

This Report will be made public on 7 April 2017

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **C/16/118**

To: Cabinet
Date: 19 April 2017
Status: Non-key Decision
Head of service: Katharine Harvey – Head of Economic Development
Cabinet Member: Councillor John Collier, District Economy
Subject: Folkestone CLLD – Accountable Body and Programme Strategy

SUMMARY: This report seeks agreement for Shepway District Council, as the programme's Accountable Body, to submit a stage 2 application for European funding for the Folkestone Community Led Local Development (CLLD) Programme and to provide the public sector match funding for the programme management costs.

REASONS FOR RECOMMENDATIONS

As Accountable Body for the Folkestone CLLD Programme, DCLG and DWP, as the managing authorities for the UK's European funds (ERDF and ESF) require SDC to agree to the submission of the stage 2 application and the 50% public sector match funding for the programme management costs.

RECOMMENDATIONS:

1. To receive and note Report C/16/118.
2. Agree to the submission of a stage 2 application for the Folkestone CLLD Programme by SDC as the Accountable Body for the programme.
3. Agree to SDC providing the required 50% public sector match funding for the programme management costs over the duration of the programme.
4. Agree that the decision to sign the Grant Funding Agreement be delegated to the Corporate Director, Strategic Development following consultation with the Cabinet lead member for the District Economy, with the proviso that should there be any material changes to the programme, or additional significant risks become apparent, that the decision is brought back to Cabinet.

1.0 BACKGROUND

- 1.1 The South East Local Enterprise Partnership's (SELEP's) European Structural Investment Fund (ESIF) strategy allocated around £10 million for Community Led Local Development (CLLD) within the SELEP area and identified five potential locations for these programmes – Hastings & Bexhill, Thurrock, Ramsgate, Dover and Folkestone.
- 1.2 The application process for a CLLD programme involves three stages:
 - **Expression of Interest** setting out the case for a CLLD programme in the area;
 - **Stage 1** preparatory stage outputs required a Local Action Group (LAG) to be established, an Accountable Body for the programme to be identified, and submission of a Programme Strategy for agreement by the Managing Authorities (DCLG & DWP); and
 - **Stage 2** implementation stage which is the submission by the Accountable Body of full ERDF and ESF application grants for the CLLD programme to deliver the agreed Programme Strategy.
- 1.3 Successful applicants will sign a Grant Funding Agreement between the Accountable Body and DCLG and DWP as the UK managing authorities for ERDF and ESF funding.
- 1.4 Following approval of Shepway District Council's EOI submitted in November 2015, SDC was awarded £20,000 ESF/ERDF funding (matched 50% by 'staff in-kind' SDC funding) to develop the Stage 1 outputs, which included the submission of a Programme Strategy, establishment of a Local Action Group, and identification of an Accountable Body for the programme (Cabinet Paper C/16/45 refers to this).
- 1.5 Subsequently Cabinet agreed at its meeting on 14th September 2016 to:
 - Shepway District Council acting as the Accountable Body for the Folkestone CLLD Programme (in the absence of others willing or able to take on this function);
 - Endorse the Programme Strategy for the Folkestone CLLD Programme; and
 - Where any proposed withdrawal of EU funding is likely, to report back to Cabinet as soon as possible.
- 1.6 Following the submission of the stage 1 application for the Folkestone CLLD Programme, a positive response was received from DCLG on 27th October 2016 and SDC, as the Accountable Body for the programme, was invited to submit a stage 2 Full Application for ESF and ERDF funding.
- 1.7 Following the Referendum to leave the EU, there has been little explicit clarity from Government on the future of the CLLD programme. However, DCLG and DWP (as the managing authorities for ERDF and ESF) are encouraging applicants to continue with the application process and feedback, via the SELEP, suggests that the Government sees this

programme as being well aligned to national priorities. The implications of this are that should the UK leave the EU before the end of the programme period (as currently planned); there is a strong likelihood that the national government would continue to provide funding. The degree of commitment from the Government to honour the level of funding for the programme is likely to be more apparent at the Grant Funding Agreement stage for the programme.

2.0 STAGE 2 APPLICATION

2.1 The Stage 2 application focuses on the delivery of the strategic objectives and actions as set out in the Programme Strategy, which was submitted at Stage 1 of the application process. The Stage 2 application sets out in detail the funding sought for the programme, the outputs that will be delivered and the programme management processes.

Funding

2.2 The overall Strategic Objective of the Folkestone CLLD Programme is to focus on a geographically defined area within central Folkestone and to 'promote social and economic cohesion through interventions to help those in the most deprived communities access jobs and to support businesses in the area to grow'.

2.3 In order to ensure that there was sufficient demand for the level of funding, as set out in the Programme Strategy at stage 1 of the application process, an early light-touch Expression of Interest (EOI) stage was instigated locally to inform the Stage 2 application.

2.4 The early EOI stage resulted in some 24 responses being received and, of the potentially eligible projects; there was sufficient demand for an EU funding requirement for some £5.5 million. This is well above the amount identified for the programme in the Programme Strategy, which had been based on Folkestone's pro-rated share of the amount available to the three CLLD programmes in the SELEP area that were successful at the EOI stage.

2.5 The Folkestone CLLD Programme has three programme objectives, each with specific targeted activities. The amount of funding sought to deliver these actions and the management costs for the programme are set out in the table below.

Folkestone CLLD Programme Budget

	TOTAL Funding	European Funding		Match Funding
		ESF (£)	ERDF (£)	
Objective 1 - Enhancing work-readiness and well-being				
Action 1: Work experience and job preparation for young people	£720,000	£360,000		£720,000
Action 2: Getting people back into work	£800,000	£400,000		£800,000

Action 3: Promoting emotional and physical well-being	£280,000	£140,000		£280,000
Action 4: Promoting financial wellbeing	£150,000	£75,000		£150,000
Subtotal	£1,950,000	£975,000		£975,000
Objective 2 - Promoting local business and social enterprise				
Action 5: Promotion of social enterprise	£200,000		£100,000	£100,000
Action 6: Support for business start-ups	£700,000		£350,000	£350,000
Action 7: DIY Space /incubation	£1,050,000		£525,000	£525,000
Subtotal	£1,950,000		£975,000	£975,000
Objective 3 - Integrated delivery mechanism for the strategy				
Action 8: Setting up and operating the Community Hub	£500,000		£250,000	£250,000
Programme Objectives costs:	£4,400,000	£975,000	1,225,000	£2,200,000
Programme Management costs:	£547,774		£273,887	£273,887
TOTAL	£4,947,774	£975,000	£1,498,887	£2,473,887

2.4 The overall management cost for the programme are estimated at £547,774 over the 2017-2022 period, which equates to 11.1% of the total programme budget of £4.948 million. It is possible to claim up to 25% of the total programme budget for management costs in CLLD programmes. However, these costs have been minimized to ensure that:

- as much funding as possible is available to deliver projects that address the activities required; and
- SDC's contribution towards management costs are minimized.

2.5 The management costs for the programme are set out below. This shows that SDC, acting as the Accountable Body for the programme, will need to provide £273,887, which is 50% of the total estimated cost, with the other 50% provided from ERDF. SDC's contribution towards management costs will come from a combination of planned staff in-kind costs and some modest cash contributions towards some management activities, as set out in the table below.

Folkestone CLLD Programme Management Costs

ERDF	
CLLD Programme Manager (100% ERDF funded)	
CLLD Programme Assistant (50% ERDF funded)	
Stage 2 Consultant support	
Marketing of the CLLD initiative (100%)	
Workshops (100%)	
Sub-total	£273,887
Shepway District Council - staff in kind contribution	

Communication officer - 15% to CLLD	
ED Officer (CLLD Project Assessor) – 20% to CLLD	
Head of Economic Development – 10% to CLLD	
Stage 2 Application stage: Head of ED	
Stage 2 Consultant support	
Salary overhead (15%) includes:	
Sub- total	£196,418
Shepway District Council - cash contribution	
CLLD Programme Assistant (50% SDC funded)	
Evaluation of CLLD Programme (100% SDC funded)	
Sub-total	£77,469
TOTAL –SDC Staff in kind and Cash	£273,887

- 2.6 SDC's cash contribution of £77,469 will come from the planned Economic Development base budget over the course of the programme period from 2017 to 2022. Approx £36,000 has been earmarked for this from a carry forward from the Economic Development budget in 2016/17, recognising the priority that the Cabinet has placed on delivering this programme to date.

Outputs

- 2.7 The expected outputs and results that the Folkestone CLLD programme will deliver over the duration of the programme are set out below.

ESF	Total
Outputs	
Number of participants	1,000
Participants that are unemployed, including long term unemployed (CO01)	350
Participants that are economically inactive (CO03)	650
Participants that are aged over 50 (CO04)	100
Participants that have disabilities (CO16)	250
Result	
Participants in education or training on leaving (CR02)	228
Unemployed participants in employment, including self-employment on leaving (CR04)	160
Inactive participants into employment or job search on leaving (CR01)	189

ERDF	Total
Outputs	
Number of enterprises receiving support (ER/C/O/01)	120
Number of new enterprises receiving support (ER/C/O/05)	70
Number of job increases in supported enterprises (ER/C/O/08)	39
Number of potential entrepreneurs assisted to be enterprise ready (ER/P/O/11)	125
Square metres of public or commercial buildings built or renovated (ER/P/O/02)	400

Programme Management

- 2.8 The management of the Folkestone CLLD programme will be located within the Economic Development team at Shepway Council. Two full time staff will be dedicated 100% to the programme, with other members of staff from within the Economic Development, Communications, Finance and Legal teams playing roles too.
- 2.9 The programme will operate through “calls for projects” and an application process that will be overseen by the SDC programme management team. Decisions on which projects should receive funding will be recommended by the Local Action Group to the Accountable Body.
- 2.10 A robust decision-making process will be adopted and followed by the programme management team to ensure that the programme supports only investment in projects that address the clear objectives of the programme and achieve the necessary outputs and results and value for money. Proposals that do not meet the strict criteria, or are deemed to be marginal in terms of likely outputs, will not be supported for investment. This is necessary to ensure that an effective, well managed and impactful programme is provided to support communities in the eligible area of Folkestone.

3.0 NEXT STEPS

- 3.1 Following the submission of the Stage 2 application, it had been expected that a final decision on the funding for this programme would be made and conveyed to SDC in early May 2017. However, recent information suggests that this is now more likely to be July or later in 2017.
- 3.2 If Cabinet support the recommendations of this report then SDC will enter into negotiations with the managing authorities – DCLG for the ERDF component, and DWP for the ESF element the programme.
- 3.3 It is recommended that Cabinet delegate the final decision for SDC to sign the Grant Funding Agreement to the Corporate Director, Strategic Development following consultation with the Cabinet lead member for the District Economy. However, should there be any material changes to the programme, as set out in this report, or if there are any additional significant risks to the Council acting as Accountable Body that emerge during negotiations, then a further report for decision will be brought back to Cabinet before signing the Grant Funding Agreement.

4.0. RISK MANAGEMENT ISSUES

- 4.1 As the Accountable Body for the Folkestone CLLD Programme there are a number of risks that SDC faces as follows:-

Perceived risk	Seriousness	Likelihood	Preventative action
The Government decides not to continue the CLLD Programme application process and issue Grant	Medium – the opportunity for funding to ensure that residents in the deprived	Medium	Although this is ultimately a Government decision, the continued demonstration of strong local support and

<p>Funding Agreements</p>	<p>communities of Folkestone benefit from the regeneration opportunities is lost</p> <p>Medium - Expectations amongst the local community are raised and ultimately not met, resulting in disillusionment with SDC as the lead organisation.</p>		<p>commitment to the programme will help.</p> <p>All engagement with the public reflects the uncertainty of the programme in order to ensure that there is a realistic understanding of the prospects of this programme commencing.</p> <p>The programme lead keeps in close touch with the SELEP and Government departments in order to be informed and to realistically assess this risk.</p>
<p>Projects do not come forward for funding due to insufficient public or private sector match funding available to meet the 50% match funding required in this programme.</p>	<p>Medium – the ability to have impact locally will be lost. Lower match investment across the programme allocation will jeopardize the full investment aspiration and potentially result in reputational damage to SDC.</p>	<p>Low</p>	<p>The engagement process in developing the Strategy and the Expression of Interest stage undertaken to support the stage 2 application has resulted in many project ideas already coming forward and the process of encouraging new projects ideas has started.</p> <p>The early appointment of Programme Management staff will help to ensure that valid projects come forward.</p> <p>Ensure the availability and reliability of match funding during a robust project assessment process.</p> <p>Maintain a close relationship with the Roger De Haan Charitable Trust to</p>

			<p>achieve maximum potential funding synergies.</p> <p>Programme Management Team to have knowledge of other potential match funding sources.</p>
<p>European funds are allocated to projects that is later deemed to be ineligible spend.</p>	<p>High - SDC will be required to pay back ERDF and ESF funds and potentially bear the costs.</p>	<p>Low</p>	<p>Recruit Programme Management team with necessary expertise of European programmes.</p> <p>Ensure detailed training of Programme Management team where required.</p> <p>Ensure close monitoring and reporting of project activities and spend by Programme Management team to the Local Action Group and Accountable Body.</p> <p>Maintain a close relationship and frequent communication with the Managing Authorities.</p>
<p>Projects fail to spend the level of funding allocated from the programme budget.</p>	<p>Medium - Negative reputation for SDC and the Programme Manager</p>	<p>Low</p>	<p>Ensure thorough assessment of the organisation's ability to deliver the project through the project assessment process.</p> <p>Regular monitoring of project spend and delivery and implementation of mitigation measures.</p> <p>Local Action Group reallocates resources promptly where spend fails to materialise.</p>

The required Outputs and Results are not delivered in sufficient quantities as set out in the Grant Funding Agreement.	High - SDC will be required to pay back ERDF and ESF funds and potentially bear the costs.	Low	<p>Ensure that the Outputs and Results targets for projects are realistic.</p> <p>Regularly monitor project outputs and implement mitigation measures.</p> <p>Ensure that Funding Agreements with Delivery Organisations requires pay back for non delivery of project Outputs and Results.</p>
Programme Staff leave the SDC taking their knowledge with them.	High - Managing Authorities programme auditing results in potential return of ERDF and ESF funds. Negative reputation for SDC.	Low	<p>Ensure that all processes and records are well documented by the Programme Management team.</p> <p>SDC's Head of Economic Development, Finance or other SDC staff members are fully conversant with processes and arrangements for record and documentation retention.</p>
European funding for the programme ceases during the period and national funding is not made available for its continuance.	Medium - Programme will fail to deliver the benefits for the local community.	Low	<p>Aim to allocate funds as early as possible and encourage spend early over the period.</p> <p>Keep in close communication with the Managing Authority to be well informed of Government thinking.</p>

5.0 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (DK)

The Council must continue to undertake the role of 'Accountable Body' for the CLLD program (in accordance with the document entitled "Community-Led Local Development Strategies: Additional Guidance for Accountable

Bodies”). The obligations contained in the Guidance are not negotiable and the Council is solely responsible for compliance with the same.

Upon receipt of specific instructions, Legal Services will advise on (a) the terms upon which the Council provides public sector funding of up to 50% towards the programme management costs in the Grant Funding Agreement between SDC as the Accountable Body and the Managing Authorities, and (b) the funding agreements which ERDF/ESF require successful beneficiaries of the funding to enter into-

5.2 Finance Officer’s Comments (PM)

This report provides an updated indication of the scale of the proposed programme and match funding requirement.

The forecast SDC contribution towards overall programme management costs will be £273,887. It is proposed that these costs are funded from economic development budgets through the redirection of approved budgets amounting to £77,469 and £196,418 through the contribution of existing funded posts across the Economic Development, Legal and Communication teams.

5.3 Diversities and Equalities Implications

This programme focuses on addressing issues in the most deprived communities in the district through providing support to ultimately help them to access jobs.

6.0. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

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