

Cabinet

13 July 2016

Community Led Local Development – Accountable Body Status



Report of Corporate Management Team
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Councillor Neil Foster, Cabinet Portfolio Holder for Economic Regeneration

Purpose of the Report:

1. To seek in-principle approval, subject to conditions outlined below, for Durham County Council to become Accountable Body for up to two Community Led Local Development (CLLD) Local Action Group (LAG) areas.

Background

2. Community Led Local Development is an initiative developed by the European Commission based on the LEADER model of grass roots, bottom-up community development to deliver economic outcomes in the most deprived areas. This was introduced into the 2014-2020 European Structural and Investment Funds (ESIF) programme as a way of integrating the European Regional Development Fund (ERDF) and the European Social Fund (ESF) at a local level.
3. CLLD aims to increase employment and skills, social enterprise, and social inclusion in order to support the *social* regeneration of deprived areas.
4. In November 2015, Partnership and Community Engagement (PACE), working closely with the Funding and Programmes Team in RED, submitted applications for preparatory funding to undertake initial work to look at two potential CLLD LAG areas. In February 2016, the applications were approved which secured a total of £29,900 of ESF and ERDF funding.
5. The two areas are **North Durham CLLD Area** – the area of Chester-le-Street, Stanley and the western edge of the Derwent valley AAP area covering a population of 46,824; and the **South Durham CLLD Area** – this includes the areas of Bishop Auckland, Shildon and Spennymoor with a population totalling 62,548 (See Appendices 2 and 3).

6. Centrifuge were appointed in February 2016 to undertake the preparatory work, working closely with the Area Action Partnerships. The outcomes of the preparatory work, which are conditions of the grant, are:
 - Development of a Local Development Strategy (LDS)
 - Formation of a Local Action Group
 - Identification of an Accountable Body
7. Centrifuge are responsible for the development of the LDS, undertaking research, consultation with the relevant communities and preparing the draft of the LDS document, working closely with the AAPs in the areas and the Principal AAP Co-ordinators.
8. The development of the LDS will confirm the exact priorities for each of the areas, however examples of economic activities that CLLD is likely to deliver could include:
 - stimulating local economies to deliver jobs and growth, including innovative activity to tackle multiple deprivation and specific local barriers to accessing employment and skills faced by groups and individuals farthest from the labour market;
providing individual pathways to integration and re-entry into employment, for example through developing links between disadvantaged groups and local employers, the social economy, social enterprises and intermediaries able to provide information, advice and guidance on employment and self-employment options;
 - improving the integration of marginalised families and communities;
 - Facilitation and capacity building activity in targeted areas which seeks to mobilise community resources and build upon local assets to mitigate risk of social exclusion and act as a foundation for improved economic performance;
 - Provision of small scale community hub facilities to support small and medium enterprises (including social enterprise) in targeted areas;
 - Activity that seeks to promote entrepreneurship and self-employment in deprived areas and targeted communities;
9. The Principal AAP Co-ordinators are responsible for the formation of a LAG, the recruitment for which began in May 2016 for both areas. At least 50% of the votes in selection decisions made by the Local Action Group are cast by partners which are not public authorities.
10. The purpose of this report is to ensure that the third outcome, the identification of an Accountable Body, is approved in principle in advance of the LDS being finalised, and submitted to the ERDF and ESF Managing Authorities (DCLG and DWP respectively) at the end of August 2016.

Accountable Body Role

11. DCC, through the Funding and Programmes Team in RED, have been Accountable Body for a number of European Funded programmes and externally funded programmes since the early 1990s. The Funding and Programmes Team are the Accountable Body for two LEADER LAGs in the 2014 – 2020 European Programming period, managing and administering the Rural Development Programme for England fund. The role of Accountable Body for ERDF and ESF CLLD will be a very similar role to that previously and currently undertaken.
12. The main responsibilities of an Accountable Body are as follows:
 - supporting the Local Action Group
 - facilitating project applications
 - project assessment and approval
 - payment of grant funding to project applicants
 - monitoring and verification
13. It is anticipated that the functions of the Accountable Body would be shared between PACE and the Funding and Programmes Team. PACE would lead on supporting the LAG and facilitating the development of project applications, in line with the Local Development Strategy. The Funding and Programmes Team will be responsible for project assessment and approval, authorising grant payments and monitoring and verification of projects.
14. The costs incurred by an Accountable Body in managing the Local Action Group and implementing the investment needed to deliver the local development strategy are an eligible cost for European Regional Development Fund or European Social Fund support. These costs may not exceed 25% of the total amount of public expenditure incurred in delivering the Local Development Strategy. These costs must be based on the actual costs incurred – it is not a flat rate ‘management fee’. The ESIF contribution to these costs is likely to be 60%.

Considerations and conditions

15. The completion of this preparatory stage, with the associated outcomes, is not a guarantee of approval to the next stage to implement the CLLD LDSs. Any in-principle approval given to be Accountable Body, would be on the condition that DCC were invited to Stage 2, please see below.
16. Following submission of the LDS, the Managing Authorities will assess them and will invite those who meet the assessment criteria to Stage 2 – this will be the application for the ERDF and ESF funds to implement the LDSs and will need to be made by the Accountable Body identified in the LDSs. The Managing Authorities may invite both areas, only one area, or may not invite either.

17. The level of resource that may be available to either or both LAG areas is currently unclear. There is a requirement for an LDS to have a minimum public expenditure value of €3m, this is the value of the ERDF and ESF resources, and includes any anticipated public match funding. At current exchange rates, this represents a sterling value of £2.3m.
18. Current indicative allocations for CLLD in County Durham are £1.8m ESF and £1.7m ERDF, although a request for £3.6m ERDF and £1.8m ESF has been made through the refresh of the ESIF strategy. Any in-principle approval given to be Accountable Body, would be on the condition that there were sufficient resources available for either or both LAG areas to be able to be managed appropriately, and that there was therefore sufficient Management and Administration budget to cover the costs, with a resulting sufficient allocation remaining for project investments. It is expected that CLLD should be delivered over a period of 5 years.
19. Ultimately, the development of the LDS will determine the value of ESIF resources required to deliver the priorities that will be identified to deliver the outputs required for the ESIF resources in each area. This will not be finalised until late July 2016, and then the decision will rest with the ESF and ERDF Managing Authorities as to how much is available for the LAG areas, once the LDSs have been assessed. Updates, when available, will be provided in the CMT report and subsequent Cabinet report as appropriate.

Recommendations

20. Cabinet are asked to note the content of this report and:

Give in-principle approval for Durham County Council to become Accountable Body for up to two Local Action Groups.

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Appendix 1: Implications

Finance –

DCC are not expected to match fund the total value of the CLLD LDS allocation – projects will apply for the CLLD resources and bring match funding with them. DCC will be expected to reimburse projects and cash flow this, before claiming from the Managing Authorities in arrears on a quarterly basis.

Match funding will be required for costs related to Management and Administration of the LAGs, if DCC are approved to apply for Stage 2 resources. The LDSs will identify the value of the programme and the level of resources required to manage it, these will not be finalised until August 2016. ACE and RED will work together to assess the full financial implications of fulfilling the Accountable Body function of managing and delivering the CLLD programme, prior to commitments being made and CMT approval will be sought prior to the full application being submitted.

Staffing –

If approved, additional staff within ACE and the Funding and Programmes Team will be required to administer the Programme. They will work alongside the Southern and Northern Principal AAP Co-ordinators who will also provide support and guidance to the Programme on the ground with the relevant geographically based AAP co-ordinators.

Risk –

There are always risks associated with ERDF and ESF resources, however the Funding and Programmes Team have extensive experience in managing European funded projects and programmes, and will provide advice and guidance to AAP staff assisting with developing projects. This will ensure that the risks are minimised.

Equality and Diversity / Public Sector Equality Duty –

None

Accommodation –

None

Crime and Disorder –

None

Human Rights –

None

Consultation –

A key element of the development of the LDSs is consultation with as wide a group as possible in the CLLD areas. This has begun, and will continue until the end of August. The LDSs themselves will also be consulted on before being finalised.

Procurement –

None

Disability Issues –

None

Legal Implications –

DCC will be expected to enter into Funding Agreements with projects. Examples of ERDF and ESF funding agreements are available, but Accountable Bodies will have flexibility to tailor these to their own needs. Legal advice will be sought from Legal and Democratic Services prior to finalising the Funding Agreements for beneficiaries to ensure that all conditions that DCC have to meet through their own ERDF and ESF Funding Agreements are covered.