

**2014-2020 Argyll and the Islands LEADER Programme – Service Level Agreement and Programme Launch & European Maritime and Fisheries Fund Update**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to provide the Environment, Development and Infrastructure (EDI) Committee with an update on progress with the outstanding LEADER governance issues relating to the Service Level Agreement (SLA), an update on progress towards the launch of the LEADER programme and for the EDI Committee to endorse the proposed LEADER launch date. It also updates the EDI Committee on progress towards finalising the governance arrangements for the Fisheries Local Action Group strategy along with an update on the delivery of a joint FLAG programme with Ayrshire.
- 1.2 A key focus of this paper is to satisfy EDI Committee members that the risks from the outstanding governance issues relating to the SLA will be addressed and are not significant enough to delay the formal launch of the Argyll and the Islands LEADER programme on Monday, 15<sup>th</sup> August 2016.
- 1.3 The paper also provides a brief update on progress with launching the European Maritime and Fisheries Fund (EMFF) which will be delivered via a joint Fisheries Local Action Group (FLAG) strategy between Argyll and the Islands and Ayrshire. Delivery of the EMFF FLAG programme is governed by a Framework Agreement which is in the process of being finalised.
- 1.4 Argyll and Bute Council as Accountable Body for LEADER and EMFF will be responsible for administering the awarded funds compliantly within European rules and regulations. Should there be a dispute the apportionment of any disallowance bill could have financial implications for the Council. However, the associated actions to address this risk are outlined in the paper.
- 1.5 It should be noted that the recent European Union Referendum result may have an impact in the longer term. However in the short to medium term activity will proceed as planned.
- 1.6 The recommendations to the EDI committee are as follows:
  - members note the proposed LEADER timeline;
  - members note the outstanding governance arrangements relating to the SLA which affect the LEADER programme;
  - members approve the proposed date for launching the LEADER programme;

- members note progress towards finalising the EMFF FLAG Framework Agreement; and
- members note the joint FLAG delivery arrangement between the Argyll and the Islands and Ayrshire FLAGs which will combine to become a joint FLAG.

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and Programme Launch & European Maritime and Fisheries Fund Update**

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**2.0 INTRODUCTION**

- 2.1 The purpose of this report is to provide the Environment, Development and Infrastructure (EDI) Committee with an update on progress with the outstanding LEADER governance issues relating to the Service Level Agreement (SLA), an update on progress towards the launch of the LEADER programme and for the EDI Committee to endorse the proposed LEADER launch date. It also updates the EDI Committee on progress towards finalising the governance arrangements for the Fisheries Local Action Group strategy along with an update on the delivery of a joint FLAG programme with Ayrshire.
- 2.2 A report submitted to the EDI Committee on 13<sup>th</sup> November 2014 gave Argyll and Bute Council's European Team approval to act as the Accountable Body on behalf of the Argyll and the Islands Local Action Group (LAG) for the delivery of the 2014-2020 LEADER programme. A key issue within this EDI Committee paper was that Argyll and Bute Council's Legal Services would be consulted prior to the launch of the LEADER programme to ensure the SLA between the Council and the Scottish Government was proportionate and reasonable to the council's role as Accountable Body.
- 2.3 The SLA defines the responsibilities and obligations, duties and accountabilities of both parties as a result of the Accountable Body's role as delivery partner in the 2014-2020 LEADER programme.
- 2.4 Progress towards meeting the conditions of the SLA approval has been incremental and piecemeal, and at times inconsistent. However, progress has been made to the extent that officers (in close liaison with the Council's Legal Manager) would like to progress with a full formal launch of the Argyll and the Islands LEADER programme on Monday, 15<sup>th</sup> August 2016.
- 2.5 The paper also provides an update on progress with launching the European Maritime and Fisheries Fund (EMFF) which will be delivered via a joint Fisheries Local Action Group (FLAG) strategy between Argyll and the Islands and Ayrshire. The EMFF FLAG programme will be facilitated by Argyll and Bute Council acting as Lead Administrative

Partner (LAP). The arrangement is governed by a Framework Agreement which is in the process of being finalised.

- 2.6 It should be noted that the recent European Union Referendum result may have an impact in the longer term. However in the short to medium term activity will proceed as planned.

### **3.0 RECOMMENDATIONS**

- 3.1 The recommendations for the EDI committee are as follows:
- members note the proposed LEADER timeline;
  - members note the outstanding governance arrangements relating to the SLA which affect the LEADER programme;
  - members approve the proposed date for launching the LEADER programme;
  - members note progress towards finalising the EMFF FLAG Framework Agreement; and
  - members note the joint FLAG delivery arrangement between the Argyll and the Islands and Ayrshire FLAGS which will combine to become a joint FLAG.

### **4.0 DETAIL**

- 4.1 This report provides information on progress with getting the outstanding issues addressed by the Scottish Government.
- 4.2 On 13<sup>th</sup> November 2014, the EDI Committee agreed that Argyll and Bute Council should be the Accountable Body for the 2014-2020 Argyll and the Islands LEADER programme. Following this, an SLA was drafted by the Scottish Government and forwarded to the Council to sign. The contents of the SLA were scrutinised by the Council's Legal Manager who recommended that the SLA was signed subject to conditions. On 30<sup>th</sup> October 2015 the SLA was signed by the Executive Director of Customer Services subject to guidance on four specific issues being available by 15<sup>th</sup> December 2015. The Scottish Government has responded in a piecemeal fashion. **Table 1** shows the current position towards achieving these conditions.

Table 1: SLA Conditions		
Condition	Current Status	Proposed Actions to Mitigate Outstanding Risks
<p><b>Condition 1:</b> Further guidance is provided to assist Accountable Bodies in the development of the Monitoring and Evaluation Framework</p>	<p>Email from Interim Deputy Director Food, Drink and Rural Communities Division on 8<sup>th</sup> June 2016 noted that “It is envisaged that the Network Support Unit (NSU) will work with Local Development Strategies (LDS) on their Monitoring and Evaluation frameworks once the toolkit is published, if required. This work is not intended to replace existing Scottish Government/European requirements under the SRDP but to complement that requirement. We are supporting the capturing of data for all LDS indicators (at Scottish Government, European, LDS and project level) through LARCs to help make collection and interrogation simpler for all parties. As I mentioned, your LAG areas are involved in the testing of LARCs and I would hope that they can reassure themselves of that process during the testing.”</p> <p>Note: LARCS is the new IT system being developed for the LEADER 2014-2020 programme.</p> <p><b>Outstanding</b> (This could affect programme scoring criteria – if we get comfort from the Scottish Government that any new Monitoring and Evaluation framework will not be applied retrospectively then we could launch. Other LAGs have launched without this).</p>	<p>Officers will seek a letter of comfort from the Scottish Government to assure them that any Monitoring and Evaluation Framework is not applied retrospectively to the Scoring Framework developed by the LAGs. The Scoring Framework can be changed accordingly. If this comfort is received, then the risk will be addressed accordingly.</p>
<p><b>Condition 2:</b> Clear State Aid guidance is issued to LAGs to enable decision making which does not contravene state aid rules and to provide the Accountable Body with guidance which can be used when advising potential LEADER applicants</p>	<p>Guidance is now available.</p> <p><b>Complete</b></p>	

Table 1: SLA Conditions (continued)		
Condition	Current Status	Proposed Actions to Mitigate Outstanding Risks
<p><b>Condition 3:</b> Clear and comprehensive Guidance on the application of Paragraph 16 (See <b>Appendix 1</b>) of the Service Level Agreement and the factors to be taken into account in determining the apportionment between the relevant parties of any disallowance bill and/or the recovery of irregular/ineligible expenditure and in relation to a suitable dispute resolution procedure relating thereto.</p>	<p>A second meeting of the Accountable Bodies Group took place on 9<sup>th</sup> June 2016 which was attended by the Economic Growth Manager, as the Argyll and Bute Council's Accountable Body representative. The disallowance issue was discussed at the meeting and it was agreed that the Scottish Government would make a commitment to working towards putting a dispute resolution in place and circulating that prior to the next meeting of the Accountable Bodies in October 2016. This commitment was to be clearly noted in the minutes of the meeting to provide Accountable Bodies with a degree of comfort that this will be addressed during 2016.</p> <p><b>Scottish Government commitment to address.</b></p>	<p>This risk is being assessed only on the basis of how it impacts programme launch on 15<sup>th</sup> August 2016. If this risk is realised, it will occur later on in the programme delivery process. However, the disallowance issue was discussed at the Accountable Body meeting on 9<sup>th</sup> June 2016 and it was agreed that the Scottish Government would make a commitment to working towards putting a dispute resolution in place and circulating that prior to the next meeting of the Accountable Bodies in October 2016. This commitment was to be clearly noted in the minutes of the meeting to provide Accountable Bodies with a degree of comfort that this will be addressed during 2016. To avoid a dispute, all staff involved in the delivery and compliance of LEADER will follow strict internal procedures, including document retention and undertake relevant training. Should there be a dispute, then officers will work with relevant Council colleagues (legal, procurement, finance) to mitigate the risk of unfair apportionment.</p>

Table 1: SLA Conditions (continued)		
Condition	Current Status	Proposed Actions to Mitigate Outstanding Risks
<b>Condition 4:</b> Clear and comprehensive Guidance on the new elements introduced from the Rural Priorities Scheme including guidance on Farm Diversification and Business Development.	Email from Interim Deputy Director Food, Drink and Rural Communities Division on 8 <sup>th</sup> June 2016 noted that “You refer to the need for finalised guidance to be issued, including on enterprise support and farm diversification. LEADER guidance for the current programme has been issued by the Scottish Government and should be used when a LAG makes a decision about a project. This guidance, which was issued in March 2016, remains in force until such time as a revision is issued. Eligibility is determined by fit with the relevant LDS and compliance with the regulations. All LAGs need to be satisfied that they have the evidence on which to justify the eligibility of a project, with reference to the LDS and guidance in force. As with the offer of grant letter, any guidance is subject to the Scottish Government’s scrutiny processes. We do collaborate with LEADER teams in drawing up guidance to ensure that it makes sense in the operational context and that their input to the pieces of work is appreciated. However the guidance is clearly owned and signed off by Scottish Government.”	A Farm Diversification and Enterprise Support meeting will take place for Argyll and the Islands stakeholder on 5 <sup>th</sup> July 2016. Officers propose to finalise this LEADER theme thereafter and send it to the Scottish Government for approval. It is anticipated that this will be complete for 15 <sup>th</sup> August 2016.

- 4.3 There are also some outstanding administrative issues. These concern the on-line applications and claims process. However, the programme will be able launch without this being finalised as the Scottish Government has issued a paper based system whilst awaiting completion of the on-line system.
- 4.4 Application process and timelines. Officers are proposing to launch the programme on 15<sup>th</sup> August 2016 subject to EDI approval taking the above risks into consideration.

A soft launch took place on 24<sup>th</sup> May where Expressions of Interest (EOI) were made available electronically to potential applicants (see **Appendix 2**). The soft launch enables Development Workers to work with applicants to develop their EOIs and to issue them with a Stage 2 application form for projects assessed to be eligible. A formal launch would enable wider publicity of the programme, and enable the LEADER team to set a deadline for submission of stage 2 applications. (For members information the Argyll and the Islands LEADER themes are outlined in **Appendix 3**).

Once a launch date is agreed, the following timetable outline in **Table 2** below will apply:

Table 2: LEADER Launch Timeline		
Launch	15/08/2016	
First applications submitted	Fri 09/09/2016	
	Start	Finish
Technical Assessment (Development Officers)	Mon 12/09/2016	Fri 16/09/2016
Application Review (European Team)	Mon 19/09/2016	Fri 23/09/2016
Prepare Scoring Paperwork (Strategic Co-ordinator)	Mon 26/09/2016	Fri 30/09/2016
Issue LAG meeting agenda and paperwork	Fri 30/09/2016	
	Start	Finish
LAG Members Scoring	Mon 03/10/2016	Fri 14/10/2016
Collate Scoring Paperwork (Strategic Co-ordinator)	Mon 17/10/2016	Fri 21/10/2016
First LAG Application Decision Meeting	Thu 27/10/2016	

- 4.5 Communication Strategy. Subject to an agreed launch date, the existing Communication Strategy will be updated to ensure that programme publicity is undertaken as widely as possible to reach potential applicants.
- 4.6 European Maritime and Fisheries Fund (EMFF)  
The EMFF FLAG strategy will be administered by Argyll and Bute Council under a separate governance arrangement. This involves a



Framework Agreement between the Council and Marine Scotland.

- 4.7 A meeting involving Marine Scotland, Argyll and Bute's Council Legal Manager and the European Team took place on 4<sup>th</sup> May 2016 to discuss aspects of the draft Framework Agreement requiring further clarification. Following a few minor changes to the Framework Agreement (pending) this will hopefully be signed imminently.
- 4.8 Towards the end of 2015, various Local Authorities involved in the delivery of EMFF FLAG programmes were asked by Marine Scotland to consider merging their FLAGs. This was a move advised by the European Commission as the UK was judged to have too many FLAGs. Marine Scotland asked Ayrshire and Argyll and the Islands FLAGs to consider merging. Following consultation with officers involved and the FLAGs, whose decision this ultimately was, a merge was agreed. Officers will now work to produce a joint FLAG strategy which combines both existing strategies. This is viewed as a superficial merging of the strategies and should not result in a substantive change to the delivery of the original proposed strategy.
- 4.9 There is no timeline for launching the FLAG. Officers are still awaiting programme guidance and application forms. It is proposed that another report is brought to the EDI Committee in due to update members on progress with the launch of this programme.

## **5.0 CONCLUSION**

- 5.1 A Council administered LEADER programme has been operating in Argyll and the Islands since 2002. The Council's European Team is working to ensure effective and compliant delivery of the 2014-2020 LEADER programme. However due to regulatory issues at a very high level (European Commission) delivery of the programmes at a local level has been delayed. The European Team hopes to launch the programme on 15<sup>th</sup> August 2016 and to immediately start promoting the programme throughout Argyll and the Islands to encourage the uptake of the funds, and supporting sustainable rural economic development.
- 5.2 Launch of the EMFF FLAG programme is also delayed. However the pot of funding is smaller so a smaller volume of projects is foreseen. Once the Framework Agreement is signed, officers will work to get the administrative processes in place subject to the provision of guidance, forms and data capture systems by Marine Scotland.

## **6.0 IMPLICATIONS**

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| 6.1 | Policy | European funding and policy issues align with the overarching aim of the Argyll and Bute Community Planning Partnership Single Outcome Agreement (SOA) 2013-2023 and in particular the requirement to maximise European funding investment throughout Argyll and Bute which could impact on all six LOIP |
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outcomes and is a key objective within the Argyll and Bute Economic Development Action Plan (EDAP), 2013-2018 and the four area-based EDAPs.

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| 6.2 | Financial         | Argyll and Bute Council as Accountable Body for LEADER and EMFF will be responsible for administering the funds compliantly within European rules and regulations. Should there be a dispute the apportionment of any disallowance bill could have financial implications for the Council. However, the associated actions to address this risk are outlined in the paper (see <b>Table 1</b> ). |
| 6.3 | Legal             | All legal implications with regard to proposed Argyll and Bute Council actions will be taken into consideration.   |
| 6.4 | HR                | None.  |
| 6.5 | Equalities        | European policy and funding activities will comply with all Equal Opportunities policies and obligations.  |
| 6.6 | Risk              | Council officers will ensure that Argyll and Bute Council's risks with regard to European funding and compliance issues are proportionate and reasonable to its role, in close liaison with the Council's Legal Services and Internal Audit. A risk matrix is included in this report.   |
| 6.7 | Customer Services | None.  |

**Executive Director of Development and Infrastructure, Pippa Milne**  
**Policy Lead, Cllr Aileen Morton**  
6<sup>th</sup> July 2016

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**APPENDICES:**

**Appendix 1: Extract from the Service Level Agreement (SLA) Between the Scottish Ministers and Argyll & Bute Council (Accountable Body for Argyll & the Islands Local Action Group (LAG).**

**Appendix 2: Expression of Interest Form**

### **Appendix 3: Argyll and the Islands LEADER Themes**

**Appendix 1: Extract from the Service Level Agreement (SLA) Between the Scottish Ministers and Argyll & Bute Council (Accountable Body) for Argyll & the Islands Local Action Group (LAG).**

**16. FINANCIAL ARRANGEMENTS**

- 16.3 If the Scottish Ministers incur disallowance of the EU contribution, following either the annual Certification Body audit or a European Commission conformity audit, as a consequence of the Accountable Body's failure to observe any requirements of this SLA or EU regulatory requirements, RPID will initiate discussions with the Accountable Body at the earliest opportunity so that both RPID and the accountable body can reach agreement on how best to apportion the disallowances bill between the parties. Similar arrangements will apply where, monitoring checks by the Scottish Ministers detect ineligible or irregular expenditure within the Accountable Body reimbursement claims. Any apportionment of the disallowance bill or the irregular/ineligible expenditure should fairly reflect the degree to which the Accountable Body was responsible for that disallowance or expenditure.

## Expression of Interest form

The submission of an EoI is the first formal step in applying for LEADER funding. It is your opportunity to present the outline project to the Local Action Group staff. You can find out more about the process in the guidance [How to Apply for LEADER: Step 1: Expression of Interest Form](#).

- If you have any queries please email [info@ruralnetwork.scot](mailto:info@ruralnetwork.scot).

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Please describe your proposed project in no more than 500 words including information on who, when, why, where and what

### Appendix 3: Argyll and the Islands LEADER Themes

To support community-led economic growth and sustainable rural development within the Argyll and the Islands Local Action Group (LAG) area.

<b>Theme 1:</b> Strengthening the rural economy by maximising the sustainable use of our natural, cultural and heritage resources as an economic driver.		
<b>Objective 1:</b> To support capacity building, research and development to identify and implement development opportunities	<b>Objective 2:</b> To improve collaboration working to increase opportunities for sustainable economic growth.	<b>Objective 3:</b> To develop shortened supply chains.
<b>Theme 2:</b> Enhancing the services and facilities in the Argyll and the Islands area to attract individuals, families, visitors and the investors to grow and maintain economically viable communities.		
<b>Objective 1:</b> To support community based initiatives to improve and or retain access to services for those living within rural areas and to encourage people to come and live in these communities.	<b>Objective 2:</b> To support community led initiatives to enhance the visitor experience.	<b>Objective 3:</b> To support innovative approaches to rural services.
<b>Theme 3:</b> Small business support including farm diversification		
This theme is currently under development.		