

THE HIGHLAND COUNCIL

PLANNING, ENVIRONMENT AND DEVELOPMENT COMMITTEE 18 January 2012

Agenda Item	16
Report No	PED 14/12

HIGHLAND LEADER PROGRAMME 2007-13

Report by Director of Planning and Development

SUMMARY

This report updates Members on progress with the delivery of the Highland LEADER Programme including actions arising from the Highland LEADER Internal Audit Report (November 2011) and the findings of a recent Monitoring Visit from the Scottish Government.

The Highland LEADER Programme supports the Council's Single Outcome Agreement commitment to supporting Highland communities take a greater role in shaping their future.

1. Background

- 1.1 The Highland LEADER Programme is part of the Scottish Rural Development Programme (SRDP), aimed at promoting economic and community development within rural areas. The Highland LEADER Programme has a total value of £16,517,428.
- 1.2 The Highland Council is the lead partner for the programme and has a Service Level Agreement (SLA) with the Scottish Government. The SLA requires the lead partner to undertake an annual audit of the programme, which is carried out by Internal Audit, to ensure it is meeting the obligations of the SLA, that projects funded by the Highland LEADER Programme comply with Scottish Government and Highland Council procedures and that all grant claim expenditure had been incurred in terms of the conditions of the grant.
- 1.3 In November 2011 the Highland Council Internal Audit team undertook an audit of the LEADER Programme as part of the 2011/12 Tactical Plan and assessed the administration of the Highland LEADER Programme.
- 1.4 In August 2011 the Scottish Government undertook a Monitoring Visit to check 5% of the total Highland LEADER Programme expenditure and programme administration.

2. Progress

- 2.1 To date £13.2m of the Programme finances have been committed/approved with 336 projects benefiting from LEADER funding. The eleven Local Area Partnerships (LAP's), who were afforded project decision-making powers and devolved budgets totalling £7m, have either fully committed their budgets or are on target to do so early in 2012. It is anticipated that full commitment will be achieved early in 2012.

- 2.2 Project spend is just under profile with £4.09m claimed to date, bringing a total spend of £10.7m to the Highland economy.
- 2.3 In line with the broad 'sustaining communities' objectives of the Programme, a wide range of projects have been funded. As the total number of completed projects is now 97 and rising, a communication programme will commence during early 2012 to promote the projects delivered and highlighting the beneficial value they have brought to their local and the Highland economy.

3. Delivery

- 3.1 As Members will be aware from the LEADER Report to the May 2011 PED Committee, delivery of the Highland LEADER Programme is challenging with a significant increase in the administration procedures and a different and more rigorous audit regime than was the case previously. While this has placed extra work on the LEADER team and applicants alike, it is fair to say that this is not however, a blockage to the successful delivery of the Programme.
- 3.2 The Internal Audit of the LEADER Programme was reported and considered at the Audit and Scrutiny Committee on 29th November 2011. The audit concluded that overall the Highland LEADER Programme had appropriate controls in place and the majority of the SLA and Council procedures were being complied with. However, the audit identified three areas of improvement. One was classified Medium and two as Low.
- 3.3 Appendix 1 details the areas of improvement and the actions arising which are either complete or underway.
- 3.4 The Scottish Government Monitoring Report, August 2011 acknowledged the Council's commitment to improve processes and recognised that the Highland LEADER Programme had put mitigating measures in place to address the issues identified in the February 2011 Monitoring Report. However, as the mitigating work was still ongoing and the Scottish Government had concerns over progress with a number of lead partner (Highland Council) projects, the red status given in February 2011 remains in place. For Members' information, all Council projects have now been followed up and submitted claims, with one project decommitted and invited to reapply given the need to amend the project scale and timescale for delivery.

4. Implications

- 4.1 Financial:
The Highland LEADER Programme is on track to achieve full commitment early in 2012. Current spend is progressing well and just under profile but needs to be increased and then sustained during 2012 and into 2013. The Programme must secure full commitment and increase/sustain spend to ensure it utilises its full Programme award.

As the administrative challenges with the Programme have increased, extra financial resources have been secured from the Highland LEADER Programme to meet this

demand. The Council is spending 11% on programme administration compared to the 20% which is allowable.

4.3 Risk Implications:

Programme administration must accord with Scottish Government/EU requirements. The risks identified in the Audit and Monitoring Visit reports if not addressed could potential expose the Highland Council to disallowance of LEADER grant. Actions are underway to address all issues identified.

4.4 Equalities:

All projects which seek Programme funding are assessed on an individual basis for equalities impacts and outcomes.

4.5 Climate Change: All projects which seek Programme funding are assessed on an individual basis for environmental impacts and outcomes.

4.6 Legal:

The Council as lead partner for the Highland LEADER Programme has a Service Level Agreement (SLA) in place with the Scottish Government. The SLA determines the requirements of the Scottish Government and the Highland Council as they relate to LEADER.

5. RECOMMENDATION

5.1 The Committee is recommended to:

- (i) Note progress with the delivery of the Highland LEADER Programme;
- (ii) Note the findings of the November 2011 Internal Audit Report and the August 2011 Scottish Government Monitoring Visit, the actions undertaken and the proposed actions to address outstanding issues.

Designation: Director of Planning and Development

Date: 20 December 2011

Authors: Andy McCann, 01463 702260, Nicole Wallace, 01463 702524

Appendix 1

Action Plan

The Action Plan contains 3 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	2
Minor issues that are not critical but managers should address.	Low	1
Total recommendations		3

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.1	Low	There was a number of missing date entries in the quarterly claim for quarter 4 (2010/11).	The Finance Service should be asked to check that the dates have been completed for each claim.	Leader Team to agree with the Principal Accountant that a check is put in place to ensure that all dates are present.	Leader Programme Administrator	31/12/11 (Underway)
		There was also an issue with a small number of mobile phone costs that had not appeared on the Leader Administrator's report, used when checking the quarterly return, but then appeared in a report produced for the audit.	This issue should be resolved to ensure there is not a problem with the reconciliation process carried out by the Leader team and Finance.	Leader Team to resolve with Finance.	Leader Programme Administrator	31/12/11 (Underway)
3.2.1	Medium	The document retention in the LAG procedures needs to state that documents will be held until 2020.	This issue needs to be resolved as stated.	Leader Team to update procedures.	Leader Programme Administrator	31/12/11 (Completed)
		LAPs are not being compelled to introduce scoring for assessing project applications, where as the Government is expecting it to be carried out.	This issue needs to be resolved with the Government.	Leader Team to confirm that the approach adopted is acceptable to the Scottish Government.	Leader Programme Manager / Strategic LAG Chair.	31/12/11 (Clarification sought 13/12/11)
		The process of obtaining a business reference number for all projects to prevent the project from receiving funding from more than one EU source needs to be included in the Highland LAG procedures.	The issue needs to be resolved as stated.	Leader Team to update procedures.	Leader Programme Administrator	31/12/11 (Completed)
		The reasonableness of cost section in the application form has not been completed as thoroughly as required by the Government.	Development officers should be reminded to ensure costs are available for each project, that the applicant has expressed	Leader Programme Manager to remind Development Officers and Clerical Officer of this	Leader Programme Manager	30/11/11 (Completed)

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
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		<p>The Highland LAG procedures do not include the necessary text, stated in the Government technical guidance, for permanent plaques.</p> <p>Section 86 of the Government technical guidance requires that representatives of the EU should be invited to attend Highland LAG events.</p>	<p>how they have worked out these costs, and record the source of information or person who has helped with this process. The project file examination should include a check of this section and agreement should be made with the Government regarding what should be done with any files found to need further information.</p> <p>The issue needs to be resolved as stated.</p> <p>This should be resolved with the Government.</p>	<p>more detailed guidance.</p> <p>Programme Manager to discuss specific project where information is not available with SG.</p> <p>Procedures to be updated.</p> <p>Leader Programme Manager to contact Scottish Government to clarify this statement.</p>	<p>Leader Programme Manager</p> <p>Leader Programme Administrator</p> <p>Leader Programme Manager</p>	<p>31/03/12 (Clarification sought 13/12/11)</p> <p>31/12/11 (Completed)</p> <p>31/12/11 (Clarification sought 13/12/11)</p>
3.3.2	Medium	<p>(1) Cheque payments are still being made to Leader projects.</p> <p>(2) Some outstanding project file issues found in the previous audit have not all been resolved.</p> <p>(3) Outstanding issues from the 2008/09 Leader Audit report were unresolved, including:</p> <ul style="list-style-type: none"> The procedures should be amended to incorporate the new staff in the authorisation of claims procedures. Clarification on the requirement of a register of interests has to be resolved and recorded in writing. The Data Sharing Protocol should be pursued with the Government to 	<p>(1) A report highlighting current payment methods for projects should be run to highlight projects being paid by cheque. Also, as part of the technical check, the Leader Programme Administrator should check if organisations are already being paid by the Council using cheque.</p> <p>(2) The clerical officer carrying out the file review check should ensure all these are resolved.</p> <p>(3) The recommendations should be actioned as stated.</p>	<p>Leader Programme Administrator to action report and set up new procedure for checking how payments are made to potential and existing applicants.</p> <p>Clerical officer to check any outstanding issues.</p> <p>Procedures will be updated regarding staff involved in claims and in kind rates will be corrected.</p> <p>Leader Programme Manager will follow-up letter previously sent to Scottish Government regarding Register of Interest and Data Sharing Protocol.</p>	<p>Leader Programme Administrator</p> <p>Clerical Officer/Leader Programme Manager</p> <p>Leader Programme Administrator</p> <p>Leader Programme Manager</p>	<p>31/03/12</p> <p>31/12/11 (Completed)</p> <p>31/12/11 (Completed)</p> <p>31/12/11 (Follow up to Scot. Govt. sent 13/12/11)</p>

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					RESPONSIBLE OFFICER	TARGET DATE
		<p>ensure that the SLA is adhered to.</p> <ul style="list-style-type: none"> The in-kind cost limit of 25% should be added to the new procedures. 		In Kind rates added to procedure manual		(Complete)