



# **EUROPEAN MARITIME AND FISHERIES FUND 2014 - 2020**

## **FISHERIES LOCAL ACTION GROUP**

### **Guidance Notes**

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## **INTRODUCTION**

1. These Guidance Notes provide information for members of Fisheries Local Action Groups (FLAGs), their Administrative Bodies and organisations, businesses and individuals who may want to take part in Community-Led Local Development (CLLD) activities or projects supported through the European Maritime and Fisheries Fund 2014-2020 (EMFF).
2. This guidance complements the Welsh Government's Local Development Strategy (LDS) Guidance document and covers aspects such as eligible activities, eligible expenditure and how the FLAGs will manage the arrangements for the development and support of activities in their FLAG areas.
3. These Guidance Notes are for information and give an 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 EMFF Programme period.
4. In addition to the main EU Regulations governing the Programme the European Commission provides some very good reference sources including the following documents:

"Guidance on Community-Led Local Development in European Structural and Investment Funds", Version 3, June 2014.

"Guidance on Community-Led Local Development for Local Actors", Version 1, May 2014.

Both can be found here:

[http://ec.europa.eu/regional\\_policy/en/information/legislation/guidance/#4](http://ec.europa.eu/regional_policy/en/information/legislation/guidance/#4)

5. A significant amount of information regarding FLAGs under the European Fisheries Fund (EFF) during the 2007-2013 Programme period and current FLAG activity under EMFF in the 2014-2020 Programme period can be found on the Internet including extensive details about different projects and initiatives that have been tried across a great many communities.
  6. The European Fisheries Area Network (FARNET): FARNET is the community of people implementing CLLD under the EMFF. This network brings together FLAGs, Managing Authorities, citizens and experts from across the EU to work on the sustainable development of fisheries and coastal areas – see link below:
- <https://webgate.ec.europa.eu/fpfis/cms/farnet/>
7. Scheme Management Unit (SMU) in the Welsh Government has responsibility for undertaking a final eligibility check on proposals selected by the FLAG prior to

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issuing formal approval. During implementation of the CLLD Strategies advice and guidance about CLLD under EMFF will be available, in the first instance, from the Administrative Bodies that are supporting each FLAG.

8. Article 32(2) of Regulation (EU) No 1303/2013 sets out the main features of Community-led local development, saying it shall be:
  - a) focused on specific sub-regional areas
  - b) 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
  - c) carried out through integrated and multi-sectoral area-based local development strategies
  - d) designed taking into consideration local needs and potential, and shall include innovative features in the local context, networking and, where appropriate, cooperation.
  
9. Article 34(1) of Regulation (EU) No 1303/2013 says that LAGs shall design and implement community-led local development strategies. Article 34(3) of the same Regulation goes on to say that the tasks of LAGs 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 CLLD strategy 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 CLLD strategy and the operations supported and carrying out specific evaluation activities linked to that strategy.
  
10. The EMFF Operational Programme document for the UK sets out that the main responsibility of FLAGs will be the implementation, management, monitoring and evaluation of the CLLD strategy that it has produced.

The other key roles of the FLAG will be:

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- To motivate the local area in CLLD initiatives and the work of the FLAG, promoting and publicising development opportunities and encouraging project applications
  - Engaging, collaborating and working in partnership with other organisations and initiatives on CLLD measures (i.e. LEADER LAGs)
  - Consideration, recommendation and selection of proposals whilst ensuring coherence with CLLD strategies
  - Fixing the amount of support available to proposals
  - Delivering activities directly through the Administrative Body
11. Networking with other FLAGs, sharing knowledge and best practice.  
A FLAG may be a legally constituted body, for example a company limited by guarantee or a community interest company. In this situation the FLAG may be designated as an Intermediate Body so that it can undertake actions such as take decisions on projects, award grants and pay grant claims. A FLAG may be an unincorporated association. In this situation the FLAG may choose one of its members to be an Administrative Body to have financial and compliance responsibilities on behalf of the FLAG. In Wales all FLAGs are unincorporated associations with an Administrative Body (see details).
12. The LDS is the key document for each FLAG 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.
13. The LDS will be reviewed at least annually throughout the EMFF 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.
14. The LDS for each FLAG is submitted by the respective Administrative Body 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.
15. The FLAG 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 FLAG will be undertaken.
16. Each FLAG will be responsible for up to four separately managed funding pots that together will allow the FLAG to manage itself, provide animation and facilitation across the FLAG area and support the development and implementation of EMFF activities.
17. The four funding pots are:

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- Preparatory support
- Running Costs
- Animation
- Implementation

These are described in more detail in the “Eligible Activities” section below.

18. Animation will cover the activities of the main animation, facilitation and capacity building within the FLAG 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. Some of the resulting applications identified by communities and then developed may be prepared for eventual submission for consideration under other funds apart from EMFF.
19. Implementation is the main funding pot for the development and delivery of specific and focussed initiatives that will meet the objectives of the LDS. Activities might be delivered by 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 FLAG itself.
20. The budget available for Welsh FLAGs’ CLLD activity is €1.92 Million (plus an additional 6% Performance Reserve whose release is conditional upon the EMFF Programme meeting stipulated performance targets). FLAGs will need to show consideration for this budgetary constraint when drawing up their LDSs.
21. Indicative FLAG allocations will initially be based on an equal share of the budget identified for CLLD, minus the Performance Reserve.
22. Running costs and animation costs together may be up to 25% of the total public expenditure incurred within an LDS. FLAGs will be asked to demonstrate appropriate administrative capacity to support delivery of their LDS, whilst keeping management and administration costs as low as possible to ensure expenditure on activity is maximised.
23. As a guide, a maximum of up to 10% of the indicative allocation was allowed for running costs for the RDP LEADER LAGs. The Welsh Government would expect, unless a strong case can be made otherwise in light of budgetary constraints, that the FLAGs will operate using a similar split.
24. Any financial allocation awarded to the FLAGs will cover the full amount of the EMFF CLLD budget (excluding the Performance Reserve) and will apply for the whole of the EMFF programme period but is subject to the satisfactory delivery of the LDS.

25. **CONTACT DETAILS FOR ADMINISTRATIVE BODIES of the FLAGS**

North Wales FLAG

Cardigan Bay FLAG

Pembrokeshire FLAG

Swansea Bay FLAG

26. **CONTACT DETAILS FOR SCHEME MANAGEMENT UNIT (SMU)**

**Scheme Management Unit  
Welsh Government  
Rhodfa Padarn  
AberystwythNewtown  
Ceredigion  
SY23 3UR**

**Email: [SMU@wales.gov](mailto:SMU@wales.gov)**

**STRATEGIC AND THEMATIC OBJECTIVES**

27. All projects supported through the ESI Funds including EMFF must make a contribution towards the achievement of one or more strategic policy objectives or thematic objectives and this includes programme level horizontal principles Cross Cutting Themes (CCTs). Projects may contribute to several such objectives and progress in achieving those must be reported on when each grant claim is submitted.

28. Article 59 of Regulation (EU) No 508/2014 explains that CLLD activity under EMFF shall contribute to the achievement of the specific objective under the Union priority set out in Article 6(4) of the same Regulation:

“Increasing employment and territorial cohesion by pursuing the following specific objective: the promotion of economic growth, social inclusion and job creation, and providing support to employability and labour mobility in coastal and inland communities which depend on fishing and aquaculture, including the diversification of activities within fisheries and into other sectors of maritime economy.”

h) Activities under EMFF CLLD Strategies must address at least one of the following objectives as stated in Article 63 of Regulation (EU) No 508/2014:

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- (a) adding value, creating jobs, attracting young people and promoting innovation at all stages of the supply chain of fishery and aquaculture products
- (b) supporting diversification inside or outside commercial fisheries, lifelong learning and job creation in fisheries and aquaculture areas
- (c) enhancing and capitalising on the environmental assets of the fisheries and aquaculture areas, including operations to mitigate climate change
- (d) promoting social well-being and cultural heritage in fisheries and aquaculture areas, including fisheries, aquaculture and maritime cultural heritage
- (e) strengthening the role of fisheries communities in local development and the governance of local fisheries resources and maritime activities.

29. The UK Operational Programme document for EMFF says that whilst the individual FLAGs will identify the specific actions to be addressed in the LDS for its area, it is anticipated that the actions will include those which allow individuals, communities and businesses to:

- Adjust to and take advantage of the reformed Common Fisheries Policy and the associated impact on coastal and inland communities
- Secure sustainable growth of local SMEs, in particular to support seafood initiatives, including a fostering of innovation in the seafood supply chain, and add value to products
- Diversify within (and from) inshore and sea fisheries activities for example into tourism activities (including eco-tourism)
- Enhance and capitalise on the environmental assets of fisheries areas including operations to mitigate climate change
- Promote the cultural heritage of fisheries, aquaculture and maritime interests
- Enhance the role of local communities in development opportunities, the management and governance of local fisheries resources and maritime activities
- Address social deprivation issues in fishing communities
- Address the need for training and re-skilling
- Take advantage of increased public interest in, and demand for, fresh seafood of local provenance
- Create opportunities for young people wishing to enter the industry whilst addressing how new entrants can access fishing opportunities
- Develop skills and identify opportunities for re-skilling (including modern apprenticeships) to meet market needs capitalising on transferable skills and maintaining traditional skills
- Maximising the benefits of a reliable supply chain
- Develop opportunities provided by the Blue Growth economy (e.g. diversification into non-food activities such as offshore renewables).



30. CLLD activities must address one or more of the aims and objectives of the relevant FLAG's LDS.
31. In addition projects must address one or more of the CCTs where it is appropriate to do so within the context the activities expected to be delivered and the expected outputs or results. The CCTs are:
  - Promotion of equality between men and women and non-discrimination
  - Sustainable Development
  - Tackling Poverty and Social Exclusion.

### **ELIGIBLE ACTIVITIES**

32. It is not possible to give a definitive list of activities that are or may be eligible under CLLD because the potential scope is very broad. This is intentional so that FLAGs 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 CLLD (see the next section) but if the activity can be clearly demonstrated as supporting the achievement of the objectives of EMFF and the aims of the LDS then it will be deemed to be eligible. Advice can be sought from SMU on a case by case basis if there is any uncertainty.
33. 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 CLLD based on experiences from the FLAGs in the current EFF and from previous FLAG initiatives.
34. The following operations are eligible for support under this Section in accordance with Article 35 of Regulation (EU) No 1303/2013:
  - preparatory support
  - implementation of community-led local development strategies
  - running costs
  - animation.

These are explained further below.

### **Preparatory Support**

35. Preparatory support activity will consist of capacity-building and training and networking with a view to preparing and implementing an LDS.

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36. Running Costs will cover the activities of the principal management structures of the FLAG 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 FLAG to operate effectively.

### **Animation**

37. Animation – one of the main values of CLLD is the ability of the FLAGs to get out into the community and encourage and support individuals and groups to present projects that contribute to the strategy. This community outreach activity is generally called “animation”. activity to 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.

Animation can involve:

- Information campaigns: via events, meetings, leaflets, website, social media, press
- Exchanges with stakeholders, community groups and potential project promoters to generate ideas and build trust and confidence
- Support for community organisations and the creation or strengthening of community structures
- Promotion and support for the preparation of projects and applications
- Post-start-up project support.

### **Implementation**

38. Implementation and /delivery of LDS (including project delivery) – mainly revenue costs for people who will either 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 FLAG, 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 capital costs that are necessary to allow the project to go ahead.
39. Mentoring – mainly 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.
40. Training – mainly 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

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outcome would have been determined by a skills assessment of some kind before the course was delivered.

41. 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, including funding sources. 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.
42. 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 FLAG can see what has been done and how it works. The project can contain revenue expenditure only, see paragraph 44 below with regards to the eligibility of small items, for example computer equipment, that cost less than £10,000.
43. 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.
44. Evaluation – a key outcome of the projects and activities delivered through CLLD 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 FLAG and its Administrative Body can be met from EMFF.

45. For the purposes of CLLD capital expenditure is defined as being any single item with a value of more than £10,000 and/or 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**

46. Funding from the CLLD measures 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 FLAGs 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.
47. Under the provisions of Regulation (EU) No 508/2014, the following activities are ineligible for EMFF funding:
- increasing the fishing capacity of a vessel or funding equipment increasing the ability of a vessel to fish
  - the construction of new fishing vessels or the importation of fishing vessels
  - the temporary or permanent cessation of fishing activities, unless otherwise provided for in Regulation 508/2014
  - exploratory fishing
  - the transfer of ownership of a business
  - direct restocking, unless explicitly provided for as a conservation measure by a Union legal act or in the case of experimental restocking.
48. The CLLD measures 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**

49. It is not possible to define expenditure that is eligible under CLLD. Some costs that are specifically not eligible are listed in the section below.

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. Please see below for further guidance specific to preparatory support, running costs and animation.

## **Preparatory Support**

50. Prospective FLAGs who have received Expression of Interest (EOI) approval by Welsh Government can incur eligible preliminary costs at their own risk from 1<sup>st</sup> July 2016, which is the date on which the EOI approval letters were sent out, to 16<sup>th</sup> September 2016 (the closing date for submitting LDSs to SMU).
51. **Eligible costs may be reclaimed once the outcome letters for the LDS process are issued but those costs must be included within the overall approved CLLD budget of that FLAG.** In any cases where an LDS is not approved the eligible costs may still be reclaimed if an EOI approval was obtained.
52. To apply, please include details within Section 5 – Value for Money of the LDS template. Any preparatory costs incurred by a prospective FLAG would be at their own risk. Preparatory costs will not be included within the percentage calculation for Running Costs.
53. The maximum grant available per application for preparatory costs is £10,000. However, **prospective FLAGs are reminded that any grant awarded for preparatory costs will come from the overall approved CLLD budget of that FLAG.** We would not expect all applications to request the full amount and there must be clear rationale provided for the level of grant funding required.
54. In line with the RDP LAGs, Preparatory Costs will be based on actual costs and Simplified Costs methodology will not be applied.
55. Examples of eligible costs, all of which must be incurred with a view to preparing and implementing an LDS, are:
- Costs related to the production of the LDS, including consultancy costs and costs for actions related to consultations of stakeholders in view of preparation of the strategy
  - Administrative costs (operating and personnel costs) of an organization that applies for preparatory support during the preparation phase
  - Room hire for
    - stakeholder meetings

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- training for new FLAG members
- Research/evaluation activity
- Studies of the area concerned
- Training activity for prospective FLAG members / local stakeholders.

### **Running costs**

56. Running costs are linked to the management of the implementation of the CLLD strategy, consisting of:

- Staff costs
- Operating costs  
Training costs (for FLAG staff and FLAG members)
- Travel and subsistence
- Costs linked to publicity and promotion
- Financial costs (audit and accountancy)
- Costs linked to monitoring and evaluation of the strategy as referred to in point (g) of Article 34(3).

The use of simplified costs is required for all running costs.

### **Animation**

57. Revenue costs for people who will promote the opportunities of CLLD 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.

The use of simplified costs is required for all animation costs.

### **INELIGIBLE COSTS**

58. 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 CLLD.

59. The following items or types of expenditure are **not eligible** under CLLD:

- Capital expenditure i.e. any single item with a value of more than £10,000 and/or a useful life of more than one year

- Any costs that you could recover in part or in total by making a claim on an insurance policy or by seeking compensation or damages
- The purchase of trading stock
- Working capital
- 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)
- The construction of new fishing vessels or the importation of fishing vessels
- 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 overdraft facilities, 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 religious and/or 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**

60. Staff salary costs for people that are directly engaged in animation, implementation and/or LDS / 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.
61. Reasonable costs arising from the contract of employment including expected increases in grade or pay scales are eligible.
62. Staff costs for people working on more than one project should be calculated using an appropriate apportionment method.
63. Staff recruitment costs, including advertising, are eligible.
64. Relocation expenditure may, in exceptional circumstances, be eligible but FLAGs must obtain prior written approval from SMU before entering into any agreement with a prospective employee.

### **Sickness Absence Pay or Maternity/Paternity Pay**

65. Sickness absence pay or maternity/paternity 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 FLAG, is ineligible. The amount should be off set against the amount of HR costs applied for.
66. 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 EMFF funding will be provided by the Welsh Government. These costs will be considered on a case by case basis by SMU.

### **Redundancy Costs**

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

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- 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
  - c) redundancy payments are made in line with statutory provision and thresholds.
68. 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.
69. Payments in the case of voluntary redundancy where the post is not being made redundant and will be back-filled are not eligible.
70. Eligible expenditure on redundancy costs should be calculated pro-rata in relation to the length of employment on the project and contracted hours.
71. 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.
72. Where a redundancy situation occurs, all employees are entitled to a statutory notice period as follows:
- At least 1 week's notice if employed between 1 month and 2 years
  - 1 week's notice for each year if employed between 2 and 12 years
  - 12 weeks notice if employed for 12 years or more.
73. 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
  - Each individual contract of employment contains a 'payment in lieu of notice' clause.
74. 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.

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75. 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.
76. 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**

77. 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**

78. The following are **eligible** where they are taxable or deducted via payroll
  - Childcare or crèche payments.
79. 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.
80. 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**

81. 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 CLLD project activity.

82. 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**

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

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

### **Leasing**

84. Leasing is likely to feature in CLLD 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 CLLD 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 CLLD funded project, costs must be apportioned appropriately.

### **Participants / Beneficiary Travel & Subsistence Costs**

85. Participant / Beneficiary travel costs directly related to and essential for the effective delivery of the CLLD activity are eligible.

### **Participant / Beneficiary costs for caring for children or other dependents**

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

### **MATCH FUNDING**

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87. For CLLD implementation activities and projects the contribution from the EMFF will up to 100% of the total eligible project costs.
88. The applicant or the FLAG may include additional funding contributions to the project activity. This additional funding is defined as match funding within the context of EMFF CLLD.<sup>1</sup>
89. 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 CLLD activity.
90. 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
- 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

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<sup>1</sup> Please see the section on Grant Rate for further information and guidance on the maximum grant rates for Preparatory Costs, Running Costs and Animation, and Implementation.

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**

91. Discounted **sales of equipment and the discounted provision of services or advice are not eligible as in kind match funding.**
92. 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 European Structural and Investment Funds (ESI) 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**

93. Equipment and raw materials may be provided to a project as a form of in kind match funding but the FLAG/beneficiary 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**

94. Research or other professional work may be provided to a project as a form of in kind match funding but the FLAG / beneficiary 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

95. In the case of unpaid voluntary work<sup>2</sup> essential for the delivery of the CLLD 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 CLLD 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 shown below. **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
- Time sheets should be maintained to support the hours claimed towards the project and should be signed by the volunteer and employer
- 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

96. 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 <sup>3</sup>	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

<sup>2</sup> Costs for staff deployed by an organisation on a project count as actual match funding (evidenced by salaries) not in kind match funding

<sup>3</sup> Standard Occupational Classification

Trainer	3563	14.26	27,775
Project Administrator	4159	10.13	19,812

## **Project Assessment and Risk**

97. 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. FLAGs / beneficiaries 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**

98. CLLD activity for which the beneficiary is a public law body or undertaking entrusted with the operation of services of general economic interest qualifies for the following maximum grant rates under the provisions of Article 95 of Regulation (EU) No 508/2014 on the EMFF:

- Preparatory costs: 100% of the actual incurred defrayed costs
- Running Costs and Animation: 100% of the actual incurred defrayed costs
- Implementation costs: 100% of the actual incurred defrayed costs.

99. Where the beneficiary is not a public law body or undertaking entrusted with the operation of services of general economic interest, it can, under the provisions of Article 95 of Regulation (EU) No 508/2014 on the EMFF, qualify for the following maximum grant rates subject to its providing public access to the results of its activity and the activity being delivered being either:

- Of collective interest and/or
- Having a collective beneficiary and/or
- Having innovative features (where appropriate, at a local level).

Please see Annex A for further guidance.

- Preparatory costs: 100% of the actual incurred defrayed costs
- Running Costs and Animation: 100% of the actual incurred defrayed costs
- Implementation costs: 80% of the actual incurred defrayed costs.

100. If a beneficiary and or its activity does not qualify for the grant rates under the provisions of paragraphs 96 and 97, then a lower maximum grant rate will be applied; in instances where this may apply, please contact SMU (via the contact details given in this document) to discuss.

101. However the maximum amount of grant paid (as cash) cannot exceed the actual cash costs incurred and defrayed.

## **STATE AID**

102. The CLLD measures will be delivered on a No Aid basis because activity to develop, animate and deliver an LDS is specifically prohibited from providing any assistance that would constitute State Aid to an undertaking.

## **FLAG TERMS OF REFERENCE**

103. CLLD 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;”  
Article 32, 2(b) of Regulation (EU) No1303/2013

104. As explained in the Introduction, Regulation (EU) No 1303/2013 sets out that the tasks of a FLAG 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 CLLD strategy 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 CLLD strategy and the operations supported and carrying out specific evaluation activities linked to that strategy.

105. It is important that the FLAG 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 FLAG must prepare and agree its Terms of Reference, a document that will cover the key issues such as:



- How FLAG 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 selection criteria are to be used in assessing and advising the Welsh Government on third party projects to deliver the LDS
- How appeals are to be managed.

106. FLAGs cover a designated geographical area. The FLAG must have significant representation (between 10-49%) from the fisheries and/or aquaculture sectors. It must also include representatives from public, private and third sectors to reflect the breadth of the public organisations, companies and third sector organisations in its geographical area. These multi-sector FLAGs bring together a large centralised knowledge base of skills and ensure an equitable coverage of interests. To ensure that this objective is met it is recommended that the FLAG should be not less than 18 members.

107. Individual members should represent only one organisation for the purposes of the FLAG constitution.

108. However it is often the case that individuals may have several interests within the local community and the FLAG must have a mechanism for recording those in a transparent way. This is important because the FLAG is tasked with ensuring that at the decision making stage no single interest group can represent more than 49% of the voting rights.

109. 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 fisheries and/or aquaculture sector, Local Authority, an individual company, an individual local organisation that might have a number of staff on the FLAG or indeed the Administrative Body itself.

110. For example, no more than 8 members out of 18 on the FLAG 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 FLAG members will have to be taken into account. The Terms of Reference must set out how that is to be managed.

111. 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.

112. For example, if the quorum required for a decision is 8 FLAG members and two of the members present have an interest so 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.
113. 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.
114. 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 FLAG 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 FLAG membership whichever is the greatest so that it leave more scope for meetings to be able to take compliant decisions.
115. The Terms of Reference must set out how the opportunity to join the FLAG is made known within the area, how FLAG membership is to be decided and how the sectoral interests are to be balanced.
116. 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.
117. Conflict 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 FLAGs as the most active and dynamic members of the community are also often the ones with the most ideas and resources for activities and their exclusion can deprive the FLAG of energy and leadership.
118. Members of the FLAG should declare their interest in projects being considered and should not participate in decisions or recommendations that concern them directly and the mechanism by which this is managed must be set out in the Terms of Reference.
119. The Terms of Reference of the FLAG must include a clear and simple procedure for any appeals regarding the outcome of a process to agree recommendations on proposed projects.

## **SELECTION OF PROPOSALS**

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120. Applications will not be accepted from organisations or individuals who have been convicted of fraud under either the EFF or the EMFF.
121. Applications will not be accepted from organisations or individuals who have been convicted of an offence that the Welsh Government or European Union consider to be a 'serious infringement' or fraud, in the 12 months before applying.
122. All applications for funding must undergo eligibility checks, as outlined in Regulation (EU) No 508/2014 and in Article 34 of Regulation (EU) No 1303/2013, and checks against the criteria applicable to the LDS.
123. The level of checks involved and the requirements for additional expert contribution is proportional to the total project cost and level of perceived risk. These checks will be by FLAG Assessment, supported by the FLAG Administrative Body. This ensures robust governance and decision making in both approving and ongoing monitoring of the project.
124. Once the FLAG has completed a full assessment of the proposal the FLAG Administrative Body will then prepare a written report which summarises this assessment and gives a recommendation either for approval or rejection. If a proposal is rejected by the FLAG, then the FLAG Administrative Body will send a rejection letter with explanation to the applicant. If the proposal is recommended for approval then the application, its assessment and the recommendation will be passed to SMU for a final verification of eligibility before approval.
125. Where proposals are eligible SMU will issue a notification of approval to the applicant and notify the FLAG. Applications which are rejected by SMU will be returned to the FLAG with an explanation of the reasons and the FLAG's Administrative Body will be responsible for providing feedback to the applicant and for discussing any modifications which might be needed to make the proposal acceptable.
126. The FLAG is the decision making body for proposals and for making recommendations on rejection or sending recommendations for approval to SMU. This responsibility cannot be delegated to any other organisation or sub group outside of the main FLAG. The FLAG is supported by their respective Administrative Bodies who manage the processes and procedures which the FLAG has put in place.

## **OUTPUTS & RESULTS**

127. The EMFF Operational Programme sets the following output and result indicators for CLLD activity:

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- Output indicators:
  - Number of projects on preparatory support
  - Number of local development strategies selected
- Result indicators:
  - Employment created (FTE)
  - Businesses created

128. In line with the EMFF selection criteria agreed by the UK EMFF Programme Monitoring Committee, each LDS will be assessed against its contribution to the achievement of these results indicators.

129. In line with the requirements of Commission Implementing Regulation 1243/2014, please also provide targets for the following:

Article 62(1)(a) Support from the EMFF for community-led local development — Preparatory Support:

- Type of beneficiary: public body, NGO, other collective body, private individual.

Article 63 Implementation of local development strategies — selection of FLAGs:

- Total population covered by FLAG (in units)
- Number of public partners in FLAG
- Number of private partners in FLAG
- Number of civil society partners in FLAG
- Number of FTE employed by FLAG for administration
- Number of FTE employed by FLAG for animation.

Article 63 Implementation of local development strategies — projects supported by FLAGs (including running costs and animation):

- Type of operation: adding value, diversification, environment, socio-cultural, governance, running costs and animation.

130. The Definitions of Common Indicators guidance for the EMFF 2014-2020 has not yet been made available. The Welsh Government will provide specific guidance on these elements of the EMFF programme when the information becomes available.

## ANNEX A

### Collective Interest and Collective Beneficiary:

A 'collective beneficiary' is an organisation recognised as representing the interest of its members, of a group of stakeholders, or of the public at large. The beneficiary of the project should be the collective organisation itself and not its members.

'Collective interest' is defined as actions undertaken by this organisation which are in the collective interest of its members, of a group of stakeholders or of the general public. Such actions should thus encompass more than the sum of the individual interests of the members of this collective beneficiary.

If a project has no direct financial benefit to either the applicant delivering the project or the beneficiary of the project and has both collective interest and a collective beneficiary (or beneficiaries) then it can be considered Collective.

If a project has a direct financial benefit to either the applicant delivering the project or the beneficiary of the project then it is considered Non-Collective.

### Innovative Features:

Innovation can be defined in a number of different ways. For example:

A **product innovation** is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics.

A **process innovation** is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software.

A **marketing innovation** is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing.

An **organisational innovation** is the implementation of a new organisational method in the organisation or firm's business practices, workplace organisation or external relations.

Source: Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data; Third edition (A joint publication of OECD and Eurostat):

<http://ec.europa.eu/eurostat/documents/3859598/5889925/OSLO-EN.PDF>

**This list is not prescriptive or exhaustive. It is the responsibility of the applicant to make a robust and convincing case to demonstrate that their proposed project incorporates genuinely innovative features.**

Innovative features can be activities that are innovative to the sector or industry but can also be innovative to a business or organisation, but must be present. If the project is being delivered at a local level, the innovative features must be present at that local level.

The applicant is also expected to demonstrate that:

- The innovative features are relevant to the aims and eligible activities within the specified Measure
- The innovative features are relevant to achieving the aims of the project.

Where the proposed innovation relates to an organisation or business, the applicant may also be expected to demonstrate that this activity also represents a degree of innovation within the relevant sector or industry.

The value for money represented by the project as a whole, including any proposed innovative features, will be considered as part of the wider appraisal of the project by the Welsh Government.

**The Welsh Government will appraise all applications for a higher level of public aid on a case-by-case basis. The final decision on the level of public aid for which a project may qualify is at the discretion of the Welsh Government.**