

CABINET

17 July 2018

FINANCIAL ASSISTANCE FOR COMMUNITY ORGANISATIONS

Report of the Director for Resources

Strategic Aim:	Building our infrastructure	
Key Decision: Yes	Forward Plan Reference: FP/040618	
Exempt Information	No	
Cabinet Member(s) Responsible:	Councillor Gordon Brown, Portfolio Holder for Regulatory Services, Waste Management, Property Services, Culture & Leisure, Finance including Revenues & Benefits and Internal Audit	
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Ward Councillors	N/A	

DECISION RECOMMENDATIONS

That Cabinet:

1. Authorises the Director for Resources, in consultation with the Cabinet Member with Portfolio for Resources, to provide funds (not exceeding £200,000 in total) to community organisations on a short term loan basis to enable successful grant funded projects to be completed.

1. PURPOSE OF THE REPORT

- 1.1 To seek Members' approval for use of Council finances to support community organisations that have successfully applied for LEADER grant funding but require assistance in bridging the period between confirmation of grant award and completion of the works being funded.

2. BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 LEADER funding is available to local businesses, communities, foresters, farmers and land managers and is a European scheme administered in the UK by the Rural Payments Agency (RPA).
- 2.2 A total of £138m was made available for the LEADER programme between 2015 and 2020. Applications are made to the Local Action Group (LAG) for funding for projects

that create jobs or support business growth in rural areas. The LAG for Rutland & Peterborough is comprised of private sector and community representatives and from the public sector.

- 2.3 As Rutland is classified as 100% rural, any business, not-for-profit or community organisation within its borders is eligible to apply for a grant from £2,500 to £50,000 although higher amounts up to £75,000 can be considered in exceptional circumstances where projects can demonstrate a higher rate of outputs and fit with the Local Development Strategy. Each LAG decides which projects they will support in their local area and projects must support one or more of the 6 leader priorities which are to:
- 2.3.1 Support micro and small businesses and farm diversification
 - 2.3.2 Boost rural tourism
 - 2.3.3 Increase farm productivity
 - 2.3.4 Increase forestry productivity
 - 2.3.5 Provide rural services
 - 2.3.6 Provide cultural and heritage activities
- 2.4 To be successful, grant applications must also meet one or more of national priorities. These are creation of new, higher skilled or higher paid jobs, demonstrating a clear future plan for business growth and/or increased productivity and benefitting the wider economy in the rural area.
- 2.5 If a bid is successful, the applicant will receive a formal offer letter from the RPA. However, the grant is normally only paid out once works are complete or in up to three staged payments for larger projects but in any case, the applicant needs to pay for the works before the grant award can be drawn down.
- 2.6 As grant funding is paid on completion of works, several organisations are struggling to finance the works themselves and as such, the LAG has asked the Council if it will support organisations through provision of finance to bridge the gap between the grant award being confirmed by the RPA and the grant being drawn down.
- 2.7 Although the LAG processes applications from organisations across Rutland and Peterborough, this funding support would only be sought for Rutland applicants. If the Council does not provide this support then local organisations may not be able to access funding.

3. LEADER funding in Rural Peterborough & Rutland

- 3.1 Over £1m was made available to the Rural Peterborough & Rutland programme which aims to create 44 FTE jobs and support 100 rural businesses, 6 community investments and 12 tourism actions.
- 3.2 To date, £217,542 has been awarded to local businesses and organisations but take up has been fairly slow, due in part to LEADER's reputation as having a detailed application process as is fairly common with schemes involving European funding.
- 3.3 Over the last 18 months and following the appointment of a new Chairman to the LAG, there has been an increase in promotional activity and closer liaison with local businesses and other organisations to highlight the benefits of LEADER funding.

Significant promotion via social media channels, workshops and seminars has resulted in an increased number of applications, especially from community groups.

- 3.4 However, faced with difficulties around bridging the gap between the formal grant offer and completion of the works for their respective projects, several applicants have subsequently withdrawn their applications prematurely. There is clearly a positive economic impact to be gained from completed projects so some LAG members are now working alongside applicants in some cases to guide them through the application process and provide feedback on projects prior to formal submission.
- 3.5 Recent successful awards to businesses in Rutland include Parker Farms based in Ridlington who received £49,570 for a new direct seed drill that will improve farm efficiency. Simmons Optometrists in Oakham received £44,754 to facilitate business expansion.
- 3.6 The application process is two stage. The first is an expression of interest (EOI) to provide a general overview of the project and which of the LEADER funding priorities it will satisfy. Grants are typically capped at 40% of the total project value for commercial entities but this can be increased to 100% for community and not-for-profit organisations. Applicants are required to arrange alternative funding sources to make up the balance. If the EOI is approved, applicants are then invited to proceed to stage two and submit a full application.
- 3.7 The full application is then considered by the LAG at a scheduled meeting. If supported, the application is sent through to the RPA asking it to support the application and make the grant offer. Assuming the RPA are in agreement, they will then write to the applicant to make a formal offer of the grant. At this stage, the Council may be asked by a community organisation such as a village hall committee to provide financial assistance by arranging a short-term loan to enable the project works to proceed. The loan would then be paid back to the Council once works had been completed and the grant award drawn down.
- 3.8 The Government has guaranteed funding for RDPE Leader Programme grants if these are signed before the UK's departure from the EU even if the grant agreements continue after the UK has have left the EU. This is subject to projects being good value for money and being in line with domestic strategic priorities. DEFRA has confirmed that projects approved through the LEADER process meet these conditions. Projects need to be finished and paid for by 31st March 2019 in order to secure funding.

4. CONSULTATION

- 4.1 Several workshops have been help with community organisations and feedback from these taken on board. The LAG has also met directly with some local community groups considering an application to discuss potential concerns.

5. ALTERNATIVE OPTIONS

- 5.1 The Council has no obligation to provide financial assistance to successful grant applicants but if it does not offer support the majority of community organisations are unlikely to proceed with their applications which would have a detrimental impact on local community and economic objectives.

6. FINANCIAL IMPLICATIONS

- 6.1 In the context of LEADER funding, the total maximum amount of loan funding required is likely to be in the region of £200,000. The opportunity cost of giving a loan is c1% per annum - £2,000 - this represents the typical amount the Council would earn on interest in say a 1 year deposit. The Council would therefore seek to charge an "admin fee" of 2% of the value of the loan (1% opportunity cost and 1% for cover administration costs).
- 6.2 Based on the information provided by Leader, loans would be relatively short term in nature. Most projects tend to run for 1 - 2 years. The Council would therefore see funds repaid over a short time period. When schemes have been approved and are in progress, organisations will complete a grant form (showing amounts spent to date) and subject to satisfying all necessary criteria will receive grant funding accordingly. This grant funding would then be paid over to the Council.
- 6.3 There are inevitably risks associated with giving out loans. The main one relates organisations being unable to reclaim funding. Organisations have to apply for funding and projects have to meet various criteria, one of which relates to eligibility of expenditure. If organisations misuse funding or do not complete projects then there is a risk that the loan would not be recovered. The application assessment and approval process is rigorous so this risk is assessed as low.
- 6.4 The admin fee charged by the Council could not be claimed back via the Leader programme so organisations would have to demonstrate that they could raise funding/have resources to cover this charge. The Council would assess this prior to giving formal support to a project.

7. LEGAL AND GOVERNANCE CONSIDERATIONS

- 7.1 The Council has the power to give loans to organisations. The Section 151 Officer can arrange these loans if Cabinet approval is given. Any loan would be subject to a loan agreement.
- 7.2 A council has a general power to borrow and to make loans under the General Power of Competence in Section 1 of the Localism Act 2011 and the well-being power under section 2 of the Local Government Act 2000 where it is considered to be in the interests of the economic, social or environmental well-being of the area.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 An Equality Impact Assessment (EqIA) has been completed. No adverse or other significant issues were found. A copy of the EqIA can be obtained from the report author.

9. COMMUNITY SAFETY IMPLICATIONS

- 9.1 None identified

10. HEALTH AND WELLBEING IMPLICATIONS

10.1 None identified

11. ORGANISATIONAL IMPLICATIONS

11.1 Human Resource implications

11.2 The funding will be administered by existing staff and additional workload is expected to be minimal.

12. CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

12.1 LEADER funding is time limited with final applications required before 31st March 2019 so it is important that as many grant funding applications as possible are completed before that date. It is also important that the Council supports the voluntary & community sector and providing this funding to bridge the gap between grant award and final payment will achieve both objectives.

12.2 With each application being assessed on a case by case basis and given the anticipated short loan duration, the risk of default on repayments is considered to be low and the administration charge to be levied will ensure a cost neutral initiative.

13. BACKGROUND PAPERS

13.1 There are no additional background papers to the report.

14. APPENDICES

14.1 There are no appendices.

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.