



**Cronfa Amaethyddol Ewrop ar
gyfer Datblygu Gwledig:**
Ewrop yn Buddsoddi mewn Ardaloedd Gwledig
**European Agricultural Fund for
Rural Development:**
Europe Investing in Rural Areas



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Welsh Government Rural Communities – Rural Development Programme 2014–2020

LEADER Guidance Notes



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Introduction

- 1.** These Guidance Notes provide information for members of LEADER Local Action Groups (LAGs) and organisations, businesses and individuals who may want to take part in activities or projects supported through the LEADER measure of the Welsh Government Rural Communities – Rural Development Programme 2014-2020.
- 2.** This guidance complements the Local Development Strategy (LDS) guidance document by explaining aspects such as eligible activities, eligible expenditure and how the LEADER LAGs will manage the arrangements for the development and support of activities in their LAG areas.
- 3.** The LEADER LAGs have responsibility for the development of the LDS that sets out the opportunities and challenges in their area and explains what actions they intend to take to exploit the opportunities and manage some of the challenges.
- 4.** The tasks of a LEADER LAG are set out in Article 34 of Commission Regulation 1303 – 2013 (the Common Provisions Regulation) and include the following:
 1. building the capacity of local actors to develop and implement operations including fostering their project management capabilities
 2. drawing up a non-discriminatory and transparent selection procedure and objective criteria for the selection of operations, which avoid conflicts of interest, ensure that at least 50% of the votes in selection decisions are cast by partners which are not public authorities, and allow selection by written procedure
 3. ensuring coherence with the community-led LDS when selecting operations, by prioritising those operations according to their contribution to meeting that strategy's objectives and targets
 4. preparing and publishing calls for proposals or an ongoing project submission procedure, including defining selection criteria
 5. receiving and assessing applications for support
 6. selecting operations and fixing the amount of support and, where relevant, presenting the proposals to the body responsible for final verification of eligibility before approval
 7. monitoring the implementation of the community-led LDS and the operations supported and carrying out specific evaluation activities linked to that strategy.
- 5.** These Guidance Notes are for information and give a more detailed explanation of the main EU Regulations, the State aid regulations and Welsh domestic legislation but these Notes are not a definitive interpretation of those legal frameworks. Please note that the detailed rules for the eligibility of activities and/or expenditure may be subject to change throughout the Programme period.
- 6.** Advice and guidance about LEADER is available in the first instance from the Administrative Bodies that are supporting each LEADER LAG. Their contact details are given in the next section.
- 7.** A significant amount of information regarding successive LEADER programme initiatives from 1994 to present can be found on the Internet. Almost all the LEADER groups across Europe have websites that give extensive details about the different projects and initiatives that have been tried across a great many communities.

- 8.** The European Commission also provide some very good reference sources including the European Network for Rural Development (ENRD) – see link below;
http://enrd.ec.europa.eu/enrd-static/en/home-page_en.html
- 9.** The LDS is the key document for each LEADER LAG area. It sets out, in a consistent format, a detailed explanation of the area; an analysis of that area through a SWOT assessment; a series of aims and objectives for the area and proposals for activities or initiatives that would achieve those aims and objectives.
- 10.** The LDS will be reviewed at least annually throughout the Programme period. The LDS must complement and not duplicate national, regional and local strategic policy objectives and must make a contribution to European and Welsh Government priorities.
- 11.** The LDS is submitted by the LEADER LAG to the Welsh Government along with supporting documents such as proposed activities, proposed expenditure by year, forecasts for outputs and achievements. Submitted LDS documents are assessed by a committee and must reach a quality benchmark.
- 12.** The LAG must also set out in detail in its Terms of Reference how its own corporate governance arrangements will be put in place and managed and how the administrative functions that will support the LAG will be undertaken. This information is available separately from each LAG Administrative Body (see contact details in the next section).
- 13.** Each LEADER LAG will be responsible for four separately managed funding pots that together will allow the LAG to manage itself, provide animation and facilitation across the LAG area and support the implementation and delivery of LEADER activities.
- 14.** The four funding pots are
1. Running Costs
 2. Animation
 3. LEADER Implementation
 4. Co-operation.
- 15.** Running Costs will cover the activities of the principal management structures of the LEADER LAG Administrative Body along with basic costs such as office accommodation, ICT connections and usage, core staff and their travel costs and any other key expenditure necessary for the LAG to operate effectively.
- 16.** Animation will cover the activities of the main animation, facilitation and capacity building within the LAG area to build the means by which ideas can be turned into deliverable projects. This will be mainly staff costs, travel costs, costs necessary to organise meetings and bring people together and, where necessary, specialist technical help or consultancy.
- 17.** LEADER Implementation is the main funding pot for specific and focussed initiatives to be developed and delivered that will meet the objectives of the LDS. Activities might be delivered through a range of project partners, outside organisations, groups of people within communities (either geographic or thematic) or they might be delivered by the Administrative Body on behalf of the LAG itself.

18. LEADER Funding – Indicative Allocation of the budget.

The Welsh Government Rural Communities – Rural Development Programme 2014-2020 budget for the LEADER measure will be apportioned to approved LAGs using an Indicative Allocation Methodology.

Each LAG will receive a core allocation of £500,000 which is a minimum amount considered necessary to support a LAG area based on the experiences of the 2007-2013 programme.

Each LAG will receive an additional allocation based on a weighted apportionment calculation that takes two factors into account:

1. 75% weighting based on the rural population of the eligible wards (100% of the population of rural wards plus 30% of the population of service wards – 2011 Census data)
2. 25% weighting based on the sparsity of population within the eligible wards (within rural wards, population of the smallest settlements in 'less sparse' areas and a double weighting for the population of the smallest settlements in 'sparsest' areas – Welsh Government/Office of National Statistics definitions, 2011 Census data).

This allocation will cover the full amount of the LEADER measure budget and will apply for the whole of the Welsh Government Rural Communities – Rural Development Programme 2014-2020 period but is subject to the satisfactory delivery of the LDS.

19. Contact Details for Administrative Bodies of the LEADER LAGs

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Strategic and Thematic Objectives

20. All projects supported through the European Structural and Investment (ESI) Funds including the LEADER measure must make a contribution towards the achievement of one or more strategic policy objectives or thematic objectives and this includes programme level cross cutting themes. Projects may contribute to several such objectives and progress in achieving those must be reported on when each grant claim is submitted.

21. Activities under the LEADER measure must address at least one of the following Programme Focus Areas.

Under Article 5 of Commission Regulation 1305/2013 on support for rural development by the European Agricultural Fund for Rural Development, 18 focus areas have been identified under each of the six priorities identified for rural development.

1. Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas with a focus on the following areas:
 - a) fostering innovation and the knowledge base in rural areas
 - b) strengthening the links between agriculture and forestry and research and innovation
 - c) fostering lifelong learning and vocational training in the agricultural and forestry sectors.
2. Enhancing competitiveness of all types of agriculture and enhancing farm viability, with a focus on the following areas:
 - a) facilitating restructuring of farms facing major structural problems, notably farms with a low degree of market participation, market-oriented farms in particular sectors and farms in need of agricultural diversification
 - b) facilitating generational renewal in the agricultural sector.
3. Promoting food chain organisation and risk management in agriculture, with a focus on the following areas:
 - a) better integrating primary producers into the food chain through quality schemes, promotion in local markets and short supply circuits, producer groups and inter-branch organisations
 - b) supporting farm risk management.
4. Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry, with a focus on the following areas:
 - a) restoring and preserving biodiversity, including in Natura 2000 areas and high nature value farming, and the state of European landscapes
 - b) improving water management
 - c) improving soil management.
5. Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors, with a focus on the following areas:
 - a) increasing efficiency in water use by agriculture
 - b) increasing efficiency in energy use in agriculture and food processing

- c) facilitating the supply and use of renewable sources of energy, of by products, wastes, residues and other non-food raw material for purposes of the bio-economy
 - d) reducing nitrous oxide and methane emissions from agriculture
 - e) fostering carbon sequestration in agriculture and forestry.
6. Promoting social inclusion poverty reduction and economic development in rural areas, with a focus on the following areas:
- a) facilitating diversification, creation of new small enterprises and job creation
 - b) fostering local development in rural areas
 - c) enhancing accessibility to, use and quality of information and communication technologies (ICT) in rural areas.

22. Activities under LEADER must similarly be linked to one of the five LEADER themes for Wales

- 1. adding value to local identity and natural and cultural resources
- 2. facilitating pre-commercial development, business partnerships and short supply chains
- 3. exploring new ways of providing non-statutory local services
- 4. renewable energy at community level
- 5. exploitation of digital technology.

23. Activities under LEADER must also address one or more of the aims and objectives of the relevant LEADER LDS.

24. In addition projects must address one or more of the Cross Cutting Themes where it is appropriate to do so within the context of the project, the activities expected to be delivered and the expected outputs or results. The Cross Cutting Themes are:

- Equal Opportunities including the Welsh Language
- Sustainable Development
- Poverty and Social Exclusion.

Eligible Activities

25. It is not possible to give a definitive list of activities that are or may be eligible under the LEADER measure of the Welsh Government Rural Communities – Rural Development Programme 2014-2020 because the potential scope of LEADER is very broad. This is intentional so that LAGs have the opportunity to devise and develop activities, initiatives and projects that aim to address the issues identified in their LDS and not be unduly constrained by imposed eligibility criteria. There are some kinds of activity that would not be supported under LEADER (see the next section) but if the activity can be clearly demonstrated as supporting the achievement of the objectives of the Welsh Government Rural Communities – Rural Development Programme 2014-2020 and the aims of the LDS then it will be deemed to be eligible. Advice can be sought from Scheme Management Unit (SMU) on a case by case basis if there is any uncertainty.

26. Although there is no definitive list of eligible activities there are many examples of the kinds of activities that are likely to be undertaken through LEADER based on experiences from the LAGs in the current Rural Development Plan and from previous LEADER initiatives. Some examples are given in Annex A but these only illustrations and activities are not restricted to these or similar examples.

27. Animation – revenue costs for people who will promote the opportunities of LEADER within a given area. This may also include revenue costs for people who support others such as businesses, organisations, clubs, societies and individuals, to design and develop ideas into deliverable projects. This is likely to include other supporting costs such as room hire; travel costs; tea and coffee; some kinds of external consultancy work; technical reports; writing business plans; preparing project application forms; seeking financial support and so on. These kinds of activities will support the bringing together of groups of people in particular locations or with other common links, such as particular types of businesses, and assist them to define their own problems and come up with workable solutions.

28. Implementation and project delivery – revenue costs for people who will directly manage and deliver projects and/or will provide support to organisations and individuals to deliver activities that otherwise could not take place. In some instances organisations may not have the resources to be able to work on a “defrayed” basis so someone else, usually the Administrative Body supporting the LAG, could arrange to supply goods and services on their behalf. This can include providing small items of equipment, but those will remain with the Administrative Body at the end of the activity, and/or other small scale costs (up to a maximum of £10,000) that are necessary to allow the project to go ahead.

29. Mentoring – revenue costs for people who can provide particular kinds of support to organisations and groups to help them develop their own skills and expertise. This is a different approach to training.

30. Training – revenue costs, though some small items of equipment might fall within the scope of training, for the development and delivery of more formalised courses to groups of people. This may be in formal classroom or lecture room type setting but not necessarily so. The subject matter to be covered and the intended outcome would have been determined by a skills assessment of some kind before the course was delivered.

31. Feasibility studies – revenue costs for a combination of staff time and consultancy costs to undertake the background research for a specific problem or issue and the production of a comprehensive written appraisal of the issues, the alternative solutions, the financial costings, a detailed risk analysis and recommendations for the next steps. The conclusion of a feasibility study must not be a recommendation that a further study is necessary.

When completed, a feasibility study must show at least the following:

- A detailed description of the issue that any ensuing proposal is expected to address, with particular reference to the actual or potential stakeholders and their requirements. It must also show the applicant’s current position in relation to the issue and what they are anticipated to do at the conclusion of the project.
- Details of the action to be taken under the proposal, including all items for which grant will be sought.
- Why the action is needed in the business, organisation or sector concerned.
- An explanation of the benefits of the proposal, particularly in the long-term.

- In the case of a proposed new business or organisation, why existing structures cannot be utilised.
- A three-year forward cash flow projection for the proposal, showing how it will be implemented and funded.
- A three-year forward business plan for the proposal.
- A clear recommendation on the likely viability of the project.

32. Pilot Projects – small scale and time limited activities aimed at testing out a concept or to try an innovative technique to see if an idea could be developed into a full scale realisable project. All information gained from pilot project must be freely available so that others outside of the immediate organisation or LAG can see what has been done and how it works.

33. Travel and subsistence costs – revenue costs for people such as project officers, other staff, consultants and people engaging in the project are eligible. Travel should be by the most reasonable means according to the need and can include day hire cars, mileage costs, public transport fares, airline tickets and any other similar costs, and, reasonable costs of overnight accommodation and meals where justified.

34. Evaluation – a key outcome of the projects and activities delivered through LEADER is to learn lessons and record experiences of activities and projects that have been delivered to help to shape future programmes and projects. The costs of having independent, external evaluation of the projects and the operation of the LAG and its Administrative Body can be met from LEADER.

35. Capital expenditure is not eligible. For the purposes of LEADER capital expenditure is defined as being any single item with a value of more than £10,000 and a useful life of more than one year. Small items, for example computer equipment, that cost less than this limit and which may still be useful at the end of one year would not be classed as capital because such items would not need to be entered onto a capital asset register nor would they be subject to an annual depreciation charge.

Ineligible Activities

36. The LEADER measure cannot be used to provide aid or other assistance **that would constitute State aid** in respect of a business, enterprise, undertaking or 'economic operator' receiving such support. This means that LAGs cannot provide any kind of assistance that would reduce the normal day to day operational running costs of the business, enterprise, undertaking or 'economic operator' such as; subsidising staff salaries or giving financial support, directly or indirectly, towards rent, rates, energy costs, promotion, publicity, advertising and/or any other running costs or overheads.

37. The LEADER measure **cannot be used to provide capital or revenue grants or other forms of direct or indirect assistance to commercial businesses**. This includes, but is not restricted to; capital grants towards buildings and equipment; any form of business start-up assistance; business bursaries; aid assistance through the provision of subsidised goods or services (for example, machinery and/or equipment provided on loan) to a business. Direct financial support; loans; financial assistance for new product development; or other methods of indirect financial assistance to a business, such as marketing for publicity or promotional activities that are free or at a reduced rate to a business, are also not eligible.

Eligible Costs

38. It is not possible to define expenditure that is eligible under the LEADER measure. Some costs that are specifically **not eligible** are listed in the section below.

39. In principle, if the expenditure is necessary to support the delivery of an activity or project that will make a contribution to the achievement of the objectives of the LDS then it is deemed to be eligible.

Ineligible Costs

40. Any expenditure on ineligible activities such as capital or revenue grants to commercial businesses or other support that would constitute State aid is **not eligible** under the LEADER measure.

41. The following items or types of expenditure are **not eligible** under the LEADER measure:

- the purchase of trading stock
- the purchase of land
- the purchase of buildings
- the purchase of cars, vans, motorcycles, bicycles and any other form of **personal transport** (for whatever purpose)
- the purchase of vehicles for external transportation (such as lorries, buses, vans, minibuses or any other kind of vehicle used to transport goods or people)
- any physical site work or other expenditure incurred before the project start date without prior written approval from the grantor
- temporary works not **directly** related to the execution of the project
- maintenance costs for existing buildings, plant or equipment
- like for like replacement
- costs connected with a leasing contract such as the lessor's margin, interest financing costs, overheads and insurance charges
- costs of arranging loans, VAT and other taxes recoverable by the beneficiary, administrative and staff costs or compensation paid to third parties for expropriation, etc
- overheads allocated or apportioned at rates materially in excess of rates for similar costs incurred by other comparable delivery mechanisms
- notional expenditure
- payments for activity of a political nature
- depreciation, amortisation and impairment of assets purchased with the help of a European grant
- provisions
- contingent liabilities
- contingencies
- dividends to shareholders
- interest charges (unless under an approved State Aid scheme)
- service charges arising on finance leases, hire purchase and credit arrangements

- costs resulting from the deferral of payments to creditors
- costs involved in winding up a commercial company
- payments for unfunded pensions
- compensation for loss of office
- bad debts arising from loans to employees, proprietors, partners directors, guarantors, shareholders or a person connected with any of these
- payments for gifts and donations
- personal entertainments (including alcohol)
- statutory fines and penalties
- criminal fines and damages
- legal expenses in respect of litigation
- reclaimable VAT.

Advice can be sought from SMU on a case by case basis if there is uncertainty.

Additional Guidance on Revenue Costs

Staff Salary Costs

42. Staff salary costs for people that are directly engaged in animation, implementation and/or project delivery, on a full or part time basis, are eligible. Staff costs can include gross salary, employers' national insurance contributions and may include employers' pension costs where there is an established pension scheme which applies to all staff.

43. Reasonable costs arising from the contract of employment including expected increases in grade or pay scales are eligible.

44. Staff costs for people working on more than one project should be calculated using an appropriate apportionment method.

45. Staff recruitment costs, including advertising, are eligible.

46. Relocation expenditure may, in exceptional circumstances, be eligible but LAGs must obtain prior written approval from SMU **before** entering into any agreement with a prospective employee.

Sickness Absence Pay or Maternity Pay

47. Sickness absence pay or maternity pay may be eligible if it is in line with the organisation's staff policy or contained within the individual's contract of employment. Statutory sick pay or statutory maternity pay recovered from HMRC, even if it is not actually recovered by the LAG, is ineligible. The value should be off set against the value of staff costs applied for.

48. Costs relating to the provision of temporary staff to cover for staff on long-term sick leave or maternity leave during implementation, may be considered eligible project costs, however, no additional LEADER funding will be provided by the Welsh Government. These costs will be considered on a case by case basis by SMU.

Redundancy Costs

49. Redundancy expenditure can be considered eligible on a case by case basis where the following criteria all apply:

- a) staff have been employed on a project and the salary costs have been co-financed through the project and their posts are being made redundant
- b) where there is a statutory requirement to pay redundancy costs under UK Employment law and
- c) redundancy payments are made in line with statutory provision and thresholds.

50. Additional or special payments that form part of a redundancy package but which are at the discretion of the employer and in excess of statutory requirements are ineligible.

51. Payments in the case of voluntary redundancy where the post is not being made redundant and will be back-filled are not eligible.

52. Eligible expenditure on redundancy costs should be calculated pro-rata in relation to the length of employment on the project and contracted hours.

53. Staff seconded onto an EU-funded project i.e. not new project staff, must have been employed on the project for a minimum of 2 years to be eligible. However, the Terms and Conditions of the project sponsor's organisation often apply in the case of redundancy and contractual obligations may override the provisions of this section.

54. Where a redundancy situation occurs, all employees are entitled to a statutory notice period as follows:

- at least one weeks notice if employed between one month and two years
- one weeks notice for each year if employed between two and 12 years
- 12 weeks notice if employed for 12 years or more.

55. In some cases the notice period is waived by the employer and employee and a Payment In Lieu Of Notice (PILON is) made. PILON is classed as a non-statutory redundancy payment and will only be payable to an employee when; it forms part of an employing organisation's standard HR/staff policy, or each individual contract of employment contains a 'payment in lieu of notice' clause.

56. The employing organisation must remember that eligible costs to the project are only up to the level of the UK statutory thresholds. Any payments or notice periods over and above the statutory limits are not eligible and will need to be paid for by the employing organisation.

Travel & Subsistence Costs

57. Travel & Subsistence costs that relate only to the delivery of the project and are compliant with HMRC guidance on employee business travel costs are eligible.

58. Daily allowances, accommodation costs and any other subsistence costs must be in line with the employing organisation's standard policy in respect of subsistence however associated costs related to items such as alcoholic drinks are not eligible.

Staff Training Costs

59. Staff training costs that relate to the acquisition of specialist knowledge to enable them to effectively deliver proposed activities and/or projects are eligible.

Staff payments – other

60. The following are **eligible** where they are **taxable**:

- Childcare or crèche payments.

61. The following are **eligible** where they are included in the recruitment information and in the employee's contract of employment at the start of the contract:

- Non performance related terminal bonuses of up to three months gross salary.

62. The following are **not eligible**:

- tax-free bonus payments or other allowances
- golden handshakes
- exceptional payments to employees taking up employment
- exceptional or extraordinary provision of pension rights
- bonus payments related to performance
- loans
- company cars
- personal health care plans
- any payments or other inducements to employees of an exceptional nature that are not explained in the recruitment information and/or the employee's contract of employment.

Professional/Consultancy Fees and Sub-Contractors Charges

63. Expenditure for work carried out by a consultant or sub-contractor is eligible if the work is essential to the delivery of the activity or project. Consultancy fees could, for example, include legal, technical, accountancy and audit services which are required for the delivery of LEADER project activity.

64. All consultancy fees and sub-contractors costs must be properly procured in accordance with good practice and relevant procurement rules and regulations or competitive tendering requirements.

Marketing and Promotion

65. Eligible expenditure can include costs related to appropriate and proportionate aspects of marketing specific to LEADER activity, for example, design and production of marketing materials, facilitation of appropriate conferences and seminars, and targeted advertising campaigns about LEADER activities and/or the LAG itself.

Expenditure related to the EU requirements to effectively publicise and provide information on projects and Programmes is eligible.

Leasing

66. Leasing is likely to feature in LEADER implementation activities and this is eligible providing the following criteria are met:

- the use of the equipment, premises or land relates directly to, and is necessary for, the delivery of the LEADER activity
- the maximum amount eligible shall not exceed the market value of the asset leased
- for land and property leasing, land or property is not for the purposes of agriculture, forestry or fisheries
- where the leasing contract exceeds the project timeframe, only the proportion of the lease relating to the timescale of the project is eligible
- costs connected with the leasing contract, including tax, lessor's margin, interest refinancing costs, overheads, service charges and insurance charges are not eligible expenditure
- where the leasing expenditure does not relate exclusively to the LEADER funded project, costs must be apportioned appropriately.

Participant/Beneficiary Travel & Subsistence Costs

67. Participant/beneficiary travel costs directly related to and essential for the effective delivery of the LEADER activity are eligible.

Participant/Beneficiary costs for caring for children or other dependents

68. Costs for caring for participants'/beneficiaries' children/dependents while the participant/beneficiary is involved in LEADER activities are eligible.

Match-Funding

69. For LEADER implementation activities and projects the maximum contribution from the Programme will be no more than 80% of the total eligible project costs. Therefore the LAGs must secure at least 20% of the total eligible project costs. This additional funding is defined as match-funding within the context of the LEADER measure.

70. Match-funding of at least 20% must be found for each individual activity or project that is supported by the LAG. When the LAG claims the grant the Welsh Government will pay up to 80% of the declared total eligible project costs per claim. This means that the match-funding must be provided for each project as it is being delivered. One project could provide more match-funding than another but any differences must be managed by the LAG to ensure that when the claims are submitted the amount being claimed is correct.

71. Match-funding may be provided in the form of either cash or in-kind contributions from the public, private or third sectors. In-kind contributions are services, items or products donated to the project by an individual or organisation where no cash transaction took place. All in-kind contributions provided as match-funding must relate to the delivery of a project or other LEADER activity.

72. For administrative purposes, public, private and third sectors are defined as follows:

Public sector

These include any organisations which are part of, or under the control of, central or local government. This includes:

- the Welsh Government
- Local Authorities
- the public education sector (including higher and further education)
- Assembly Government Sponsored Bodies
- UK Government Departments and their Agencies
- any not-for-profit companies set up by a part of local or central government for the purposes of delivering a part of their services or exercising their powers
- companies which involve partnership between the public sector (e.g. Local Authorities) and the private sector, where the private sector share-holding is less than 50%.

Private sector

- companies which have the intention of making profits and where those profits could be distributed and
- companies which are partnerships between a private (i.e. profit-distributing company as set out above) and a public sector body, and where the share-holding of the private sector is 50% or more).

Third sector

- legal entities which are not permitted to distribute surpluses to shareholders or other investors. Typically these are non-governmental organisations which are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives. This can include; charities and trusts; social enterprises; co-operatives and mutual and provident societies, and voluntary and community organisations.

Additional Guidance on In-Kind Match-Funding

73. Discounted sales of equipment and the discounted provision of services or advice are *not eligible* as in-kind match-funding.

74. Contributions in-kind in the form of provision of works, goods, services, land and real estate for which no cash payment has been made are eligible provided that the eligibility rules of the ESI funds and the Programme are met and that all the following criteria are fulfilled:

- a) the public support paid to the operation which includes contributions in-kind does not exceed the total eligible expenditure, excluding contributions in-kind, at the end of the operation
- b) the value attributed to contributions in-kind does not exceed the costs generally accepted on the market in question
- c) the value and the delivery of the contribution can be independently assessed and verified

- d) in the case of provision of land or real estate, a cash payment, for the purposes of a lease agreement of a nominal amount per annum not exceeding a single unit of the currency of the Member State, may be made
- e) in the case of contributions in-kind in the form of unpaid work, the value of that work is determined by taking into account the verified time spent and the rate of remuneration for equivalent work.

Equipment and Raw Materials

75. Equipment and raw materials may be provided to a project as a form of in-kind match-funding but the LAG must ensure that evidence is maintained about the value of the amount that has been committed. This may be in the form of a published price list or catalogue showing the equipment or materials or, for more bespoke items, valuation from an independent qualified valuer.

Research or Professional Work

76. Research or other professional work may be provided to a project as a form of in-kind match-funding but the LAG must ensure that evidence is maintained about the value of the services that have been provided. This should include the following information as a minimum:

- a published tariff or rate list for the service provided should be available
- evidence should be available to prove that these figures are competitive with competitor prices
- timesheets or other records of the time contributed need to be maintained if the cost uses this basis.

Unpaid Voluntary Work

77. In the case of unpaid voluntary work¹ essential for the delivery of the LEADER project, the value of the work is determined taking into account the amount of time spent and the normal hourly or daily rate for the work carried out. The LEADER contribution to a project will not exceed the total eligible expenditure, minus the in-kind contribution. Additionally:

- Amounts claimed for this activity must be claimed at a rate commensurate with the nature of the work undertaken and not based on the usual salary or wage rate of the volunteer. If a volunteer does the same or similar duties as paid staff, the rate allowed for the volunteer will be the salary rate of the paid employee. In the absence of a comparative salary rate, acceptable rates are included within paragraph 78. **The rates outlined below for the use of unpaid work as in-kind match-funding should not be exceeded for any project.**
- The inclusion of costs of more specialist and technical roles as in-kind match-funding would need to be agreed before the activity commenced. The project would be expected to keep clearly documented justification for the specialist and for the agreed salary rate used for the purposes of in-kind match-funding.
- Timesheets should be maintained to support the hours claimed towards the project and should be signed by the volunteer and employer.

¹ Costs for staff deployed by an organisation on a project count as actual match-funding (evidenced by salaries) not in-kind match-funding

- Only persons acting in a wholly voluntary capacity will be eligible. Where an employee of the project performs additional 'voluntary' duties these will not be eligible as in-kind match-funding.

Agreed notional costs to be used as acceptable rates for voluntary work

78. The rates below have been provided and confirmed by Welsh Government statisticians and are based on analyses using the 'Annual Survey of Hours and Earnings', (ASHE), which includes the latest data published 12 December 2013 (please note that the rates are for the UK but exclude London and South East regions).

Job Title	SOC Code ²	Hourly Rate (£)	Annual Rate (£)
Project Manager	2424	21.72	42,756
Project Researcher	2426	16.55	31,880
Project Coordinator	3539	14.94	28,944
Trainer	3563	14.26	27,775
Project Administrator	4159	10.13	19,812

Project Assessment and Risk

79. Projects where there are significant amounts of in-kind match-funding may be vulnerable to cash-flow difficulties should the amount or timing of the in-kind activity or contribution vary or is not received in time. LAGs must ensure that they provide a full audit trail for all in-kind match-funding and any organisation or person who is providing such a contribution must also provide and keep the necessary records.

Grant Rate

80. The maximum grant rate for activities or projects being supported by the LAG under the LEADER Implementation element is up to 100% of the actual incurred defrayed costs. However, the maximum amount of grant paid (as cash) **cannot exceed the actual cash costs incurred and defrayed.**

81. For example, a project might have total costs of £16,432

The maximum amount of Welsh Government Rural Communities – Rural Development Programme 2014-2020 grant that can be paid to that project by the LEADER measure is £13,145.60 which is 80% of the total project cost

But if the project was supported by in-kind match-funding of voluntary unpaid labour to the value of £6,000 then the actual costs incurred would be £10,432

In this situation the maximum grant payable would be £10,432 (which represents a 63.5% grant rate based on the total project costs with the other 36.5% being the in-kind match-funding from the voluntary labour).

² Standard Occupational Classification

State Aid

82. The LEADER measure will be delivered on a No Aid basis because the LEADER LAGs are specifically prohibited from giving any assistance that would constitute State aid to an undertaking.

Lag Terms of Reference

83. Community Led Local Development shall be “led by local action groups composed of representatives of public and private local socio-economic interests, in which, at the decision-making level neither public authorities, as defined in accordance with national rules, nor any single interest group represents more than 49% of the voting rights;” Commission Regulation 1303/2013 Article 32 2(b).

84. The Commission Regulation 1303/2013 also sets out the tasks of a LAG which shall include the following:

- a) building the capacity of local actors to develop and implement operations including fostering their project management capabilities
- b) drawing up a non-discriminatory and transparent selection procedure and objective criteria for the selection of operations, which avoid conflicts of interest, ensure that at least 50% of the votes in selection decisions are cast by partners which are not public authorities, and allow selection by written procedure
- c) ensuring coherence with the community-led LDS when selecting operations, by prioritising those operations according to their contribution to meeting that strategy’s objectives and targets
- d) preparing and publishing calls for proposals or an ongoing project submission procedure, including defining selection criteria
- e) receiving and assessing applications for support
- f) selecting operations and fixing the amount of support and, where relevant, presenting the proposals to the body responsible for final verification of eligibility before approval
- g) monitoring the implementation of the community-led LDS and the operations supported and carrying out specific evaluation activities linked to that strategy.

85. It is important that the LAG has clearly defined structures and procedures for its own corporate governance that are set out in such a way as to be clearly open and transparent. In order to achieve that each LAG must prepare and agree its Terms of Reference, a document that will cover the key issues such as:

- how LAG membership is to be agreed
- how sectoral representation is to be managed
- how wider stakeholders and interested parties are to be kept informed
- how meetings are to be conducted and recorded
- how a quorum is to be determined
- how conflicts of interest are to be recorded and managed
- how project selection criteria are to be determined
- how appeals are to be managed.

- 86.** The LAG must be constituted by representation from the three sectors; public, private and third, as defined in the previous section. The LAG must have enough representatives present so that it reflects the breadth of the public organisations, the companies and the third sector organisations in its area and to ensure that this objective is met it is recommended that the LAG should be not less than 18 members.
- 87.** Individual members should represent only one organisation for the purposes of the LAG constitution.
- 88.** However, it is often the case that individuals may have several interests within the local community and the LAG must have a mechanism for recording those in a transparent way. This is important because the LAG is tasked with ensuring that at the decision making stage, no single interest group can represent more than 49% of the voting rights.
- 89.** In order to avoid actual or potential conflicts of interest, a 'single interest group' must be broadly defined so that it covers not only representation from the three main sectors, but also covers other 'interest groups' such as the farming sector, Local Authority, an individual company, an individual local organisation that might have a number of staff on the LAG or indeed the Administrative Body itself.
- 90.** For example, no more than 8 members out of 18 on the LAG can come from the public sector, but also no more than 8 members may be from any other 'single interest group' and so any secondary interests of those people who are LAG members will have to be taken into account. The Terms of Reference must set out how that is to managed.
- 91.** The regulation requires that no single interest can represent more than 49% of the voting rights, therefore the Terms of Reference must explain how this requirement is to be met in terms of the setting of the quorum required for both general meetings and decisions on funding awards.
- 92.** For example, if the quorum required for a decision is 8 LAG members and two of the members present have an interest in the project proposal, they must withdraw from the meeting, at that point then, the no more than 49% single interest rule still applies and the remaining six members might not be able to take decision because the meeting is no longer quorate.
- 93.** The same issue would apply if the Chair of the meeting was to use a casting vote because, at that point, two of the voting rights would be from the same representative sector and/or organisation so the meeting would have to check that it was still quorate in order to be able to take a decision on funding awards.
- 94.** Setting the number of representatives necessary for the quorum to take a valid decision will require some thought and in the case of the long term operation of the LAG, this number will need to be higher than is usually the case. It is suggested that the quorum should be at least 8 or one third of the total LAG membership, whichever is the greatest, so that it leaves more scope for meetings to be able to take compliant decisions.
- 95.** The Terms of Reference must set out how the opportunity to join the LAG is made known within the area, how LAG membership is to be decided and how the sectoral interests are to be balanced.
- 96.** Particular attention must be given in the Terms of Reference about how written procedures might be used when decisions are required to ensure that the no more than 49% single interest rule is maintained.

97. Conflicts of interest created through the control of the decision-making process by existing local structures and/or dominant sectors or interests is a real risk for all locally based projects. However, at the same time, this poses a dilemma for the LAGs as the most active and dynamic members of the community are also often the ones with the most ideas and resources for projects and their exclusion can deprive the LAG of energy and leadership.

98. Members of the LAG should declare their interest in projects and should not participate in decisions that concern them directly and the mechanism by which this is managed must be set out in the Terms of Reference.

99. The Terms of Reference of the LAG must include a clear and simple procedure for any appeals regarding the outcome of a selection process.

Selection of Activities or Projects

100. The LAG is the decision making body for project selection and this responsibility cannot be delegated to any other organisation or sub group outside of the main LAG. The LAG is supported by their respective Administrative Bodies who manage the processes and procedures which the LAG has put in place.

101. The details of the selection criteria and processes are defined and decided by each LAG separately but there are some requirements that should be common across all LAG areas.

102. The application and selection procedures and criteria must be very clearly set out in the application materials and any associated publicity. The LAGs must operate in a fair, open and transparent way in respect of the application of the selection criteria and the management of the application and selection process.

103. Ensuring the transparency of the project selection criteria and selection process is important so that the LAG itself, the Administrative Body, the staff and all potential applicants have a clear, consistent and common understanding of the processes.

104. It is through project activity the LAGs will achieve their objectives, but it is only through effective project selection processes that the LAGs are able to select and support those projects which contribute most to achieving the objectives of their LDS. The right projects are needed to deliver the desired outcomes.

105. The selection of projects to achieve those objectives is therefore one of the most important strategic functions which the LAG carries out and as such it is vital that this is carefully designed to align with the LDS itself.

106. There are three main elements which need to be considered, these are:

1. the assessment criteria
2. the assessment process
3. the way in which projects are animated.

107. The assessment criteria should be set out in the LDS implementation arrangements and should be consistent with, and directly linked to the territorial analysis and intervention logic of the LDS, the SMART objectives and the proposed monitoring and evaluation indicators. These will include both technical and quality criteria.

108. The assessment process must be decided by the LAG and should be designed to enable well informed, objective and carefully considered decision making through a robust and transparent procedure. In the interests of transparency, appraisal criteria should be available and accessible to potential applicants.

109. Ensuring the transparency of the application and selection procedure is important in maintaining the motivation and trust of local actors. The application and decision-making procedures and criteria should be very clearly set out in the application materials and any associated publicity, and advice on the process can be sought from the Administrative Body of the LAG. Whilst the procedures themselves are important these must be seen to be applied, it is essential that the LAG does what it says it will do and clearly communicates that to applicants.

Project development and selection: a strategic process

110. The way in which projects are developed can have a very considerable bearing on the type and quality of projects submitted and their ability to make a contribution towards the achievement of LDS objectives. LAGs should therefore design and employ a project development process which encourages and supports the types of projects which can deliver their priorities.

111. Clearly it makes sense for the LAG to 'steer' this development process, to encourage the right type of applications and guide project development towards successful projects which contribute to the LDS priorities.

Working with demand

112. The first thing the LAG will have to consider is the context within which projects are being developed because demand for particular types of projects will not necessarily match the objectives of the LAG and its LDS.

113. There may be a shortage of projects, a lack of momentum and motivation, for example, where there are economic difficulties and a shortage of match-funding. Here the LAG can pump prime activity by supporting capacity building and developing some 'quick wins'; small projects capable of rapidly converting into action and results.

114. There may be a high level of demand but if this does not match the LDS or its objectives, for example, inappropriate or generic projects which lack strategic focus or links to the LDS, the LAG may work with prospective applicants to inform, encourage and steer ideas or provide incentives for the 'right' types of proposals and actively support their development.

115. The best ideas may be the most difficult to deliver from the LAG and the project promoters perspective because innovative projects tend to be more challenging and complex and can be uncomfortable for local stakeholders. They often involve links to other ideas or initiatives, new connections and/or new contexts all of which increase delivery complexity. Often because these kinds of projects have no previous track record on which they can be judged, they will be seen as being risky and so may struggle to find appropriate support.

Calls for project proposals

116. In preparing to make calls for projects LAGs need to ensure that opportunities for project proposals are widely advertised within the LAG area. LAGs must consider whether the information about these opportunities will reach the desired audience. Effective communication is essential for the LAG to meet its obligation of openness and transparency.

117. LAGs may wish to introduce some element of targeting; specific targeted calls can relate to:

- a specific LDS priority or objective
- different groups of target beneficiaries
- themed priorities e.g. environment, tourism, diversification etc
- collective projects
- different levels of support
- different sizes of projects.

In the latter two cases it is particularly important to consider the principle of proportionality in the LAG's decision making process.

Project application process

118. Whichever approach is adopted a two stage application process is desirable, using an expression of interest or initial enquiry for initial information can help screen out ineligible or inappropriate proposals before valuable time and resources are wasted. Projects which are rejected at this stage can either be adapted to better fit the LDS priorities or may be redirected to other more appropriate sources of support. For successful applications these forms provide help to inform the LAG and its staff and engage them with the project promoter following which they can employ the guidance and support mentioned above in developing the full application.

Criteria types

119. There are two main types of project decision-making criteria which LAGs have to deal with:

1. eligibility criteria for assessing the admissibility of applications
2. selection criteria for the qualitative assessment and ranking of applications.

Where the LAG is also using other ESI Funds there is a requirement for strong coordination between those funds and the LEADER LDS and so this implies strong harmonisation between the eligibility criteria.

Eligibility criteria

120. Core Welsh Government Rural Communities – Rural Development Programme 2014-2020 level eligibility criteria are the essential criteria that all projects must meet in order to be admissible for a further qualitative assessment. Commonly these relate to the eligible activities, beneficiaries and expenditure. Such eligibility criteria are normally assessed through a technical assessment, there are no threshold values applied and the judgement is absolute.

121. LDS-specific eligibility criteria tend to be more associated with the targeting of the strategy in terms of area, beneficiaries or types of activity supported. These have more of a link to the LDS and are normally applied by the LAG to ensure the consistency of project activity.

122. In all cases it is important that the eligibility criteria are applied to projects as early as possible in the application process. These criteria should be clearly communicated in publicity and application materials so that people know the rules. Projects should then be screened

against them, ideally in an expression of interest or first stage application. This avoids wasted effort in project development and can provide an opportunity for project proposals to be amended if appropriate.

123. On-going guidance and support for project development should seek to ensure that the subsequent full applications are still eligible and that any particular conditions, e.g. planning permission, are addressed prior to the formal decision making.

Project Selection criteria

124. The qualitative assessment of projects is the responsibility of the LAG and only the LAG can take undertake this role. LAGs are required under Annex 1 of Commission Regulation 1303/2013 to draw up, define and set out their LDS project selection criteria. Good practice indicates that LAGs should include selection criteria in their LDS action plan.

125. Selection criteria should be adapted to the specificities of the area and should be designed to assess the fit and contribution of project proposals with the strategy, its target groups and its objectives. These may be further refined in calls for project proposals to include criteria which are specific to one type of activity, area or target group.

126. These criteria must be capable of informing the LAGs decision-making process and this implies both qualitative and quantitative judgements on the projects desirability. Such criteria might include:

- the extent to which the project contributes to the achievement of the strategy and complements activities covered by other relevant initiatives
- the extent to which the project responds to identified need and is supported by evidence of prospective demand
- the degree of local appropriateness and consistency with needs.

In order that LAGs may make objective judgements using these criteria it is essential that they are measurable.

127. LDS-specific selection criteria would normally include the following as a minimum:

- the extent to which the project contributes to the achievement of the strategy
- the extent to which the project complements activities covered by other relevant initiatives
- the extent to which the project responds to and is consistent with identified need
- the extent to which the project is supported by evidence of actual or prospective demand (including an assessment of any possible displacement of existing activities)
- the degree of local appropriateness of the proposed project intervention and its delivery method
- the additional benefits of the project outcomes i.e. the extent to which the achievement of these is dependent on LEADER support
- the inclusion of realistic and measurable milestones and targets with associated performance indicators
- value for money, i.e. the balance of proposed costs and LEADER support vs the outcomes sought (e.g. by comparison with other initiatives or project benchmarks)

- the realism of the proposed approach in terms of its physical and financial deliverability, viability and the applicants capability to deliver
- the sustainability of the proposal, what is the completion, continuation or exit strategy.

Project Selection Process

128. In designing the selection criteria the LAGs need to consider how these will be applied in practice, i.e. how judgements will be made in decision-making. Common approaches involve scoring of projects against checklists or within matrices; this, therefore, involves LAGs placing values against criteria. In order to provide a robust basis for justifying decisions, the way in which applications are assessed against criteria needs careful design.

129. In designing criteria LAGs should therefore consider their:

- applicability, i.e. their relevance and practical application against projects
- consistency, the criteria should enable the assessment of projects against the LDS priorities and the outcomes sought
- repeatability, the ability to be applied and judged in the same way against multiple applications
- links to indicators, as a basis against which to measure potential LDS achievements
- decision-making, the practicalities of how these will be used in practice.

Inter-territorial and Transnational Co-operation

130. Co-operation of a LAG area with other geographical areas can be a key component of the LDS or an additional asset to this strategy. It can evolve in stages from exchange of experience, to the transfer of promising practice to a common activity. Co-operation with other territories implementing LEADER or other forms of Community Led Local Development (CLLD) can also be a strategic tool which the LAG can use to reach the critical mass needed for some projects or to pool complementary resources and expertise.

131. In addition to inter-territorial co-operation (within a Member State), transnational co-operation gives supplementary European added value to local development. Moreover, co-operation is a way to widen local views in order to improve local strategies and to bring new knowledge to the area. It can at the same time boost the innovative character of local development actions and contribute to increased competitiveness through capacity building and new business partners; diffusion of innovation, know-how and new skills.

132. Co-operation is a mandatory element of the LEADER measure in the Welsh Government Rural Communities – Rural Development Programme 2014-2020, therefore, it is a requirement that each LAG must undertake at least one co-operation project or activity during the programme period.

133. The range of the geographical scope of possible co-operation partners with LAGs under the LEADER measure is set out in Article 44 (2) of the EAFRD Regulation. This is interpreted quite widely taking into account the different forms of existing partnerships of rural areas with other geographical areas within and outside the EU. However only projects selected by LAGs under the LEADER measure are eligible for funding from the Welsh Government Rural Communities – Rural Development Programme 2014-2020.

134. LAGs may have a co-operation project partner which is not another LAG but is a “group of local public and private partners that is implementing a local development strategy”. This means that the scope of action of this group has to be similar to that of a LAG, but does not have to comply with all the features stipulated in paragraph 3.1 of the LEADER co-operation guidance (19/11/2014).

135. Co-operation projects require a higher degree of co-ordination and in many cases they also have a strong collective or territorial dimension. The final beneficiary of the support provided for a co-operation project can be the LAG itself.

136. Preparatory technical support is an eligible cost under the LEADER measure. These may be; costs related to exchange of experience (e.g. meetings with potential partners, travel, accommodation, and interpreter’s fees), or project pre-development cost (e.g. project feasibility study, consulting for specific issues, translation costs, additional staff costs).

137. Under paragraph 3.2.2 of the LEADER co-operation guidance (19/11/2014), a co-operation project can be described as “a concrete activity with clearly identified deliverables producing benefits for the territories”.

138. Projects might also be focused capacity building and transfer of experience on local development through e.g. common publications, training seminars, twinning arrangements (exchange of programme managers and staff) leading to the adoption of common methodological and working methods or to the elaboration of a joint or coordinated development work.

139. In all types of co-operation projects, it is recommended that partners pre-define/agree the key criteria related to the activities to be selected and carried out. It is also important that the co-operation partners keep each other informed about progress with the project and any changes to its implementation, in order to allow for necessary adjustments that ensure the achievement of mutually agreed project objectives.

140. The eligibility and selection criteria should follow the same approach used for projects implemented under the LDS.

141. Transnational co-operation projects have particular challenges associated with them because it may be necessary to have different elements of the costs approved and the claims paid by different Managing Authorities. In recognition of these issues, the RDP Regulation has provisions that should help with the implementation by putting certain obligations on Managing Authorities for the management of transnational co-operation, as well as obligations for both the European Network for Rural Development and the National Rural Networks, in terms of the technical support for transnational co-operation.

142. A considerable amount of guidance about co-operation activities is available from the Wales Rural Network Support Unit, the Commission’s own website and the European Network for Rural Development.

Outputs & Results

143. The Common Monitoring and Evaluation System guidance for the Welsh Government Rural Communities – Rural Development Programme 2014-2020 has not yet been made available. The WEFO Monitoring and Evaluation team will provide specific guidance on these elements of the LEADER programme, when the information becomes available.

Examples of Projects and Activities That might be Supported Under Leader Implementation

Developing new opportunities for sport activities with secondary school students

An idea is put forward by a local golf club about how they might offer an opportunity to school students to try golf as a sport and leisure activity following a major tournament. Golf club suggests two sessions from 4-00 pm on Tuesday and Wednesday when the course is quieter and early Sunday morning sessions.

LEADER pays for the golf professional to do these sessions at £100-00 a session for up to 10 attendees. One of the Development Officers is allocated 60 hours a month to liaise with the schools, co-ordinate the students and support the golf professional.

The project runs for three months as an initial trial.

Example of costings

3 coaching sessions a week for 12 weeks	£3,600
Development Officer time (60 hours per month @ £15-60 an hour)	£2,808
Travel costs for the Development Officer	£500
Indirect Overheads (Simplified Cost basis – 10% of staff costs)	£280
Total project cost	£7,188

Developing new after school recreational activities with secondary school students

Within a certain group of small villages there are no after-school clubs or youth club opportunities and there is feeling of a decline in local community 'engagement' in a more general sense. Someone on the LAG suggests perhaps some other kind of venue might be supported to provide some facilities that the students might be happy to use.

An open call is made within the area for local pubs to host activity evenings for 14-28 year olds. A 'service fee' would be paid to any landlords that wanted to join and support would be provided through an experienced youth worker who would facilitate the whole scheme. Six pubs initially show an interest.

The project runs for six months as an initial trial.

Example of costings

Landlord service fees (6 pubs at £60 per session)	£9,360
Full time Youth Worker (six months)	£15,000
Management costs (LAG Admin Body staff time 60 hours @ £21-72)	£13,032
Indirect Overheads (Simplified Cost basis – 10% of staff costs)	£2,803
Travel costs for both staff (estimated)	£2,000
Total project cost	£42,195

The project runs for three months and is reviewed. Two of the pubs are supported to access the broadband scheme so that they can upgrade their broadband connections so that game sessions could be held between pubs. In one pub the students have done one night where they have shown other people some basic computer skills such as finding information about local services. Some students want to join in but transport is a problem.

The project scope is extended by making an open call for local taxi firms to provide the transport to and from the venues for students who have no other way of getting there. This is done on the usual taxi rates but the fares are billed directly to the project through a monthly invoice. Project costs are extended by £2,000 as an estimated provision for the taxi fares.

Developing new local tourism information outlets

An uplands area has no manned tourism information provision and a limited number of locations where information stands could be put. A suggestion was made that perhaps some local petrol stations and/or shops might provide some kind of service and offer 'information points'.

An open call is made within the area for petrol stations and other local businesses to host 'information points'. Providers would be offered £480 a year to host an information point. A project officer is appointed on a part time basis to collate information about places of interest, the usual tourist attractions and local businesses for the information points. Another open call is made for PR/marketing support to do the branding of the display points; write up and present the information in a consistent way and get coverage in the print and on-line media.

The project scope is extended by contacting local history groups, local walking groups and other organisations such as sport and angling clubs to provide background material on local places of interest such as particular buildings, walks, businesses or the local environment. This could include research on these to provide new information. The local groups or organisations are paid a fee for the work that they do and the information gathered is written up by the PR company.

The project runs for two years as an initial trial.

Example of costings

Local Information Points – 11 @ £480-00 per annum	£10,560
PR/Marketing support and printing (estimate)	£8,000
New research (estimate)	£2,000
Project Officer (40 hours per month @ £15-60 per hour)	£14,976
Management costs (LAG Admin Body staff time 96 hours @ £21-72)	£2,085
Indirect Overheads (Simplified Cost basis – 10% of staff costs)	£1,706
Travel Costs for both staff (estimate)	£4,000
Total Project Costs	£43,327

Adding value to local agricultural products

A group of local sheep farmers want to find a way to get a better price for their own lambs by selling them 'directly' to local hospitality outlets such as pubs, hotels, restaurants and cafes.

The project officer supports the farmers (say initially eight farms) to form a group to access existing arrangements to undertake farm business reviews. Each business does a detailed assessment of where and how improvements can be made to both the technical and financial aspects of their own business to improve profitability.

The project officer finds out what other support is available for supply chain co-ordination so that farmers can find out more about where to market their lambs and what range of prices might be possible. This results in a very local Meet the Buyer event where the people from the potential local outlets and the farmers get together to discuss the idea and assess what other support, if any, there might be.

The project officer helps the new wider group to engage specialist consultancy support so that everyone in the potential supply chain can understand the pricing strategies that would be needed to make it work, the volume of products needed and the seasonality of the supply. This would also include detailed assessment of issues such as carcass utilisation and alternative supply sources if demand increased.

The group find that there is enough demand among the outlets for the idea to be explored further and now include the one butcher within the area to find out if it could act as the processor and supplier.

An open call is made for PR/marketing support to help with the preparation of extensions to the menus for the hospitality outlets that explains the story of the group and wider PR. The initial work is successful and a local B&B (which does not do evening meals) asks the group if they could supply local bacon and sausages because that is not available. The group consider keeping a small number of finishing pigs and the project officer helps with the background work to source appropriate pigs and then find a suitable processor. This turns out to be a problem as the nearest bacon processor is a considerable distance away and the transport costs would make the final product too expensive.

The group do repeat their earlier work to assess the likely scope of the supply chain, including supplying the local butcher, and to look in detail at the overall costings. The final outcome is that the group decide that there is enough opportunity for it to be worthwhile doing the bacon processing locally and so they get help to find grants to fit out a small processing room to take this on and then they source the pigs.

Example of costings

PR/Marketing support and printing (estimate)	£8,000
Technical food consultancy (estimate)	£2,000
Project Officer (200 hours total @ £15-60 per hour)	£3,120
Management costs (LAG Admin Body staff time 20 hours @ £21-72)	£4,344
Indirect Overheads (Simplified Cost basis – 10% of staff costs)	£746
Travel Costs for both staff (estimate)	£1,000
Total Project Costs	£19,210