Research and Information Service
Briefing Paper

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# Rural Development funding for the rural community (Priority 6 Schemes) – background and possible 'Brexit' considerations

## 1 Background

The 2014-20 Northern Ireland Rural Development Programme has a total potential budget of £623 million, of which £186.5 million is EU derived, with the remainder coming from matched DAERA/NI Executive funds[1].

Whilst much of the 2014-20 NIRDP money is directed towards measures designed to make agriculture and the agri-food sector more efficient and protecting the local environment, there are funds designed to be accessed by the wider rural community that equate to approximately £70m[2]. These funds, which are being delivered by the 10 Local Action Groups (LAGs) using the LEADER methodology[3] are collectively referred to as Priority 6 schemes as follows:

[1] http://aims.niassembly.gov.uk/questions/printquestionsummary.aspx?docid=243274
[2] This figure includes administrative costs up to 22% - which would equate to £15.4m if fully utilised
[3] The LEADER methodology, first adopted within the EU in 1990, is associated with local empowerment through local strategy development and resource allocation. The main tool for the application of the LEADER approach to area development and

- **Rural Business Investment Scheme (£27m)** - Support for investments in the creation and development of non-agricultural micro and small business activities.
- **Rural Basic Services Scheme (£15m)** - Support for investments in the setting up, improvement or expansion of local basic services for the rural population including leisure and culture, and the related infrastructure.
- **Rural Broadband Scheme (£2m)** - Support for community led broadband infrastructure, including its creation, improvement and expansion, passive broadband infrastructure and provision of access to broadband and public e-government.
- **Village Renewal Scheme (£8m)** - Support for drawing up and updating of plans for the development of municipalities and villages in rural areas and their basic services, and also of protection and management plans relating to Natura 2000 sites and other areas of high nature value.

In addition, and whilst not part of the LEADER approach, local councils in Northern Ireland will be able to access a Rural Tourism Scheme with a total budget of £10m that will support projects which invest in natural and built heritage projects that can act as a key driver for encouraging rural tourism and particularly out of state visitors whilst preserving the natural assets of the rural community.

Any potential changes to the Rural Development Programme measures designed to benefit rural communities could have a potentially negative impact on many people and projects.

As an illustration of the contribution which was made by the previous programme, the draft 2015 Annual Report of the 2007-13 Northern Ireland Rural Development Programme[4] submitted to the European Commission by DAERA in June 2016 reveals the following with regards to Axis 3/4 Measures (which provided support similar to the current Priority 6 schemes):

> *By the end of the period 1,828 projects had been successfully completed. The total value of project claims paid by DARD to these projects was £83.4 million. A significant number of applications for funding, 6363 in total, were received across the six, Axis 3/4 measures.*

With specific regards to the number and types of beneficiaries the 2015 Annual Report identifies a range of information including the following:

involving local representatives in decision-making is the Local Action Group (LAG). http://enrd.ec.europa.eu/enrd-static/leader/leader/leader-tool-kit/the-leader-approach/en/the-leader-approach_en.html

[4] https://www.daera-ni.gov.uk/publications/2007-2013-rural-development-programme-2015-annual-report

- LEADER investment successfully supported 636 farm family members and 447 rural micro businesses, resulting in the creation of 268 new businesses and 1,080 new jobs;
- Under the tourism, basic services and village renewal measures an additional 114 new jobs were created by 47 projects, while over £1.5 million additional visitors were recorded;
- Under basic services 335 people successfully completed bespoke training initiatives through six of the projects supported including 133 young people undertaking a youth life, growing through change programme;
- Axis 3 investment has ensured that 17,094 rural businesses and rural dwellers now have a connection to an improved Broadband service.

# 2 Possible 'Brexit' considerations for Priority 6 measures within the 2014-20 NIRDP

| ***Policy area/theme/issue*** | ***Possible 'Brexit' considerations*** | ***Key questions*** |
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| Actual Programme Value | Whilst the 2014-20 NIRDP has a notional value of £623m, this is subject to the euro/sterling exchange rate. When designing the Programme DARD effectively 'hedged' the value of the programme using an exchange rate of €1 = £0.82[5], whereas the value today is approximately €1 = £0.89[6].<br>Within the context of currency instability in light of 'Brexit' this could lead to potentially significant increases or reductions in the budget of the Programme. | • How has value of the 2014-20 NIRDP been affected by post 'Brexit' changes in the value of sterling against the Euro? What steps is DAERA taking to alleviate any potential issues here? |
| Commitment to funding up to 2020 | The current NIRDP is due to run until 2020 and given the stated intention of the UK government to trigger Article 50 by the end of March 2017, providing the negotiations are not extended beyond 2 years, the UK could have left the EU by the end of March 2019.<br><br>This could have raised issues with regards to the overall size and spend profile of the 2014-20 NIRDP and its associated measures. This issue could also have had particular significance here given indications that money has yet to be actually committed or spent on specific projects across a number of the Priority 6 Measures within Northern Ireland (Business Investment Scheme has seen money committed and letters of offer issued in a number of LAG areas[7]). Within this context there could be less time, and less money to spend across the measures. | • What is DAERA's position on the funding level and spend profile for the NIRDP in light of 'Brexit'? Is there provision to increase profiled spend in the early part of the programme in order to maximise budget utilisation? What is the potential for amendments to existing measures or the creation of new ones?<br>• What is DAERA's understanding of how NIRDP applications will be assessed in terms of being 'good value for money' and being 'in line |

[5] https://www.daera-ni.gov.uk/publications/2014-2020-rural-development-programme-version-2
[6] http://www.xe.com/currencyconverter/convert/?Amount=1&From=EUR&To=GBP as of 13:12 on 14/10/16
[7] Local Action Group Invests £186,000 in Rural Businesses in the Causeway Coast and Glens Area, 30th July 2016

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| | As an added complication there remains a lack of clarity on how committed the UK government is to Rural Development spending commitments, and more specifically with regard to projects which have yet to be 'signed off'. On the 16th August Chancellor Hammond issued a statement[8] which revealed the following:<br>• *all structural and investment fund projects, including agri-environment schemes, signed before the Autumn Statement will be fully funded, even when these projects continue beyond the UK's departure from the EU;*<br>• *the Treasury will also put in place arrangements for assessing whether to guarantee funding for specific structural and investment fund projects that might be signed after the Autumn Statement, but while we remain a member of the EU. Further details will be provided ahead of the Autumn Statement.*<br><br>This statement had raised concerns around the NIRDP and other EU funding within Northern Ireland, particularly in relation to funding applications that had not been approved prior to the Chancellor's Autumn Statement scheduled for 23rd November 2016.<br><br>A subsequent statement issued by the Treasury on 3rd October has, however, addressed this concern to an extent, with the Chancellor confirming that *'… the government will guarantee EU funding for structural and investment fund projects, including agri-environment schemes, signed after the Autumn Statement and which continue after we have left the EU[9].'*<br><br>Whilst the Chancellor's clarification has built confidence that NIRDP funds are secure, it should be noted that the most recent statement also includes the following caveat:<br>*Funding for projects will be honoured by the government, if they meet the following conditions:*<br>*•they are good value for money;*<br>*•they are in line with domestic strategic priorities.*<br><br>As a further development, on the 18th October Finance Minister Máirtín Ó'Muilleoir published a letter[10] he had received from the Chief Secretary to | with domestic strategic priorities'? Are these requirements any different or additional to how DAERA had already planned to administer the NIRDP? Do references to domestic strategic priorities mean UK or NI?<br>• Does the letter from the Chief Secretary to the Treasury actually provide any further clarification or assurances as regards to how the 'value for money' and 'domestic strategic priorities' tests are to be assessed by the devolved administrations? Does the letter imply that the devolved administrations can do what they like here, or will the Treasury still be involved, in or have the final say on, funding decisions? |

[8] https://www.gov.uk/government/news/chancellor-philip-hammond-guarantees-eu-funding-beyond-date-uk-leaves-the-eu
[9] Further certainty on EU funding for hundreds of British projects, HM Treasury Statement, 3 October 2016
[10] http://www.niassembly.gov.uk/globalassets/documents/raise/deposited-papers/2016/dp1560.pdf

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| | the Treasury on the 4th October which had sought to clarify the position on EU funding guarantees. Paragraphs 4,5 and 6 of this letter are as follows:<br><br>*4. Projects will be guaranteed where UK Government departments are content that these projects:*<br>*- provide value for money, in a way that has a comparable benefit to other domestically-funded programmes;*<br>*- support domestic strategic priorities, specifically projects that fit with department's priorities and the Government's agenda.*<br><br>*5. In keeping with the devolution settlement, it will be for the Northern Ireland Executive to decide the conditions used to assess projects within your devolved competence. However, I am sure that you will wish to apply comparable levels of scrutiny to ensure the funds are used to achieve the best outcomes in Northern Ireland.*<br><br>*6. I have asked my officials to work closely with yours over the coming weeks on the technical implementation of the guarantees. This letter is copied to the First Minister, the deputy First Minister and the Secretary of State for Northern Ireland.*<br><br>Any potential reduction to this funding stream could potentially have negative impacts on rural communities and the services, facilities and activities provided within them. | |
| Commitment to funding beyond 2020 – N+3 issue and beyond | Based on the experience with previous Rural Development Programmes, programme expenditure can extend beyond the stated time frame. Within this context the 2007-13 NIRDP was still spending committed funding in 2015 under the so called n+2 mechanism. The current 2014-20 NIRDP has provision for a n+3 mechanism, which effectively means that money can be spent up to 3 years after it was profiled for expenditure.<br><br>Support and funding for rural development within the UK and Northern Ireland have been key EU priorities, and there could be question marks around any such support and funding in the UK beyond 2020 and the UK formally leaving the EU. | • Will the n+3 mechanism apply to 2014-20 rural development funding in Northern Ireland beyond the year 2020, particularly if the UK has formally left the EU by then?<br>• Will the UK government continue to support and fund a dedicated UK rural development programme outside the EU? Will any decision to run such a programme be devolved? |
| Number of applications and withdrawals | Any uncertainty around the availability of rural development funding for priority 6 measures could have a potential impact on the number of people/projects applying for support. | • Does DAERA have any concerns around either a reduction in the number of applicants or withdrawals from |

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| | Rural development funding is rarely if ever paid at a 100% grant level and as a consequence successful applicants are generally required to provide a proportion of total project cost from non EU sources. The requirement to do this is already burdensome for some applicants, but this burden would only increase if there are doubts around the potential for EU funds to be removed or reduced during the course of the project. In such circumstances successful applicants might potentially have to scrap or reduce the scale of the project or increase their non EU sources of match funding. | approved applicants in light of 'Brexit' uncertainties? What steps could DAERA take to address these concerns? |
| Letter of offer commitments | The current uncertainty around when, how or even if the UK will formally leave the EU has the potential to impact on the letters of offer issued to successful projects under Priority 6 of the NIRDP. The lack of clarity on overall NIRDP and individual measure budgets and whether these will apply up until at least 2020 are key areas of uncertainty.<br><br>Within this context key issues for letters of offer could include the level of funding and the expiry date for the offer of funding i.e. when must the project be finished. If LAGS are forced to issue letters that make highly caveated offers to successful applicants there could be a risk that successful applicants may decide not to proceed with the project.<br><br>For example, tight deadlines for project completion driven by a perceived need to complete all spending before the end of 2019 could be off-putting to successful applicants, particularly in relation to projects under measures that might take longer to deliver due to their complexity or requirement for a range of statutory approvals or permissions. | • What will letters of offer for Priority 6 projects actually commit LAGs and DAERA to in terms of finance? When will offers of support expire?<br>• Do DAERA or the LAGs have any particular concerns around the commitments within letters of offer that will be issued for specific measures under the 2014-20 NIRDP? |