

**The Highland Council**  
**Planning, Development and Infrastructure Committee**  
**11 May 2016**

Agenda Item	17
Report No	PDI 34/16

**Highland LEADER Programme Update and Internal Audit Report**

**Report by Director of Development and Infrastructure**

**Summary**

This paper provides updates on the 2014/15 Internal Audit report on the Highland LEADER 2007-13 Programme and on the new 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 2014 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 seventh required audit in accordance with EC Regulation 885/2006 and covers the period 16 October 2014 to 15 October 2015.

1.2 The objectives of the review were to ensure that:

- (1) the obligations in the 2007-13 Leader Programme Service Level Agreement have been adhered to for outstanding project claims, verification checks, and any closure work carried out;
- (2) the Local Development Strategy has been correctly authorised and provides accurate guidance to assess project eligibility; and
- (3) the agreed actions arising from the previous audit report have been satisfactorily implemented by Management.

**2. 2014 Internal Audit**

2.1 The 2014 Internal Audit covered the necessary audit work to complete the Scottish Government's confirmation certificate and also reviewed the work undertaken to close the Programme. Consideration was also given to the process for developing the Local Development Strategy for the 2014-20 Programme and a check of the completed strategy against the EU Regulations it will be governed by. The opinion of Internal Audit was that substantial assurance could be given with the following points being noted under each review objective:

- (1) This objective was partially achieved. The 2007-13 LEADER Programme is

being administered accurately, with only some procedural issues with the new claims rules (brought in July 2015) to be resolved. The previous audit work undertaken provides assurance that the individual project files are accurate and complete.

- (2) This objective was fully achieved although it was noted that further guidance from the Scottish Government is required regarding eligibility issues for the 2014-20 Programme.
- (3) The agreed actions arising from the previous audit report have been satisfactorily implemented by Management and as such this objective was fully achieved.

- 2.2 There were two recommendations in the report, both classed as medium grade. Both of these have been completed; however, in both cases responses are required from elsewhere that may lead to further actions being set. The report was presented to the Audit & Scrutiny Committee on March 24 2016 and approved. See **Appendix 1**.

### **3. Highland LEADER Programme 2014-20**

- 3.1 In July 2015 the Highland LEADER Local Development Strategy for the 2014-2020 received formal approval from the Scottish Government. 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.

- 3.2 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

and five cross-cutting themes 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 Further to the approval of the Highland Local Development Strategy, the Scottish Government issued the Service Level Agreement (SLA) that exists between Highland Council as Accountable Body and the Scottish Ministers. After protracted discussions and the involvement of CoSLA, the Council conditionally signed the SLA on 7 January 2016.
- 3.5 Work has been ongoing in Highland to ensure that the structures are in place for delivery of the Programme. In line with the arrangements set out in the Business Plan, the Highland LEADER team have been working to establish 7 Local Area Partnerships across Highland with accompanying Local Area Action Plans that set out the priorities for each area. To date Partnerships have been established in 6 areas with their local plans approved by the strategic LAG, these are: Caithness, Sutherland, Wester Ross, Skye, Lochaber and Inner Moray Firth North. Work is ongoing to develop the plan and partnership for the Inner Moray Firth South area.
- 3.6 Before the Programme can successfully be launched two key pieces of work from the Scottish Government are still in development: the guidance for the Programme and the new IT system (LARCs). The Highland LEADER team have been active in assisting the Scottish Government prepare this guidance and IT system and based on a provisional timetable for these being formally made available, the Strategic LAG have agreed they will aim to launch the Programme at the end of April 2016, with the possibility of delaying this to May should there be any significant delays advised.
- 3.7 A matter that continues to be of concern to the Strategic LAG and to potential applicants in Highland, is retrospective payments on grant funding. In the 2007-13 Programme this was aided by the Council providing cashflow finance (£500k from Council balances) and a part-time officer in the Finance Service to assess requests and manage the loans and repayments. It is recognised that the Council is operating in a different financial climate during this Programme and that this may not be within the capacity of the Council to offer such funding and a part-time officer to manage such a scheme. Early discussions have taken place with the Finance Service and the Highland Strategic LAG as to whether a solution can be found. There is time for these discussions to continue during 2016 with the first need for the fund being estimated as around Autumn this year.

## **4. Implications**

### **4.1 Resource and Risk**

- 4.1.1 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 2014 Internal Audit report, and parallel positive Scottish Government and Audit Scotland audits, demonstrate that the audit challenges 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.

- 4.1.2 As detailed in paragraph 3.6, the Programme Guidance and the IT system are considered to be essential tools in ensuring that the Programme is correctly administered and that eligibility does not become the issue it did in the 2007-13 Programme. The Highland LEADER team has actively participated in working groups to best influence this activity and to mitigate against eligibility issues which would otherwise present an unacceptable financial risk to the Council as Accountable Body.
- 4.2 Legal, Equality, Climate Change/Carbon Clever, and Gaelic  
There are no legal, equality, climate change/carbon clever or Gaelic implications directly arising from this report.
- 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 2014 Internal Audit report into the Highland LEADER Programme 2007-13; and
- note progress with preparation for the 2014-20 Highland LEADER Programme.

Designation: Director of Development and Infrastructure

Date: 20 April 2016

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## 7. 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 Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	0
<b>Total recommendations</b>		<b>2</b>

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.1.1	Medium	The new interim claim rules (July 2015) require that those involved in compiling or authorising claims do not compile or authorise claims, which include their own salaries or expenses.  This does not accord with the previous process and the existing arrangements within the Council (which were in place for the previous Programme) do not comply with this requirement.	The Leader team should resolve this issue with the Scottish Government to ensure they are complying with the required rules so that the Council will be reimbursed.	A process has been written up to detail how financial claims are dealt with by the Leader Team and The Highland Council. This should be forwarded to the Scottish Government seeking written confirmation that the process followed is compliant.	Programme Manager (Leader Programme)	20/12/15  Complete
4.3.1	Medium	EU Regulation 907/2014 requires compliance with ISO 27001 by October 2016. However, the Council does not currently comply with the ISO.	The Leader team should request progress on ISO 27001 and ISO 27002 from ICT Services and determine if the Council will be compliant with the ISO by the deadline.	Progress on ISO compliance to be requested from ICT services.	Programme Manager (Leader Programme)	20/12/15  Complete