

CABINET

22 October 2014

ACCOUNTABLE BODY FOR FIELDFARE LEADER 2015-2021

REPORT OF HEAD OF ECONOMY AND ARTS

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RECENT REFERENCES:

PHD537 LEADER Transition Funding, <http://www.winchester.gov.uk/decision-notice/2013-14/538>

Final Report of the LEADER Informal Scrutiny Group, May 2012, [http://www.winchester.gov.uk/meetings/details/997 OS038](http://www.winchester.gov.uk/meetings/details/997_OS038)

EXECUTIVE SUMMARY:

Winchester City Council is the Accountable Body for the Fieldfare Local Action Group (LAG) which administered LEADER funding across Winchester and East Hampshire Districts until the end of 2013. The Council's role has been extended during the 2014 transition year for the LAG. Although no grants are being given by the LAG, the Council continue to act as accountable body by bankrolling the employment costs of the Fieldfare LAG team members, and their working budgets.

A new programme of LEADER has been bid for by the Fieldfare LAG totalling almost £1.8m from 2015-2021. DEFRA will announce the result of the bid in November 2014, with successful LAGs due to commence delivery on 1 January 2015. The LAG have asked that Winchester City Council continue in their role as accountable body for the 2015-21 period, if the Fieldfare LAG's bid is successful. This will be less onerous than during the previous programme, as the Rural Payments Agency (RPA) will bankroll all grant funds, leaving Winchester City Council to only bankroll the cost of 'management, administration and animation' activities, including the employment costs of the Programme Team.

This report sets out the reasons in favour of the City Council continuing to be the accountable body for the Fieldfare LAG, and the risks associated with that role.

RECOMMENDATIONS:

1. That the Council continues to act as accountable body for the Fieldfare Local Action Group for the period 2015-2021.
2. That a supplementary revenue estimate of up to £25,000 per annum for the life of the programme (to March 2021) be agreed, in order to meet the anticipated operating costs of a successful programme.
3. That the financial implications in relation to staffing costs, as set out in Exempt Appendix, be noted.

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DETAIL:

1 Introduction

- 1.1 The Fieldfare Local Action Group (LAG) has been using LEADER funds, an EU funding stream via DEFRA, to grant-fund rural economic projects across Winchester and East Hampshire Districts since 2009. The programme has enjoyed great success, allocating 134 grants to a value of £1.4m. This in turn has levered in an additional £7m investment in projects across the Winchester and East Hampshire area, and has created 126 new jobs. Grants have been made for micro-business start up and development, farm diversification, training, conservation and community buildings. The Fieldfare programme has been praised for its excellent customer service, particularly with regard to the series of workshops provided for applicants to help them through the application process.
- 1.2 Winchester City Council is the accountable body for Fieldfare's LEADER funding, and as such employs the two members of staff responsible for delivering the programme (the LEADER Programme Manager and the LEADER Programme Officer). These posts are externally funded using the LEADER monies.
- 1.3 The previous LEADER programme finished on 31 December 2013. It was agreed that 2014 be a 'transition year' to consult with the local rural community about their needs for the future, and to publish this in a Local Development Strategy (LDS) for the area. The Fieldfare LAG has been through extensive consultation, and written its LDS using the information gathered from this bottom-up approach. The full LDS is available to view at <http://www.fieldfareleader.org.uk/http-www-fieldfareleader-org-uk-transition/>. The bid to DEFRA for LEADER funding was submitted on 5 September.
- 1.4 DEFRA are due to announce which bids for Rural Development Programme for England funding are successful in November 2014, with the LEADER programme for successful LAGs due to commence on 1 January 2015. The LEADER programme can be delivered until 31 March 2021.

2 Accountable Body

- 2.1 Winchester City Council has taken the role of accountable body on behalf of the Fieldfare LAG to date. This has involved;

- a) Bankrolling the LEADER funds including grants given out across the Fieldfare area, and the facilitation and administration costs such as staff salaries, operational budgets etc.
 - b) Employing the Programme Team, using standard HR functions, and joint day-to-day line management of the Programme Team with the LAG Chair.
 - c) Ensured financial accountability in line with DEFRA and Rural Payments Agency standards.
- 2.2 As a result of directly employing the Programme Team, Winchester City Council has benefitted from a close relationship with the LAG as a group to consult on rural issues, detailed knowledge of the programme and its beneficiaries, and has forged a stronger link with the rural community. The Programme Team have also shared their knowledge of external funding and state aid with other officers and customers. Continuing the role of accountable body will enable this work to develop further.
- 2.3 In OS038, the final report of the LEADER Informal Scrutiny Group in May 2012, Members noted the following findings:
- c) *The full costs to Winchester City Council as the accountable body* The presentations showed that being the accountable body for LEADER funding has come at a cost to Winchester City Council, mainly in terms of staff time bidding for the fund, negotiating contracts with SEEDA, ongoing line management of the Programme Team and attendance at LAG meetings. Indirect costs such as office space, IT support etc. are estimated at £18,000 per annum. However, this could be seen as match funding in kind. Members also agreed that the Council's return on investment has been impressive. The ISG concluded, however, that the overhead costs such as office space and IT would have been borne by the Council in any case, as the Head of Economy and Arts would have been employed at the time. Part of the Head of Economy and Art's work programme has been diverted to the LEADER Programme, but it is felt this is a good use of staff time due to the positive impact on the local economy.
- 2.4 Winchester City Council has been asked by the Fieldfare LAG to continue its role as accountable body. There is one key change since the previous round of LEADER funding, however, as the grants allocated across the area will be bankrolled by the Rural Payments Agency (RPA). Therefore, the bankrolling element of the accountable body task will be greatly reduced to just the cost of management, administration and animation activities, reducing the financial risk to the Council.
- 2.5 The role of accountable body will continue to mainly impact three teams: Economy & Arts, Finance and Audit. The Head of Economy and Arts will continue to jointly line manage the LEADER Programme Manager with the chair of the Fieldfare LAG. This involves not only day to day line

management, but is likely to involve undertaking some project appraisals for the LAG, attending LAG meetings, and undertaking work to oversee the Council's role as accountable body is carried out appropriately. The Finance team will continue to be involved in quarterly claims to DEFRA for programme funds to be reimbursed, alongside day to day accountancy support. The Audit team will be required to work with the Programme Team at the beginning of the new programme to ensure the correct processes are in place in line with DEFRA guidelines, and to continue to monitor processes during the life of the programme.

- 2.6 With a second LEADER programme in place, it is envisaged that further links will be made with the rural community which may not have otherwise taken place. There may also be scope to broaden the activities of the LEADER team to the advantage of Winchester City Council and the Community Strategy, should other sources of funding become available.
- 2.7 The Programme Team will include an apprentice provided through Winchester City Council's apprenticeship scheme. Their work will enable an even higher level of customer support and communication from the LAG. Should the bid for LEADER funding be unsuccessful, the apprentice will be redeployed to other areas of the team. The apprentice will cost £5,756 in the first year, and whilst no additional funding is sought for this as the costs are already budgeted within the corporate apprenticeship programme, this is an additional support cost of the LEADER programme.
- 2.8 The following estimate has been made of the annual support Winchester City Council will provide to the new programme:

<u>LEADER II</u>	Headcount		
	2	3	
Support Services:			
Payroll	456	685	
Exchequer	500	500	
Internal Audit	1,000	1,000	
IT Services	2,307	3,461	
Accountancy	2,400	2,400	
Organisational Development	2,651	3,976	
Office Accommodation & Facilities	5,099	7,648	
Management Time	7,500	8,000	
	21,913	27,669	per annum

NB. 'Headcount 2' refers to the existing Programme Team. 'Headcount 3' includes an apprentice working with the team via the corporate apprenticeship scheme.

3 Match funding

- 3.1 Hampshire County Council, East Hampshire District Council and Eastleigh Borough Council have been approached by Winchester City Council to share an element of match funding for the new LEADER programme.
- 3.2 The LAG has identified an annual shortfall in the difference between the DEFRA indicative contribution of grant funding towards delivering the LDS and the operational costs. This could be met by a blend of in-kind and in-cash support from the local authorities. If DEFRA allocate the Fieldfare LAG the funding they have bid for (£1.79m), it is estimated there will be an annual shortfall of £25,000 per annum operating costs, plus the support costs shown in 2.7 and 2.8 above. This shortfall represents 8% of the total LEADER investment which may be required in match funding. This is explained further in section 6 below.

4 Learning lessons from the past LEADER programme

- 4.1 At its meeting of 13 June 2012, Cabinet considered the recommendations of The Overview and Scrutiny Committee, following its consideration of the final report of the LEADER Informal Scrutiny Group in May 2012 (report OS38 refers). Cabinet agreed the following recommendation:

That Cabinet delegate responsibility to Heads of Teams to ensure that any future funding programmes have criteria to measure success agreed with the funders in advance, so as to avoid undue staff time renegotiating such criteria with the funders at a later stage.

- 4.2 It is anticipated that DEFRA will announce the results of the LEADER bids in November 2014. A contract will then follow for successful LAGs and accountable bodies. The LAG and accountable body will use that opportunity to discuss measures of success and reporting procedures and criteria, in order that these are put in place from the beginning of the new programme. Indeed, the programme team are already in discussion with DEFRA about the reporting requirements of the new programme.

5 Legal Considerations

- 5.1 There are no specific statutory powers covering the LEADER Programme. However, Section 1 of the Localism Act 2011 provides the power for the Council to do anything an individual may do, subject to specific limitations set out in the Section. An individual can clearly perform the functions proposed in this report, and there are no restrictions in other legislation which would restrict the use of the general power for this purpose. Accordingly, the Council is able to carry out the functions proposed in the report pursuant to Section 1 of the 2011 Act.

OTHER CONSIDERATIONS:

6 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 6.1 Most relevant to the Economic Prosperity aim of the community strategy, specifically to “promote and support the District’s natural environment, exploiting the opportunities that the South Downs National Park will bring, and developing the rural economy”. Also relevant to the Leader’s portfolio plan 2014-2015 “LEADER funding 2014-15”.
- 6.2 The projects funded by LEADER in the past programme have combined to meet all the aims of the community strategy – Active Communities, High Quality Environment, A Prosperous Economy.

7 RESOURCE IMPLICATIONS:

- 7.1 The role of accountable body has a number of in-kind resource implications.

- a) There is an anticipated annual budget shortfall for the LAG of approximately £25,000 per annum. Of the £1.79m bid submitted to DEFRA, 18% (£323,460) of this may be used for administration, monitoring and animation of the LEADER funds. This includes the following forecasts over the life of the programme (January 2015 – March 2021):

- staff and related costs of £405,210;
- essential operating costs such as external project appraisals, printing and postage and mobile phone of £29,321;
- LAG costs such as training, meetings and events of £44,461.

Altogether, this totals £478,992 whereas only £323,460 of LEADER monies will be permitted to be spent on these costs, leaving a total shortfall of £155,532 across the whole programme. Considering the likely profile of the spend, this translates to approximately £25,000 per annum for the life of the programme. This is in addition to the support costs identified in 2.7 and 2.8 above.

In the previous LEADER programme, the LAG was permitted to spend up to 20% on these costs, and the animation activities such as applicant workshops were in addition to that figure. A change in DEFRA’s rules mean that only 18% of the total budget can be used on these costs, and animation activities should also be accounted for here. This means that more needs to be done for less budget.

Not only is DEFRA being lobbied to increase the 18% limit, but key partners (East Hampshire District Council, Eastleigh Borough Council and also Hampshire County Council) have been approached to share the costs which are not met by the LEADER monies, with Winchester

City Council. The feedback from those local authorities has been positive, although no agreement has been signed at the time of writing this report.

Members are asked to approve a supplementary revenue estimate of up to £25,000 per annum, to March 2021, in order to meet these costs.

- b) Bankrolling funds – the administration and facilitation costs will be bankrolled by the Council. This means it will pay for these costs before those funds can then be claimed back from the Rural Payments Agency, having an impact on the Council's cash flow.
- c) Joint day to day line management – the Programme Team sits within the Economy and Arts team, and the Programme Manager is jointly managed by the Head of Economy and Arts.
- d) Finance team workload – the process of claiming back funds from the Rural Payments Agency can be lengthy and involve a high level of detailed information being submitted for scrutiny before funds are released.
- e) Audit team workload – initial set up of the new Programme in line with DEFRA requirements, alongside ongoing monitoring of those processes. This will ensure compliance with DEFRA and EU expectations.

8 RISK MANAGEMENT ISSUES

- 8.1 There is a risk that if the information submitted to the RPA to recover funds is not adequate, then Winchester City Council may not recover the full amount it has spent out. The team has five years' experience of submitting appropriate data to successfully claim back these funds and will liaise with DEFRA should the evidence requirements change over time.
- 8.2 The LAG is responsible for making decisions about which projects should be grant funded, in line with its Local Development Strategy and the rules and guidance notes issued by DEFRA. There is a risk that if Winchester City Council agrees with a LAG decision to fund a project which DEFRA later deems unsuitable, then either funds may not be reimbursed to Winchester City Council, or if they have already been reimbursed, they may be recovered. To mitigate this risk the LEADER team will be liaising with the audit team early on in the programme to ensure DEFRA's rules and guidance notes are fully complied with. In addition, DEFRA has assigned an account manager to each LAG who can be contacted should there be any question over whether a project may be funded.
- 8.3 Information concerning the financial risks at the end of the programme are set out in the Exempt Appendix.

BACKGROUND DOCUMENTS:

The Fieldfare LDS is available to view at <http://www.fieldfareleader.org.uk/http-www-fieldfareleader-org-uk-transition/>.

APPENDICES:

Exempt Appendix – Staffing Matters