Version 1.1

Implementing the Leader axis: Guidance for regions

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1. Introduction

1.1 This guidance is to assist regions in their planning for implementing the Leader axis. It aims to strike the right balance between regional devolution and ensuring that Regulatory requirements are met. As such it lays down the broad principles for how the approach should be implemented. It sets out the regulatory requirements and a limited amount of additional national policy requirements..

2. Detail required in Regional Implementation Plans (RIPs)

2.1 For the Programme document, little information is required on the apportionment of Leader expenditure between measures. Instead Leader money need only be broken down as set out below. Although how this is split between the axes will vary between regions, the figure must equate to a sum equivalent to at least 50% of the relevant region's total axis 3 budget.

Implementation of local development strategies split into:

- Competitiveness (axis 1) (i.e. what % of the overall Leader budget will come from Axis 1)

- Quality of life/diversification (axis 3)

Co-operation

Running costs, skills acquisition, animation

2.2 However, the Programme document and Regional Implementation Plans will set the framework for targets and indicators against which delivery partners – including LAGs – will be held to account. Therefore LAGs will be asked to report on the outcomes of their expenditure in a way which broadly mirrors that for axes 1 and 3 expenditure as a whole. More information on what this means for monitoring LAG outcomes against regional targets is given in paragraphs 11.1 and 11.2.

2.3 Given that LAGs will need to report on the outcomes of using RDR measures to implement their local development strategies, regions may wish to include an indicative set of figures in their RIPs describing what they would expect successful LAGs to be able to deliver in terms of expenditure per measure as well as per axis. This could provide both a guide to prospective LAGs on the regional priorities they would be expected to meet, and a framework for setting regional targets against which RDAs could judge the effectiveness of their LAGs.

2.4 The limit on running costs (ie the basic administrative and financial functions to support the Local Action Group (LAG)) is 20% of the total public expenditure allocated to the local development strategy. Under this measure the Rural Development Regulation (RDR) also makes funds available for skills

acquisition and animation. This essentially means building the capacity of the partnership to develop and implement the strategy. .
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2.5 In the draft Programme we have set out indicative figures (%) against each of these – 75% for implementation; 5% for co-operation; 20% running costs, acquisition of skills and animating the territory. It would be helpful to know if regions consider this balance to be about right, particularly given that the last measure also covers acquisition of skills and animating the territory not just the running costs of the LAGs. It would be helpful to know if regions envisage a significantly lower % for running costs, acquisition of skills and animating the territory as a result of using existing groups (if selected) or perhaps through having a single body to carry out some of the administrative and financial functions for several LAGs. Acquisition of skills and animating the territory should be eligible expenditure during development (i.e. pre selection) as well as during the implementation of the strategy. Article 59 of the RDR sets out the eligible actions: studies of the area concerned; measures to provide information about the area and the local development strategy; the training of staff involved in the preparation and implementation of a local development strategy; promotional events and the training of leaders. **We need to know now how regions envisage providing for pre-selection development work, particularly as we will need a consistent approach to this to ensure equal treatment. Please see section 7 p.12.**

2.6 The Programme document needs to set out justification for any cases where areas are likely to fall above or below the population limits specified in the RDR. We are expecting any cases above the limit to be on the basis of the coherence of the area being compromised by the exclusion of a key market town. But if regions are aware of any likely areas falling below the limit, or any other justification for larger areas we will need to know as soon as possible to amend the draft Programme to cover these cases (see also 3.8).

2.7 It would also be useful to have information on selection – particularly what 'regional fit' will look like in your region and make up of panels. Further information about what we mean by this is provided in the 'Regional Selection' section below.

2.8 As noted above, <u>forecasts</u> of expenditure by LAGs do not need to be set out per measure, but only per axis. However, the Programme document and Regional Implementation Plans will set the framework for targets and indicators against which delivery partners – including LAGs - will be held to account. Therefore LAGs will be asked to report on the outcomes of their expenditure in a way which broadly mirrors that for axes 1 and 3 expenditure as a whole. More information on what this means for monitoring LAG outcomes against regional targets is given in paragraphs 11.1 and 11.2.

3. Regulatory issues

3.1 There are a number of detailed regulatory requirements for the use of the Leader axis covering the 'model' itself; the size of areas; selection; finance and administration. These are set out in Article 61-65 of the Rural Development Regulation and articles 37-39 of the Implementing Regulation. As the approach will be used across all Member States, the Commission will be looking for consistency in how it is used. The England Programme will be required to spend at least 5% of its budget through the Leader approach. To ensure that we meet this minimum, in England, each region will be required to spend a sum equivalent to the value of 50% of its total axis 3 budget using the approach over the life of the Programme. The Leader 'approach' is a well defined model and although some aspects are optional, the core elements of the model must be adhered to. It will be the role of Defra as the Managing Authority to ensure that this is the case.

Definition of the Leader approach (RDR Article 61)

3.2 Article 61 sets out the core regulatory requirements that define the Leader 'model'. The core requirements that must apply to all Local Action Groups are:

1) that it should be area-based involving well-identified sub-regional territories
2) it should involve local public-private partnerships (Local Action Groups). These should comprise at least 50% non-public sector members
3) it is a bottom-up approach with a decision-making power for Local Action Groups ie. they will identify their needs and then select the projects to be supported under the strategy
4) the Local Development Strategy must be representative of a broad cross-section of the local economy
5) that there should be networking of local partnerships (this will be facilitated by the National Rural Network)

3.3 The other requirements that will need to be demonstrated across the RDPE but not necessarily at individual LAG level are that Leader supports innovative approaches and co-operation activities.

Local Development Strategies and their implementation

3.4 The regulations require that LAGs must draw up a Local Development Strategy and then implement it. They must choose the projects to be supported under the strategy. Their allocated budget can be used to:

- implement their Local Development Strategy
- implement co-operation projects
- run the Local Action Group, and acquire skills[1]

3.5 LAGs are required to either select an administrative and financial lead actor able to administer public funds and ensure the satisfactory operation of the partnership, or come together in a legally constituted common structure the constitution of which guarantees the satisfactory operation of the

[1] The draft Programme sets out our thinking in terms of the balance we expect between implementing strategies and capacity building as far as budget split is concerned. We expect this to be similar to the current LEADER+ Programme where only around 2% of budgets has been spent on the latter.

partnership and the ability to administer public funds. They will need to set this out in their local development strategy. In the current LEADER+ Programmes a range of approaches to this have been used. But in the majority of cases a local authority has taken the lead. There are two examples of regeneration companies taking on the role and a number with voluntary sector lead. **This is a very important role as LAGs will need to abide by all the RDR and Implementing Regulation rules. In particular, the Commission Guidance makes clear that where a project falls within the scope of a specific measure its eligibility and selection conditions will apply. But horizontal conditions not specific to a measure will also apply – e.g. State aid rules.**

3.6 Running costs of LAGs are eligible for support within a limit of 20% of the total public expenditure of the local development strategy.

LAG areas

3.7 The areas must be coherent from a geographical, economic and social point of view and offer sufficient critical mass in terms of human, financial and economic resources to support a viable development strategy.

3.8 The more detailed implementing regulations require that as a general rule population should be greater than 5,000 inhabitants and not exceed 150,000. However, in properly justified cases, the limits of 5,000 and 150,000 may be lowered or increased respectively.

3.9 We would expect any case for an exemption to be based around the lack of coherence of an area were it to have to fit within the limits. For example a case might be based on the need to include a key market town or the avoidance of creating artificial boundaries. Key to arguing for a case will be how the core Leader principles will be maintained and in particular how the strategy will be sufficiently local and how the community will be engaged and take ownership of the strategy. **Regions should indicate now whether they think we will need to make a case to the Commission for particular areas.**

Selection

3.10 The regulations and guidance from the Commission are clear 'the procedures for selecting the local action groups must be open to all rural areas and ensure competition between the local action groups putting forward local development strategies'. They also make clear that we should be applying the same criteria across the country. But they also give the option for Member States to cover only a part of its rural territory by including for example socio-economic criteria to give a preference to disadvantaged areas. We believe that regions will want flexibility in how the approach is used to allow for targeting which would mean that the approach could be used in a much more strategic way to focus on particular areas of need or priority as identified in RIPs. We believe that the approach set out in section 6 satisfies the regulatory requirements but also gives regions the flexibility needed to adapt the approach to their particular needs.

4. The Leader model in England

4.1 Being a key delivery mechanism for the Programme there are a number of issues where we expect conformity across England as a whole. Other decisions in terms of its use will be devolved delivery issues for regional partners to determine. It is important that the division is well understood. The main principles of where the policy/delivery split will work in practice are set out below.

National policy

4.2 The four key areas where there should be national conformity are:

- Consistent application of the regulatory requirements – the Leader approach can have a real impact provided the principles are not diluted
- Regional delivery partners (RDAs, Natural England and Forestry Commission) should work closely together to ensure integration between the three axes (see separate section on integration)
- an agreed consistent process for selection within which there will be regional flexibility
- LAGs will engage with mainstream local governance arrangements, particularly Local Strategic Partnerships and that local development strategies will be aligned as far as possible with relevant objectives in Local Area Agreements (see below – strategic alignment)

Devolved delivery

4.3 The five key areas that will be left for regional determination are:

- decisions on how much beyond the minimum spend will be delivered through Leader including the balance of axes
- the extent of geographical coverage within the region
- any case to be made for smaller/larger areas
- precise partnership arrangements with local authorities
- how to ensure Leader contributes to meeting regional priorities as set out in RIPs and other regional strategies

5. Achieving integration

5.1 Each region will be required to spend a sum equivalent to 50% of their axis 3 budget through the Leader approach this is to ensure that we meet the 5% minimum spend requirement across the country. At the moment, there is no money from axis 2 available for LAG budgets. It is up to regions to decide how much beyond the minimum will be delivered through the approach and the balance between axis 1 and 3 as contributors to LAG budgets.

5.2 Integration across the objectives of the axes is a key objective of the programme and we need to ensure that it happens in the absence of any budget contribution from axis 2. Achieving this will require Natural England and the Forestry Commission to work closely with the RDAs to ensure that they contribute to the integration as far as possible. This will include their participation on selection panels which regions have already been planning for. Second, they could assist in the setting up of LAGs, helping to build their capacity and encouraging their strategies to address environmental as well as socio-economic objectives. Third, they could look at how ES and EWGS funds (or the other smaller Natural England or Forestry Commission partnership and innovation funds) and LAG funds could be mutually supportive.

5.3 Under the terms of the Strategic Environmental Assessment (SEA) Directive, an environmental report was carried out on the draft programme document in February 2007. Two of the most significant recommendations of the report concern ensuring that environmental considerations are taken fully into account in the selection of projects for support under axes 1 and 3. The recommendations are as follows:

- All projects should at least consider environmental issues in their development, while accepting that it will not always be appropriate to take substantive action in response to the questions considered.

- Decision-making structures should incorporate appropriate environmental expertise, in line with the significance of impact identified against each broad heading in the environmental report[2].

5.4 RDAs should set out how these recommendations can best be incorporated in the project selection process used by LAGs in their region.

6. Selection

6.1 The latest guidance from the Commission makes clear that they will expect a consistent approach to selection across the country. We believe the 'framework' detailed below will ensure this consistency whilst maintaining the principle of devolving decision making to the regional level.

<u>6.2 There must be an open competition framed around evidence based criteria to select Local Development Strategies. This means that individuals and groups in potential areas will need to be made aware of the opportunity to apply.</u>

6.3 Each region will be required to draw up their own selection procedures based on the selection criteria listed below. All of these criteria must apply in each region. A brief description of what will be expected of the criteria is also

[2] The environmental report is available at http://www.defra.gov.uk/corporate/consult/rural-dev2007-13/sea-env-report.pdf

set out. Precise scoring arrangements; rankings etc will be up to individual regions to determine and then agree with the Managing Authority.

6.4 There must be no artificial barriers to cross-regional bids and regions should consider how they will align their selection processes so as to ensure this is the case. **Regions should agree and set out to us how they will ensure that cross-regional bids are in no way disadvantaged in the selection process.**

Selection criteria

6.5 The following selection criteria must be applied in each region (a brief description of what will be expected of each is also given):

- appropriateness of the partnership

The partnership is there to deliver an integrated rural development strategy. It is therefore important that as well as satisfying the private/public sector split in terms of membership representation, the partnership has a broad representation across social, environmental and economic interests. The local action group must show an ability to define and implement a development strategy for the area or potential to do so with appropriate capacity building support.

- coherence of the area

The area must be sufficiently coherent from a geographical, economic and social point of view. It should be clear what area is involved including details of wards and parishes. Local knowledge will be important in assessing this criterion.

- quality of the local development strategy

Of critical importance will be a strong socio-economic and environmental analysis and objectives and planned actions following clearly from the evidence.

- financial and administrative capacity

The strategy will need to demonstrate that appropriate resource exists to implement the strategy. There must be clear evidence supporting the suitability and competence, including capacity, of the individuals and decision making body to administer public funds and to manage implementation of the strategy.

- fit with National (England) Programme objectives

Groups must show how their development plan contributes to the overall objectives of the Programme.

- integration of sustainable development principles

This should take account of whether the strategy will:

- support and increase the social, economic and environmental sustainability of the local area

- ensure that resources will be used in such a way that options available to future generations are not impaired: strategies supported must demonstrate that they do not have any significant negative environmental impact

- commitment to integration across the objectives of the three axes

Strategies will need to demonstrate how the partnership has the expertise to achieve this integration and will need to show what this will mean in practice.

- commitment to co-operation

All strategies will be expected to cover co-operation. If groups are new then a later start to co-operation can be expected. However, all should at least be able to identify the sorts of activity that would benefit from co-operation (see below).

- regional fit, in line with Regional Implementation Plan

(see separate section below)

6.6 All regions will be expected to interpret the criteria in the same way using these broad descriptions as a guide. The Local Development Strategies will need to be assessed against these criteria. (See below for minimum requirements of a local development strategy).

Regional fit

6.7 It is through this criterion that regions will be able to 'target' the approach in their region. The regional fit criterion should be defined in advance by the regional panel in consultation with partners and be published. It should be evidence based, and have regard to economic under-performance and disadvantage and to links with relevant regional and sub-regional strategies and programmes. Regions will therefore need to identify the evidence that they will use for application of this criteria and make this clear to applicants in advance to ensure there is equal treatment.

6.8 It will be important to widely publicise the selection criteria including regional fit to ensure that local action groups unlikely to be successful are aware of this.

6.9 In determining the degree of targeting, regions should beware of spreading the funding too thinly. Experience from the current LEADER+ Programme, and based on the emerging guidance from the Commission, we consider the absolute minimum budget that is required for a local development strategy to be economically viable is £250k per annum.

Requirements for co-operation

6.10 We would expect all Local Action Groups to incorporate some co-operation activity. This could be inter-territorial (i.e. with a group in England) or transnational (with a group in another Member State). Co-operation goes further than networking. It encourages and supports a Local Action Group to undertake a joint action with another Leader group, or with a group taking a similar approach, in another region, Member State, or even a third country. Co-operation is understood as a part of a local development strategy and not as an added element to the strategy; co-operation is a way to widen local views in order to improve local strategies. Collaboration beyond established borders has been a way to get access to information and new ideas, to learn from other regions or countries, to stimulate and support innovation and to acquire skills and means to improve delivery. It can be a way of achieving the critical mass necessary for a specific project to be viable, or of encouraging complementary actions e.g. joint marketing by Leader groups in different regions whose areas share a specialisation in a specific product or developing joint tourism initiatives based on a shared cultural heritage.

6.11 The National Rural Network and EU network will be able to assist groups in finding partners.

Local Development Strategies

6.12 In order to ensure equal treatment between LAGs across the country there will need to be a minimum requirement as far as the content of Local Development Strategies is concerned. A LDS should therefore contain:

- Details of the partnership (including sectors covered and whether public or private)
- Description of the area – the characteristics including a socio-economic and environmental analysis
- Overall objectives of the strategy (and how these fit with National Programme objectives and those of the RIP)
- How integration will be achieved
- Detail of the accountable body and roles and responsibilities including how financial issues will be managed
- Planned activities and projects
- Identification of the targets and results from the RIPs that the LAG intend to deliver
- How the strategy will fit with other mainstream regional/local governance structures

The selection process

6.13 It will be up to regions to decide the precise detail of the selection process. However, they will need to:

- develop the regional fit criteria
- set out a detailed process – how scoring will work and decisions made etc
- call for proposals (and decide whether to have more than one call) – this needs to be widely publicised ensuring that all areas are able to apply and know the criteria against which they will be assessed
- decide precise roles and responsibilities on the panel

- decide how they will handle cross-boundary bids
- have an appeals process in place

The panels

6.14 Precise arrangements for the selection panel – ie. Roles and responsibilities, including the Secretariat and Chair will be up to regional discretion. But as a minimum, panels should contain the three delivery partners.

6.15 In order to ensure consistency across the country, the GO will take the role of the Managing Authority and should therefore not be involved in the actual selection. Instead, they should ensure that the Managing Authority's requirements for the application of the criteria is applied appropriately. To do this GOs will be briefed in advance of what they need to look out for and will be required to submit a statement at the end confirming that they are content that the process was followed. The only resource implication of this role will be the attendance at panels and subsequent submission of the statement at the end. During panels they will only be expected to intervene if the agreed criteria are not being applied as intended by the Managing Authority.

Timing

6.17 It is a Regulatory requirement that initial calls for proposals take place within 2 years of Programme approval. It is also permitted to have additional calls after this. However, experience from previous Leader programmes shows that it takes considerable time for LAGs to develop to a stage where they are successfully implementing their strategy. Regions will need to take this into account when planning selection. Our expectation is that regions will hold selection panels well in advance of this 2 year deadline.

Appeals

6.18 In line with best practice there should be an appeals process in place. The grounds for appeal would be where a LAG felt that the agreed selection criteria had not been appropriately applied. RDAs will be supplying detail of their current processes to see if these are appropriate for this purpose.

7. Preparation of local development strategies

7.1 Guidance from the Commission makes clear that assistance with preparing local development strategies should be available to LAGs. This guidance sets out the type of activity that would be eligible:

1) At regional level through training bodies as beneficiaries
- the training of staff involved in the preparation and implementation of a local development strategy
- promotional events and the training of leaders

2) At local level through the local communities, local development agencies, local partners associated through agreement OR already established LAGs as beneficiaries

- studies of the area concerned including the analysis of a potential local strategy
- measures to provide information about the area and the local development strategy

7.2 This gives quite a wide scope. We believe it should be up to regions to decide how best to utilise this, including how to ensure value for money. But there should be a consistent approach to this across the country in order to ensure equal treatment. Regions might agree, for example, to adopt an expressions of interest stage which would give groups a clearer idea of their 'fit' with the criteria. This could be a useful sifting process to allow funding for preparatory work to be used to support those groups with a high likelihood of success. 'Acquisition of skills and animating the territory' should be eligible expenditure both in the development stages as well as throughout implementation. **Regions will need to agree a consistent approach to pre-selection development funding in order for us to be able to cover this in the Programme.**

8. Administration and capacity building in LAGs

The main roles of the LAG

8.1 In the implementation stage the LAG has the responsibility for selecting projects which meet the objectives of the local strategy. This means publicising information about calls for tender, designing selection criteria, analysing project proposals and selecting the projects.

8.2 In some cases LAGs may be responsible for certifying that the expenditure has been carried out according to the funding agreement and making payments to beneficiaries.

8.3 The Commission's experience from across Member States is that to carry out these functions usually requires a qualified manager and an administrative assistant. The staff must be qualified and/or have experience in the administrative management of local projects and in certain models of implementation also in financial management. However, this is just a guide and regions will have to decide for themselves exactly how the operations will work including any ways of efficiency saving perhaps through shared functions.

Animation

8.4 One of the key roles of the LAG is building up the capacity of the LAG in order to ensure that all sectors of the community have the ability to participate in the delivery of the strategy. The role includes informing, advising, training, capacity building and acting as a go-between to bring together the different stakeholders that make up their community. Without this role, including in particular working with underrepresented groups/sectors, partnerships are likely to be unbalanced and not truly reflective of the area as a whole. This role will be important for helping overcome the conflicts that exist in every community, creating a culture of working together for common goals, and forging a strong identity and image of the territory.

8.5 This requires additional resources and communication skills distinct from those needed for the financial and administrative functions mentioned above. The countries that have used Leader approaches to improve the organisational capacity and local development of their rural areas usually have locally a team of 4-5 people. We would not normally expect this to be necessary in England as many structures are likely to already be in place. However, it will be for regions to decide the level of resource appropriate to circumstance when applications are received and through negotiation with the LAGs involved.

8.6 It requires time to train and build up the experience of a good local partnership and team. This is why many countries that have used Leader approaches to improve the governance and local development of areas argue that the partnerships and technical teams are key assets.

9. Demarcation

9.1 At the Programme level we do not need to set out separate demarcation lines for Leader. But Leader groups will need to abide by the demarcation lines set for each measure at the regional level. This requirement is set out in the latest Commission Guidance. We anticipate most LAGs will only be delivering measures from the RIP and so they will have to follow the relevant demarcation lines as set out in the RIP. In other words all measures to be delivered in a region, regardless of the delivery mechanism, must be covered in demarcation tables. **Those regions that have indicated measures to be delivered through Leader as not requiring demarcation lines will now need to do so.** However, there is still ‘scope’ for a LAG to carry out some activity that falls outside these measures. We do not need to do anything to cover these situations as it will be at the LAG level that processes must be in place to ensure there is no potential for double funding with other EU funding instruments and to ensure complementarity.

10. LAG budgets

10.1 In the Programme document we will need to set out an indicative financial table that sets out the public and private split of funding. The public element will be the EAFRD contribution and Defra co-financing. Taking the letter of the Implementing Regulation, it would be impossible for LAGs to lever in additional sources of public sector funding to deliver their strategy as we are required to set the co-financing rates at the axis level at the outset of the Programme. At that stage we would have no idea the extent to which LAGs would be able to lever in any other funding, if at all. We have raised this issue with the Commission who have confirmed that there can be some flexibility over where the remainder of the budgets can come from. Provided that we clearly indicate that the private contribution may also include other sources of public sector funding – e.g. from local authorities - this will be permitted. **It would be helpful to have views from regions on whether this flexibility would be advantageous.** If we do want to take advantage of this flexibility it would be useful to keep a record of any additional public sources of funding that LAGs have levered in. This could be part of an annual report from a LAG.

11. Targets for LAGs

11.1 Each region will have a set of targets for the Regional Implementation Plan as a whole which they will have to report on at regular intervals with a more substantial annual report. There will be no separate system for LAGs as they are a delivery mechanism for the Programme as a whole. Therefore as part of the selection process for LAGs, the targets for the RIP as a whole should be made clear so as to allow LAGs to include within their strategy how they will be able to contribute to these targets. The RDA will then need to monitor this so as to be able to report as a whole how the RIP targets are being met. The ‘softer’ outputs of the Leader approach will be evaluated using external consultants paid out of the technical assistance budget. This will be a national exercise.

11.2 LAGs will be required to report to RDAs on the outputs and results of the projects they support in a similar way to that used for reporting on axes 1 and 3 as a whole. Given that most of the measures in these axes are quite broadly drawn, it is expected that the bulk of LAG expenditure on projects will fit within one or more of the measures. However, some will not, even though they legitimately tie in with the objectives of the axes. LAG reports to RDAs will therefore need to include an “other” category to account for expenditure on projects which do not link directly to a specific measure. RDAs may wish to seek additional information (not necessarily quantitative) on the outcomes expected from such expenditure so that there is a complete picture of what the LAGs’ activities are contributing to.