

## CAIRNGORMS NATIONAL PARK AUTHORITY FINANCE AND DELIVERY COMMITTEE

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**CONFIDENTIAL**

**FOR DECISION**

**Title: SUPPORTING LEADER PROGRAMME DELIVERY**

**Prepared by: David Cameron, Director of Corporate Services**

### **Purpose**

This paper updates the Committee on the status of the Scottish LEADER programme, particularly in the context of the movement toward the United Kingdom's exit of the European Union and wider national budget considerations.

### **Recommendations**

**The Finance and Delivery Committee is requested to:**

- a) **Consider the updates on the Authority's position as Accountable Body in support of the Cairngorms LEADER Programme;**
- b) **Agree the proposed approach as Accountable Body from 23 November until further notice, as set out in paragraphs 11 to 16 of the paper.**

### **Background**

1. The Committee received an update on the Authority's role as Accountable Body for the Cairngorms LEADER programme at its meeting on 10 June 2016.
2. Committee members have also agreed by correspondence a risk management approach to the Authority's support for the LEADER programme following the UK referendum decision to leave the EU. The current agreed position is that the Authority will continue to support the normal business of the Cairngorms Local Action Group (CLAG) in its delivery of the Cairngorms LEADER programme, with the exception of a requirement to approve any projects where there is the potential for claims to extend beyond September 2018.

### **Cabinet Secretary Letter – Update on Position**

3. The Cabinet Secretary for the Rural Economy and Connectivity, Mr Fergus Ewing MSP, has written to Local Action Group Chairs and Accountable Bodies on 24 August 2016. This letter contains a number of points of update on the Scottish Government's approach to LEADER. The letter is provided at Annex 1 to this paper.

4. The first point of update is that Scottish Government will continue to process claims under LEADER contracts agreed prior to the UK Chancellors Autumn Statement, even if these claims go beyond the point of EU exit. This is a helpful point of clarification and acts to mitigate some of the risk identified previously. We will, however, continue to monitor this situation as a strategic risk to the Authority.
5. A second point of update arising from the letter is around the period from the date of the UK Government's Autumn Statement, which since the date of the Cabinet Secretary's letter has been fixed for 23 November 2016. The effect of the letter is to indicate that from 23 November there are no guarantees of Scottish Government support for any LEADER contracts made from that date until the Scottish budget position is agreed. This would mean that, were any letters of offer issued and signed by applicants, those contracts and the financial consequences of them would be at the Authority's risk as the Accountable Body, pending Scottish Government's clarification of their budget position for the LEADER programme.
6. The risk to the Authority is that, should the programme either be suspended or the level of funding allocated to the Cairngorms programme reduced substantially, the Authority could be left with the liability to fund grant awards. A further risk is that, should the current uncertainty remain beyond the financial year end and only resolved after our yearend audit, the Authority may be required to account for any grant awards entered into as a liability in its 2016/17 accounts, even if these applicants had not started to make claims against these awards, most likely creating an overspend in the current year.

### **Consequences for Cairngorms LEADER Programme**

7. The next meeting of the CLAG is coincidentally set for 23 November. This means that any new project approvals will fall under this period of budget uncertainty.
8. At mid-September the LEADER team was working with eight applicant organisations with a view to making full applications to a combined value of £0.89 million to the November CLAG meeting. These applications range in value of LEADER funding sought from around £20,000 to over £200,000. Some of these applicants have indicated that they may not be ready in time to submit applications in November, and therefore the delay may not be of significance to them.
9. The LEADER team is also reviewing their caseloads with a view to determining whether any of these applications can realistically be brought forward with a view to earlier decision making by the CLAG. This may allow a small number of these projects to enter into approved contracts prior to the 23 November deadline. However, many applications are complex and already working to tight deadlines to facilitate their consideration at the scheduled CLAG meeting and early decisions may not be possible.
10. Many applicant organisations picked up that other LEADER areas in Scotland took decisions shortly after the issue of the Cabinet Secretary's letter to suspend the operation of their programmes. For some LEADER areas which had not yet moved into being fully operations this has perhaps been a clearer step to take – delaying the

full live opening of their programme until the funding uncertainty is more resolved. As a result of an increasing number of questions about the Cairngorms situation, the Cairngorms LAG issued a letter to applicants on 6 October indicating that it is unlikely to be in a position to offer any new letters of offer from November 2016 onwards until the position is clarified.

### **Accountable Body Position**

11. Given the current situation, it appears that the Authority has no option other than to communicate to the CLAG that it will not support any LEADER contracts which are not agreed prior to 23 November 2016 until further notice. The Committee is requested to approve that the Director of Corporate Services is delegated responsibility to confirm with the CLAG when they may again issue grant offers, on the basis of receipt of clear assurances from Scottish Government that they will guarantee new offers issued. The Committee's decision will be sought, by correspondence if necessary, if there is any dubiety in the communications from Scottish Government.
12. The Board has allocated a sum of £70,000 each year to support delivery of the LEADER programme over the programme period. Currently, this has been supporting the administration and animation of the programme, allowing more of the LEADER allocation to be routed toward project support. This administration and animation activity will continue. However, I propose that for the time being the Authority should now switch to claim 100% of administration and animation costs from LEADER. This frees around £58,700 of the sum allocated to support LEADER in 2016/17.
13. The sum freed up by changing the LEADER administration grant claim gives the Authority some flexibility in managing any impacts on its own budget position from the Scottish Government's forthcoming budget processes. The Committee will be able to reconsider the use of this budget allocation alongside other financial issues in the run up to the 2016/17 outturn position and also development of the Authority's 2017/18 budget figures.
14. The Board's allocation of these sums to support LEADER does of course remain valid until a point where the Board resolves to change its position. This temporary adjustment to our LEADER claims proportion simply acts to protect the maximum flexibility available to the Committee and Board in managing this and next year's budget position.
15. One option available to the Committee within this process would be the capacity to support the CLAG with some letters of grant award prior to the formal reopening of the programme by using the £58,700 made free by our change in administration grant claims proposed as financial cover for letters of offer. Such decisions would only be sought from the Authority once our own budget position within the Scottish Government's wider budget development becomes clearer.

16. I will brief the CLAG as the lead Director for the Accountable Body on any decisions taken by the Committee. It is proposed that this paper can be reclassified as “public” after the CLAG has been briefed on the Committee’s position.

### **Wider Considerations**

17. As one of the first LEADER areas in Scotland to “go live” and provide financial support to projects, there is evidence to support the success of the Authority’s support for the CLAG to date. Two funding rounds in May and August 2016 has allocated £679,000 to nine approved projects of around £2.2 million available for project funding. Therefore just over 30% of the available allocation is currently committed.
18. The level of applications planned for November also highlights the relatively strong momentum currently behind the Cairngorms LEADER programme – although of course it is not necessarily the case that all applications will be approved or approved at the levels of funding sought. Additionally, there is currently a strong set of expressions of interest we expect to work toward February applications from a total of around 50 expressions of interest received to date.
19. As it has taken some time to build momentum and encourage a degree of interest in the LEADER programme, the CLAG will require to carefully consider the messaging to be issued throughout this period to applicants and organisations expressing interest in the programme. Communications will have to convey current funding uncertainties while not acting to cause organisations to withdraw from the process. While there is some risk of LEADER programme allocations being reduced, there is also scope that allocation will be reaffirmed once national budget processes have been resolved. Current advice indicates that the funding position is hoped to be resolved within Scottish Government by early in 2017. There may only therefore be a relatively brief delay for projects coming through the November round and a potential for matters to be resolved prior to or very soon after the February 2017 round.
20. More generally in terms of risk management, it will be of interest to the Committee that the Cairngorms LEADER team’s processes and procedures have been assessed by Scottish Government over summer 2016 and we have been awarded a “green” rating. The draft internal audit report for LEADER operations in 2016 has no recommendations made for improvements in processes and procedures. Both independent reviews highlight procedures mitigating the Authority’s risk of having to cover liabilities arising from procedural error and / or payment of ineligible project costs is being well managed and that risk is somewhat reduced.

**David Cameron,**  
**28 September 2016**  
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