

# Future funding scheme

With the UK Government's exit from the European Union, the Government is considering its options for a new rural funding scheme to replace LEADER.

We believe there is still a strong case for a dedicated rural development programme. We also believe that the model should broadly follow the LEADER approach of bottom-up community led local delivery. It is important to highlight that with the launch of the Government's Rural England Prosperity Fund, some Districts and Boroughs will have a mechanism for offering capital grants within the rural economy. This covers the funding period 2023/24-2024/25. The West Kent Partnership is currently exploring a LEADER type scheme to run to maximize the scale and breadth of the opportunity.

This section sets out the case for continued rural investment, why the LEADER approach should be continued in all but name, but also why a future programme needs to refocus on previous iterations of LEADER (such as the 2007-13 programme) with less emphasis on economic delivery, whilst important, but with more focus on supporting rural communities.

## The case for continued rural investment

### *Local challenges, opportunities and continued beneficiary demand*

As can be seen from the large number of Expressions of Interest, successful applications and high commitment of allocated funds, there is a clear **demand** for intervention from local businesses and community organisations. These projects have brought about real benefits to their local rural communities in terms of job creation, business growth and community enhancement and cohesion. As our survey of grant beneficiaries clearly highlights, there are still high levels of demand for the continuation of support for rural development activity.

The challenges and opportunities highlighted in each programme's Local Development Strategy are still pertinent. Whilst rural funding in the shape of LEADER has made a real difference to those successful grant beneficiaries – and, indeed, often resulting in wider benefits to their local communities – the investment is finite and limited by the overall grant allocation. Programmes can only deliver according to the supply of funding, but the **demand** for intervention is still clearly greater than the supply of investment. Consequently, there is a clear case to continue with a locally-led rural funding scheme with a successful track record.

**We have considered how a future funding scheme should look, building on the LEADER delivery model. Our recommendations are as follows:**

### **1. A new scheme must follow the Community Led Local Delivery (CLLD) model**

A new scheme will require **continued sub-regional local decision-making**. LEADER works because it focuses on local areas utilising the knowledge and expertise of a wide range of local decision-makers. Any future scheme should therefore continue to work at a localised level, certainly below the larger LEP level used for other larger funding schemes and a larger strategic remit. As such, the current LEADER **structure** should remain in place as a template at the very least. It may need tweaking, geographies may need adjusting but there is a successful, working model in existence. This uses local expertise and knowledge to address local issues and develop local economies and communities. The structure has local buy-in and engagement and a track record of delivering. **It makes a difference.**

The structure of the new LAG (for use of a better acronym) should remain non-political and made up of a cross section, but balanced, representation of local organisations, business groups, NGOs and individuals etc. who have a vested interest in their local area. The list is not exhaustive but needs to be made up of partners that can bring expertise, knowledge, skill sets, influence, and contacts.

**The new scheme should keep the current structure in place as a template for future local development and funding programmes.** It may need tweaking, geographies may need adjusting but there is a successful working model in existence. This uses local expertise and knowledge to address local issues and develop local economies and communities. The structure has local buy-in and engagement and a track record of delivering. It makes a difference.

## **2. A new scheme must use existing networks**

LEADER has been successful in setting up effective Local Action Groups with a broad range of local knowledge and expertise. It would be a waste to lose these people and their knowledge. As such, we strongly believe that a future scheme must work on the basis of having a Local Action Group to identify local needs and set out strategies to meet local challenges or opportunities.

In order to effectively do this, the LEADER Local Action Groups must be maintained. This will save considerable time and expense and ensure a significant level of continuity with the previous scheme. It will also ensure confidence in the new scheme and buy-in from the membership.

## **3. Priorities must continue to balance Local and National Responsibilities and Priorities**

A future scheme should continue to balance both national and local responsibilities and priorities. As with the current LEADER scheme, the national body (presumably the RPA) will need to set the broad principles of the programme in support of different sectors of the rural economy, as well as developing the prescribed forms and guidance to ensure consistency of administration throughout England. We recognize that there needs to be broad national priorities highlighting the sectors to be supported and a consistent eligibility criteria to be applied across England.

Likewise, we recognize reporting and guidance requires a prescriptive approach to ensure all local groups follow the same guidelines from setting up local action groups, developing local strategies and appraising and assessing project applications.

There should then be appropriate devolution to Local Action Groups to adapt the wider national priorities into local priorities but LAGs must be given autonomy to manage their programmes locally in relation to their local needs. The success of LEADER to date has been its ability to allow local areas to set their own local priorities which reflect their own local challenges, needs and opportunities. This must remain.

There should not be an over-emphasis on awarding grants to projects which create jobs or economic growth. LAGs should be able to decide the criteria for the activity it wants to support. If that means a greater emphasis on community or tourism schemes, then that should be the decision of the LAG.

In this regard, the current system works with the UK government being responsible for setting national priorities to direct the general focus of programme, with local decision-makers taking into account other regional and sub-regional influences (i.e. setting their own local approaches with some alignment to the larger Local Enterprise Panel regional priorities and the broader national priorities). Indeed, Local Development Strategies clearly set out local priorities and how they also fit under the broader LEP and national targets. This approach provides a good structure to ensure a general consistency of contributing towards broader regional and national objectives whilst having the flexibility to develop approaches specific to local needs.

#### **4. The Local Development Strategy is still the correct vehicle to deliver change**

The Local Development Strategy is the mechanism to deliver change. It should be the vehicle to draw down funds based on its own outputs and outcomes. This can be monitored and success or otherwise evaluated. It should not be subject to a prescriptive set of national priorities which do not necessarily meet the specific needs of the local area; **rather, it should be specific to the needs of the local area and set out clear local priorities.**

Consequently, any future scheme should maintain the Local Development Strategy as the driver for change.

#### **5. Programme support is key to the success of any future scheme**

Many rural businesses said they would not have been able to complete their application journey without the support of a dedicated programme team offering them help and assistance throughout. Many small businesses do not have the experience of bidding for funding and lack the resources to hire a consultant to undertake the application on their behalf. Consequently, rural businesses often find

it difficult to bid and access external funding and the provision of support during the application process is often required in this context.

As such, any future scheme must retain the involvement of a dedicated programme team to help applicants develop their project proposals in line with the eligibility criteria and assessment guidance.

Moreover, the Local Action Groups were also very much dependent on having the support of a programme team to run the administrative function of the LAG and also advise on national guidance and various relevant local issues. The programme team is also the best conduit to link LAGs together and raise awareness of any future funding programme.

The system of having an Accountable Body being responsible for the administration of the programme should also remain. Local authority staff have the requisite skills and expertise to successfully manage the administration of the LAG, monitor and evaluate progress and report to central government.

## **6. The application and appraisal process must be robust and rigorous but not onerous**

We recognise that the process should be robust and rigorous in order to develop good project proposals and sufficiently test the project rationale.

Yet it should also be flexible enough to allow local decision making in response to specific local needs. This requires a higher degree of trust for locally appointed/agreed (but non-political) decision makers to administer the Programme without excessive interference from the managing authority.

There is a concern that the process deters prospective applicants who might otherwise have a good project proposal but don't have the skills or experience of undergoing a lengthy and detailed application process.

The process and prescribed forms therefore need to be both accessible and simplified. Although grant-making processes are necessarily rigorous as it involves the giving of public funding, the feedback from users is very critical of the system. A future programme needs to ensure a balance so that genuinely good projects are not put off from applying.

## **7. The application and appraisal/assessment process should be proportionate**

A future funding scheme should recognise the difference between projects at the lower end of the grant giving scheme and those much larger grants at the top end. It does not make sense to hold both to same standards of detail and rigor in either the level of information the applicant has to provide or the level of information the LAG needs to consider. Grants are contractual and applicants need to meet certain

business or company checks to make sure they are legitimate. If outputs cannot be delivered, then recovery can either remain an option or the low-level grant written-off. But these low-level grants do not require the level of probity currently demanded. Therefore, a future scheme should keep the principle of rigor for larger grants of £30,000 and over, but smaller grants should not be held to the same standard.

A new scheme should have a dual process for delivering small interventions as well as larger ones, e.g. a simplified application process for small requests for grant assistance.

The replacement to LEADER should be designed so that the process is necessarily robust and rigorous, yet flexible enough to allow local decision making in response to specific local needs.

There also needs to be a higher degree of trust for locally appointed/agreed (but non-political) decision makers to administer the Programme without excessive interference from the managing authority.

## **8. A future scheme should not over focus on jobs and growth but return to supporting wider community development**

**A return to local transformation projects and not just an economic grant scheme:** Programme support staff, LAG Board members and prospective grant beneficiaries are all united in wanting a scheme to return to the previous iteration of LEADER, which awarded grants to projects that brought about change locally without the requirement to produce jobs or economic growth. Whilst these aims are important, rural grants should also address issues of isolation and those affecting communities in rural areas. We would welcome a return to a Programme that can act as a catalyst for change locally and is a development programme rather than one that has simply become a grant giving mechanism. We also believe this is in line with the Government's levelling up agenda, which is not restricted to economic growth targets but recognises the need to develop and transform areas for community benefits.

## **9. Grant intervention should remain at 40%**

It should also be noted that grant intervention of 40% results in 25% more overall investment in the area than a typical match-funding intervention of 50%.

There is clear demand for support at 40% intervention for commercial projects and no evidence to suggest that a project contribution of 60% has necessarily dissuaded projects looking for a 50-50 split of project costs. A grant intervention of 40% brings in 25% more overall investment and a future scheme should continue to operate on this basis, as it provides more overall investment and allows for more grant funding to go to more projects.

## 10. A new scheme should have greater scope

**Rural funding should be extended to revenue projects:** Any new Programme should not be limited to assisting capital projects. Revenue projects should be included and the Local Group (LAG) should be able to commission projects to deliver local change and development. It should also have a process for delivering small interventions as well as larger ones.

**Extending the programme to other rural areas and larger rural towns:** Under the current scheme, some projects have been ineligible because the applicant business or organisation sits just outside the designated LEADER area. We think there should be more discretion for LAGs to accept applications from otherwise very good projects who are prohibited from applying due to their location. At present there are some rural businesses in what we would still consider to be rural areas who cannot apply for LEADER funding because they fall between the designated LEADER areas and this also needs to be addressed.

Why should a new locally led Programme be restricted to rural areas? Is this the chance to extend the 'approach' to urban areas, especially larger rural towns? Could we not also consider the same 'approach' for coastal areas (FLAGs)?

## 11. The programme should remain consistent for each designated period

**Consistency of approach and consistent use of processes:** A future replacement scheme should have an agreed Programme with agreed processes and practices from the start. Having the benefit of running LEADER and rural grant schemes for several decades, along with other EU structural funds, should by now mean that lessons have been learnt and a capable, efficient and effective scheme is embedded at national, regional and local levels. Surely, by now, there is enough knowledge, skills and expertise at every government level (national and local) for a scheme to be set-up and run without the need to change it. The avoidance of changing guidance and rules once the Programme is operational would be welcomed by all in the administration of rural funding. Lessons can be learned, and changes implement between programme round: there are no reasonable excuses to keep amending programmes during their operational phase.

**We therefore recommend that the future scheme:**

- **Develops an agreed programme with agreed processes and practices from the start. The avoidance of changing guidance and rules once the Programme is operational.**

## 12. The Running and Animation Costs should be based on allocation to areas and not committed spend

The Running and Animation Costs (RCA) for staff resources are linked as a direct proportion of committed spend. However, when a project withdraws the committed spend is reduced and the amount of RCA is subsequently reduced as well. It is very difficult to plan effectively when the RCA programme budget fluctuates and, in instances where there are late project withdrawals near the end of the programme, each programme has to apply for dispensation to have a greater proportion of committed spend in order to sufficiently resource their programme team. This is not an ideal way of setting the programme's staffing budget. Running and animation costs should instead be based as a proportion of grant allocation to the area rather than the end result of the committed amount awarded to projects. The current system does not take account of the amount of work which goes into dealing with Expressions of Interest, withdrawals prior to and after Grant Funding Agreements have been issued.

### **13. Future opportunities for collaboration**

One aspect of the LEADER programme which could be improved is the opportunity it gives to grant beneficiaries to network with each other develop opportunities for collaborative working. Whereas other structural fund programmes such as the European Social Fund (ESF) and European Regional Development Fund (ERDF) often establish networks of grant beneficiaries, this is not replicated for LEADER funding. In part, this is probably because LEADER funding covers a much wider diverse mix of projects, with businesses ranging from new or small enterprises to large local rural businesses or farming businesses. ESF and ERDF programmes tend to have more similar businesses and consistency of activities and outputs. However, the establishment of network groups for grant beneficiaries could be a welcome addition to a future funding scheme. Greater communication and networking between grant beneficiaries would allow:

- The development of productive working relationships and opportunities for joint-working and collaboration, as well as sharing best practice.
- The opportunities for LAG areas to network with neighbouring LAG areas, again giving grant beneficiaries access to a wider pool of businesses and networking opportunities.
- Greater networking and coordination between individual LAG areas in a network similar to that established between Kent, Surrey and Sussex LAGs, allowing LAGs and Accountable Bodies to share best practice, develop opportunities for cross-LAG collaboration (e.g. on marketing or staff resources), as well as developing cross-area priorities where LAGs might fund projects over a larger cross-LAG geographical area.