

THE HIGHLAND COUNCIL

PLANNING, ENVIRONMENT AND DEVELOPMENT COMMITTEE

15 May 2013

Highland LEADER Programme

Report by Director of Planning and Development

Agenda Item	9
Report No	PED 34/13

SUMMARY

This paper provides an update on the Highland LEADER 2007-13 Programme, highlights progress to date, audit issues encountered, and offers a brief comment on a future LEADER Programme.

The current and any future LEADER Programme is central to supporting the Council's commitment to empower communities and to support associated community, business and infrastructural developments.

1. Background

- 1.1 LEADER is part of the Scottish Rural Development Programme (SRDP), aimed at promoting economic and community development within rural areas. It is a bottom up method of delivering support for rural development aimed primarily at small and medium sized community driven projects that are pilot and innovative in nature. All parts of the Highland area are included in the Programme with the exception of the Badenoch and Strathspey area which is included within the Cairngorm National Park LEADER Programme and the City of Inverness.
- 1.2 The Highland LEADER Programme has a total allocation of £16.5m of Convergence and LEADER funds for both projects and administration. Scottish Government guidance (2012) required the majority of this funding to be committed by March 2012 and spent by December 2013. Subsequent guidance has revised this deadline for the Convergence element of funding which now has to be committed by December 2013 and spent no later than December 2015.

2. Progress and Achievements to date

- 2.1 To date 368 projects have been approved, 357 under Action 1 (projects within the Highland LEADER area), 11 under Action 2 (7 inter-territorial projects and 4 trans-national projects) and 218 projects are complete. As a key objective of the Programme was to bring decision making as local as possible, it is worth noting that the 11 Local Area Partnerships were responsible for approving 289 projects or 79% of all projects supported under the Programme.
- 2.2 The Highland LEADER Programme was fully committed (£16.5m) in April 2012. Programme spend is positive with claim processing averaging £1m per quarter. The Programme has paid out £8.97m (54%) of its budget.

- 2.3 As some approved projects have not yet proceeded and others are underspending, the Programme has a growing underspend – currently some £1m (approx. £400k for projects yet to proceed and £600k due to projects underspend/claim). Work is ongoing however, to identify opportunities to utilise some of the underspend on adding value to existing approved projects (i.e. implementation of feasibility studies) and as the timeframe for final spend for Convergence funding has recently been extended to December 2015, consideration will be given to the practicality of targeting Programme underspend to new projects that have 50% public match funding. A key consideration when doing so however, is the increasing audit challenge and workload on the existing LEADER Programme team and ensuring that the Council, as lead partner, is able to pull down 100% of all grant claimed from the Scottish Government.
- 2.4 The Highland Council's Loan Finance scheme (£500k of Council balances) set up to support LEADER applicants cash flow their projects has been hugely successful and to date has provided support to 82 LEADER applicants with loans in excess of £2.5m being issued.
- 2.5 A summary report 'Revitalising Communities in the Highlands' to communicate the success of the Highland LEADER Programme has been produced. This highlights the wide range of projects supported and was launched at full Council on Europe Day, 9th May 2013.

3. Audit and Bureaucracy

- 3.1 Members who are aware of the Programme will no doubt know that its delivery is not without its challenges particularly those relating to the level of audit and bureaucracy placed on the Programme itself and on applicants claiming funds.
- 3.2 The LEADER Programme is subject to a high level of scrutiny. Annually it is audited by the Council's own Internal Audit which in turn reports to the Audit and Scrutiny Committee and the Scottish Government. Actions arising from this Internal Audit are in turn reported to the PED Committee. For Members' information the 2011 Internal Audit report concluded that, "*the programme does have appropriate controls in place and that the Highland LEADER Programme is resolving issues highlighted by the Scottish Government.*" However, the most recent 2012/13 report prepared by Internal Audit and reported to the Audit and Scrutiny Committee in March 2013 concluded that Limited Assurance could only be given because less reliance can now be placed on the Scottish Government's LEADER Technical Guidance. The Scottish Government has stated that this guidance should now only be used as an *aide memoire* to the EU Regulations. Members of the Audit and Scrutiny Committee agreed that representations should be made to the Scottish Government to highlight the Council's concerns regarding this downgrading of the Technical Guidance, the lack of a consistent interpretation of the Regulations and the resulting high level of risk which now rests with the Council as lead partner for Programme payments. Given further and more recent guidance received from the Scottish Government, these representations have not as yet been actioned until Internal Audit have considered and advised the P&D Service.
- 3.3 The Internal Audit report contains 7 recommendations (3 High, 3 Medium and 1 Low priority). The LEADER team is actively addressing all resulting actions with the aim to have all of them complete by end June 2013 except those that will be

ongoing and linked to work over 2013/14.

- 3.4 Of particular relevance and note, in February 2013, as part of a European Audit of the wider Scottish Rural Development Programme (SRDP), Audit Scotland concluded that the existing framework supporting the LEADER Programme across Scotland was not fit for purpose. They found that EC Regulations and SRDP had not been coherently translated into the LEADER Scottish Statutory Instrument and Technical Guidance. This is a major cause of the operational and other associated problems affecting all of the LEADER Programmes operating across Scotland.
- 3.5 Following on from this finding the Scottish Government has postponed payment of the 2012 Quarter 3 and Quarter 4 claims to all lead partners until such time as a full review of all live project cases is undertaken in respect of the Audit Scotland findings. The aim of the review is to limit further potential penalties to the Scottish Government by ensuring that claims are accurate and are made according to LEADER Regulations. Should the review identify any ineligible expenditure the Scottish Government has stated that it is not minded to withhold payment from LEADER lead partners where the award has been made in good faith and has set aside a fund to meet any ineligible expenditure identified. The LEADER team met with the Scottish Government on 29 April 2013 to discuss how best to take this forward.
- 3.6 In addition to the above during 2012/13 the LEADER Programme has been subject to a review of all public sector led LEADER applications, the findings of which are still to be concluded by the Scottish Government, but it would appear that the majority of projects will be deemed to be eligible.

4. A Future LEADER Programme

- 4.1 As reported at the September 2012 PED Committee all signs from Europe suggest that there will be another LEADER Programme for the period 2014-2020, as 'Community Led Local development' (CLLD) forms a key part of the new EU Regulations currently under negotiation. However the detail of how this will be rolled out, the scale of the programme, who will deliver the Programme and the geography it will cover, have all as yet to be determined. Discussions are ongoing and the Council's interests across all potential funds are being co-ordinated by the Europe team based within the Chief Executive's Service.
- 4.2 At the current time the Scottish Government is preparing a draft Expressions of Interest proposal for the next Programme. It is understood that this will invite the Council, its community planning partners and community interests to form a partnership that can begin preparing a local development strategy in their local area.

5. IMPLICATIONS

- 5.1 Resource:
The Highland LEADER Programme has fully committed its budget, although underspend has and will continue to come back into the programme budget over 2013. Efforts are on-going with applicants to ensure that as much of the committed funding as possible is claimed and options are being explored about how to re-allocate any remaining underspend.

5.2 Risk:

The P&D Service, together with Highland LEADER team will continue to work closely with Internal Audit and the Scottish Government to ensure the Programme is delivered in accordance with the governing European and Scottish Regulations and that there is no disallowance of grant. Given the high level of risk now incurred, this is the priority task associated with the LEADER Programme.

5.3 Equalities/Climate Change/Legal:

There are no equality, climate change or legal implications directly arising from this report. However, in its assessment of individual projects seeking funding the LEADER team consider economic, social and environmental sustainability. In addition each project is assessed for its impact on equal opportunities.

6. RECOMMENDATION

6.1 The Committee is recommended to:

- (i) Note the progress achieved and benefits secured with the delivery of the current Highland LEADER Programme.
- (ii) Note the audit issues, the high level of risk associated with claim eligibility and the priority assigned to the mitigating actions.
- (iii) Agree that efforts continue to ensure that Highland communities benefit from a new LEADER Programme in the period 2014-20

Designation: Director of Planning and Development

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