

The Highland Council

Planning, Development and Infrastructure Committee

14 May 2014

Highland LEADER Programme

Report by Director of Development and Infrastructure

Agenda Item	18
Report No	PDI 15/14

Summary

This paper provides an update on the Highland LEADER 2007-13 Programme, highlights progress to date, audit issues encountered, the 2013 Internal Audit grading, and offers a brief comment on a future LEADER Programme 2014-2020.

The LEADER Programme supports bottom-up community development and therefore is central to 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 were included in the Programme with the exception of the City of Inverness and the Badenoch and Strathspey area which was included within the Cairngorm National Park LEADER Programme.
- 1.2 The end date of the Programme was 31 March 2014, although work is ongoing within the team to process final claim payments and to ensure that all files are audit compliant in light of most recent guidance from Scottish Government.
- 1.3 Work is also beginning on the development of the Highland LEADER 2014-2020 Programme.

2. Progress and Achievements to date

- 2.1 During the 2007-13 LEADER Programme, 371 projects were approved and 366 projects are now complete. 5 projects with European Convergence funding are working to a later deadline and are all due to be complete by end August 2014. Of the 366 completed projects, 24 have final claims still to be processed. As a key objective of the Highland LEADER Programme was to make decision making as local as possible, it is worth noting that the 11 Local Area Partnerships were responsible for approving 295 projects or 79% of all

projects supported under the Programme.

- 2.2 The Highland LEADER Programme was fully committed (£16.5m) in April 2012 with reserve projects identified in case additional funds became available. Project underspend has been significant and therefore the resultant grant claims received have been much lower than the grant sum committed too. While reserve projects have progressed and a number of existing projects have secured additional funds for complementary activity, project commitment deadlines and audit requirements meant it was not possible to open up the Programme for new project applications to utilise all of the underspend. It is therefore anticipated that the final Programme spend, and therefore grant pull-down from the Scottish Government, will be around £15m. This, together with other match funding, represents a total investment across the Highlands of some £30m.
- 2.3 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 96 LEADER projects with loans in excess of £3m being issued. All loans are anticipated at this time to be fully repaid.
- 2.4 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 as Members will be aware, was launched at full Council on Europe Day, 9th May 2013.

3. Audit and Bureaucracy

- 3.1 Members will be aware from previous reports to Committee and from grant recipients on the ground that the delivery of the LEADER Programme has not been without its challenges particularly those relating to the level of audit and bureaucracy placed on the Programme itself and on applicants claiming funds. While inevitably this has caused difficulties for the LEADER team and grant recipients alike, on the whole all involved have worked together positively to ensure the projects proceed and deliver.
- 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. Allied to this, as part of its annual audit of the wider SRDP Programme on behalf of the European Commission, Audit Scotland also review Highland LEADER files and have also visited Highland projects to undertake site/project specific checks.
- 3.3 In its February 2013 Audit of the wider 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 was a major contributor to the operational and other associated problems which affected all of the LEADER Programmes across Scotland. As a result of this, the Scottish Government required all LEADER

Programmes to undertake an eligibility review based on the EU Regulation rather than the technical guidance. Payment of all claims to lead partners (including Highland Council) was postponed by the Scottish Government until this was completed. This eligibility review was completed by the LEADER team by 31 August 2013 and all outstanding funds have now been claimed from the Scottish Government. A wider file review exercise to ensure that the files are audit compliant in terms of the Regulation is currently ongoing and it is anticipated this will be completed by end September 2014. All of this work has been required to minimise the risk to the Council as Lead Partner of not being able to reclaim funds from the Scottish Government, and to applicants who could be subject to European Audit at any time for the next seven years.

- 3.4 In accordance with internal procedures, following consideration by the Audit and Scrutiny Committee, this Committee is required to consider the Internal Audit Report and ensure the required actions are being implemented.
- 3.5 The Internal Audit report for 2013 concluded that Reasonable Assurance could be given as *“the project files are still open to interpretation in their current state”*. This improved grading from the 2012 Internal Audit (which concluded that only Limited Assurance could be given), reflects the work that the team has undertaken to bring project files in line with the Regulation but also reflects the fact that this work is not yet complete. The 2013 Internal Audit report contains 5 recommendations, all of which are considered Medium priority. It is expected that all will have been addressed by end September 2014 as the actions required align with the wider file review exercise – see para. 3.3 above.

4. LEADER Programme 2014-2020

- 4.1 In August 2013 the Council submitted on behalf of the Highland Community Planning Partnership an expression of interest to manage a new LEADER Programme across Highland. The proposal put forward was that the Highland Programme would adopt a similar strategic and local area structure and cover the same geography (all Highland minus urban Inverness and that part of Badenoch and Strathspey which will be in the Cairngorms National Park LEADER Programme area).
- 4.2 This expression of interest was accepted by the Scottish Government and the Council/Highland LEADER LAG has now been asked to progress with the preparation of the Local Development Strategies (LDS) (one strategic and one each for each local area). It is currently anticipated that the LDS preparation will be an iterative process with the Scottish Government with final submission in October 2014 and approval secured by year end. A grant of £35k has been provided to assist in this process.
- 4.3 Effectively the existing Highland LEADER Local Area Group (LAG) and the eleven Local Area Partnerships have completed their job as regards the 2007-2013 Programme. Therefore there is a need to establish a ‘shadow’ group(s) to drive forward the production of the LDS. This group will need to reflect the same mix of interests (51% non-public) and also include fisheries interests. A meeting on 6th March of the previous LAG and LAP members (plus Ward

Managers) took place to apprise them of the situation and the plans and timetable proposed to develop the LDS.

- 4.4 Currently a tender process is underway to appoint consultants to undertake a series of area and subject specific reviews of the 2007-13 LEADER Programme. Consultation with local stakeholders will be integral to this work – not only to learn as to what worked/did not work in the last Programme but to understand and identify Highland wide and local priorities for the next Programme. Once this work is complete (early July) work will then commence on the draft LDS before a second phase of consultation is undertaken in late August/September. It is also anticipated that a draft Business Plan will be prepared and consulted on at this time. Currently guidance from the Scottish Government is awaited as to what all the Business Plan is to contain but essentially it will include arrangements on administration, financial management, decision making etc.
- 4.5 Member input to the new Programme will take place at a strategic and local level. Councillor David Alston (substitute Councillor George Farlow) will lead on the Council's input to the 'shadow' LAG and Members locally are encouraged to participate in the two consultation exercises planned. Nearer the time more detailed information on these consultation exercises will be provided directly to Members via their Ward Manager. Reports to this Committee and the relevant Area Committees will also be programmed in.
- 4.6 Everyone involved with the LEADER Programme is keenly awaiting information as to what exactly will be eligible for funding and the likely financial allocation. Eligibility will in part be defined during the consultation process and be reflective of local need but it will also be informed by European, Scottish Government and Single Outcome Agreement priorities and to what purpose the other European funds will be directed (details as yet to be agreed). It is anticipated that the financial allocation will be significantly lower – as the 2007-13 Highland LEADER Programme incorporated a Convergence Fund allocation of £7.4m. No such additional allocation is expected for this Programming period.

5. Implications

5.1 Resource/Risk

As detailed above in Section 2 the 2007-13 LEADER Programme is now closed and work is progressing to process the remaining claims and ensure that the files are audit compliant in terms of the Regulation. This remains a key priority for the LEADER administrative team and is required to minimise the risk to the Council as Lead Partner of not being able to reclaim funds from the Scottish Government, and to applicants who could be subject to European Audit at any time for the next seven years.

5.2 Legal; Equalities; Climate Change/Carbon Clever; and Gaelic

There is no legal, equality, climate change/carbon clever or Gaelic implications directly arising from this report. However, in its assessment of individual projects which sought LEADER funding, the LEADER team consider

economic, social and environmental sustainability. In addition each project is assessed for its impact on equal opportunities and Gaelic.

Recommendation

The Committee is recommended to:

- (i) Note the progress achieved and benefits secured with the delivery of the 2007-13 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) Note proposals for the preparation of the 2014-2020 Highland LEADER Programme

Designation: Director of Development and Infrastructure

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