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**Rural Development Programme 2014-2020**

**Priority 6**

**LAG Operating Rules**

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## Record of Amendments to the LAG Operating Rules

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**Introduction**

For the purpose of these operating rules the phrase ‘LAG’ will be taken to mean the LEADER Local Action Group Board and its responsibilities. This document forms part of the contract between DAERA and the LAG.

These operating rules apply to the LAG contracted with Department of Agriculture, Environment and Rural Affairs (DAERA) to deliver Priority 6 LEADER Schemes of the Northern Ireland Rural Development Programme (NIRDP) 2014-20. A rural development budget has been allocated to each LAG to enable it to pursue the strategic objectives set out in its approved Local Rural Development Strategy (Strategy). While the LAG objectives have been defined and set by its local community, the implementation of the Strategy must be undertaken in accordance with the Implementation Plan agreed with DAERA in the legally binding contract.

The operating rules set out in this document specify the principle functions and responsibilities of the LAG and the roles and responsibilities of the key stakeholders with whom it will interact. This LEADER delivery model retains the role of the council Administration Unit that operated in the 2007-13 programme.

**Background**

The NIRDP was approved by the European Commission on 25th August 2015. The rules under which the LEADER schemes operate are principally derived from the European Agricultural Fund for Rural Development (EAFRD) regulation and from National Legislation and Statutory Rules which provide both the authority for incurring expenditure and set the rules that govern how that expenditure must be incurred, controlled and accounted for.

Additionally experience gained in the operation of previous programmes and from findings and recommendations coming from Internal, National and European audits have provided best practice direction in the disbursal and management of public funds. The rules under which the schemes must operate provide the public with assurance that resources:-

* are properly and prudently managed to achieve proper control;
* achieve the required out comes;
* deliver value for money; and
* are transparent.

The rules may from time to time be amended at the discretion of the Department subject to respecting the European Commission guidelines for the EAFRD.

To assist understanding of and compliance with these rules DAERA has provided detailed desk instructions for use by council staff providing an administrative service to LAGs.

In accordance with the terms of the Contract the rules are binding on the LAG. In any matters of interpretation of the rules, the Department's decision is final.

**Priority 6 Objectives**

A core principle of the approach to broader rural development in Northern Ireland has been and continues to be that communities should be involved in the design and delivery of projects and programmes to improve their quality of life through social inclusion, poverty reduction and economic development in rural areas.

The Priority 6 LEADER Schemes are designed to:

1. Increase economic activity and employment rates in the wider rural economy through encouraging and supporting the creation and development of micro and small enterprises in the broader rural economy including on-farm diversification into non-agricultural activities and private tourism provision;
2. Improve and maintain the living conditions and welfare of rural dwellers through the provision of more and better basic services;
3. Regenerate villages and their surrounding areas by improving their economic prospects and the quality of life; and
4. Provide community based solutions to broadband black spots in rural areas.

The NIRDP will meet these objectives by providing support through a LEADER approach under the following Schemes:

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| * ***Rural Business Investment*** |
| * ***Basic Services*** |
| * ***Village Renewal*** |
| * ***Rural Broadband*** |
| * ***Co-Operation*** |

The Key features of the LEADER approach include:

* area-based local development strategies;
* bottom-up development and implementation of strategies;
* local public - private partnerships;
* integrated and multi-sectoral actions;
* innovation;
* co-operation; and
* networking.

**LEADER Delivery Model**

The Leader delivery model for the 2014/20 programme establishes 3 sets of relationships:

The first and principle relationship is that of the LAG as a Contractor to DAERA for the delivery of an agreed Strategy.

The Second is the Council as a Contractor to DAERA for the delivery of administrative services and facilities for use by the LAG.

The third is that of the LAG as a consumer of services and facilities drawn down from its council which it must manage across the lifetime of it Strategy delivery operation.

It is important that the LAG understands the model, relationships and responsibilities of itself and the other stakeholders. These roles and responsibilities are set out below:

**Contract**

**MOU**

**SLA**

**DAERA as Managing Authority (MA)**

DAERA as Managing Authority is responsible for ensuring that:

1. Operations are selected for funding in accordance with agreed criteria;
2. An IT system is provided to record and maintain data for monitoring and evaluation and the generation of LoO;
3. Beneficiaries and other bodies involved in the implementation of operations:

* Know their obligations;
* Maintain a separate accounting system or use adequate accounting codes for all transactions funded under this Programme; and
* Are aware of the requirements concerning the provision of data to the Managing Authority and the recording of outputs and results.

1. Programme evaluations are carried out within the required time limits and conform to the Common Monitoring and Evaluation Framework;
2. Compliance with the Commission’s publicity requirements is achieved;
3. The Paying Agency receives all necessary information on procedures and controls;
4. The LAG acknowledges the role of the Council to provide the administrative and financial management function to the LAG;
5. A Programme Monitoring Committee is established and provide the chair and secretariat functions. It will draw up the annual progress reports and, after approval by the Monitoring Committee, will submit them to the Commission;
6. A clear allocation and separation of functions exists between Departmental personnel undertaking the roles and responsibilities of the Managing Authority and those in the Paying Agency;
7. Robust fraud and irregularity prevention activities are undertaken in line with the Counter Fraud Strategy and in addition have published guidance on identifying irregularities and in addition produce irregularity reports;
8. The quality of programme implementation is monitored;
9. Monitoring of each rural development programme by means of financial output and result indicators is carried out;
10. A Regional Rural Network is established;
11. There is effective equality-focused delivery of priorities and measures, and their outputs and targets; and
12. There is achievement of Programme for Government targets.

**\* While parts of the above tasks may be delegated to another body, the MA retains full responsibility for the efficiency and efficacy of management and implementation of those tasks.**

**DAERA Paying Agency (PA)**

DAERA is accredited as a Paying Agency and is responsible for making all payments of eligible expenditure under this Programme. It must ensure that:

1. The eligibility of requests for aid is checked before payment is authorised;
2. The procedures for allocating aid are checked before payment is authorised;
3. The compliance with Community rules of applications, payments and procedures are checked before payment is authorised;
4. Accurate and exhaustive accounts are kept of payments made;
5. Checks laid down in EU legislation are made;
6. Documentation is presented in a timely manner and in the form requested;
7. Documentation is accessible, complete, valid and legible; and
8. Statements of assurance are drawn up and supported by annual statements by the LAG.

**Local Action Group (LAG)**

The LAG will:

1. enter into a memorandum of understanding with the council which includes both a communication and administration plan;

1. enter into a contract with DAERA to deliver the LEADER element of the NIRDP;
2. deliver in line with its agreed implementation plan towards achievement of its Strategy objectives;
3. pro -actively engage with its Administrative Council in relation to:

* approve or /reject applications
* animate the rural area as Stage 1 of issuing a call for applications
* request DAERA to open the database as Stage 2 of a call for applications
* appraise, assess and score applications
* assist applicants to develop projects
* issue Letters of Offer that contribute to achieving the objectives of the Strategy

1. on a monthly basis, consider the Administration Unit progress report, and where appropriate, take corrective action before agreement is recorded in monthly meeting minutes;
2. monitor and evaluate the progress of the Strategy and implementation plan at two points through the year as determined by DAERA and where appropriate, recommend revisions to DAERA;

1. develop and implement a communication process with the wider LAG membership;
2. become involved in co-operation activities - undertake a joint action with another LAG or with a group taking a similar approach, in another region, Member State or even a third country bearing in mind rules on all-island co-operation;
3. participate in Regional, National and European Networks;
4. comply with the provisions of the Data Protection Act 1998;
5. ensure the composition and equality balance of the LAG is maintained and that all vacancies are filled in the first instance from the wider LAG and in an equal and transparent manner endorsed by local council officer advice;
6. on a ongoing basis, consider progress on the delivery of its Strategy delivery including Administration and take corrective action, where necessary and fully review at two points through the programme as defined in the contract with DAERA;
7. ensure appropriate attendance at all training provided/identified as necessary by DAERA; and
8. in accordance with EAFRD Council Regulations and Section 75 of the Northern Ireland Act 1998, in all of their operations, be expected to pursue the principles and practice of equality of opportunity between men and women, between persons of a different religious belief, political opinion, racial group, age, marital status or sexual orientation, between persons with a disability and persons without and between persons with dependants and persons without. They will have to have regard to promoting good relationships between persons of different religious belief, political opinion or racial group.

**The Council**

The Council, will:

1. enter into a contract with DAERA to deliver an administrative and financial management function to the LAG;
2. enter into a Memorandum of Understanding with the LAG;
3. provide the LAG with administration services and facilities including receipt of payment, disbursal, management and accounting for funds awarded ;
4. facilitate animation activity for calls, promotions, Strategy development or other Strategy implementation operations;
5. quality assure that the LAG’s appraisal, assessment and scoring of projects comply with the direction in the operating rules;
6. ensure the EU database is updated as required;
7. advise and guide the LAG appointed in its area;
8. consider the LAG proposals in relation to financial assistance towards projects and advise if these are in line with Programme rules;
9. be responsible for careful stewardship and making best use of the public funds provided;
10. on a monthly basis, prepare the Administration Unit progress report for the LAG, and where appropriate recommend corrective action before LAG sign off and copy to DAERA;
11. provide the LAG with progress reports on the Strategy and implementation plan at two points through the year as determined by DAERA and where appropriate, recommend revisions to the LAG for sign off and liaise with DAERA towards the implementation of any agreed LAG revisions/remedial actions to the Strategy/implementation plan;
12. Ensure that those involved in delivery of the Strategy have the necessary skills and knowledge to carry out their functions competently. i.e. EAFRD Council Regulations, eligibility of expenditure, appropriate equality, human rights, employment legislation including Section 75;
13. ensure appropriate attendance at all training provided/identified as necessary by DAERA e.g. Database management, Economic Appraisal training etc.;
14. in accordance with EAFRD Council Regulations and Section 75 of the Northern Ireland Act 1998, ensure that in all of their operations, pursue the principles and practice of having due regard to the need to promote equality of opportunity between men and women, between persons of a different religious belief, political opinion, racial group, age, marital status or sexual orientation, between persons with a disability and persons without and between persons with dependants and persons without. They will also have to have regard to promoting good relationships between persons of different religious belief, political opinion or racial group; and
15. ensure compliance with the provisions of the Data Protection Act 1998.

**Area of Operations**

For the purposes of the NIRDP rural areas are defined as all those areas identified outside the statutory development limits of those towns and settlements with a population in excess of 5000 inhabitants. However when considering increasing economic activity and employment rates in the wider rural economy (through the Rural Business Investment scheme only) it is within the gift of the LAG to extend the population boundary up to 10,000 where the benefits of the investment go to rural area. Any increase above 5,000 must be clearly supported by a strong rationale within the Strategy.

For the purposes of funding, the LAG is authorised to operate only in the geographic area delineated in its approved Strategy and Implementation Plan.

**Applicable Dates**

The LAG is authorised to implement the Strategy as set out in the approved Implementation Plan (as appended to the Contract) with effect from the date the signed Contract is received by the Department.

All commitments of grant under the Programme must be made by 31st December 2019. All payments of grant assistance under the programme must be made by 31st December 2020. A Letter of Offer must not issue with a final project completion date later than 30 September 2020.

All programme documentation (including individual Project Files and supporting documentation for administration running costs) must be retained in a central secure location within the LAG area and available for inspection and audit checks until the end of 2030. This location will normally be the LAG business address (usually the same as the council) unless agreed otherwise by the LAG and the Department.

**Chapter 1**

**LAG Membership**

**1.1** The membership of the LAG is required to be:

* locally based;
* a balanced and representative selection of partners drawn from different social economic sectors;
* a balanced representation of men and women; and
* a fair representation of equality across Section 75 groups, including religion and representative of the population of the area it covers.

At decision-making level, the economic and social partners and associations must make up at least 51% of the LAG. This means that the LAG must not have more than 49% of its members drawn from any single sector (elected councillors are regarded as a single sector). This balance must be maintained throughout the delivery of the programme.

**1.2** Where vacancies in the Board membership arise, the LAG must take steps to address the strength/weakness of the membership including any equality imbalances which exist, for example, gender/religious representation and seek nominations from within the wider LAG membership by an open and transparent process. Any changes to the membership of the LAG must be notified in writing to the Department. Equality monitoring of the LAG composition must be also routinely carried out by the LAG.

**1.3** The Chair and vice-chair positions must be rotated in line with the LAG Memorandum and Articles of Association. Any changes to positions should be notified to DAERA.

**Chapter 2**

**LAG Operation**

**2.1** The LAG is the decision-making authority in relation to all activities and all decisions must be formally recorded in the minutes of meetings. These minutes must be copied to the local DAERA Contract Manager on a monthly basis.

**2.2** For every project brought forward for consideration by the LAG, the Chairperson of the LAG or Chair of proceedings on the day must ensure that all decisions pertaining to project applications and grant awarded are recorded in the minutes of the meeting.

2.3 The LAG Board may provide delegated authority to the Chair (or in their absence the vice Chair) to act on its behalf. The delegated authority must be recorded in the minutes of the LAG Board meeting.

2.4. Conflict of Interest (COI) Declarations must be completed for all those involved in the delivery of the programme and retained for inspection.

2.5 Members of sub committees, panels (including independent members), advisory groups or persons otherwise associated with the LAG (e.g. member of administration staff) who have an interest in any application presented to the LAG for consideration etc. must declare their interests also. They must absent themselves from the selection process and any meeting at which any discussions on the application are taking place.

**2.6** LAG members are appointed to serve on a voluntary basis and are not remunerated for their time. However, travel and subsistence expenses and child care costs incurred by the social partners of the LAG in relation to their duties may be reimbursed at a set local authority rate. Payment may only be made on receipt of a written and signed claim for actual expenditure incurred, supported by appropriate evidence of expenditure. Advance payment for expenses is not permitted. Timescales for submission of members expenses must be adhered to.

**Chapter 3**

**LAG Financial monitoring and Strategy progress**

**3.1** The LAG has overall responsibility for Programme expenditure via a contract with DAERA. The Administration Unit will provide financial management information to the LAG throughout delivery of the programme by means of a Service Level Agreement with DAERA.

**3.2** For the delivery of the NIRDP a fully documented financial process for the proper management and control of all European Agriculture Fund for Rural Development (EAFRD) funds must be put in place. The veracity of the process will be checked by DAERA and may be subject to review by the Department’s Internal Audit Unit and external review bodies. The management and control process should provide an effective audit trail.

**3.3** The LAG will, on an ongoing basis, monitor and evaluate the Strategy delivery including Administration on a monthly basis and will fully review their Strategy at two points through the programme as defined in the contract with DAERA. Any adjustments to financial projections must be considered and reflected in the non-financial targets.

**3.4** The LAG must consider the monthly/regular Administration Unit progress report to assess progress towards their financial and non financial targets that they have set in their Strategy. This should be a priority item of each monthly/regular LAG Board meeting. Where appropriate the LAG should take corrective action before signing off their progress report and record discussion and actions in the minutes.

**3.5** The LAG must monitor and evaluate the progress of the Strategy and implementation plan at two points through the year as determined by DAERA and where appropriate, recommend revisions to DAERA;

**3.6** The LAG must comply with DAERA requests for financial and non-financial information within set deadlines. This information is required for regular reporting to the following bodies:

* DAERA Departmental Board
* Department of Finance (DoF) (for funding bids)
* HM Treasury(HMT)
* EU Commission

**3.7** Each February the LAG will be requested to review their ‘Implementation Plan’ for the next financial year plus each financial year to the end of the programme. This plan must take account of accruals. Implementation plan forecasts must be profiled by month on a financial year basis. Figures must be provided for each of the twelve months of each financial year to the end of the programme.

**3.8** The Implementation Plan must forecast spend at Scheme level and be split between Capital and Resource, on a monthly basis. The plan must cover both Administration and Project spend. Non financial targets must also be updated and included. DAERA local Contract Management staff will liaise with the LAG and agree all aspects of their Implementation Plan which will then be reviewed by RAD Priority 6 Management.

**3.9** In May of each year the LAG will be afforded the opportunity to revise their current Implementation Plan. All changes (financial and non financial) to the revised plan must be accompanied by a change control document for each element (i.e. capital and resource) of each measure changed. It should include information down to claim level and should be agreed with DAERA local Contract Management staff.

**Chapter 4**

**Administration Service delivery checks (*Article 60)***

**4.1** Article 60 (EU control regulation) requires DAERA to carry out regular monitoring inspections of the operations of each LAG including; bookkeeping checks and sample re-performance of administrative checks (Article 48 of EU regulations). The Article 60 check will also determine if the LAG has the administrative and control capacity to undertake the Article 48 administrative checks.

**4.2** The Article 60 inspections will be carried out at least annually and the first inspection will take place before any payments are made to any applicants. However a monitoring inspection can be carried out at any time or frequency by DAERA. DAERA will advise the LAG of the date of the inspection and the areas to be inspected.

**4.3** The following are some of the areas that could be inspected under Article 60:-

* Policies and procedures, for example
  + Assessment and approval of projects
  + Financial systems
  + Publicity
* Procurement
* Information Asset Management
* Payments
  + Claims Procedures
  + Implementation of Irregularities, penalties and reductions
* Board / panel membership
  + Training
  + Conflict of interest / register of interest
  + Corporate governance
  + Have all audit and Article 48 compliance

recommendations been implemented?

* + Complete a compliance check on a sample of claims by

the LAG for Running costs.

**4.4** An Article 60 monitoring inspection report will be issued to the LAG Chair within 15 working days of the inspection.

**4.5** The LAG should return any comments on the report to DAERA within 10 working days or within 5 working days of the LAG meeting. The report must also be signed off by the RAD Deputy Contract Manager.

**Chapter 5**

**Payments Procedures - Administration**

**5.1** LAG Claims for Administration Costs must be submitted to DAERA local office for vouching by the middle of 2nd month after the Claim period, for example expenditure clearing through the Admin Council bank account during September is the September claim period. The ‘September’ claim should be submitted to DAERA by mid-November. Administration claims must be submitted within this timescale unless otherwise agreed with the local Contract Manager.

**5.2** Administration expenditure should be closely monitored and controlled by the LAG and must adhere to the programme procurement procedures. Completed claim forms for administration costs must be signed off by a Council official(s) authorised to verify the claims before being submitted to DAERA.

**Chapter 6**

# Call for Applications for Grant

**6.1** The LAG is responsible for the opening of calls for Priority 6 applications. This is a two stage process and before commencing stage 1 the LAG must ensure that all outstanding applications have progressed to a satisfactory stage in the application process and ensure that the call is in line with the Implementation Plan agreed with DAERA.

**Opening a call Stage 1 - Funding workshops**

Funding workshops must be arranged and have taken place prior to any request to open the database. The funding workshops should be fully documented including details of events, dates, attendees and possible applicants.

**Opening a call Stage 2 - Database opening**

The request for the database to be opened (DOR 1 form) should then be submitted to DAERA at least 5 working days prior to the proposed date to open the call with evidence of funding workshops and the rationale for the opening of the database.

These arrangements should be properly documented in the minutes of the LAG meeting. DAERA would recommend that in the initial stages of the Programme, the LAG should only open targeted calls.

**6.2** In common with other Northern Ireland supported EU funding programmes all applications for grant **must** be made on-line via EU Database.

**6.3 Only** applications that have been entered on the database can be processed. The database will automatically record the date of receipt for each application.

**Chapter 7**

**Processing applications for grant**

**7.1** A separate file must be maintained in respect of each application received. The project file opened must clearly record all actions taken in the assessment of the project, in particular clearly indicating the reasons why a project is approved for grant aid or rejected. Project files must be retained until 31st December 2030.

**7.2** All applications received as a pre-requisite **MUST** have at time of application:-

* attended a funding workshop;
* a business plan;
* full planning permission;
* evidence of match funding;
* the required quotations/tenders.

**7.3** Providing these pre-requisites have been met then a full eligibility check can be carried out in line with the scheme rules. DAERA will provide the Administration Unit with detailed eligibility guidance on Programme expenditure for (i) LAGs, (ii) Administration Units, and (iii) Applicants. The LAG should ensure that all Priority 6 expenditure authorised adheres to this guidance. Where there is any doubt or dispute, the advice of the local DAERA office should be sought prior to approval.

These will also include a state aid check.

**Chapter 8**

**Business Plan/Economic Appraisal**

**8.1** Managing Public Money Northern Ireland (MPMNI) identifies the need for economic appraisals as an important part of good financial management. To ensure sound decision-making and proper accountability, all public expenditure (including European Union Funds), must be subjected to rigorous economic appraisal.

**8.2** The LAG is the custodian of public money on behalf of the Department, therefore, it is required to complete, or commission the completion of, economic appraisals for all eligible applications to Priority 6 Schemes. The project site visit feeds into this process and allows the Admin Unit to question the assumptions in the Business Plan.

**8.3** The LAG is required to critically and objectively assess the assumptions and arguments made for the allocation of the funding in any application and associated Business Plan. In this regard it must seek evidence to substantiate the key assumptions within the Business Plan, for example, assumptions underpinning demand, revenues, costs, and employment projections. The site visit should be used to further test assumptions and any findings should be documented for the assessment panel. As the custodians of public money, the LAGs are required to ensure that expenditure of public money can be justified and defended as per the Green Book and other relevant guidance, e.g. the Managing Public Money guidance. To ensure an independent review of an application, the LAG should carry out, or commission the Economic Appraisal. It should not be undertaken by the project promoter.

The ownership of the Economic Appraisal lies with the LAG.

**8.4** DAERA will provide Administration Units with training and detailed guidance on acceptable standards of Economic Appraisal completion and the LAG is required to ensure that these standards are achieved.

**State Aid Rules**

**8.5** The European Commission is in charge of monitoring the compliance of State aid with EU rules. Unauthorised State aid is **illegal.** The Commission may also audit schemes to check on compliance with the rules or investigate aid following a complaint from another Member State or from a competitor of an aid beneficiary who feels aid may have been provided unfairly.

**8.6** LAGs must carry out administrative checks on all applications for support and payment claims submitted under LEADER in accordance with Article 48 of Commission Regulation (EU) 809/2014. Article 48(2) specifically makes it clear that those checks must ensure the compliance of the operation with State Aid rules. These checks should adhere to Commission recommendations on State Aid compliance testing.

**8.7** A scheme that does not follow the rules can lead to:-

* the suspension or disallowance of aid payments;
* the repayment of grant with interest by the aid recipient;
* the Department and aid recipients being sued by the recipient’s competitors;
* the Commission commencing infraction procedures against the Member State possibly resulting in a fine.

**8.8** State Aidis a Member State’s financial aid to an “undertaking” that has the potential to distort competition and affect trade between EU Member States by favouring certain undertakings or the production of certain goods. Such aid is generally prohibited under EC legislation.

**8.9** An “undertaking” is any entity that is engaged in an “economic activity” regardless of its legal status or the way that it is financed. As the focus is on what the entity does, rather than its status, it follows that voluntary and non-profit making public bodies such as charities can be regarded as undertakings if the activities associated with their NIRDP-funded projects are commercial in nature (e.g. community led regeneration projects engaged in offering goods or services would be regarded as undertakings). Self employed and sole traders are also regarded as undertakings.

**8.10** An “economic activity” is the voluntary offer of goods and services to a given market under conditions that generate profit or at least cover the costs of the goods and services in question.

An activity is non-economic when there can be no market for comparable goods or services either because there is no voluntary participation or interaction or transactions by sellers and buyers (because costs cannot be covered) or because the State has reserved the activity for itself.

**NB: LAG members involved in the assessment of applications must ensure that eligibility and State Aid checks have been satisfactorily carried out by the Administration Unit.**

**Chapter 9**

**Assessment of applications**

**9.1** The LAG is responsible for the disbursement of funds and as such must ensure that any expenditure proposed is in line with the approved Strategy and in conformity with Programme rules. Any doubts or concerns regarding eligible expenditure should be discussed with DAERA prior to approval.

**9.2** All eligible applications will be competitively assessed by a LAG assessment panel and **all** funding decisions recorded in the minutes of LAG assessment panel meeting.

**9.3** All applications received must be processed to the point of a funding decision within 90 working days from the end date of the call. Any exceptions must be agreed with DAERA, and fully recorded in LAG minutes and the project file.

**9.4** All assessment panels must have an agreed quorum and no single sector grouping can equate to more than 49% on the panel at all meetings.

**9.5** There will be two scoring mark frames, one for the Rural Business Investment Scheme and another for all other schemes.

**9.6** Following the decision to reject an application at pre-assessment eligibility stage or at assessment stage, applicants may seek a de-briefing of the decision.

**9.7** The applicant may also request in writing a formal review of the LAG decision through an independent panel.

**Chapter 10**

**Letter of Offer**

**10.1** The purpose of the Programme and hence the Letter of Offer (LoO) is to achieve outcomes in line with the Strategy that benefit the rural community. The LoO is the legally binding contract between the LAG and the applicant. Its purpose is to secure desired Programme outcomes while protecting the public money which is being used to achieve these outcomes. The period of operation of the LoO must be described with clear start and end dates for implementation of the project and a date for submission of the final claim. Where the LoO provides for more than one activity or item of eligible expenditure, timescales must be set for the completion of each activity or item on the Schedule of Eligible Expenditure.

**10.2** Before entering into a Letter of Offer (i.e. the contract), the LAG must ensure the terms of the LoO can be legally enforced and that such enforcement can be made against one legal identity or person.

**NB: There must be consistency between the name and address:-**

* of the applicant (grant recipient) including the name on page 1 of the LoO, on the Form of Acceptance within the LOO and in Annex 1 of the LOO where the name of the body to whom the grant is made is listed;
* of the business/Company name and address registered with Companies House (if applicable);

<https://beta.companieshouse.gov.uk>

* of the address registered with HMRC;
* of the owner of the property;
* of the persons or body executing a Debenture in favour of the Department (where applicable);
* of the person(s) registered, under the Bus ID, as the head of the business.

**10.3** The actual personalised LoO is comprised of eight elements:-

1. The letter detailing the DAERA business number, grant amount offered, project funded and period of the Offer.
2. Form of Acceptance.
3. Annex 1: Project Schedule of Activities, Timescales and Special Conditions (records aims and objectives, activities for implementation, conditions unique to the project and timescales agreed).
4. Annex 2: Schedule of Eligible Expenditure - list of the eligible items and activities for grant aid, value and grant amount offered.
5. Annex 3: Target Outputs and Results to be achieved as a result of the grant aid.
6. Annex 4: Claim Form for requesting payment of the grant aid by the Applicant on completion of the Project.
7. Generic Terms and Conditions booklet.

**10.4** Once a LAG has agreed to fund a project, the Letter of Offer should be drawn up and issued to the applicant for their acceptance by completion and return of the Form of Acceptance within 28 days. The issue of the LoO, acceptance of the LoO and any variations agreed throughout the lifetime of the project must be recorded on the database.

**NB: No grant aid will be paid to a project until the necessary data, relevant to the status and stage of the project, has been recorded on the database.**

**10.5** In projects (except where the project is located on Council or privately owned land) where grant aid of more than £50,000 is awarded for the building, development or refurbishment of any land or property the applicant **MUST,** prior to any payment of grant aid, register a charge in favour of the Department (DAERA) in Companies House or with Land Registry under the Land Registration Act (Northern Ireland) 1970.

**10.6** The LAG may allow minor variations to the original LoO provided:

a) The original objectives are being pursued; and

b) Agreement is sought and approval given prior to the variation taking place;

Examples of minor variations, which must be notified in writing by the promoter and approved by the LAG include:

* 1 change to the end date of the project **not exceeding 3 months**;
* request for phased payments;
* on occasion, and by exception on a case by case basis, the project name or address on the application needs to be changed.

**10.7** For all variations considered by the LAG the rationale for the decision must be documented and authorised by the LAG and recorded on the database and placed on the project file for inspection.

**Chapter 11**

**Project debrief and review process**

**11.1** An applicant can request a de-brief of a decision by the LAG Board to reject a funding application. The de-brief would be carried out by the Administrative staff.

**11.2** Applications received which have not met the mandatory requirements by the close of the call are ineligible and there is no right to review.

**11.3** Following a de-brief or by writing to the LAG an applicant may also request in writing a formal review of the LAG decision through an independent panel made up of LAG members from another area and/or LAG members that were not part of the original decision.

**11.4** If the applicant is still unhappy following the review decision by the LAG, the applicant may seek a formal review of the LAG decision by applying to DAERA under the new review procedures.Once a DAERA formal review has been carried out its decision will be deemed as final. All correspondence cases to the LAG and DAERA will receive a reply in line with the DAERA review decision.

**11.5** No DAERA review will be carried out unless the LAG review has taken place and there will be a standing charge for the process to be carried out. This fee will have to be paid up front by the applicant before the review is initiated.

**Chapter 12**

**Payments Procedures - Projects**

**12.1** The LAG is responsible for ensuring verification of all claims made by Project Promoters and ensuring that claimed expenditure is eligible and complies with the procedures and the LoO.

**12.2** Before any final claim is approved for payment to the claimant, a visit to the project is required to be carried out by the Admin Unit to verify the existence and operation of the items and services funded.

**12.3** Payment will be made directly to the promoter through the Bank Automated Clearance System (BACS) using the Grants and Subsidies payments system in DAERA to the account the Business ID relates to.

**12.4** It is the responsibility of the LAG to maintain a project file with all the documentation required to maintain an audit trail of all decisions taken in relation to a project. The project file should include copies of all the original invoices stamped as a true copy of the original, bank statements etc. that are used to support a payment application. All documentation should be retained until 31st December 2030.

**Chapter 13**

**Project Inspections – Article 48 (EU Control Regulations)**

**13.1** Article 48 administrative checks carried out by the LAG ensure that project applications and payments are correct and are in accordance with National and Community rules and with the applicants Letter of Offer. Article 48 Administration Checks must be carried out on **all** applications for support or payment claims by the LAG.

**13.2** DAERA will, at the start of the programme, carry out Article 48 re-performance checks on 100% of the Article 48 checks carried out by the LAG. Once DAERA is satisfied that the LAG can conduct the checks to the correct standard it will reduce the reperformance checks and fully delegate Article 48 checks to the LAG. DAERA has an ongoing responsibility for deciding if the LAG has the administrative capacity to carry out the Article 48 checks.

**Chapter 14**

**Governance and audit**

**14.1** The expenditure of the LAG will from time to time be subject to a number of different audit by the following bodies:-

* DAERA
* Northern Ireland Audit Office
* Local Government Auditor
* EU Audit
* European Court of Auditors

**14.2** All audits will produce an audit report which may highlight findings which point to weaknesses in the governance of the programme funds. Each finding will have an associated recommendation of action that the LAG must take to rectify the weakness identified.

**14.3** The LAG must assess each finding and accept or reject the findings providing evidence of your decision as appropriate.

**14.4** DAERA will produce and agree with the LAG an implementation plan to rectify the weaknesses found as appropriate.

**Chapter 15**

**Irregularities & Debt Recovery**

**15.1** The EU regulations and guidance notes require thatthe LAG must identify, record and report instances of irregularities, fraud and suspected fraud relating to the functions of the Rural Development Programme 2014-2020. All claims checked by the Admin Unit on behalf of the LAG must be accompanied by a statement which confirms that a check for irregularities/fraud has been carried out.

**15.2** Prompt action is essential in referring a suspected fraud case. No further payments should be made to the relevant project until CIS have investigated and provided a report and recommendations to RAD.

**15.3** DAERA has provided comprehensive guidance for Administration Units on the procedures to be followed upon discovery of irregularities.

**Debt Recovery & Clawback**

**15.4** All LoOs are issued by the LAG on behalf of DAERA. Any overpayments to Promoters which require repayment or clawback must be reported as debts owed. Any overpayments discovered **must not** be offset against any future payments expected to be made to the promoter but must be formally raised as a debt with any interceptions being performed by Grants and Subsidies Debt Recovery Section in Orchard House.

**15.5** It is anticipated that debts, clawbacks or overpayments will be identified as a result of the following :-

* The LAG identifying an overpayment when conducting the Article 48Administrative Check including the vouching of claims i.e. phased payments only.
* The LAG identifying a problem with a business through the various monitoring visits or local knowledge.
* Article 48 compliance post payment checks carried out by Rural Affairs Division (RAD) staff.
* Article 49 & 52 verification checks carried out by EU Verification Unit (EUVU).
* Internal Audit (IA), NI Audit Office and any other audit bodies checks.

15.6 Penalties to be applied will be dealt with under Article 35 of EU Regulation 640/2014 and Article 63 of EU Regulation 809/2014.

**Chapter 16**

**Project Non-Financial Monitoring and Evaluation**

**16.1** For each project funded the LAG must set in agreement with the project promoter realistic indicators and targets that will be achieved as a result of the Priority 6 grant assistance and will contribute to the outputs as detailed in the Strategy.

**16.2** DAERA has selected common indicators from EU guidance which are best suited to the Northern Ireland RDP. DAERA has also chosen additional indicators and targets for the RDP which will contribute to government cross-departmental strategies.

**16.3** Monitoring information will be collected firstly through the application form completed by the project promoter. In addition the business plan should support how scheme targets will be achieved. If completed electronically the information will be automatically transferred to the EU database.

**16.4** When an application is approved for funding by the LAG, the LoO issuing must include details of the project objective, key tasks and RDP targets forecast to be achieved.

**16.5** After the project promoter has accepted the LoO the LAG is responsible for monitoring progress with project development and the achievement of the agreed project targets.

**16.6** The LAG is responsible for making sure that all monitoring information is correct and in compliance with any guidance issued by DAERA Priority 6 management. The LAG may also be asked to provide DAERA with additional monitoring information when required, to answer ad hoc requests.

**16.7** LAGs have a statutory responsibility to ensure that systems are in place to collect Section 75 monitoring information. This includes the provision of equality monitoring forms to successful applicants.

**Chapter 17**

**Information and Publicity**

**17.1** Project Promoters must be informed through a clause in the Letter of Offer that the Managing Authority (DAERA) is required to publish annually, electronically or otherwise, a list of all beneficiaries receiving support from the NIRDP. This list will include the names of the operation and the amounts of public contributions allocated to these operations.

**17.2** The LAG has a responsibility at local level to provide potential beneficiaries with clear, detailed and up to date information on the following:

* the administrative procedures to be followed in order to qualify for financing under the NIRDP;
* a description of the procedures for examining applications for financing;
* the eligibility conditions and/or criteria for selecting and evaluating the projects to be financed; and
* the names of persons or contacts who can explain the way the NIRDP works and the criteria for selecting and evaluating the operations.

**17.3** The LAG should also take all reasonable opportunities to publicise the role of the EU in co-financing the NIRDP through any relevant information and communication materials produced.

**17.4** The LAG is required to compile Monitoring returns on a quarterly basis as part of the LAG Board Progress report and forward to DAERA detailing actions taken within its communication and publicity strategy as detailed within the Local Rural Development Strategy. With reference to:

1. How the LAG raised local awareness of the RDP funding opportunities through animation activities?

1. What actions were taken to encourage project applications and generally publicise the programme?
   1. How the public was kept appraised of the benefits to the area from the operation of the Programme?

**17.5** Project promoters must advise the LAG about events, launches and major publicity /activities. The LAG will bring important events to the attention of DAERA. When marking each project on the database as being complete, the LAG Admin Unit should complete the PR proforma provided by DAERA. The LAG may carry out its own PR.

**NB: The LAG must ensure that promoters are made aware that for project launches which request DAERA Ministerial attendance, the DAERA Minister must be given priority over other attendees.**

**Chapter 18**

**Networking and Capacity Building**

**18.1** DAERA as the MA will put in place a Network Support Unit to support the development and facilitation of a rural Network. All LAG members will take membership of the network.

**18.2** Each LAG and its individual members must (including the wider membership), by way of capacity building, participate in networking and co-operation activities at the NI, UK, Island of Ireland and European Union Levels.

**18.3** Attendance at networking events must be spread across the membership of the LAG, and members attending events will be expected to report back to the LAG to update them on the event and its outputs.

**18.4** The Network Support Unit will also be involved in training facilitation and delivery to the LAG members as required.

**Chapter 19**

**Co-operation Projects**

**19.1** Participation in cooperation activity is a mandatory element of LEADER in the NIRDP.

**19.2** A Cooperation project is one which takes place as a joint action between two or more LAGs and which provides mutual benefit for each partner. Cooperation of a LAG area with other geographical areas is a key component of the LEADER approach. It must fit with the strategies of all LAGs involved, not merely the lead partner.

**19.3** Cooperation can evolve in stages from exchange of experience, to the transfer of best practice to the delivery of a common project / activity. Cooperation with other territories implementing LEADER (or indeed 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.

**19.4** In addition to inter-territorial cooperation (within a Member State), transnational cooperation (working with group(s) from at least one other Member State) gives supplementary European added value to local development. Cooperation is a way to widen local views in order to improve Strategies and to bring new knowledge to the area.

**19.5** It can at the same time, boost the innovative character of local development actions and contribute to increased competitiveness through capacity building and the acquisition of new skills. Actions can span a broad range of themes including rural enterprise, tourism, sustainable development of natural resources, basic services, regeneration and broadband.

**19.6** The support and management of cooperation activities takes substantial time and resources for planning and management. It is therefore important that projects are implemented in conditions that recognise the gradual nature of cooperation. In procedural terms, cooperation takes place in three successive phases:

* **Networking,** **Pre-Development & Implementation.** Cooperation funding is available for two distinct phases:
  + **Preparatory Technical Support (Pre-Development)** - Costs incurred by a NI LAG for an approved preparatory technical action may be reimbursed at a rate of up to 100% from EAFRD funds. There is a maximum grant ceiling of £5,000 per preparatory action per LAG.
  + **Support for the Cooperation Project** **(Implementation)** - There is a maximum grant ceiling of £400,000 per Cooperation project per LAG. Funding is available for projects that are principally Capital in nature i.e. Resource expenditure should account for no more than 20% of total costs borne by the NI LAG. Relevant State Aid limitations must also be recognised. While the total grant awarded to a NI LAG will not exceed 75% of their total costs, it is possible for individual actions within the operation to be funded at varying rates, possibly some at up to 100% e.g. indirect costs such as administrative support, travel, accommodation, salaries.

**19.7** For LEADER cooperation projects, the LAG will be the applicant organisation. A sub-group within the LAG should be specifically set up to identify cooperation opportunities, make applications and carry forward the project. LAG members must not engage in the assessment of any project for which they are part of the application sub-group.