

TITLE OF REPORT: **Community Led Local Development – Accountable Body Status and Matched Funding**

REPORT OF: **Paul Dowling – Strategic Director, Communities and Environment**

Purpose of the Report

1. To raise awareness of Community Led Local Development (CLLD) and, in particular, Gateshead's Local Development Strategy that outlines a partnership based approach to address high levels of economic inactivity in deprived communities.
2. To seek Cabinet approval to provide matched funding of £277,345 over five years from the Economic Growth Reserve Fund to support the operation of the CLLD and to help with the administration of a partner led Local Action Group (LAG) established to oversee the initiative.
3. To seek approval for the Council to act as the Accountable Body for the LAG.

Background

4. CLLD targets deprived communities and seeks to help those furthest from the labour market move towards employment or enterprise. The approach helps address barriers such as health issues, childcare / adult care dependency.
5. One of the key differences over other EU programmes is the role of local people and organisations in deciding the priorities that would be supported. In addition to determining the strategic approach, a local management group called a Local Action Group (LAG) of Public, Private and Third Sector partners and residents would make funding decisions over a five year period to deliver local priorities.
6. In April the Council and partners were awarded (Stage 1) EU funding to prepare the strategic framework for the programme called a Local Development Strategy (LDS). This identified local barriers to employment and enterprise faced by unwaged people living in deprived communities and outlined an approach to address these.
7. The unique mix of ERDF and ESF funding enables the programme to support both people and place-based activity e.g. skills training, employability support, social enterprise development, business support and networking and the development of small scale business accommodation that could support the sustainability of asset transfers.
8. The approach offers many advantages to the council, such as supporting the Achieving More Together agenda. It will pilot a new way of working that will utilise the skills and expertise of partners and attract matched funding from applicants own funds, whilst delivering many of the council's economic aspirations. It will also reinforce the role of the council as a place shaping body.

Accountable Body and Match Funding

9. As part of completing Stage 1, the LAG was required to find an organisation with an established financial track record to act as Accountable Body and secure up-front match funding of £277,345 (circa £55,000 per annum) to support project management and administration costs.
10. The LAG approached a number of organisations but none were able to undertake this role or provide the match funding. Given the urgent need to submit the application by 31 August, an Executive Decision under Constitution Schedule 5 – Executive functions delegated to managers, Part 1, 2 (10), was made to use the Economic Growth Reserve for the match and for the Council to act as Accountable Body, subject to Cabinet approval and budget considerations. The programme fulfils a number of objectives of the reserve and investment framework criteria.
11. The LDS clearly outlines the governance process. The Gateshead Community Led Local Development LAG is an unincorporated body responsible for the implementation and delivery of the LDS under the authority of the Accountable Body which if approved would be Gateshead Council. The LAG has responsibility for the leadership, implementation, monitoring and review of the LDS, and is responsible for taking all major decisions affecting its successful delivery, including decisions on the allocation of funding to projects to achieve the LDS objectives. However, as the Accountable Body, the Council would have the responsibility of ensuring that the projects selected for support meet the eligibility and compliance criteria of EU funding and fit within the priorities of the LDS. This approach would not restrict the Council from applying for funding in its own right.

Stage 1 Approval

12. The LAG/Council has now been informed that it has successfully passed Stage 1 and has the opportunity to apply for up to £2m ERDF and ESF funding over five years (Stage 2). When matched with individual applicants own funds, this would attract approximately £4m to support economic growth projects in the borough.
13. The Stage 2 process was not due to begin until in the New Year, however, this has been brought forward and full funding applications are due to be submitted before 31 December 2016.

Community Led Local Development

14. The Strategy, which is included as Appendix 2, outlines the suggested approach and includes a map of the proposed geographic area. CLLD is unique programme in that it the only current programme within the North East Local Enterprise Partnership's (NELEP) European Strategic Investment Programme to align funds to support delivery of enterprise and employment objectives, despite there being a need to apply to both the ERDF and ESF operation programmes for funding. Despite this unique approach there is still a need to deliver ESF and ERDF outcomes and report these to the individual Managing Authorities in the normal way as with any other EU application.
15. ESF funding would support, training, self-employment and employability skills, for up to 1,700 of the borough's most disadvantaged residents, whilst ERDF capital funding would also support the development of small scale business accommodation that could help the sustainability of asset transfers. ERDF revenue

could also support business growth including social enterprise development and networking activities that could support the service transformation agenda.

16. Importantly, unlike mainstream ERDF or ESF projects, there is no requirement for match funding to be secured for the whole programme ahead of a Stage 2 submission. Projects can secure match at any time ahead of applying to the LAG for funding, within a programme that would operate over a five year timeframe. This will allow smaller organisations to access EU funding for the first time.
17. This is an EU funded programme and there is obvious implications arising from the decision to leave the EU. Officers have sought clarification on this issue with the Managing Authorities and currently the guidance is that there is no change in the five year duration of the scheme.
18. The advantages and disadvantages of the programme are outlined below, with the approach directly supporting many of the Council's economic growth objectives and which is integral to meeting the objectives of Gateshead's LDS.

Advantages

- A £277,345 investment would attract approximately £4m of EU and partner funding to support the economic growth in the most deprived areas of the borough.
- 1,700 of the most economically inactive residents would move towards / into work, improving skills levels that will help develop long term sustainable employment.
- Supporting 350 people into work, would reduce benefit payments by £3.5m and increase spend in the local economy by almost £5m, with a further 323 into further education and training.
- Deliver business consultancy support to 175 businesses, resulting in 55 new jobs.
- Supporting 250 people become enterprise ready – trends show that around 30% will start a business within 12 months.
- A better qualified labour force will attract businesses and fill the vacancies created by the Achieving More Together initiative.
- The business base would grow, as would self-employment (below the GB average);
- Social enterprise activity would support the development of new services, a key requirement of the Achieving More Together programme.
- ERDF Capital funding could support the suitability of asset transfers, developing training hubs and or business premises that could generate income – creating the proposal will create 186 square meters of new business accommodation space.
- EU funding for business support is already fully subscribed – this funding would provide this activity in the deprived areas of central Gateshead.

Disadvantages

- The LDS has been drawn up by the LAG which comprises representation of the public, private and third sector. The Council retains an influence but will not control investment awards.
- The Council would need to cash flow the projects ahead of quarterly claims which would be managed within Council's cash balances. This would result in lost investment income of circa £1,000 per annum.
- As the Accountable Body, the Council would be responsible for clawback of ineligible expenditure and therefore this is a risk. There is a need to ensure that it has the appropriate range of skilled people in place to support this process.

Proposal

19. Cabinet is asked to approve the recommendation that the Council acts as the Accountable Body and provide the matched funding via the Economic Growth Reserve Fund of up to £277,345 over five years,

Recommendations

20. Following the analysis of the advantages / disadvantages it is recommended that the Council agrees to be the Accountable Body and provide match funding of up to £277,345 to support administration costs via the Economic Growth Reserve Fund.

For the following reasons:

- (i) The programme will attract significant funds to support economic growth in the borough over the next five years;
- (ii) The funding will help residents overcome barriers to employment/enterprise;
- (iii) It will pilot a new way of working, supporting a greater involvement of the wider community, including public, private and Third Sector partners;
- (iv) It will support Council objectives in relation to exploring new approaches to service delivery, such as through social enterprise activity; and
- (v) There is no other organisation able to fulfil this role on behalf of the LAG.

Policy Context

1. CLLD meets many of the objectives of both the Council Plan and Vision 2030 as it seeks to provide help to people living in disadvantaged areas to overcome employment related barriers to move toward and into work, training, self-employment or business growth including social enterprise. It will help overcome health inequalities, promote wellbeing, social justice and enhance social mobility.
2. As part of the European Structural Investment Fund programme of the NELEP it will help deliver the key objectives of its Strategic Economic Plan increasing participation in the labour market and the number of people in work.
3. At its core CLLD seeks to work with local people and organisations to promote local solutions to address economic disadvantage and involve local people in making decisions on the needs of the local community. Being in work is recognised and contributing to better health. By moving people towards and into work, this programme will help address issues such as high levels of ill health, including mental health, addressing key priorities around improving life chances and wellbeing through being in work.

Background

4. Careful consideration must be given in terms of agreeing to be the Accountable Body. In addition to needing to provide the matched funding for the management and administration costs, the Council, as Accountable Body, would need to ensure that projects comply with eligibility guidance and may need to cash flow projects ahead of the claiming the resource back from the EU programme. In addition the Council will be liable for any clawback of funds due to illegible activity. However, the Council has extensive experience of EU programmes. The funding will enable a detailed assessment and verification process to be put in place to minimise any risk from clawback. The project would create three new posts that would support this activity.
5. The approach offers many advantages, such as supporting the Achieving More Together agenda. For example, it will support training that will help residents access jobs created in third sector organisations that will help deliver services. It will also support the development of new social enterprises that can provide services that residents needs and which create local employment opportunities. The programme will pilot a new way of working that will utilise the skills and expertise of partners and attract matched funding from applicants own funds, whilst delivering many of the council's economic aspirations. It will also reinforce the role of the council as a place shaping body. This does not detract from the council being able to apply for projects, however the final decision on projects that are supported is at the LAG's behest and therefore not guaranteed.

Consultation

6. The Leader and Economy Portfolio members have been consulted.

Alternative Options

7. A decision not to proceed would mean that the opportunity to bid for up to £2m of EU funding to support economic growth projects in deprived communities would be lost (as would the opportunity to attract a similar amount of partner funding as match). A decision to proceed is therefore recommended.

Implications of Recommended Options

8. **Financial Implications** – The Strategic Director, Corporate Resources confirms that the programme meets the investment framework criteria of the Economic Growth Reserve and that there is sufficient resource within that reserve to support the cost of administration of the programme of up to £277,345 over five years (circa £55,000 per annum). The provision of a cashflow facility for projects will be managed within Council resources and is estimated to cost circa £1,000 per annum in lost investment income.
9. **Risk Management Implications** – EU funding does not come without risk, there is a need to ensure that projects comply with EU funding guidance. However the council has extensive experience of EU programmes; the matched funding for the administration process will allow a detailed assessment and verification process to be put into place to minimise risk.
10. **Human Resources Implications** – Acting as the lead body would create three additional posts to support the process. The Council's recruitment policy will be followed and opportunities for redeployment explored. All posts will be evaluated to ensure that they fit into the Council's grading structure.
11. **Equality and Diversity Implications** – This initiative seeks to promote additional opportunities for those furthest from the labour market to become economically active. It will therefore promote opportunities for a wide range of residents such as carers, lone parents, people with disabilities, women and those from marginalised groups to overcome such barriers.
12. **Crime and Disorder Implications** – The approach will also help those who are face barriers due to their involvement in the criminal justice system to seek support.
13. **Health Implications** – One of the largest groups of residents identified who could be supported through this programme is people with health issues, particularly mental health. Being in work is known to positively contribute to health and wellbeing.
14. **Sustainability Implications** – This approach will help promote sustainable communities by actively encouraging local people and organisations to be involved in the decisions that impact on their community and have an involvement in building a better future.
15. **Human Rights Implications** – N/A.
16. **Area and Ward Implications** – This project would have a direct impact on the 12 wards highlighted in Appendix 2. It should be noted that the inclusion of Low Fell is to help develop greater links between areas of high and low deprivation and encourage economic activity.

17. **Background Information**

The North East Strategic Economic Plan – NELEP

European Strategic Investment fund – NELEP

The Council Plan – Gateshead Council

Vision 2030 – Gateshead Strategic Partnership/ Gateshead Council