

4th October 2016

Agenda Item: 4

REPORT OF CORPORATE DIRECTOR, PLACE

NOTTINGHAMSHIRE LEADER PROGRAMMES – STATUS UPDATE

Purpose of the Report

1. To provide Committee with its third six-monthly update on the North and South Nottinghamshire LEADER Programmes noting:
 - a) The impact of the EU Referendum on European rural growth funding (lead up and post result), and;
 - b) Objectives, risks and opportunities going forward.

Information and Advice

2. Although (subject to eligibility) rural projects can apply for **any** European funding, there are two dedicated sources of rural funding in Nottinghamshire. These comprise:
 - The LEADER Programmes for which the County Council is the Accountable Body, and;
 - The Derby, Derbyshire, Nottingham and Nottinghamshire Local Enterprise Partnerships (D2N2 LEP) European Agricultural Fund for Rural Development (EAFRD) Growth Programme – a geographically targeted source of funding for rural growth activities worth £5.2m across the D2N2 area.
3. There are 2 LEADER Programmes in the county:
 - The North Nottinghamshire LEADER Programme which covers eligible rural areas in Mansfield, Newark and Sherwood and Bassetlaw – with £1,853,000 provisionally allocated to spend by 2020, and;
 - The South Nottinghamshire LEADER Programme which covers designated rural areas in Gedling, Rushcliffe and Ashfield - with a provisional £1,555,000 for the same period.
4. Earlier reports to Committee noted significant delays in starting the national LEADER Programme but that extensive local engagement activity had commenced with very positive pipeline interest.

Pre-Brexit Activity - LEADER

5. In April, the County Council submitted Delivery Plans on behalf of each delivery partnership - the Local Action Group (LAG). This mapped out the intent for the 16/17 year in terms of spend and types of activity. This was accompanied by an Attestation Report reviewing activity performance in the preceding year. In May, the Council's first claim for the Running Costs and Administration (RCA) was submitted to the Department for Environment, Food and Rural Affairs (DEFRA) agent, the Rural Payments Agency (RPA). Extensive training materials were developed and a bespoke training programme delivered to enable partners on the LAG to make compliant and eligible funding decisions.
6. In the field, the two dedicated Programme Officers worked to raise the profile of the Programme with businesses and sector interests and engaged directly with applicants to support the development of their projects.
7. However since May, progress (including the generation of pipeline activity and recruitment to the Programme) has been severely impacted by two purdah periods preceding the Police and Crime Commissioner's Election and the EU Referendum.

Post Brexit Result

8. Following 23rd June EU referendum result, the RPA formally extended the restrictions imposed during the referendum purdah period. Both LAG Chairs have written to the RPA to note the impact of the "stop-start" nature of the programme on performance and local credibility. It is understood that many local groups have chosen to do the same.

European Structural and Investment Fund (ESIF) Treasury Announcement – 13th August 2016

9. On 13th August, the Chancellor of the Exchequer's announcement suggested a "business as usual" approach until the Autumn Statement set for 23rd November 2016.
10. In rural terms, the government sought to underwrite direct payments to farmers until 2020 (Common Agricultural Policy – CAP Pillar 1). The situation for CAP Pillar 2 (including LEADER) and other ESIF funds (including EAFRD and European Regional Development Fund and European Social Fund) was less clear as the government sought only to honour projects contracted **before the Autumn Statement**.
11. This is a positive move but given LEADER approval times can take up to 6 months, this has impacted on what projects can realistically achieve. Appendix 1 sets out the current position of the LEADER Programmes in Nottinghamshire.
12. The practical details for LEADER were explored during a teleconference with senior regional and policy leads from the RPA on 18th August. The following will be applied locally in the context of the advice received:

- Both Nottinghamshire LEADER Programmes will continue to actively work with applicants to push through projects formally in development and/or with submitted Outline and Full Applications - but only where there is reasonable confidence that a signed contract can be achieved and resourced by the Autumn Statement. **This is to maximise access to guaranteed LEADER funding for Nottinghamshire by prioritising those with the best chances of success and making best use of limited local and RPA resources**
 - There will be a review of progress and applicants contacted in order to help inform their business decisions to proceed/withdraw from the process.
13. There remains uncertainty for those projects that are not formally in development or cannot get to the point of a contract before the Autumn Statement. Further, no activity to generate new pipeline interest can be undertaken in case access to LEADER ceases. If LEADER does continue – all local programmes are likely to be recommenced from a standing start. In the context of the Treasury statement - it will only be able to support activity that is **deliverable within the time period that the UK remains within the EU.**
14. The risks of the situation are that:
- No current projects progress to contract before the Autumn Statement
 - That the support and interest of the LAG declines – making compliant and locally informed decision making impossible
 - In prioritising existing activity, the programme is skewed to a ‘first come, first served’ basis, meaning the quality and holistic growth impact of the programme is potentially lost
 - That the delivery costs of the programme are far greater than the grant awarded and funding of these costs could technically be withheld by the RPA – noting that the administration budget should not exceed 16.5% of overall spend
 - The eligible administrative costs incurred to date are estimated to be £85,914ⁱ this would require a total, contracted grant award to projects of £520,691 to meet the percentage cap. The RPA is aware that many Accountable Body costs are higher than the threshold and will look to address this flexibly.
 - Impacted rural growth potential and lost financial leverage/added value from grant intervention
 - Rural “drag back” on wider economic performance
 - Loss of confidence in the Programme
15. These risks are not unique to Nottinghamshire. Although no formal PR activity is being undertaken, every effort is being made to mitigate against the risks, maximise spend and maintain interest. This will put us in a favourable position should the Autumn Statement announcement result in the continuation of the LEADER programme.

D2N2 EAFRD Growth Programme

16. The RPA were represented at the D2N2 Rural Reference Group which met ahead of the Treasury Announcement. It was noted that 2 calls had been made to date:

- *Business Support* – whereby the initial 23 outline applications were likely to result in an estimated 6 Full Applications to be considered for support, and;
- *Tourism Collaboration* – of which the 3 received outlines were expected to be submitted for full consideration

13. This position potentially represents a significant underspend and lost opportunity for the rural economies of D2N2. Consequently, the D2N2 Rural Reference Group agreed the need to maximise spend and decided that the LEP should prepare calls for (individually or combined):

- Food processing
- Business Development (round 2)
- Tourism Infrastructure

14. It is unlikely that any new calls can be launched before the Autumn Statement, as the lead in to contracted activity is too long and will raise expectations. On the assumption that access to EAFRD Growth Programme will continue post Autumn Statement, the RPAs process approach is likely to change:

- National calls would be launched by the RPA (not LEP specific) to a national timetable – LEPs will add in their local priorities and targets;
- Calls would be open for 12-18 months with quarterly close downs, and;
- The 2 stage application process could potentially be streamlined – more Expression of interest than full outline submissions.

15. It is hoped that the RPAs desire to simplify process to promote take up will also be applied to LEADER should funding be available post Autumn Statement.

NEXT STEPS

16. The Rural Services Network (RSN) held a national rural conference 5-6 September, focussing on the implications of BREXIT for the rural economy. Whilst no real conclusions could be drawn, its initial summary points appear below accompanied by possible responses from Nottinghamshire in bold:

- a. The need to be proactive in influencing the governments approach to negotiations

We will continue to work with the RSN and to input into government consultations, gathering and applying best practice through participation in such bodies as the County Councils Network and Chief Economic Development Officers' Society (CEDOS) in order to ensure that rural issues are not overlooked.

- b. To engage MPs and Ministers with the general rural overview – single interest groups may unintentionally be deflecting a wider understanding of the interdependencies of the rural economy

Work will be undertaken to review current work on rural economic development – including that of partners and in particular D2N2 LEP with a view to developing a Rural Economic Strategy for Nottinghamshire that pulls together existing and planned activities to achieve a common goal of a sustainable, prosperous rural economy. To include:

- **digital and connectivity plans**
- **partnerships**
- **new market opportunities**
- **market town development**
- **heritage and townscape improvements**
- **local transport**
- **rural tourism**
- **Food and drink**
- **Identification of emerging risks/opportunities and gaps rural in provision**

- c. Direct CAP payments to farmers subsidise farm income on average 50-60% - post 2020 these payments are likely to continue domestically but will be more outcome focused. There are huge regional disparities but small farms are already struggling with cash flow so the needs of the sector need to be understood in terms of the knock on effects of farm productivity on the supply chain, training needs and growth potential if the payments reduce/cannot be accessed/require new farm business modelling or further diversification

There is a need to better understand the agricultural sector and its supply chain. A bid for Feasibility Funding will be sought from the Economic Prosperity Committee (Business Rates funding) to conduct this research. This will build on ongoing work with the agri-tech and agri-food sector in the context of Midlands Engine trade mission to China in November 2016

- d. Rural tourism is benefitting from a short term bounce from the devaluation of the pound. Longer term the contribution of tourism to Gross Domestic Product is forecast to decline – tourism is a key source of farm diversification and rural employment

Officers are continuing to work with the sector and the Destination Management Organisation to understand and support the sector and the offer and to resource opportunities to develop the product as appropriate. This includes facilitation of qualitative improvements in the offer. For example, the D2N2 Visitor Accommodation Strategy and work to support the development of the Pilgrim Father's story in North Nottinghamshire

Other options considered

17. None. This report is for noting only.

Reason(s) for Recommendations

18. This report has been prepared to support the Committee's understanding of the latest position on LEADER including the impact of Brexit on the take-up to date and the potential risks and opportunities for rural areas and funding going forward.

Statutory and Policy Implications

19. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described within the body of the report.

RECOMMENDATIONS

20. It is recommended that Committee notes the content of this report as part of its six-monthly update on the Nottinghamshire LEADER programmes.

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Corporate Director, Place

For any enquiries about this report please contact:

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Constitutional Comments [SG 20160916]

Because this report is for noting only no Constitutional Comments are required.

Financial Comments [SES 16/09/16]

There are no specific financial implications arising directly from this report.

Background Papers

- *LEADER Rural Development Programme – opportunity to submit application:* report to Economic Development Committee, 1 April 2014, published.
- *LEADER Rural Development Programme – Nottinghamshire proposed submissions:* report to Policy Committee, 2 July 2014, published.
- South Nottinghamshire Local Development Strategy submission.
- North Nottinghamshire Local Development Strategy submission
- *LEADER rural development programme – outcome of submission results:* report to Policy Committee, 10 December 2014, published
- South Nottinghamshire LEADER Delivery Plan – 31st July 2015
- North Nottinghamshire LEADER Delivery plan – 31st July 2015
- *Nottinghamshire Leader Programmes – Status Update:* report to Economic Development Committee, 8 September 2015, published

Electoral Division(s) and Member(s) Affected

Eligible rural communities in Ashfield, Bassetlaw, Gedling, Mansfield, Newark and Sherwood and Rushcliffe

APPENDIX A – LEADER PROGRAMMES – NOTTINGHAMSHIRE (Combined)

Eligible Outline and Full Applications Submitted and Current Position

Note – Priority 5 – Culture and Heritage allocation merged with other priorities.	Priority 1 Support for Increasing Farm Productivity	Priority 2 Support for Micro and Small Businesses – including Farm Diversification	Priority 3 Support for Rural Tourism	Priority 4 Provision of Rural Services	Priority 6 Support for Forestry Productivity	POTENTIAL GRANT VALUES
OUTLINE APPLICATIONS						
PROGRESSING TO FULL APPLICATION – FOR CONTRACTING BEFORE THE AUTUMN STATEMENT	NA	4 Projects – £152,318 grant request value	2 Projects – £85,436 grant request value	NA	1 Project – £22,176 grant request value	7 Projects – Potential Grant Value £259,930
WITHDRAWN /ON HOLD DUE TO BREXIT UNCERTAINTY/PROGRAMME UNABLE TO RESPOND TO OPERATIONAL DEADLINES DUE TO NATIONAL DELAYS	NA	3 Projects – £184,945 grant request value	5 Projects – £109,566 grant request value	NA	NA	8 Projects - Potential Grant Value £294,511
OTHER – FOUND OTHER FUNDING/NOT PROGRESSING	1 Project – £27,652 grant request value	NA	1 Project - £61,600 grant request value	1 Project – £138,000 grant request value	NA	3 Projects – Potential Grant Value £227,252
FULL APPLICATIONS						
FULL APPLICATIONS PROCEEDING	NA	4 Projects – £83,281 grant request value	1 Project – £7,000 grant request value	NA	NA	5 Projects – Potential Grant Value £390,281
<ul style="list-style-type: none"> POTENTIAL VALUE OF APPROVALS BEFORE THE AUTUMN STATEMENT £350,211. TOTAL VALUE OF PROJECTS WITHDRAWN DUE TO DELAYS/CHANGED CIRCUMSTANCE £521,763 						

ⁱ Costs to 31st July 16.