



Regional Development  
Agency



## **Rural Development Programme for England 2007-2013**

### **North East Implementation Plan Final**

**December 2006  
(revised February 2008)**

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# Introduction

## Background to the Rural Development Programme for England

1. Defra's Rural Strategy 2004 made a commitment to bring the delivery of publicly funded rural development support closer to the customer. The associated Modernising Rural Delivery (MRD) programme set out a plan for the implementation of a series of changes in how rural policy is delivered at a regional level. Two main components of this were to establish a new organisation, Natural England, and to devolve delivery of socio-economic rural policy to the RDAs, including delivery of the socio-economic funds available under the European Agricultural Fund for Rural Development (EAFRD).
2. England's programme for the delivery of its responsibilities under the EAFRD is called the Rural Development Programme for England (RDPE) and combines agri-environment and socio-economic elements. Natural England, in conjunction with the Forestry Commission, will be responsible for the delivery of the Agri-Environment elements and the RDAs will deliver a new socio-economic programme under the RDPE.

## Scope of the RDPE

3. The Rural Development Programme for England (RDPE) is England's mechanism for delivering funds allocated to England from the European Agricultural Fund for Rural Development (EAFRD) and from the Exchequer and is due to replace the current England Rural Development Programme (ERDP) for the next 7-year period, 2007-2013.
4. The RDPE will include the delivery of the existing Entry Level and Higher Level and Agri-Environment Schemes (ELS, HLS & OLS), the English Woodland Grant Scheme and a new socio-economic programme to replace the current project based schemes (Rural Enterprise Scheme, Processing and Marketing Grants, Vocational Training Scheme and the Energy Crops (SRC) Producer Groups Scheme). The Government has also made a commitment to continue to offer support towards the growing of energy crops but delivery arrangements are not yet clear.
5. Responsibility for delivery of these schemes will be as follows;

Agri-Environment Schemes (ELS and HLS)	Natural England
English Woodland Grant Scheme	Forestry Commission
New Socio-Economic Programme	One NorthEast

6. As part of Defra's MRD programme, each region produced a regional rural delivery framework to set out the evidence base for rural investment and the overarching strategic objectives for the region. The draft North East Rural Delivery Framework (NERDF) proposed some strategic objectives for rural development in the North East. RDPE is one source of funding that could contribute to delivery of these strategic objectives. This North East Implementation Plan (NEIP) outlines the intended use of the available RDPE funds over the 7 years 2007-13.

7. The aim of the RDPE in the North East is;

*To deliver targeted support to land based businesses and rural communities in line with Defra's national strategy within the overall principles of sustainable development.*

8. RDPE funding is specifically required to contribute to three national priorities, set by Defra;

- Enhancing the Environment & Countryside;
- Making Agriculture & Forestry more Competitive and Sustainable; and
- Enhancing Opportunity in Rural Areas.

9. These priorities align to the three 'Axes' of the European Rural Development Regulation and will be delivered by applying a series of 'Measures' which detail how funds can be invested. The full list of Measures is presented at **Annex A**.

10. The region can only support projects which are fundable by the 'Measures' which are permitted by the EU and national plans – the EU has set out a list of 34 possible types of activity which could be funded and nationally, Defra has proposed that only 27 of these should be available in England and the delivery bodies (ONE, Natural England and Forestry Commission) are proposing to adopt 16 Measures through which to deliver the RDPE for the North East. These are listed in paragraph 73.

11. **The RDPE is designed to specifically target agriculture, land based businesses, rural microenterprises and rural communities in alignment with the three priorities above. It is not a rural programme that covers the whole rural development remit; the programme will be directed at a specific set of priorities for agriculture and land based industries and disadvantaged rural communities.** The RDPE is not intended to replace funding from other sources and is to be targeted at specific areas of need and opportunity, complementing and not duplicating other investment and interventions.

#### **Funding Allocation for the North East**

12. The funding allocation for the North East across axes 1 and 3 has been provisionally set at approximately £6.69 million per annum. This is more than double the budget originally anticipated, and is due to negotiations at the European level on the voluntary modulation (VM) regulation. However, within axis 1, the increase in funding due to VM is to be targeted specifically at the livestock sector (£1.02 million).

13. The provisional annual budgets are set out below and are the figures which have been used to determine some aspects of the planning for the themes and measures to be delivered in the North East.

Axis 1		Axis 3		Total	
% share of England	Budget £M	% share of England	Budget £M	% share of England	Budget £M
6.0	2.04	11.4	4.51	8.9	6.69

14. It is not possible at this stage to give a full estimate of the total funding that will be invested in the North East over the life of the programme as Environmental Stewardship/agri-environment funding is a complex matrix of commitments to existing schemes and new activity. This includes the Hill Farm Allowance (HFA), which has undergone a review, and likely expenditure in the North East is yet to be determined.

15. A minimum of 5% of the total EU contributions to the RDPE budget will be invested in accordance with the principles of Leader, detailed in a later section of this document. The exact amount that the North East will deliver is still to be confirmed.

## Rural North East in Context

16. As the map at **Annex B** shows, North East England is a region of contrasts. Close to the economic centres around Tyneside, Wearside and the Tees Valley are more sparsely populated rural areas. Much of the rural part of the region has a high quality natural environment and is recognised to have clear distinctions between the economic, social and environmental characteristics of the rural areas and the rest of the region. Key strengths of the rural parts of the North East include its relatively high rates of business formation and survival, its rising population, its relatively high skill levels and the large number of heritage sites and Sites of Special Scientific Interest. Despite these strengths, there remain a number of challenges and areas of need and opportunity facing the region's rural areas.

### Economic

17. The economy of the North East, measured using Gross Value Added (GVA) per head, has performed below the rate of most other English regions for some years. Indeed, it has the lowest level of GVA per head of any English region. GVA per head in the rural areas is lower than that in urban areas, and it has tended to grow at a slightly slower rate in recent years, but this masks some strengths of the rural economy.

18. Looking at business and industrial sectors, the public sector provides the largest contribution to GVA in rural and urban areas, but rural areas produce a significantly higher proportion of their GVA from the retail, distribution and some elements of the tourism sector, and a lower proportion from business services and manufacturing. A major sector

for Small and Medium Enterprises (SMEs) and consequently employment in the rural NE is tourism. Tourism is driven by the high quality of the natural environment and the unique natural and historic assets in the rural North East and it is critical to ensure that these are not over exploited and degraded by unsustainable use for tourism and recreational purposes, if the contribution that tourism makes to GVA is to be maintained. This high quality natural environment also plays a significant part in the Regional Image Strategy which operates under the "Passionate People, Passionate Paces" branding.

19. As one would expect the Agriculture, Forestry and Fishing sectors are more important in rural areas than in the region as a whole accounting for up to 17% of GVA in some rural parishes. However, for rural areas of the region overall, these sectors only contribute 6% of GVA and 4% of jobs – and there are significant variations between different rural areas in the North East. The potential for the agriculture and forestry sectors to diversify into Bio-energy in future is a key opportunity for the North East. Whilst forestry in the NE benefits from a large and productive area of woodland, compared with England as a whole and enjoys proximity to some of the largest and most modern sawmilling and wood processing facilities in England, wood supply is precariously underpinned by a large number of SMEs and micro businesses. Many of these would benefit from investment to support training and equipment to increase their economic productivity/competitiveness and provide diversification opportunities and the sector as a whole would benefit from greater investment in infrastructure.
20. The region's rural landscapes and farming businesses have a significant contribution to make and provide a number of development opportunities. This is especially with regard to regional speciality foods and drink products, increasing levels of tourism, catering, accommodation and leisure. The interaction between agriculture, tourism and the environment are complex and the precise nature of the relationships between rural areas' physical characteristics for example natural and farmed landscapes, and demand for tourism and recreation are unclear. However, regional activity to develop a more integrated approach to delivery is beginning to break down barriers and provide a catalyst for more joined up action and effective decision-making in the public and private sector.
21. The aspiration of the Sustainable Farming and Food Strategy (SFFS) is to create a profitable, entrepreneurial, environmentally responsible and professional land based sector in the northeast. To achieve this, a cooperative partnership between the land-based industries, the public sector and wider society needs to exist. The regional SFFS partnership has identified opportunities to further develop the food and drink sector, the bio-energy sector, the land based sector skills as well as improve the environmental performance of the land based industries across the region.
22. Reconnecting producers with consumers is a key priority under the National and Regional SFFS agenda and significant opportunities exist to develop this further under Environmental Stewardship, the local food

agenda, the Public Sector Food Procurement Initiative as well as the Year of Food and Farming.

23. In order to address the challenges of declining traditional land based sectors, rural areas also need to identify and adapt to new and emerging business opportunities. The region has a low level of business diversification relative to other English regions, so agricultural and woodland based businesses should be encouraged and supported to diversify through the identification of new innovative business ventures, either utilising the natural capital of rural areas or benefiting from increased accessibility due to ICT progress.
24. The potential of biofuels and biomass as a diversification option has already started to be realised with the location of Europe's largest biodiesel plant in the region and the construction of the Wilton 10 biomass power station on Teesside. In addition several small and medium scale biomass heating installations have already been installed in rural areas of the NE bringing strong local environmental and economic benefits. There is the potential for many more of these. Agricultural and woodland based businesses need to be encouraged and supported to take advantage of this internationally recognised and growing business sector. As well as a new business opportunity the bioenergy sector contributes to meeting renewable energy targets and helps to mitigate against climate change while stimulating economic activity and innovation.
25. A strength of, and opportunity for the rural economy is the relatively high number of businesses per head of population compared to urban areas – two and a half times as high, and 25% higher than the national average, providing a strong foundation for the further development of a strong economic base within the rural areas. Approximately 33% of rural businesses are in the distribution, tourism and retail sector. Businesses in rural areas tend to be smaller than those elsewhere, with half of them having an annual turnover of under £100,000 in the North East, compared to urban areas where only 25% of businesses are beneath this threshold. Smaller businesses tend to have fewer employees, with over 90% of rural businesses being classed as small or micro-businesses, having fewer than 10 employees and fewer than one in a hundred having more than 50 employees.
26. Business start-ups per head of population are 75% higher in rural areas than urban areas in the North East, and have consistently been so for some years. In addition, rural business start ups are more likely to survive after three years than their urban counterparts, and the survival rate for rural businesses in the North East is higher than the national average. There are more professional and managerial employees in rural firms than in urban ones. Employees of rural companies are also more likely to work part-time, and to work from home and there is a prevalence of 'lifestyle' businesses in some areas and some sectors.

## Social

27. Successful rural development should lead to sustainable rural communities that have the means of working in partnership to effectively manage change at a local level to ensure positive developments are pursued and negative impacts diminished. Sustainable communities are places where people want to live and work, now and in the future. They are safe and inclusive, well planned, well run and offer equality of opportunity to all citizens. They meet the diverse needs of existing and future residents, are sensitive to the environment and contribute to a high quality of life.
28. Some 38% of the region's population live in non-urban areas, of which 6% live in areas that can clearly be described as rural (as opposed to rural/urban 'fringe'). The population of the region has been declining for many years but the rural population has grown by 6.6% since 1981. There is some evidence of urban-rural drift, albeit much of it from urban centres to areas within easy commuting distance of areas of high job density rather than to the furthest rural parts of the region. Whilst Office for National Statistics (ONS) projections suggest the region's population will continue to fall, there will be a modest increase in the rural population over the period to 2028.
29. The desirability of parts of the rural North East as place of residence, driven by perceived quality of life and environment has impacted the affordability of housing. Residents of rural areas are less likely to be able to afford a property in their own district than residents of urban areas. The number of property sales in rural areas has been maintained in recent years, whereas they have declined in elsewhere in the region since 2004.
30. In rural areas the population is generally older than in the urban parts of the region, with a significantly higher proportion of people aged over 65 for example. The proportion of the population that is of working age is consequently lower than in urban areas, and ONS are projecting that this proportion will decline further, by six percentage points to 58% of population in 2021 whilst those over 65 will have grown by 60% between 1981 and 2021. The proportion of residents of rural areas who are from black and minority ethnic groups is very small.
31. Levels of economic participation are higher in rural areas than urban ones, averaging around 79% in recent years and occasionally rising above the national average. It should be noted, however, that there are important variations between different rural areas, with participation levels being as low as 45% in some deprived rural wards. There are significantly fewer claimants of Job Seekers Allowance and Incapacity Benefits (IB) in rural areas than urban areas, although again there are significant differences between different rural wards – and there is evidence to suggest that the proportion of IB claimants has started to rise, whereas in the region as a whole it is falling.

32. Self-employment, at 12.4% of the rural working age population, is seven percentage points higher than in the rest of the region – reflected in the high number of relatively small rural businesses and business start up rates.
33. Commuters in rural areas are more likely to use their car to travel to work, less likely to use public transport, but also more likely to walk to work. This reflects the composition of settlements – people are likely to be able to work in their own village or market town, but if they do not they may have a considerable journey to work to other settlements or an urban centre which are usually not serviced well with public transport facilities.
34. Access to services in rural areas of the North East is comparatively good compared to other areas in England. However to provide full access to services for rural dwellers, innovative solutions utilising modern technologies will be required to support the development of sustainable communities.
35. Residents of rural areas are more likely to have qualifications than their urban counterparts, with the proportions of people with NVQ levels 2 and 4 both being higher in rural areas than urban areas. School educational attainment in rural areas is higher than in urban ones, with schools in the rural part of the North East having already met, on average, the Government's 2008 target for 60% of pupils to attain five or more GCSEs at grades A\*-C – a significantly better performance than the average for schools in urban areas.
36. Life expectancy in rural areas is similarly higher than in urban areas, averaging 76.5 years for men – two years above the regional average.
37. The crime rate in rural areas is lower than elsewhere in the region, and is in decline.
38. Stockholm Environmental Institute's ecological footprint enables comparisons to be made between areas in terms of the per capita consumption of natural resources. These show that, generally, people from rural areas consume more resources than those in urban areas. This is due to their generally higher standard of living, involving greater car usage, use of air travel and so on.

## **Environmental**

39. The region's historic and natural environment are important resources and major assets, both in their own right and as a necessary component in contributing to economic growth, regeneration, health and quality of life in the region. The high quality rural environment in the region is a critical element to the tourism offer, quality of life for local communities and to attracting entrepreneurs into the rural areas. Action taken to preserve and enhance the region's rich natural environment will not only provide economic benefit but will also help to reduce the environmental impact and the causes of climate change.

40. Agriculture represents the dominant land use and is therefore highly significant in terms of the region's landscape. The large expanses of gently rolling hills in the uplands that are grazed by sheep are a characteristic component of the North East. The region has approximately 5500 agricultural holdings of which 56% are owner occupied. Woodland cover for the region is 12%, over half (65%) of which is coniferous. This compares with figures of 8.4% and 26% respectively for England as a whole.
41. There are a number of large estates in the region and they continue to have significant influence over the development of the countryside and its people. Sheep farming and grouse management has a major impact on income to these areas as well as the management of habitats in itself. In the region's upland areas cattle and sheep are the most abundant type of farming and represent approximately 29% of all holdings. In the lowland east of the region arable farming is also significant. The region has a lower than average number of organic farmers. The majority are upland sheep farmers and their extensive system means the area of land in organic farming is slightly above the national average.
42. The North East has a rich diversity of landscapes, with 15 defined Character Areas occurring within the region (nationally 159 of these areas have been identified, each displaying a distinctive mix of natural and cultural features). A third of the region is covered by designated landscapes. This includes all of Northumberland National Park, the Northumberland Coast Area of Outstanding Natural Beauty, most of the North Pennines AONB and a small part of the North York Moors National Park. 122km of coastline is Heritage Coast and there are 251 Sites of Special Scientific Interest (SSSIs) (12.5% of the region well above the national average). As well as being designated an AONB, the North Pennines is also one of only two UNESCO European and Global Geoparks in England, in recognition of the area's geological significance.
43. Important habitats in the region include woodland, upland heath, hay meadows (40% of English resource) and some 25 other UK Biodiversity Action Plan (BAP) habitat types. The Region supports an important suite of Upland BAP habitats: blanket bog (18% of English resource), dwarf shrub heath (19% of English resource) and internationally important upland wader assemblages. In addition, there are over 70 species of a high priority – such as black grouse (80% of UK Population), red squirrel and juniper. The Region also supports an important suite of lowland/coastal BAP habitats: magnesian limestone grassland (significant extent of English resource), sand dunes (15% of English resource), saltmarsh and intertidal habitats.
44. There are serious problems facing the region's wildlife and heritage. 57% of SSSIs are classified as being in favourable condition whereas nationally 72% of SSSIs are in favourable condition. There is 5,654 ha of Ancient Woodland in Northumberland. This comprises 3,222 ha of ancient and semi-natural woodland (ASNW) 44% of which is in unfavourable-declining condition or partially destroyed and 2,432 ha of plantations on ancient woodland sites (PAWS) 82% of which is in

unfavourable-declining condition or partially destroyed. It is likely that these proportions of ancient woodland in unfavourable condition in Northumberland are representative for ancient woodland for the region as a whole.

45. In 2003 it is estimated that the regions farms produced 27,000 tonnes of non-natural waste. 10.3% of the regions land area, mainly in the lowlands, falls within a nitrate vulnerable zone (NVZ). A number of communities rely on ground water for their drinking water.
46. Overall water quality in the region is generally good, with the Tyne now recognised as the best salmon river in England and Wales. The River Tees is currently only achieving 25% of its Salmon Action Plan target and the opportunity exists to improve its overall contribution to the regions high quality natural assets.
47. In 2005 the proportion of rivers achieving good or very good status was 80 % for biological quality and 84% for chemical quality. There remains a need to make further improvements by tackling pockets of diffuse pollution, which have a direct impact on the aquatic environment. The number of pollution incidents from agricultural sources is declining, in 2005 there were 33 pollution incidents relating to agriculture, 4 of which were serious.
48. A significant proportion of the regions soil resources, particularly in the uplands are at risk of erosion. The role of our upland peat resources in terms of carbon balance is increasingly important. In January 2005, the river gauging station at Corbridge recorded its highest ever flood level.
49. The Till, English Tweed and Lindisfarne catchment is the region's priority under the England Catchment Sensitive Farming Delivery Initiative, which is aimed at supporting farmers in taking early action to tackle diffuse pollution to meet the requirements of the Water Framework Directive.
50. In terms of designated heritage assets, the North East has 14% of England's historic battlefield sites, 12.5% of England's world heritage sites, 7% of England's scheduled monuments, 3% of England's listed buildings and 3% of England's registered parks and gardens. There are over 13,000 listed buildings and scheduled monuments with 59% located in rural areas. The Region also has the highest proportion of listed buildings at risk in the country (twice the national average).
51. Over 100,000ha of 'open access' land has become available. The Northumberland National Park is one of the most accessible National Parks in England with over 70% of its area designated as open access land. National Trails include large sections of Hadrian's Wall Path and the Pennine Way, along with sections of the Cleveland Way and the northern extension to the Pennine Bridleway. The Region includes large sections of nationally-known cycling routes including the C2C, the Penine Cycleway, Hadrian's Cycleway, Walney to Wear and the Coast and Castles Route.

## Opportunities and Challenges

52. The above contextual section highlights a broad range of issues which represent both opportunities and challenges for the region's rural areas. However, in order to ensure the RDPE funds are most effectively targeted an analysis of these has been used to identify the key priority themes which are set out in this document. The results of this analysis are presented at **Annex C** to help understand the link between the contextual evidence base and the final selection of priorities. This is based on an extraction from the evidence statement of the key areas of need and opportunity, a brief SWOT analysis of these and an assessment of the suitability of the RDPE funding.

## Strategic Framework

53. The delivery of the RDPE in the North East will contribute to a number of national, regional, and sub-regional strategies and will interface with several delivery frameworks. Rural areas and in particular land based and agricultural businesses have much to contribute to the social, environmental and economic capital in the North East Region and the RDPE will assist in the development of these sectors as contributors to sustainable rural development. A list of the strategies that have been considered in developing this Implementation Plan is contained in **Annex G**.

54. The RDPE for the North East is designed to be flexible to ensure that the programme can evolve in line with shifting strategic priorities influenced by changing regional conditions and external factors that may affect the needs and opportunities in the region.

55. This Implementation Plan explains how the RDPE in the North East will contribute to delivery under the draft NERDF, which proposed strategic objectives for rural development in the region, to guide investment from public agencies in support of sustainable rural development.

56. The strategic objectives identified in the NERDF were;

- a. **Natural and Cultural Capital:** Managing and developing environmental and cultural assets for economic and social benefit,
- b. **Enterprise:** Developing individual skills and organisational capabilities for enterprising businesses and communities,
- c. **Vital and Viable Communities:** Ensuring viable rural settlements complementary to region and city-region spatial development strategies.

57. The RDPE will contribute to these strategic objectives by delivering targeted support driven by the needs and opportunities of the land based sector, agriculture and rural communities.

### **Alignment to Other Funding Sources**

58. Complementarity with other funding sources has been a driver in determining the target beneficiaries and activities identified for the RDPE. The resources available under RDPE, particularly within axis 1, are limited and as such should be targeted for maximum impact.

59. Potential projects will be proactively developed and will need to demonstrate that alternative sources of funding, be they private sector or other public sector are unavailable or inappropriate for the proposals being developed. Projects that are put forward for consideration that are deemed unsuitable for this programme will be assisted in identifying possible alternative sources of funding and support where these are available. It is envisaged that the proactive project development approach will reduce the instances of projects being rejected on the grounds of ineligibility or lack of strategic fit as these will be identified earlier in the process and assisted in finding the most appropriate source of support.

60. There are some areas that this programme could legitimately fund that at this stage the NEIP does not seek to prioritise. An example would be the provision of general mainstream training, as whilst the need and benefits of training in rural areas are great, there are other regional programmes that are tackling these issues. The lack of access to appropriate training in rural areas has been perpetuated by a skew towards investment in urban areas. Our aim is therefore to target the training provided under this programme towards the specialist technical needs of land based industries and to build the capacity of local economic actors while working with partners to tackle the failure of the mainstream training funding bodies to facilitate a better understanding of the characteristics of rural areas to enable training providers to respond to these.

61. Some of those alternative funding sources that have been considered in developing this plan are listed below;

- **One NorthEast Rural & Environment Programme** - supporting research and development in the following areas; Market Towns, Regional Quality Food, Resource Efficiency and Supply Chains.
- **One NorthEast Physical Regeneration Programme** – investing in infrastructure sites and premises across the region including rural areas and market towns.
- **One NorthEast Culture & Tourism Programme** – supporting projects that strengthen the regional tourism infrastructure and branding and marketing the region.

- **One NorthEast Business Programme** – supporting priority sectors, providing business support and infrastructure, facilitating innovation and encouraging entrepreneurship.
- **Natural England** – investing in the environment, including protection and management of and access to the countryside.
- **Forestry Commission** – funding the management of the public forest estate.
- **Environment Agency** - improving the environment through investment to conserve air, land and water.
- **Rural Social & Community Programme** - addressing important rural social issues and tackling the causes of rural social exclusion.
- **Business Resource Efficiency and Waste (BREW)** – addressing water and energy use and waste creation and disposal in the region.
- **Heritage Lottery Fund** – investing in community and environmental regeneration projects.
- **Big Lottery Fund** – Community Buildings Programme: investing in creating and improving community buildings that offer a range of services to local people.
- **English Heritage** – investing in understanding and caring for the historic environment.
- **Learning & Skills Council** – investing in skills and workforce development.

62. This list is not exhaustive but is included to give examples of the other rural investment streams that the new programme must interface with.

#### **Demarcation with other EU Funding**

63. A condition of the RDPE is that there is clear and carefully managed demarcation between this programme and other European funded programmes. Driven by a rationale to ensure that no duplication occurs and that projects are funded from the most appropriate source, the NEIP Steering Group has been engaged in a dialogue with the relevant delivery officers responsible for other European funding in the Region.

64. The European Regional Development Fund (ERDF) and European Social Fund (ESF) have been reviewed and the Steering Group has worked with colleagues to ensure that the two funds are aligned. The result of this dialogue has been the development of a list which clearly identifies the eligible activities for both programmes. The table setting this out is attached at **Annex E**.

65. It is likely that the potential for overlap will be greatest in Axes 1 & 3 and One NorthEast, who will be responsible for most of the investments made under these axes, will further manage the demarcation issue through cross-membership of the ERDF Programme Executive Group and the RDPE Programme Delivery Group in the North East.

## Proposed Themes and Delivery Objectives

66. The draft NERDF proposed headline priorities for the rural North East. RDPE is one delivery route to achieving some of the objectives stated in the framework. In order to determine the most appropriate investment of RDPE funding in the North East, initial consideration of Defra's proposed priorities, the regional evidence base and consultation with stakeholders has informed the development of a set of proposed investment priorities for the RDPE in the North East. A SWOT appraisal was used on the key areas of need and opportunity identified in the evidence base to help determine the appropriateness for RDPE funding (**Annex C**).

67. These priority investment themes cover elements of environmental, social and economic need and opportunity within the context of the NERDF objectives. The priority investment themes identified for the RDPE in the North East are;

- i. Micro-enterprise development**
- ii. Natural & Cultural Assets**
- iii. Bioenergy**
- iv. Sustainable Communities**
- v. Sustainable Farming & Forestry**
- vi. Tourism & Recreation**

68. The investment made under these priority themes will contribute to the achievement of the national objectives of the Rural Development Programme for England, as set out in the National Strategy and will be delivered through a series of Measures (**Annex A**).

69. These priority investment themes will be subject to ongoing review to ensure that they remain the most appropriate for the programme, based on changing regional conditions and external factors that may require a shift in programme focus. These themes will evolve over the life of the programme.

70. A set of cross cutting principles have also been identified that will guide the process of identifying priorities for RDPE funding. These are;

- Sustainable development as a key driver for investment;
- Innovative pilot projects to challenge areas of defined need;
- Building on successful pilots;
- A focus on facilitation and networking, animation and enablement;

- Cohesion between the socio-economic and environmental elements of the programme; and
- Community driven, bottom up project development where appropriate.

### **Priority Investment Themes**

71. The priority investment themes identified represent areas of greatest need and opportunity for rural North East in the context of what is supportable by RDPE. As previously described, the available funding is limited and the aim of the RDPE is to target specific activities rather than to supplement the wider rural development agenda. The investment themes are described in more detail below and a table showing the measures proposed to deliver the objectives for each theme is provided at **Annex F**.

## **Micro-enterprise development**

### Objective

To encourage entrepreneurial activity in rural North East England both within and outside of traditional land based industries with the objectives of;

- Increasing business start ups
- Strengthening existing businesses
- Improving the sustainability of rural businesses
- Creating markets for rural business products and services

### Example Outcomes

- Increasing rural employment opportunities through entrepreneurial activity;
- Promoting business start up as an employment option for rural communities, especially for increasing numbers of women and young people;
- Supporting existing micro-businesses to promote growth and access to new markets through increased innovation and use of new technologies;
- Supporting an increase in business start ups that develop and add value to agricultural and forestry products;
- To support entrepreneurs in developing a higher level of skills, including traditional land based skills, to strengthen their business and product offer;
- To work with rural estates to assist them in increased instances of diversification, ensuring sympathetic historic and environmental development;
- Facilitating increased access to and take up of appropriate business support services;
- Facilitating increased networking and collaboration of rural micro-enterprises; and
- Supporting more micro enterprises to profit from the sustained use of the region's environmental assets.

## **Natural & Cultural Assets**

### Objective

To conserve, manage and enhance the Natural and Built Historic Environment of our countryside to the benefit of local communities/businesses and visitors now and into the future with the objectives of;

- Supporting land management regimes which balance production with the needs of the landscape, habitat, heritage, biodiversity and geodiversity through maintaining, restoring and enhancing these assets;
- Opening up access and creating recreation opportunities in new areas of the landscape and enhancing existing access provision; and
- Natural and heritage resource protection through reducing environmental impact.

### Example Outcomes

- Improve the conditions of SSSIs and Biodiversity Action Plan habitats;
- Secure the future of protected species, for example red squirrel and black grouse;
- Maintain and improve diversity and numbers of farmland and woodland bird populations ;
- Maintain and enhance landscape quality and character through the protection/enhancement of landscape features/infrastructure ;
- Reduce diffuse pollution and improve water quality, water quantity and conserve soil resources;
- Increased use of sustainable land management practices on farmland and woodland that deliver public benefits;
- Increased access to the countryside through the provision of further permissive access;
- Increased provision/opportunities for people to learn about the countryside;
- Protection/consolidation of historic features/listed buildings at risk;

## **Bioenergy**

### Objective

To increase the production and use of biomass and biofuels in the North East region with the objectives of;

- Developing the commercial user market for biofuels;
- Developing the market for biomass products;
- Developing the biomass supply chain infrastructure; and
- Contributing to a reduction in climate change.

### Example Outcomes:

- Developing networks to promote an increased use of bioenergy and to facilitate market growth;
- Promoting biomass and biofuels through producer groups and networks to increase the number of farmers and foresters diversifying;
- Facilitating access to and increased uptake of technical advice services;
- Improving the infrastructure to enable increased processing and distribution of biomass and biofuel products; and
- Facilitating increased knowledge sharing and skills development in the bioenergy sector.

## **Sustainable Communities**

### Objective:

To support rural communities in tackling social disadvantage through creating the conditions for growth to sustain viable communities with the objectives of;

- Creating the conditions for innovative rural service design;
- Strengthening rural communities through promoting social cohesion and community engagement;
- Improving quality of life and equity in rural areas;
- Using environmental, cultural and historic heritage assets to enhance quality of life and economic opportunity for rural communities.

### Example Outcomes:

- Facilitate increased access to key services and facilities in rural areas;
- Facilitating community action through access to relevant professional support;
- Encouraging increased collaboration and networking between community groups;
- Working with community groups to develop skills and create sustainable models of operation and delivery;
- Supporting and developing the increased use of ICT for community benefit;
- Supporting the creation and strengthening of social enterprises as deliverers of community services and increased economic activity;
- Increased innovation in environmental protection and the use of natural resources for community benefit; and
- Use of the Leader approach to help develop new models of collaborative service delivery in rural communities.

## **Sustainable Farming & Forestry**

Objective:

To support the development of farming and forestry supply chain businesses in order to create a more effective farming and forestry sector with the objectives of;

- Increasing the competitiveness of farming and forestry industries through responsiveness to market signals and shifts in demand;
- Creating a farming sector focused on the market, successfully producing food and non food crops in a more efficient way;
- Greater collaboration and co-operation within supply chains;
- Farm businesses accessing new markets and producing new added value products such as renewable energy products, non-food crops and high value food products; and
- Woodland managers and forestry supply chain businesses accessing new markets and developing business opportunities associated with woodland and quality forest products.

Example Outcomes:

- Enhanced rural business productivity;
- Improved connections between producers and their markets;
- Increased processing capacity for farm and forestry products, delivering improved local value added to commodity products;
- Increased ability to respond to public demand for Regional farm and forest products;
- Improved revenue streams back to primary producers and forest managers, supporting sustainable land management practices; and
- Stimulate business enterprise/developing skills and learning.

## **Tourism & Recreation**

Objective:

To support tourism and recreation as a driver for sustainable economic development in the North East with objectives of;

- Promoting tourism and recreation as an opportunity for business start up and diversification;
- Enhancing the contribution of rural areas to the tourism offer of the North East;
- Improving the quality of the rural tourism offer in the North East; and
- Exploring innovative ways of using rural natural, cultural, geological and historic assets in a sustainable way.

Example Outcomes:

- Facilitating increased cohesion between attractions and facilities to enhance the integration of NE tourism offer;
- Increasing public access and understanding of countryside;
- Improving quality of service and facilities in rural tourism businesses;
- To encourage more business start ups that represent high quality, innovative tourism and recreational opportunities;
- To support activity based tourism that promotes increased sustainable use of natural assets;
- To support the development of more products that enhance the rural tourism offer (food, crafts etc)
- To support the development of increased quality accommodation relevant to local needs and opportunities; and
- To encourage collaboration and networking between tourism businesses.

## **Performance Measures**

72. The outcomes proposed are framed so that they can be quantified to enable progress to be measured over the life of the programme. The Common Monitoring & Evaluation Framework produced by Europe lists the indicators that can be used to measure programme performance. These are currently in negotiation for the socio-economic elements of the programme and the Regional Development Agencies nationally are discussing with Defra which indicators will be applied to the programme to ensure that they are aligned as closely as possible to the DTI approved Tasking Framework, which sets out the agreed output measures that the RDAs are measured against. Specific outcome and output targets will be set in the delivery plans once the budget has been confirmed and detail of the interventions has been developed.

## **Application of Measures**

73. In order to design a programme that is compliant with European Implementing Regulations, Defra is required to identify which of the Measures under each of the three Axes will be applied, and what proportion of the total budget will be funnelled through each Measure. In order to inform that process, the NEIP steering group has considered the Axes and Measures to determine which Measures will be applied in this region and the proportionate split of funding between them.

74. The proposed balance of Measures in the North East of England has been informed by:

- The guidelines provided by the EU, which set overall parameters for the balance of programme spend between the four Axes;
- The strategy produced by Defra, which indicated that the commitment is to maintaining the Environmental Stewardship as a scheme open to all which has meant spending on axis 1 & 3 must be set closer to the minimum allowed by the regulation. As a result, 80% of Programme spend will be devoted to Axis 2 and some Measures are excluded from the England programme;
- The priority investment themes and objectives identified for the NE RDPE as set out above.

75. As a first step in determining the funding allocations to each measure the themes were mapped against the measures (Annex E of NEIP consultation draft). A high degree of match between themes and measures prompted a relatively high provisional funding allocation to those measures and vice versa. Following this provisional allocation consideration has been given to the types of activity permitted under each measure, the contribution they make to the priority themes and the potential for delivering the intended outcomes. These have then been amalgamated to give an indicative percentage split between Measures. These percentages are set out in the tables below.

76. Defra are required to indicate to the European Commission the level of expenditure under each Measure and the regional figures will inform this allocation. At this stage the weighting is indicative and there will be opportunity to revise the estimates before Defra submits its final national programme to the Commission. The regional contributions to making up the total percentages are flexible allowing for some re-profiling throughout the life of the programme so long as total figures nationally are still achieved.

77. Because of the uncertainties regarding funding allocations and the challenges in estimating funds available under Axis 2, financial values have not at this stage been assigned to those Measures. The financial tables for Axes 1, 3 and 4 are found at Annex D.

<b>Axis 1 – Improving the competitiveness of the agricultural and forestry sector – 10% of programme</b>	
<b>Measures</b>	<b>Balance of proposed spend within Axis 1 (%)</b>
Vocational training and information actions for persons engaged in the agricultural, food or forestry sectors	20
Improving the economic value of forests	4.4
Adding value to agricultural and forestry products	53.9
Cooperation for the development of new products, processes and technologies in the agriculture, food and forestry sectors	3
Improving and developing infrastructure related to the development and adaptation of agriculture and forestry	1.6
Axis 4 (LEADER)	5.5
<b>Total</b>	<b>100</b>

<b>Axis 2 – Improving the environment and countryside – 80% of programme</b>	
<b>Measures</b>	<b>Balance of proposed spend within Axis 2 (%)</b>
<b>Agriculture</b>	
Payments to farmers in areas with other handicaps, other than mountain areas	5
Agri-environment payments	87.5
<b>Forestry</b>	
First afforestation of agricultural land	2.5
First afforestation of non-agricultural land	2.5
Forest-environment payments	2.5
<b>Total</b>	<b>100</b>

<b>Axis 3 – The quality of life in rural areas and diversification of the rural economy – 10% of programme</b>	
<b>Measures</b>	<b>Balance of proposed spend within Axis 3 (%)</b>
Diversification into non agricultural activities	19.7
Support for the creation and development of micro enterprises with a view to promoting entrepreneurship and developing the economic fabric	29.6
Encouragement of tourism activities	7.4
Basic services for the economy and rural population	2.2
Training and information for economic measure for economic actors operating in the fields covered by Axis 3	5.1
Skills acquisition and animation with a view to preparing and implementing a local development strategy (non LEADER)	5.1
Axis 4 (LEADER)	31
<b>Total</b>	<b>100</b>

## **The LEADER Approach**

78. Mainstreaming the LEADER approach is an EU requirement for the programme and will be applied to a minimum of 5% of the total EU contribution over its lifetime.

79. The Leader approach is defined as:

- Area based development strategies intended for well-identified sub regional rural territories;
- Local public-private partnerships (local action groups);
- Bottom-up approach with a decision-making power for local action groups concerning the elaboration and implementation of local development strategies;
- Multi-sectoral design and implementation of the strategy based on the interaction between actors and projects of different sectors of the local economy;
- Implementation of innovative approaches;
- Implementation of co-operation projects; and
- Networking of local partnerships.

80. The responsibility to ensure that the 5% target is met lies with the RDAs nationally with the responsibility for the region's delivery of Leader being with One NorthEast.

The Leader approach does not need to be tied to the specific measures under axis 1 or 3. But it is required to contribute to the overall objectives of the Axes. However, it is likely that most activity will fall within the measures given their broad scope and alignment with regional priorities. No funding for LEADER projects is available through axis 2.

## **NEW LEADER in the North East**

81. The LEADER approach in the North East has been implemented in line with the following:

- The recent regional evaluation report on the current Leader+ programme;
- The responses received from the regional NEIP consultation exercise;
- Guidance issued by Defra;
- Advice and guidance from the LEADER steering group in the North East

82. An expressions of interest process was launched alongside a regional LEADER prospectus in July 2007 to invite prospective LAGs to set out the case for LEADER areas in the region.

83. Proposals were selected in a competitive process, by a Regional Selection Panel on the basis of the criteria provided by Defra in their guidance. One NorthEast also published additional criteria related to the inclusion of "missing sectors" (identified in the North East LEADER+ evaluation) and integrated delivery across the three axes.

84. Five potential Local Action Groups – one of which is cross-regional and being handled within Yorkshire and Humberside - have been selected to draw up local development strategies to be considered at a final selection stage in May 2008. Each group has received funding of £12,000 to help with this process.

85. Prospective Local Action Groups have been asked to consider the following when developing their draft strategies:

- greater attention to socio-economic outcomes than have been achieved under the current and previous Leader initiatives.
- better strategic integration with existing strategies such as Local Strategic Partnership (LSP) community strategies and Local Area Agreements.
- Innovative solutions to delivering Leader to enable the best use of existing resources.
- themes and outcomes from across the three axes incorporated in the local development strategies

86. The final selection stage will take place in May 2008, with successful Local Action Groups up and running shortly after that.

### **Proposed Delivery Process**

87. Delivery against the priorities and Measures outlined for the RDPE will be undertaken by three delivery partners:

**Natural England** – responsible for the Environmental Stewardship elements of the Programme

**One NorthEast** – responsible for delivering the new socio-economic part of the programme and with overall accountability for Leader

**The Forestry Commission** – responsible for the English Woodland Grant Scheme and legacy woodland schemes

88. The three delivery partners will seek to work closely with both the Environment Agency and English Heritage and other stakeholders to deliver a cohesive programme across the identified themes that complement other sub-regional, regional and national activity and delivers against the proposed priorities. Detailed delivery plans will be developed by the separate delivery bodies. A website has been established ([www.rdpnortheast.co.uk](http://www.rdpnortheast.co.uk)) which will house all of the detailed delivery information in one place as it becomes available. Each delivery partner will deliver their own elements of the programme in accordance with EU requirements, national guidance and internal processes.

89. Each of the delivery partners will have in place staff who will be ambassadors for the scheme, proactively working with stakeholders to identify the most appropriate projects and those that will have the greatest overall impact.

90. Stewardship and Woodland projects will mostly be delivered by way of grants to individual landowners and farmers but the socio-economic elements will consider larger, strategic projects with multiple stakeholders that will benefit businesses, communities and have positive environmental impacts.

89. In order to ensure that the programme is targeted effectively, the delivery partners will be seeking to develop projects proactively, commissioning partners to develop programmes of activity aimed at particular areas of need and opportunity. One NorthEast is already operating an expression of interest process, which is helping to identify potential socio-economic investments. The expressions of interest process will be managed by Business Link North East from April.

91. The Regional Development Agencies are currently exploring the potential of being allowed to operate delegated grant schemes; that is to commission partner organisations to develop and deliver programmes of support aimed at a particular area of need or opportunity. This will allow for programmes of activity to be designed where the ultimate beneficiary may be an individual business but the programme facilitates a joined up approach to tackling a particular issue. The contribution of an individual investment to overall programme objectives will be the key factor in making investment decisions.

92. The application procedures will remain broadly similar for the forestry and environmental stewardship elements of the programme. The socio-economic element however will have a new business process that aligns to the current ONE project development and appraisal system. This process is being implemented but will need refinement as further detailed requirements become available from Defra. This application process will not be demand led and engagement with Business Link North East or delegated partner organisations will be a prerequisite to making an application to the programme.

93. Senior managers and officers from the delivery partner organisations will meet regularly to discuss the operation of the different elements of the programme and to discuss emerging project ideas. In addition to these information sharing discussions the delivery partners are also keen to develop joint working. Opportunities for this include:

- Learning, development and training of delivery staff;
- Shared customer service standards;
- Customer referral protocols;
- Literature signposting updating;
- Programme of communication activities.

94. As well as formal meetings there will be an ongoing working dialogue between officers and senior staff to ensure a coherence of regional approach. Project proposers will be encouraged to organise roundtable discussions with the three delivery bodies and other relevant public bodies

in the early stages of project development to achieve a holistic and joined-up approach.

95. The members of the NEIP steering group, with the Environment Agency, English Heritage and representatives from key intermediaries will form a Programme Delivery Group to:

- Manage and monitor delivery of the RDPE;
- Explore opportunities for the programme, in particular with relation to integration opportunities;
- Share information on relevant policy developments affecting the programme, and;
- Contribute to joint targeting.

96. Practitioner groups will be established to provide an opportunity for practitioners on the ground to share information and best practice on delivering RDPE. These could be themed around topics to ensure that relevant people attend.

## **Communications**

97. Regional communication activity has begun in the North East with a series of press releases, publications and newsletters to keep stakeholders informed as to progress. This communications effort will continue and will be co-ordinated amongst the delivery partners to ensure clarity of message and clear lines of contact for stakeholders. A joint website has been set up with a regional RDPE brand.

98. A joint newsletter will be produced, using the template of the existing One NorthEast newsletter. It will be an integrated communications tool, with key messages and case studies where appropriate. The newsletter will be web-based, with hyperlinks to more information where relevant.

99. Enquiries regarding RDPE in general should be addressed to the delivery agencies as follows:

### Environmental Stewardship



Natural England on 0191 229 5500

### Forestry & Woodland Grants



The Forestry Commission on 01669 621 591

Socio-Economic Programme (and legacy ERDP project based schemes)



Regional Development Agency

One NorthEast on 0191 202 5220 (automated call back service)

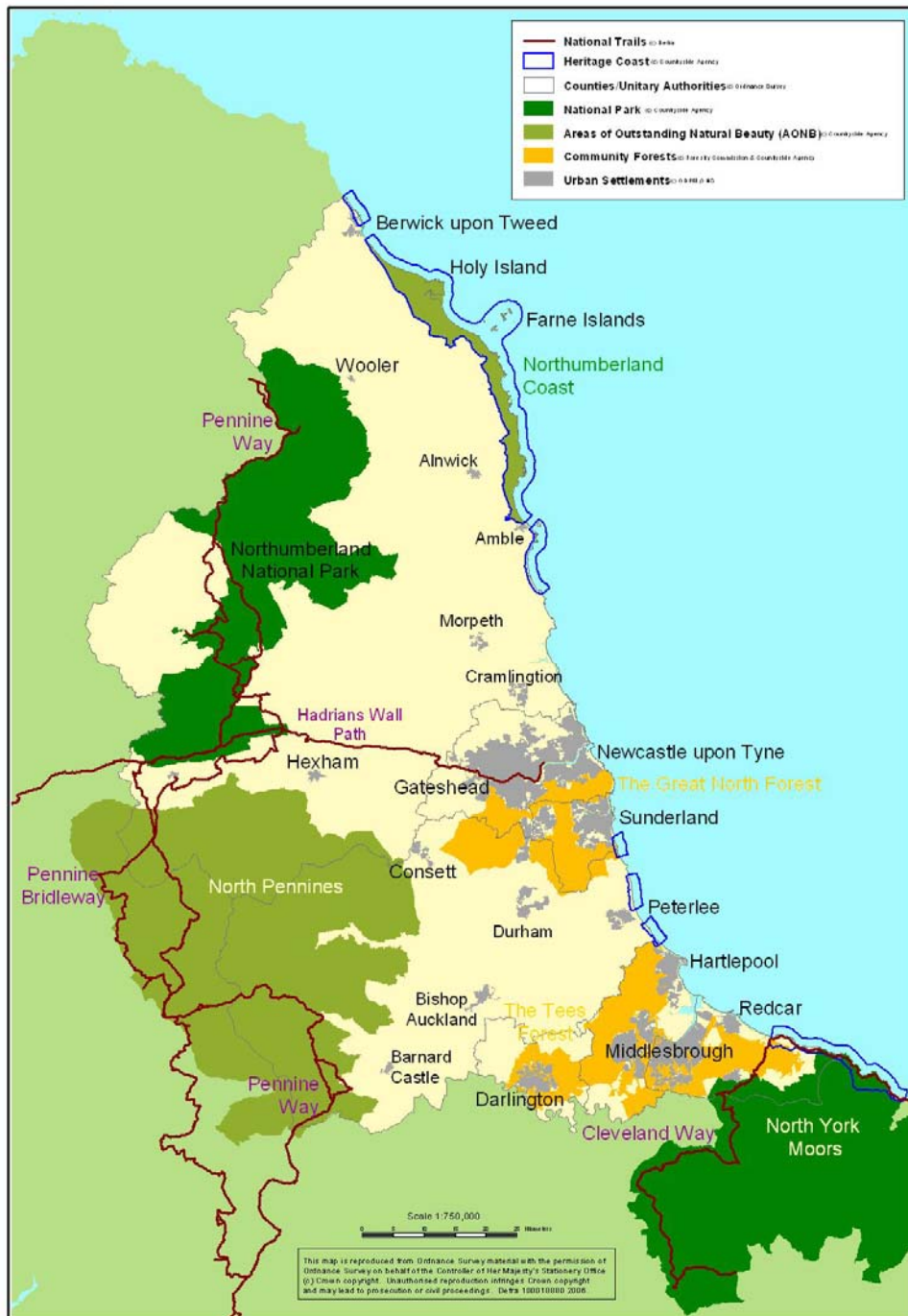
## Annex A – European Rural Development Regulation Axes & Measures

Axis 1: Improving competitiveness of the agricultural and forestry sector		Axis 2: Improving the environment and countryside		Axis 3: Quality of life in rural areas & diversification of rural economy
		Agriculture	Forestry	
Vocational training etc agriculture, food or forestry sectors	Development of new products in agriculture/food/forestry sectors	Natural handicap payments to farmers in mountain areas	First afforestation of agricultural land	Diversification into non-agricultural activities
Setting up young farmers	Improving infrastructure re development of agri/forestry	Payments to farmers in areas with other than mountain handicaps	First establishment of agroforestry systems on agricultural land	Support for creation & development of micro enterprises
Early retirement for farmers & farm workers	Restoring agri prod potential damaged by natural disasters	Natura 2000 payments & Directive 2000/60/EC	First afforestation of non-agricultural land	Encouragement of tourism activities
Use by farmers & forest holders of advisory services	Helping farmers adapt to Community legislation	Agri-environment payments	Natura 2000 payments	Basic services for the economy & rural population
Setting up farm and forestry advisory services	Supporting farmers participating in food quality schemes	Animal welfare payments	Forest-environment payments	Conservation & upgrading of the rural heritage
Agricultural holding modernisation	Supporting promotion of products under food quality schemes	Support for non-productive investments	Restoring forestry potential & introducing prevention actions	Training etc for econ actors op in fields covered by axis 3
Improving the economic value of forests			Support for non-productive investments	Skills acquisition re prep/implement local dev strategy
Adding value to agricultural & forestry products	<b>Axis 4: Leader Approach</b> Area based local development strategies Bottom-up approach Multi-sectoral design & implementation of strategies Innovation Approaches Co-operation projects Networking of local partnerships			

Greyed out boxes are those measures which Defra are suggesting will not be applied in England



## Annex B – Map of the North East Region





**Annex C – APPRAISAL OF THE SUITABILITY OF RDPE FUNDING IN RELATION TO THE KEY AREAS OF NEED AND OPPORTUNITY IDENTIFIED IN THE NORTH EAST’S RURAL EVIDENCE BASE.**

Challenges - Areas of need and opportunity identified by rural evidence base	Appraisal of potential role of RDPE funding in relation to Rural Challenges in the North East				
	Strengths	Weaknesses	Opportunities	Threats	Appropriateness of RDPE funding
ICT Development	Links well to many RDPE priorities	Limited funds would have little impact	Improving ICT may in some areas be key to rural development	Other funds (Single pot) can be used	Not suitable for strategic regional ICT projects.
Micro Businesses	Many RDPE measures can be used to help rural micro businesses	Risk of complex scheme application procedures	Able to target support at geographic areas or sectors	Risk of overlap with mainstream provision	Very appropriate, key area of opportunity in rural north east
Life style businesses	Strong connection between econ and env. quality	May not be well connected to wider rural economy	Strong links across economic, social and environ. axis	Decisions to locate lifestyle business difficult to influence. Difficult to target/define	Not appropriate to directly focus on this group
Sites and premises	Links to farm diversification	Limited funds might not impact on this area	Many potential sites on farms etc	Should be covered by mainstream funding	Not appropriate as a priority theme
Retail and Distribution businesses	May be strong links to rural services	Limited funds may not impact on this area	Farm shops and haulage businesses	Covered by mainstream funding	Not appropriate as a priority theme
Tourism businesses	Successful area for ERDP. EU approved tourism measure	Limited funds might not make a strategic impact on this area	Route to harness economic value of environment	Different approaches developing in urban and rural areas?	Appropriate – if targeted RDPE could make a difference in this area
Sustainable Farming and forestry inc. diversification	Fits well with national programme and measures	Risk of complex delivery/ schemes – bureaucracy	Large number of businesses with potential to develop	Impact of changing economics & impact of urban factors	Very Good fit - RDPE designed to support this area
Biofuels / climate change	Fits well with national programme and measures, links to	Biofuels driven by/ dependant on market pull? Not	Good potential for growth & developing	Overlap with other funding streams. Certain support could	Appropriate – important area of development for rural

	land management and Env	within control of RDPE?	specialist forestry /farming businesses	affect competition	businesses – great potential in NE
Affordable housing	Could consider with economic issues in a more integrated way.	Limited funds unlikely to make an impact in this area.	Could adapt RDPE measures for housing, but not well suited	Many existing programmes and delivery mechanisms	Not a suitable fund for dealing with affordable housing
Community facilities	Ability to support joined up community projects through leader	Limited budget could not support a strategic capital programme	Developing community facilities may deliver wide ranging benefits	RDPE unable to meet demand or community expectations	Not appropriate as a theme but could feature within leader delivery
Public Transport	Ability to target at specific local areas of need through leader approach	Small capital programme with no ability to revenue fund transport schemes	RDPE could consider transport integral with community and economic projects	Unlikely to be able to offer sustainable solution for rural transport	Not appropriate as a theme, but sustainable transport issues should be a factor in all themes
Access to services	Ability to target at specific local areas of need through leader approach	Limited funds would not make a strategic impact on this area	Ability to support joined up local innovative projects through leader	May be unable to meet demand from communities, even at local level.	Not appropriate as a theme, but could feature within leader delivery
Training and Skills (higher education)	May be more effective than mainstream support for rural areas and skills	Limited funds might not make a strategic impact on this area	Specific rural sectors could be targeted to address skills shortages	Risk of overlap unless targeted, could result in loss of mainstream funding to rural areas	Not appropriate as a stand alone theme, better included in all themes as necessary
Natural and cultural assets	Specifically designed to support improving the condition of the Env. Only Gov/ EU fund for improving land management.	Not all schemes are well targeted, reduces funds available for econ/social areas. Questions over additionality?	Underpins economic value of countryside. Often links directly to tourism and access/rec. projects	Many aspects of the environment are under threat. ERDP may not be sufficient to safeguard and improve condition	Appropriate Theme – given the major role of ERDP in this area and the underpinning role of env&cultural assets in the north east.
Access and recreation	Links land management to tourism and quality of life in rural areas	Mainly capital fund although some maintenance funding through ES & EWGS	Key area for underpinning tourism and related economic development	Difficult in many cases to directly link access investments to econ/Social benefits	Appropriate Theme – Key area for increasing opportunities in rural areas
Heritage sites and buildings	Specific measure designed for rural heritage	Limited funds would not make a strategic impact on this area	Maintenance of traditional farm buildings via ES	Risk of overlap with other funds e.g. English Heritage	Not appropriate as a stand alone theme, but may feature in projects within other themes e.g. tourism.

**ANNEX D INDICATIVE FLAT FINANCIAL PROFILE AGAINST SOCIO-ECONOMIC AXES**

<u>Axis</u>	<u>Code</u>	<u>Measure</u>	<u>Core</u>			<u>VM</u>			<u>Total</u>		
			<u>%</u>	<u>£m</u>	<u>£m/yr</u>	<u>%</u>	<u>£m</u>	<u>£m/yr</u>	<u>%</u>	<u>£m</u>	<u>£m/yr</u>
1	111	Training	20.0%	1.641	0.273	20.0%	1.353	0.225	20.0%	2.994	0.499
1	114	Advice	3.0%	0.246	0.041	0.0%	-	-	1.6%	0.246	0.041
1	121	Modernisation	0.0%	-	-	22.0%	1.488	0.248	9.9%	1.488	0.248
1	122	Economic value of forests	8.0%	0.656	0.109	0.0%	-	-	4.4%	0.656	0.109
1	123	Adding value	53.0%	4.349	0.725	55.0%	3.720	0.620	53.9%	8.068	1.345
1	124	Co-operation	3.0%	0.246	0.041	3.0%	0.203	0.034	3.0%	0.449	0.075
1	125	Infrastructure	3.0%	0.246	0.041	0.0%	-	-	1.6%	0.246	0.041
1		Axis 4	10.0%	0.820	0.137	0.0%	-	-	5.5%	0.820	0.137
<b>1</b>	<b>-</b>	<b>Total</b>	<b>100.0%</b>	<b>8.205</b>	<b>1.367</b>	<b>100.0%</b>	<b>6.763</b>	<b>1.127</b>	<b>100.0%</b>	<b>14.968</b>	<b>2.495</b>
3	311	Diversification	40.0%	6.451	1.075	0.0%	-	-	19.7%	6.451	1.075
3	312	Micro-enterprises	60.0%	9.676	1.613	0.0%	-	-	29.6%	9.676	1.613
3	313	Tourism	0.0%	-	-	14.5%	2.406	0.401	7.4%	2.406	0.401
3	321	Basic services	0.0%	-	-	4.4%	0.730	0.122	2.2%	0.730	0.122
3	331	Training	0.0%	-	-	10.0%	-	-	5.1%	-	-

				-	-		1.659	0.277		1.659	0.277
3	341	Non-Leader Skills and animation	0.0%	-	-	10.0%	1.659	0.277	5.1%	1.659	0.277
3		Axis 4	0.0%	-	-	61.10%	10.139	1.690	31.0%	10.139	1.690
3	-	<b>Total</b>	<b>100.0%</b>	<b>16.127</b>	<b>2.688</b>	<b>100.0%</b>	<b>16.594</b>	<b>2.766</b>	<b>100.0%</b>	<b>32.721</b>	<b>5.454</b>
4	431	Skills and animation	17.5%	0.144	0.024	17.5%	1.774	0.296	17.5%	1.918	0.320
4	41	Projects	80.0%	0.656	0.109	80.0%	8.111	1.352	80.0%	8.768	1.461
4	421	Co-operation	2.5%	0.021	0.003	2.5%	0.253	0.042	2.5%	0.274	0.046
4	0		-	-	-		-	-	0.0%	-	-
4	-	<b>Total</b>	<b>100.0%</b>	<b>0.820</b>	<b>0.137</b>	<b>100.0%</b>	<b>10.139</b>	<b>1.690</b>	<b>100.0%</b>	<b>10.960</b>	<b>1.827</b>
-	-	<b>Total</b>	-	<b>24.33</b>	-	-	<b>23.36</b>	-	-	<b>47.69</b>	<b>7.95</b>

## NORTH EAST IMPLEMENTATION PLAN: DEMARCATION BETWEEN EUROPEAN FUNDS

<u>Axis 1</u>	<u>EAFRD</u>	<u>ERDF</u>
<u>Cooperation for the development of new products, processes and technologies in the agriculture, food and forestry sectors</u>	<u>Support collaboration and new product development costs from land based SMEs (principally farming, food, forestry) bringing together primary producers, processors and other third parties. Limit max level of investment.</u>	<u>ERDF support for innovation and exploitation of the science base will focus upon SMEs in key sectors:</u> <ul style="list-style-type: none"> <li>• <u>Energy and the environment</u></li> <li>• <u>Process industries</u></li> <li>• <u>Healthcare and health sciences</u></li> </ul>
<u>Axis 3 Quality of life in rural areas and diversification of the rural economy</u>	<u>EAFRD</u>	<u>ERDF</u>
<u>Diversification into non-agricultural activities</u>	<u>Support for farm household members only setting up high impact, high quality added value (non-agric) enterprises providing local employment</u>	<u>Beneficiaries under this measure to be excluded from ERDF support.</u>
<u>Support for business creation and development</u>	<u>Support the creation and development of (non-farm/forest) micro-enterprises and sole traders, including, enterprise animation, business support and incubator activities to be targeted at specific sectors within this</u>	<u>ERDF will support generic SME business support in urban and rural areas. Enterprise development in disadvantaged rural areas will focus upon SMEs in non-Leader areas.</u>

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	<u>measure (e.g. food, bio-energy, rural knowledge based business)</u>	
<u>Encouragement of tourism activities</u>	<u>Support for small scale infrastructure and services related to rural and farm-based tourism / hospitality. Activity supported will reflect regional tourism strategy and priorities.</u>	<u>ERDF will focus upon tailored business support and access to finance for SMEs in the regional tourism and hospitality sector. It will exclude businesses which specialise in farm-based tourism and hospitality activities.</u>
<u>Basic Services for the economy and rural population</u>	<u>In rural areas only. Support for village or groups of villages and related small-scale infrastructure. Activities will include social enterprise, culture and leisure and innovative service delivery.</u>	<u>ERDF revenue for community awareness and engagement actions will relate to science and innovation and be directly linked to the Innovation Connectors identified in ERDF OP Priority 1, and in respect of enterprise activities in P2, support will be provided for the development of social enterprise in disadvantaged areas, in particular in non-Leader areas.</u>
<u>Training and information for economic measure for economic actors operating in the fields covered by Axis 3.</u>	<u>Training support for economic actors (including farmers who are diversifying) in rural areas covering activities such as ICT skills, traditional rural skills for young people and management training.</u>	<u>ERDF will focus Article 34 (ESF type) activity upon targeted provision of higher level skills training and knowledge transfer activity in SMEs related to Innovation Connectors under priority 1 and resource efficiency / waste minimisation /</u>

	<p><u>environmental management in SMEs in targeted sectors under priority 2 which is integral to the success of a wider ERDF project. Skills will not be supported unless embedded within a broader ERDF project.</u></p>
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During the 2007-2013 funding period, delivery of the rural development and ERDF funds in the North East will be closely aligned through the Regional Development Agency, One NorthEast and through the collaboration of regional partners in the development of the NEIP and NE Competitiveness OP. In the North East the day to day management of the ERDF Competitiveness Programme and Axis 1 and 3 of the European Agricultural Fund for Rural Development (EAFRD) will be delivered via One NorthEast. Each fund will be overseen by its own secretariat and both will operate under the Agency's Programme and Process Handling Framework which will bring added coherence.

Each Programme has been developed within the policy framework established by the agreed North East Regional Economic Strategy. This will bring increased complementarity, ensuring a greater contribution by both instruments to shared regional objectives. The teams developing the two programmes have worked together to ensure synergy and reduce the risk of duplication between the two funds. Similar coordination methods will operate during the delivery of the programme in order to avoid double funding. Further collaboration in terms of sharing of information and activity will occur at the level of ERDF and RDPE Management Committees, e.g. a representative of the RDPE Secretariat will be invited to attend the ERDF PMC and similarly, a representative from ERDF secretariat will attend RDPE Programme Group.

To further ensure that duplicate funding between ERDF and RDPE funding is avoided systems will be established that will require close collaboration between RDA rural and European teams, programme managers and project developers at project initiation, pipeline and implementation stages. Should any duplication occur remedial action, including the notification of an irregularity, will be taken.

The RDPE programme under Axis 1 is restricted in its scope to fund largely land based industries, principally,

farming and forestry, which are outside the scope of the North East ERDF OP. However, as part of the region's ongoing commitment to modulation and the importance of the LEADER based approach to development Axis 3 will support more broadly based socio-economic development in rural areas. The table above describes the demarcation and respective focus of EAFRD against ERDF as agreed between regional partners. The parameters set out above will be managed on a day to day basis by the Agency's European and Rural Secretariats.

### **DEMARCATIION AT NATIONAL LEVEL**

#### **Axis 1: Improving the competitiveness of the agricultural and forestry sectors**

RDR Measure	EAFRD	ERDF	ESF	EFF
<b>111: Vocational training and information actions including the diffusion of scientific and innovative practices, for persons engaged in the agricultural, food and forestry sectors.</b>	<b>Targeted provision of training and knowledge transfer activity, aimed at the farming, food and forestry sectors.</b>	<b>Training and advice aimed at improving skills that are relevant to all businesses, which are integral to the success of a wider project</b>	<b>Excludes agricultural food and forestry sectors.</b>	<b>N/A</b>
<b>114: Use of advisory services by farmers and forest holders</b>	<b>Providing advice for forest holders and farmers in order to improve the sustainable management of woodlands.</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>115: Setting up of farm management, farm relief and farm advisory services.</b>	<b>Support available to farmers and forest holders.</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>121: Farm modernisation</b>	<b>Support to modernise agricultural production.</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

RDR Measure	EAFRD	ERDF	ESF	EFF
<b>122: Improvement of the economic value of forests</b>	<b>Support for woodland based enterprises, to improve the economic value of the forest.</b>	<b>Support for improving regional economic performance. The precise lines of demarcation will be set out in the Region's Operational Plan, as approved by the EU Commission.</b>	<b>N/A</b>	<b>N/A</b>
<b>123: Adding value to agricultural and forestry products.</b>	<b>Support for investments to improve economic performance through processing and marketing and the development of new products, processes and technologies, in relation to primary agricultural and forestry products. Support restricted to microenterprises for forestry, and to micro and SME enterprises for agriculture.</b>	<b>Support for improving economic performance in the agricultural, forestry and food sectors, through investments throughout the supply chain to all sizes of business. The precise lines of demarcation will be set out in the Region's Operational Plan, as approved by the EU Commission.</b>	<b>N/A</b>	<b>Support for fishery products only</b>
<b>124: Cooperation for development of new products, processes and technologies in the agriculture and food sector and the forestry sector.</b>	<b>Support limited to agri-food products and agricultural and forestry non-food products for renewable energy.</b>	<b>Support for improving regional economic performance. The precise lines of demarcation will be set out in the Region's Operational Plan, as approved by the EU Commission.</b>	<b>N/A</b>	<b>Restricted to fishery products.</b>
<b>125: Improving and developing</b>	<b>Restricted to agriculture and</b>	<b>No support to be provided</b>	<b>N/A</b>	<b>N/A</b>

infrastructure related to the development and adaptation of agriculture and forestry.	forestry, and to access to farm and forest land and to water management on agricultural and forestry holdings.	for infrastructure in the forestry sector.		
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**Axis 3: The quality of life in rural areas and diversification of the rural economy**

RDR measure	EAFRD	ERDF	ESF	EFF
<b>311: Diversification into non-agricultural activities.</b>	<b>Support for members of farm households for diversification in support of farm business restructuring, through developing activities that provide alternative income sources. (For example, capital investment for storage facilities for renewable energy supplies).</b>	<b>Support for sustainable business development across all areas not specific to farm diversification, e.g. promoting and developing sustainable business practices and transferable technology to reduce carbon emissions, stimulating innovation, but excluding diversification towards fishing and aquaculture. The precise lines of demarcation will be set out in the Region's Operational Plan, as approved by the EU Commission.</b>	<b>N/A</b>	<b>N/A</b>
<b>312: Support for creation and development of micro-businesses.</b>	<b>Support for micro businesses in rural areas.</b>	<b>Support available in all areas. Support for creation and development of businesses under the ERDF will usually be targeted at SMEs and larger enterprises, but given the importance of micro-enterprises in in England (approximately 91% of the total number of firms in rural areas) it is important that we don't inadvertently exclude</b>	<b>N/A</b>	<b>N/A</b>

		<b>businesses from ERDF support. The precise lines of demarcation will be set out in the Region's Operational Plan, as approved by the EU Commission.</b>		
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RDR measure	EAFRD	ERDF	ESF	EFF
<b>313: Encouragement of tourism activities</b>	<b>Support for small-scale infrastructure and tourism services related to rural tourism. Development of tourism facilities arising from farm diversification.</b>	<b>Support for tourism infrastructure - particularly small scale - that contributes directly to economic growth. The precise lines of demarcation will be set out in the Region's Operational Plan, as approved by the EU Commission.</b>	<b>N/A</b>	<b>Small-scale local tourism focussing on the fisheries heritage.</b>
<b>321: Basic services for the economy and rural population.</b>	<b>Support for small scale, local development of basic services where other sources of funding are not available.</b>	<b>Support for tackling social and economic exclusion and overcoming barriers to work. The precise lines of demarcation will be set out in the Region's Operational Plan, as approved by the EU Commission.</b>	<b>N/A</b>	<b>Tackling social exclusion and promoting long term prosperity in communities traditionally dependant on the fishing industry, where this cannot be provided elsewhere</b>
<b>322: Village renewal and development.</b>	<b>Support for small scale activities in single villages</b>	<b>Support for operations covering more than one location or ensuring the link between them. The precise lines of demarcation will be set out in the Region's Operational Plan, as approved by the EU Commission.</b>	<b>N/A</b>	<b>N/A</b>

RDR measure	EAFRD	ERDF	ESF	EFF
<b>323: Conservation and upgrading of the rural heritage.</b>	<b>Support for maintenance, restoration and interpretation (e.g. information signs) of rural cultural and heritage features.</b>	<b>Promotion and marketing of regional assets, possibly including natural and cultural heritage assets. Will not support conservation and upgrading activities.</b>	<b>N/A</b>	<b>N/A</b>
<b>331: Training and information for economic actors operating in the fields covered by Axis 3.</b>	<b>Targeted provision of training and knowledge transfer activity, aimed at delivering the objectives for the EAFRD.</b>	<b>Targeted provision of training and knowledge transfer activity, which is integral to the success of a wider project aimed at delivering the objectives for the ERDF. The precise lines of demarcation will be set out in the Region's Operational Plan, as approved by the EU Commission.</b>	<b>Excludes economic actors covered by EAFRD</b>	<b>Restricted to fisheries and their diversification.</b>

## PRIORITY THEMES, OBJECTIVES AND MEASURES

PRIORITY THEME	OBJECTIVES	MEASURES
<p><b>Micro-enterprise development</b> - encouraging entrepreneurial activity in rural North East both within and outside of traditional land based industries.</p>	<ul style="list-style-type: none"> <li>▪ Increasing business start ups.</li> <li>▪ Strengthening existing businesses.</li> <li>▪ Improving the sustainability of rural businesses.</li> <li>▪ Creating markets for rural business products and services.</li> </ul>	<p>Axis 1 – Vocational training.            Axis 1 – Improving economic value of forests.            Axis 1 – Adding value to agric &amp; forestry products.            Axis 1 – Cooperation &amp; development of new products.            Axis 3 – Diversification into non-agricultural activities.            Axis 3 – Micro-enterprise support.            Axis 3 – Encouragement of tourism.            Axis 3 – Basic services.            Axis 3 - Training &amp; information.</p>
<p><b>Natural &amp; Cultural Assets</b> - to conserve, manage and enhance the Natural and Built Historic Environment of our countryside to the benefit of local communities/ businesses and visitors now and into the future.</p>	<ul style="list-style-type: none"> <li>▪ Supporting land management regimes which balance production with the needs of the landscape, habitat, heritage, biodiversity and geodiversity through maintaining, restoring and enhancing these assets;</li> <li>▪ Opening up access and creating recreation opportunities in new areas of the landscape and enhancing existing access provision; and</li> <li>▪ Natural and heritage resource protection through reducing environmental impact.</li> </ul>	<p>Axis 1 – Vocational training.            Axis 1 – Improving economic value of forests.            Axis 1 – Adding value to agric &amp; forestry products.            Axis 1 – Cooperation &amp; development of new products.            Axis 1 – Improve &amp; develop infrastructure.            Axis 2 – Agri-Environment payments.            Axis 2 – All North East forestry measures.            Axis 3 – Diversification into non-agricultural activities.</p>

		<p>Axis 3 – Micro-enterprise support.  Axis 3 – Encouragement of tourism.  Axis 3 – Basic services.  Axis 3 - Training &amp; information.</p>
<p><b>Bioenergy</b> - to increase the production and use of biomass and biofuels in the North East region.</p>	<ul style="list-style-type: none"> <li>▪ Developing the commercial user market for biofuels;</li> <li>▪ Developing the market for biomass products;</li> <li>▪ Developing the biomass supply chain infrastructure; and</li> <li>▪ Contributing to a reduction in climate change.</li> </ul>	<p>Axis 1 – Vocational training.  Axis 1 – Improving economic value of forests.  Axis 1 – Adding value to agric &amp; forestry products.  Axis 1 – Cooperation &amp; development of new products.  Axis 1 – Improve &amp; develop infrastructure.  Axis 2 – Afforestation measures.  Axis 3 – Diversification into non-agricultural activities.  Axis 3 – Micro-enterprise support.  Axis 3 – Encouragement of tourism.  Axis 3 – Basic services.  Axis 3 - Training &amp; information.</p>
<p><b>Sustainable Communities</b> - supporting rural communities in tackling social disadvantage through creating the conditions for growth to sustain viable communities.</p>	<ul style="list-style-type: none"> <li>▪ Creating the conditions for innovative rural service design;</li> <li>▪ Strengthening rural communities through promoting social cohesion and community engagement;</li> <li>▪ Improving quality of life and equity in rural areas;</li> <li>▪ Using environmental, cultural and historic heritage assets to enhance quality of life and economic opportunity for rural communities.</li> </ul>	<p>Axis 2 – Agri-Environment payments.  Axis 3 – Basic services.  Axis 3 - Training &amp; information.</p>

<p><b>Sustainable Farming &amp; Forestry</b> - to support the development of farming and forestry supply chain businesses in order to create a more effective farming and forestry sector.</p>	<ul style="list-style-type: none"> <li>▪ Increasing the competitiveness of farming and forestry industries through responsiveness to market signals and shifts in demand;</li> <li>▪ Creating a farming sector focused on the market, successfully producing food and non food crops in a more efficient way;</li> <li>▪ Greater collaboration and co-operation within supply chains;</li> <li>▪ Farm businesses accessing new markets and producing new added value products such as renewable energy products, non-food crops and high value food products;</li> <li>▪ Woodland managers and forestry supply chain businesses accessing new markets and developing business opportunities associated with woodland and quality forest products;</li> <li>▪ Environmental performance and resource protection are integral to a competitive farming sector.</li> </ul>	<p>Axis 1 – Vocational training.  Axis 1 – Use of advisory services.  Axis 1 – Improving economic value of forests.  Axis 1 – Adding value to agric &amp; forestry products.  Axis 1 – Cooperation &amp; development of new products.  Axis 1 – Improve &amp; develop infrastructure.  Axis 2 – Agri-Environment payments.  Axis 2 – Afforestation measures.  Axis 3 – Diversification into non-agricultural activities.  Axis 3 – Micro-enterprise support.  Axis 3 – Basic services.  Axis 3 - Training &amp; information.</p>
<p><b>Tourism &amp; Recreation</b> - to support tourism and recreation as a driver for sustainable economic development in the North East.</p>	<ul style="list-style-type: none"> <li>▪ Promoting tourism and recreation as an opportunity for business start up and diversification;</li> <li>▪ Enhancing the contribution of rural areas to the tourism offer of the North East;</li> <li>▪ Improving the quality of the rural tourism offer in the North East; and</li> <li>▪ Exploring innovative ways of using rural natural, cultural, geological and historic assets in a sustainable way.</li> </ul>	<p>Axis 2 – Agri-Environment payments.  Axis 3 – Diversification into non-agricultural activities.  Axis 3 – Micro-enterprise support.  Axis 3 – Encouragement of tourism.  Axis 3 – Basic services.  Axis 3 - Training &amp; information.</p>

## **Annex G - North East Regional Strategies**

<b>Strategy</b>	<b>Sponsor</b>
Regional Economic Strategy	ONE NorthEast
Regional Cultural Strategy	Culture North East
Regional Housing Strategy	North East Housing Board
Regional Sport Strategy	Sport England
Regional Transport Strategy	North East Assembly
Regional Skills Strategy	ONE NorthEast
Regional Spatial Strategy	North East Assembly
Integrated Regional Framework	Sustaine
Northern Informatics <i>"Avoiding Exclusion: The Challenge of Shaping the Information Society in the Rural North"</i>	Northern Informatics
<i>"Energy for a New Century – An Energy Strategy for the North East of England"</i>	Northern Energy Initiative
Regional Water Resource Strategy	Environment Agency

Regional Forestry Strategy	The Forestry Commission
North East Strategy for the Environment	North East Environment Forum
Regional Tourism Strategy	ONE NorthEast
Heritage Counts: The State of the North East's Historic Environment	English Heritage
Economic, Social and Cultural Impact of Heritage in the North East	North East Historic Environment Forum
Biodiversity Action Plan	Defra
National Strategy for Sustainable Farming & Food	Defra
Regional Image Strategy	ONE NorthEast