, Bolton, Rochdale, Wigan and Bury

Appendices 'B', 'C' and 'D' contain maps of each of the areas. More detailed information is available upon request (including the Local Development Strategies for each area).

- **Programme Management**

The LEADER process requires the establishment of a Local Action Group (LAG), for each geographic funding allocation, made up of public, private and voluntary sector representatives. The LAG meets annually and it is the role of the LAG to set the strategic vision for the lifetime of the programme. The LAG is open to anyone who lives, works or has an interest in the eligible rural area. The LAG then nominates an Executive Group and it is the LAG Executive who make the decisions on how the funding should be delivered, based upon advice from the County Council, as Accountable Body, and DEFRA.

Each LAG Executive consists of up to six representatives from each of the following sectors public, private and voluntary. For the new programme we have retained some of the representatives from the previous programme, approximately 30% of members, and have also attracted interest from new representatives including previously successful applicants.

It is a requirement of the programme that no LAG Executive can be made up of 49% from one sector and that any vote on project approvals cannot have more than 49% of votes from one sector.

The County Council manages the whole process and is deemed by DEFRA to be the Accountable Body for each Local Action Group. However, although County Council will allocate resources it will not make any payments to projects as this will be undertaken by the RPA. The only funds the County Council will directly manage will relate to management costs of the programme (which is fully funded). Based upon its experience of the previous programme the County Council has a robust financial and performance management model that will be used in the delivery of the LEADER programme.

Consultations

As indicated above a wide ranging consultation has been undertaken with local partners in the development of three LEADER Local Action Groups in Lancashire. The full detail of the consultation process is contained within each Local Development Strategy.

Implications:

This item has the following implications, as indicated:

Risk management

DEFRA have made changes to the way the funding is to be administered compared to the 2009-2013 programme. The role of Accountable Bodies has been extended. Previously Accountable Bodies had a monitoring and administering role where the separate funding agreements were signed by the relevant Applicant and DEFRA. In the current Programme it is the Accountable Bodies, on behalf of the Secretary of State for Environment, Food and Rural Affairs, who are to sign the Funding Agreements with the Applicants, and to monitor, contract manage and enforce those Agreements.

As it stands the current draft of the DEFRA contract implies the following:

- 1) Local authorities give an unlimited indemnity to DEFRA in relation to any loss arising out of the funding arrangements; and
- 2) There is only a limited right of recovery for an Accountable Body for its running costs in relation to the administering of the Funding Agreements even though its obligations are to take all "necessary steps" to enforce all obligations in those Agreements
- 3) The Funding Agreements to be entered into with the various Applicants are prepared by DEFRA and can be amended by them at any time, but not by the Accountable Body.

There is a possibility that the above could expose the Authority to additional cost and liability (see Legal below). DEFRA have said that they would not intend to enforce the arrangements to have this effect but they will not allow any change to the contract arrangements to mitigate the risk on an Accountable Body. These issues have been raised by other Local Authorities and will be raised by the Local Authority representative on the national EAFRD Monitoring Committee in order to change either the contract or for DEFRA to provide a legally binding interpretation that reduces the Accountable Body's risk.

Lancashire County Council will have responsibility for claiming back the management and administration costs related to the delivery of LEADER across Lancashire. We need to ensure that we have adequate financial processes and resource in place for claiming and this will be dependent on the details of the National Leader Operational Guidance. An initial view is that the County Council's systems will be appropriate for the level of risk involved.

Legal

In considering the various legal documents issued by DEFRA in relation to the LEADER programme it is recommended that the following be resolved to the County Council's satisfaction before any contracts are entered into:

- a) Clarification of the role of Accountable Body and delegated authority in relation to the signing of the Funding Agreements, on behalf of the Secretary of State, with Applicants.
- b) Limiting the duties of an Accountable Body to taking all "reasonable" rather than "necessary" steps in relation to its role and ensuring that an Accountable Body's administration costs in doing so can be properly recoverable from DEFRA by agreeing an appropriate cap on recoverable costs.
- c) Limiting the indemnity given to DEFRA by the Accountable Body so that it triggers only from the "negligence" of the Accountable Body
- d) Limiting the overall liability of the Accountable Body to DEFRA under the arrangements (e.g. to one year's anticipated administration costs).

If these issues cannot be resolved satisfactorily a further report will be submitted detailing the outstanding matters.

Financial

The total funding awarded is £4,626,800; of which £832,752 (18%) can be allocated to the administration of the programme. In previous years there had been a higher allocation to Lancashire, now reduced as part of the Government's reduction in expenditure, which meant there were more funds to be spent on programme management.

In recognition of this the full time LEADER team has been streamlined to include 2 full-time LAG Development Officers, and a full-time Project Officer. Other support, including financial management, will be bought in from other parts of the Authority in order to utilise existing capacity and ensure costs are kept within budget. All support taken from other parts of the county council will be funded from the money available for administration thereby placing no further pressure on the county's budget.

List of Background Papers

Paper	Date	Contact/Tel
Lancashire North and Bowland LEADER Local Development Strategy	25 th June 2015	Sean McGrath/ 01772 531053
Lancashire West LEADER Local Development Strategy	9 th July 2015	

Lancashire Pennine Moors 2nd July 2015
LEADER Local Development
Strategy

Reason for inclusion in Part II, if appropriate

N/A