
Meeting: Executive
Date: 12 July 2011
Subject: Delivering the Rural Development Programme in Central Bedfordshire

Report of: Cllr Maurice Jones – Executive Member for Corporate Resources

Summary: This report outlines the requirement by Bedfordshire Rural Communities Charity (BRCC) for a loan of up to £500,000 from Central Bedfordshire Council to support cash flow in the delivery of the Rural Development Program for England (RDPE) for the Greensands Ridge area.

Advising Officer: Alan Fleming, Interim Director of Sustainable Communities

Contact Officer: Liz Wade, Assistant Director Economic Growth Skills and Regeneration

Public/Exempt: Public

Wards Affected: Cranfield & Marston Moretaine, Houghton Conquest and Haynes, Sandy, Potton, Northill, Ampthill, Flitwick, Shefford, Silso & Shillington, Westoning, Flitton & Greenfield, Toddington, Heath & Reach, Aspley & Woburn.

Function of: Executive

Key Decision Yes

**Reason for urgency/
exemption from call-in
(if appropriate)** N/A

CORPORATE IMPLICATIONS

Council Priorities:

The vision of the Sustainable Communities Strategy is “To ensure Central Bedfordshire is Globally Connected, Delivering Sustainable Growth to ensure a Green, Prosperous and Ambitious Place for the Benefit of All”.

The Strategy will be delivered through two underpinning key themes of creating the conditions for economic success and community prosperity and raising standards and tackling inequality in order to deliver 26,000 new homes and 27,000 new jobs by 2026.

The RDPE programme will generate up to 143 new jobs in rural areas of Central Bedfordshire through development of tourism, local food, community enterprises and business growth and projects that support the environmental sustainability of the area.

Financial:

The Loan amount is £500,000. It will be repaid in two instalments to the Council in cleared funds; £200,000 on 30 June 2013 and £300,000 on the 31 December 2013.

Interest will be chargeable on the loan so that the Council's revenue account is protected. The Interest will be payable to CBC during the period of the loan as per the Loan Agreement. The Interest will be calculated by reference to published Public Works Loan Board rates: three year loan rates/maturity plus 1% and invoiced at a fixed rate, to be notified annually by the Council. This rate is currently 2.75% plus 1%.

This arrangement falls outside the Council's Treasury Management Strategy as this is not an investment but a decision to provide financial assistance to a partner organisation. This is relevant as changes to Treasury Strategy are a matter for full Council.

Legal:

There are no statutory requirements for the Council to provide this Loan Agreement. However, under Section 2 of the Local Government Act 2000, the Council is able to undertake activity to promote or improve the economic well-being of its area.

The loan will be covered by a Loan Agreement to be signed by BRCC and Central Bedfordshire Council.

Risk Management:

The Loan carries low risk due to rigorous project approval processes imposed by DEFRA, EEDA and the Greensands Ridge Local Action Group. However, in the event of a default on the Loan the liability will fall with Sustainable Communities.

Staffing (including Trades Unions):

None at this time.

Equalities/Human Rights:

Public authorities have a statutory duty to promote equality of opportunity, eliminate unlawful discrimination and to foster good relations in respect of nine protected characteristics; age, disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

An Equalities Impact Assessment for the Greensands Ridge RDPE programme has been carried out by BRCC as part of the project approval process managed by EEDA.

Community Safety:

None at this time.

Sustainability:

The Greensands Ridge RDPE programme is based on sustainability principles. It has been fully assessed as a part of the funding application and appraisal process to meet EU programme standards. Supporting Eco-businesses and resource efficiency is a key aim of the programme.

Summary of Overview and Scrutiny Comments:

None requested or received.

RECOMMENDATION:

1. **that the Executive approve using powers available under section 2 of the Local Government Act 2000, a loan facility of up to £500,000 to enable BRCC to fulfil its role as the accountable body on behalf of the Greensand Ridge Local Action Group in the delivery of the European Funded Rural Development Programme for England (RDPE) Greensand Ridge Rural Development Programme (2008-13).**

Reason for Recommendation: *To enable continued delivery of the RDPE Greensand Ridge Rural Development Programme.*

Executive Summary

The RDPE programme will generate approximately £6.8m of investment within the CBC area, £2.4m of European funding and approx £4.4m of private and voluntary sector investment. This will generate 143 jobs in rural areas of Central Bedfordshire and have significant community and heritage outputs.

In managing the process BRCC, the Accountable Body, are required to release funding to approve projects on a quarterly basis. This is then reclaimed from EEDA on a quarterly basis creating a funding gap. BRCC cannot within their organisational financial arrangements cover the cash flow issues that this creates.

If this is not agreed the programme cannot continue, all current activity within the programme will stop and the funding for the programme will be handed back to DEFRA.

1. Background

- 1.1 In 2007/08, BRCC brought together the Greensand Ridge Local Action Group (LAG) - an informal partnership of public, private and voluntary sector partners – and led a £2.4 million bid to the European-funded Rural Development Programme for England (RDPE) to deliver a Local Development Strategy between 2008 and 2013. The LAG area lies entirely within the Central Bedfordshire area other than a couple of parishes in Cambridgeshire.
- 1.2 The aims of the strategy are to:
 - increase opportunities for 'green' tourism and leisure activities;
 - help farmers and foresters to diversify into new markets;
 - grow the market for locally sourced food and drink products; and
 - support local small business growth and community enterprise solutions to rural service provision.

- 1.3 The strategy is delivered through the Greensand Ridge Local Action Group (LAG). The LAG Steering Group scrutinises projects against the above aims, in accordance with RDPE rules. The total potential value of the Programme is around £6.8 million, since the RDPE funding has to be matched funded by private sources (i.e. non public/Exchequer).
- 1.4 Although the Programme began in 2008 it has taken a while to attract viable projects that meet the funding criteria. To date three projects have received approval with a total value of £1.1m.
- 1.5 Central Bedfordshire Council is represented on the LAG Steering Group and BRCC is an accepted outside body of the Council and Cllr Norman Costin is nominated to serve on the BRCC board. BRCC is a registered charity and incorporated as a company limited by guarantee.

2. Cash Flow Issues

- 2.1 The agreement of £1.1m of funding to projects has begun the cash flow problem. To date £51,000 of claims have been received for projects. These are paid on a quarterly basis and reclaimed from EEDA. EEDA will cease to exist in April 2012, at this time responsibility for managing this funding programme will pass to DEFRA. The gap between releasing the funding to the project and claiming the funding from EEDA/DEFRA creates the cash flow issues.
- 2.1 As the projects proceed and more projects come through the pipeline it will make the cash flow situation untenable for BRCC.
- 2.3 BRCC have explored a wide range of options to overcome the cash flow issues. They have been unable to secure a mainstream bank loan.
- 2.4 In other RDPE funded projects nationally such as the ACRE project in Cambridgeshire the Local Authority acts as the funding underwriters. Many other top-tier authorities such as Norfolk, Dorset, Staffordshire, Kent, Hants and Surrey do too.

3. Risk

- 3.1 There is a low risk of BRCC defaulting on the Loan as the projects are robustly assessed. The Programme is subject to EU audit and EEDA/DEFRA national audit processes. BRCC also has stringent internal financial procedures which allow constant monitoring of its financial situation through the production and reporting of monthly management accounts and quarterly financial oversight by their Board of Trustees. They also have a thorough annual external audit. Cllr Norman Costin sits on the BRCC board and represents the Council's interests.
- 3.2 Every project submitted is subject to an eligibility check and the appraisal process checks the viability of the project. The bid includes the development of a business case and in many cases a business plan. External partners such as Business Link East, WENTA and EXEMPLAS assist with this process to ensure that plans are robust and viable

- 3.3 Facilitators employed by BRCC continue to monitor the project throughout its lifecycle, providing advice and guidance and continually assessing adherence to the terms of the bid and funding agreements. This is reported to the RDPE Steering Group. Central Bedfordshire Council is represented on the RDPE Steering Group at officer level.
- 3.4 The risk of BRCC getting into financial difficulties due to a claim under RDPE to the Rural Payments Agency not being paid is very low, as they have robust procedures in place for checking project claims before they pay them. BRCC's systems for managing the Greensand Ridge programme were given a clean bill of health on the 2 June 2011 during an audit by EEDA's external auditor.
- 3.5 In the event of BRCC defaulting on the loan the liability will fall with Sustainable Communities.
- 3.6 BRCC could be audited by DEFRA on these projects for up to seven years following completion of the funding programme. In the event of an audit failure the liability will fall to BRCC. As the Loan will have been paid back in full to Central Bedfordshire Council by this time there will be no risk to Central Bedfordshire Council.

4. Repayment

- 4.1 The loan will be re-paid in two instalments to the Council in cleared funds; £200,000 on 30 June 2013 and £300,000 on the 31 December 2013.
- 4.2 Part repayments of the loan can and will be made at any time if no longer required for the programme delivery.

5. Interest

- 5.1 The Interest will be calculated by reference to published Public Works Loan Board rates: three year loan rates/maturity plus 1% and invoiced at a fixed rate, to be notified annually by the Council. This rate is currently 2.75% plus 1%.
- 5.2 The suggested interest model is that it will accrue on a daily basis and be calculated quarterly as at 31 March, 30 June, 30 September, 31 December by BRCC to the Council.
- 5.3 Interest will be payable within 14 days of the quarter end on receipt of an invoice from the Council.
- 5.4 As part of the Central Bedfordshire efficiency savings 2011/12, £17,500 direct funding towards the management of this programme was cut by Central Bedfordshire Council.
- 5.5 Central Bedfordshire Together, Local Strategic Partnership is being approached to support the interest costs of this possible loan provision at their meeting on the 5 July 2011. The outcome of this meeting will be reported verbally at Executive on the 12 July.

6. Conclusions & Next Steps

- 6.1 BRCC need a decision on this loan arrangement and the funding to be in place by the end of July 2011. If the loan is agreed, as BRCC are an Accepted Outside Body of Central Bedfordshire Council, the Loan Agreement can be signed and the funding allocated to meet this deadline.

Appendices:

None

Background Papers: (open to public inspection) - None

Location of papers: Priory House