

The Highland Council
Planning, Development and Infrastructure Committee

18 February 2015

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| Agenda Item | 23 |
| Report No | PDI 20/15 |

Highland LEADER Programme

Report by Director of Development and Infrastructure

Summary

This paper provides an update on the 2013 Internal Audit report on the Highland LEADER 2007-13 Programme and offers a brief comment on the emerging 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 The Highland LEADER Programme 2007-2013 was part of the Scottish Rural Development Programme (SRDP), aimed at promoting economic and community development within rural areas. The Council was responsible for the administration of the Programme in Highland. The 2013 Internal Audit is a requirement of the Service Level Agreement (SLA) between the Scottish Government Rural Payments and Inspections Directorate (SGRPID) and the Council. It was the sixth required audit in accordance with EC Regulation 885/2006 and covers the period 16 October 2013 to 15 October 2014.

1.2 The objectives of the review were to ensure that:

- the obligations in the Service Level Agreement have been adhered to;
- Highland LEADER project files are complete and contain the necessary detail required by the Scottish Government confirmation certificate; and
- the agreed actions arising from the previous audit report have been satisfactorily implemented by Management.

2. 2013 Internal Audit

2.1 The 2013 Internal Audit covered the necessary audit work to complete the Scottish Government's confirmation certificate and also reviewed the file review checklist process. While minor gaps in this review process were identified, substantial assurance was given as the review process which followed arose from previous project file completeness concerns raised by Internal Audit, the Scottish Government, and Audit Scotland. Accordingly all three review objectives were substantially achieved.

2.2 There were two recommendations in the report, one was classified medium, and the other low grade. Both are due to be fully completed by 31st March 2015. See **Appendix 1**.

2.3 In addition, in response to a specific request from the LEADER team, advice from the lessons learned during this Programme was provided separately by the Internal Audit team. This will now be taken forward into preparation for the next LEADER Programme.

3. Highland LEADER Programme 2014-2020

3.1 As reported to the May 2014 PDI Committee, work was progressing at that time with the preparation of the Local Development Strategy (LDS), and the Business Plan for the new Highland LEADER Programme 2014-2020. The LDS and Business Plan were submitted to the Scottish Government in early October following approval by the Shadow Local Advisory Group (LAG), and Highland Community Planning Partnership.

3.2 The vision agreed for the new Programme is twofold:

- stronger communities leading to improved quality of life for those who live in them; and
- growth and diversification of the local economy.

In support of the achievement of this vision, four Themes have been identified and ranked in importance:

1. Stronger and more resilient communities
2. A growing and diversified economy that promotes sustainability
3. Increased and sustained local services and activities
4. Enhanced cultural, natural and heritage assets

Allied to this, five cross-cutting themes have also been identified:

- fairer Highland – advancing equality;
- innovation;
- sustainability/legacy;
- Carbon Clever; and
- skills development.

3.3 In order that the Highland LEADER Programme is outcome focused and the projects it supports are directly linked to the Local Development Strategy, 10 Outcomes have been developed with clearly defined eligible activities identified:

- improved access for residents and visitors to cultural and natural assets;
- improved management/conservation/sustainability of cultural and natural assets;
- people have better access to local services and activities;
- increased community ownership/control of assets and services/activities;
- improvements in the visitor experience;
- increased income from local produce through adding value;

- increased employment through small enterprises;
- volunteers are better supported;
- increased partnership working between community groups (within and across areas); and
- improved measuring of the benefits/impacts of projects.

3.4 The LDS and business plan were then subjected to internal Scottish Government, and external scrutiny panels, and feedback given in early December. In summary, the panels positively commented on the LDS and Business Plan (with a number of clarifications requested), but made one key observation regarding the strategic and local decision making structure. The Panel was concerned that in the Inner Moray Firth area there were too many Local Area Partnership's (LAP's) covering too small local geographies, thereby making it difficult to deliver the LDS across Highland.

3.5 The Shadow LEADER LAG considered this matter on 28 January 2015, and a revised proposal has been resubmitted to the Scottish Government/External Panel, seeking feedback on a proposed Inner Moray Firth North LAP (covered Black Isle, Dingwall and Seaforth, Cromarty Firth and Tain and Easter Ross) and Inner Moray Firth South LAP (covering Rural Inverness and Nairn). A verbal update will be given to Committee.

4. Implications

4.1 Resource/Risk

The closure of the 2007-13 LEADER Programme, and efforts to ensure that the files are audit compliant in terms of the Regulation, has been a key priority for the LEADER administrative team. Not only does this minimise the risk to the Council as Lead Partner of not being able to reclaim funds from the Scottish Government, but also protects applicants who could be subject to European Audit at any time for the next seven years. The Substantial Assurance received from the 2013 Internal Audit report, and parallel positive Scottish Government and Audit Scotland audits, demonstrate that the audit challenges presented by the Programme have been successfully addressed, and that the Council is well placed to identify and manage the challenges which may arise with the new 2014-2020 LEADER Programme.

4.2 Legal, Equalities, Climate Change/Carbon Clever, and Gaelic

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

4.3 Rural

The LEADER Programme is 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 pilots, 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. The same area is included in the proposed 2014-2020 Highland LEADER Programme.

Recommendation

The Members are asked to:

- note the findings of the 2013 Internal Audit report into the Highland LEADER Programme 2007-13; and
- note progress with preparation for the 2014-2020 Highland LEADER Programme.

Designation: Director of Development and Infrastructure

Date: 2 February 2015

Author: Andy McCann, Economy and Regeneration Manager

APPENDIX 1

2013 INTERNAL AUDIT ACTION PLAN

The Action Plan contains **2** recommendations as follows:

| Description | Priority | Number |
|--|----------|----------|
| Major issues that managers need to address as a matter of urgency. | High | 0 |
| Important issues that managers should address and will benefit the Council if implemented. | Medium | 1 |
| Minor issues that are not critical but managers should address. | Low | 1 |
| Total recommendations | | 2 |

| REPORT REF. | GRADE | FINDING | RECOMMENDATION | MANAGEMENT AGREED ACTION | IMPLEMENTATION | |
|-------------|-------|---|---|---|---|-------------|
| | | | | | RESPONSIBLE OFFICER | TARGET DATE |
| 3.2 | Low | (1) A number of change request forms are required for the following projects to explain end date changes: <ul style="list-style-type: none"> • Project 382 (Provision of Marina Equipment); • Project 450 (War Memorial Hall Upgrade Phase 1); • Project 421 (Renovate to Access Project). | (1) Change Request Forms should be added to the project files as necessary. | Change Request Forms should be added to the project files as necessary. | Development Officers (JW, MC) | 31/03/15 |
| | | (2) For project 382 (Provision of Marina Equipment) changes in budget headings were not resolved until the final claim. | (2) The issue should be raised with the Scottish Government to ensure the delay has not created an error and/or a compliance or financial irregularity. | To raise with the Scottish Government to ensure the delay has not created an error and/or a compliance or financial irregularity. | Acting Programme Manager (LEADER Programme) | 30/01/14 |
| | | (3) The declaration on the project file for project 382 (Provision of Marina Equipment), stating that the project was not a statutory obligation of the Council was signed by the application form | (3) The Director/Head of Service should be asked to provide additional assurance that the project outcomes were not a statutory obligation, which should be held on the project | Letter to be sought from Director/Head of Service. | Development Officer (JW) | 31/03/15 |

| REPORT REF. | GRADE | FINDING | RECOMMENDATION | MANAGEMENT AGREED ACTION | IMPLEMENTATION | |
|-----------------|-------|--|---|--|--------------------------|-------------|
| | | | | | RESPONSIBLE OFFICER | TARGET DATE |
| | | signatory rather than an independent officer. | file. | | | |
| REPORT REF. | GRADE | FINDING | RECOMMENDATION | MANAGEMENT AGREED ACTION | IMPLEMENTATION | |
| | | | | | RESPONSIBLE OFFICER | TARGET DATE |
| 3.2 (cont'd) | | (4) There was no detailed breakdown of £24,000 expenditure for sports coaches in the project file (289). | (4) A file note detailing the activities coaches' expenditure should be included in the Value for Money note on file. | VFM template to be added as part of ongoing file review. | Development Officer (MC) | 31/03/15 |
| | | (5) There was no business plan on file for project 289 (Nairn Active), however the additional information provided during the audit regarding why the business plan was not requested should be added to the file. | (5) A file note should be added to the project file. | File note to be added as part of ongoing file review. | Development Officer (MC) | 31/03/15 |
| | | (6) This finding highlighted that a sample of file reviews carried out by Development Officers should be independently reviewed in order to provide consistency and feedback. | (6) The Acting Programme Manager (LEADER Programme) should review a sample of File Review Checklists carried out by Development Officers. | Quality Assurance sampling process to be taken forward, written up, held on file and followed. | Acting Programme Manager | 28/02/15 |
| | | (7) The File Review Checklist had correctly determined that additionality for project 289 (Nairn Active) had not been evidenced. However, there was subsequent o resolution. | (7) A file note should be added to the project file (289) confirming additionality. | File note to be added as part of ongoing file review. | Development Officer (MC) | 31/03/15 |

| REPORT REF. | GRADE | FINDING | RECOMMENDATION | MANAGEMENT AGREED ACTION | IMPLEMENTATION | |
|-----------------|--------|--|---|---|---|--|
| | | | | | RESPONSIBLE OFFICER | TARGET DATE |
| 3.2 (cont'd) | | (8) Further information, provided during the audit, should be added to the file to better explain the match funding of project 450 (War Memorial Hall Upgrade Phase 1). | (8) The information provided during the audit should be added to the project file. | File note to be added. | Development Officer (MC) | 31/03/2015 |
| 3.3 | Medium | 3 recommendations remain outstanding from the 2012/13 report: (1) All actual and suspected irregularities have not been fully reported as required by the SLA and the Technical Guidance. (2) Signed case-summary sheets have not been added to the project files as this is part of the file review programme. (3) Information from emails has not been collated to clarify changes in costs and provide the necessary audit trail. (4) Full compliance of the required information systems security standard required by EU Regulations has not yet been achieved. | (1) While the current programme is close to ending, staff should be reminded of the SLA irregularities requirements and this should be considered in the planning of the next audit. (2) The signed case summary sheets should be added to the project files by the end of the current programme. (3) The Acting Leader Programme Manager should collate the emails to provide the necessary audit trail. (4) The Economy & Regeneration Manager should continue to request progress on ISO 27001 and ISO 27002 with the Head of Digital Transformation. | Staff to be reminded of requirements around reporting. Signed case summary sheets added to all files. File note to be added to ensure audit trail completeness. Progress to be requested on ISO 27001 and ISO 27002 with the Head of Digital Transformation. | Acting Programme Manager Development Officers (MC,LW,JW) Acting Programme Manager Economy & Regeneration Manager | 30/11/14 31/03/15 30/11/14 31/03/15 |