LEADER 2007-2013

Technical Guidance for Local Action Groups and Coordinators

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Version 1.0	LEADER documentation major review	Dec 2010
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	definition Updated appeals.	
Version 4.0	Updated appeals	December 2011
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This technical guidance fulfils the obligations of the Scottish Government, as Managing Authority, to provide written conditions for LEADER Local Action Groups (LAGs) for the handling of LEADER funding and grants.

Advice for potential applicants to LEADER should be obtained from the appropriate LEADER Local Action Groups. Contacts can be found at http://www.scotland.gov.uk/Topics/farmingrural/SRDP/LEADER

The technical guidance aims to meet the needs of Local Action Group members appraising and deciding on applications for LEADER support, general queries from Lead Partners in the Local Action Group and the day-to-day needs of staff processing LEADER 2007-2013 project applications and claims for expenditure.

It is divided into two parts. Part 1 outlines LAG responsibilities; Part 2 deals with financial eligibility – bodies, projects and expenditure.

All Local Action Groups are encouraged to search this Guidance for the advice they require. For further enquiries beyond this the LEADER advisers can be contacted:

For Northern Scotland and Islands: Anna Murray 0300 24 49838 (vacant on 4 May 2012)

For Lowland and Southern Scotland: Elaine McGregor 0300 24 49843

Scheme Manager: Alistair Prior 0300 244 9281

INTRODUCTION

An introduction to the LEADER ('Liaison Entre Actions de Développement de l'Économie Rurale', or 'links between actions for the development of rural communities') approach by the EC can be found at Fact sheet: The **LEADER approach** - a basic guide. This short guide gives a brief history of the approach, and notes the potential for LEADER, with its bottom up decision-making, to play a valuable role in stimulating new and innovative approaches to the development of rural areas.

LEADER comprises Axis 4 of the Scotland Rural Development Programme (SRDP) 2007-2013 in implementation of the EU Rural Development Regulation (EC) no 1698/2005 (the RDR). The Scotland Rural Development Programme (SRDP) provides for the use of European Agriculture Fund for Rural Development (EAFRD) monies for Axis 4 of the RDR to fund the LEADER approach to rural development in Scotland.

LEADER in Scotland is delivered by 20 Local Action Groups (LAGs) approved by the Scottish Government which is both the Managing Authority (Rural Communities Team) and Paying Authority (RPID) for SRDP. LAGs have flexibility in making decisions about the rural development actions they want to support in their areas.

Part 1

SECTION 1

LEGAL FRAMEWORK

Domestic Legislation

1. There are 3 key underpinning documents for the delivery of LEADER in Scotland. These are:

2. Scottish Statutory Instrument ("SSI") No 2008/66, The LEADER Grants (Scotland) Regulations 2008 ("the 2008 Regulations") provide detailed rules for the payment and handling of LEADER grant by LAGs. This guidance should be read in conjunction with these regulations. Please note that, in any area of doubt, regulations and the underlying EC legislation take precedence over this guidance.

3. The Service Level Agreement (SLA) between Scottish Ministers and the Lead Partner in each LAG, as required by Commission Regulation 885/2006, states the obligations, duties and accountabilities of Scottish Ministers and the Lead Partner as delivery partner for LEADER.

4. This Technical Guidance, which fulfils the requirements of Article 71 of Council Regulation (EC) No 1698/2005 and Regulation 7 of the 2008 Regulations in setting out eligible expenditure under the LEADER scheme.

EU Legislation and Background

5. Relevant EU regulations and background includes:

Regulation (EC) 1698/2005 which lays down the general rules on EU support for rural development, defines the objectives to which rural development policy is to contribute; defines the strategic context for rural development policy, and defines the priorities and measures for rural development.
Implementing Regulation (EC) 1974/2006 which sets out detailed rules for the application of Regulation 1698/2005.
Regulation (EU) 65/2011 which lays down certain rules as regards the implementation of control procedures as well as cross-compliance in respect of rural development measures, revoking and replacing Regulation (EC) No 1975/2006 in respect of payment claims submitted from 1 January 2011.
Accreditation Regulation (EC) 885/2006 which sets out the rules for accreditation of paying agencies and other bodies and the clearance of the accounts of the EAGF and of the EAFRD.
Matrix Regulation (EU) 1042/2007 which sets out the form and content of the accounting, monitoring and forecasting information to be submitted to the Commission.
State Aid to SMEs 70/2001 which is the Community handbook on State Aid.
State Aid to Agriculture products 1857/2006 which sets out exemptions.
State Aid De Minimis 1998/2006 which deals with de minimis provisions.
State Aid Regional Aid 1628/2006 which sets out provisions in respect of transparent regional investment aid schemes and other State Aid matters.

SECTION 2

Local Action Group Responsibilities

LAG Local Development Strategies

6. Each LAG has a local development strategy approved by Scottish Ministers which addresses the 3 axes of SRDP. The strategies are targeted towards SRDP outcomes through one or more of 5 themes:

- revitalising communities;
- rural community capacity;
- new markets and products;
- progressive rural economy; and
- conservation of the rural environment.

LAG Responsibilities

7. The key areas of responsibility for each LAG are as follows:

- development of the local strategy, the implementation and review of which is monitored and updated on a rolling basis throughout the SRDP;
- development and application of project selection criteria;
- animation of LAG area – stimulating and enthusing the territory;
- project appraisal and approval;
- monitoring of financial and physical progress (similar but separate duties apply on the part of Lead Partners);
- evaluating community benefits and reviewing targets;
- publicity and promotion of LEADER;
- networking with other LAGs and stakeholders;
- ensuring lessons learnt from projects are shared widely; and
- advising Rural Directorate as Managing Authority for the LEADER scheme.

LEADER Guiding principles

8. LAGs should observe the following principles:

- A bottom-up approach**:** opportunities will be identified, themes selected and development strategies formulated at a local level. LEADER projects or schemes must be driven by local communities and have a wide community benefit which is acceptable to the LAG. Projects must deliver the priorities identified in the approved LAG strategy. As a mainstream part of the SRDP, the LEADER emphasis must be on complementing the measures in the programme as well as the Structural Fund and Fisheries Fund programmes.
- Innovation: strategies must embody originality and innovative approaches within their local contexts. Particular projects implemented within local strategies should show an element of originality or experimentation where possible, and complement other activities.

- Equal Opportunities: equality of opportunity will be safeguarded and promoted in accordance with the Equality Act 2010. Subject to that, however, LAGs will focus on the Target Groups as defined in the SRDP.
- Environmental Sustainability: all projects must be environmentally sustainable.
- Sustainable Development: projects must demonstrate economic, environmental and social development although it is recognised that this might not be relevant in some small-scale projects (projects worth approximately £2,000 or less).
- Transferability: whilst LAGs will focus on implementing their development strategies, they should ensure that the methods they develop are transferable to LAGs in other areas. Lessons learned from LEADER projects, whether success or failure, should be recorded and transferred to other groups in Scotland, UK and European networks.
- Joint project working: there will be a strong emphasis on LAGs working together (at times in partnership with national and regional organisations) to develop and pilot innovative approaches to rural development.
- Networking: all LAGs should participate in the Scottish National Rural Network in fulfilment of area animation and knowledge transfer responsibilities.

LAG Membership and Frequency of Meetings

9. Each LAG should comprise representatives from a cross section of rural development stakeholders including public, private and third sector organisations. In particular, at the decision making level, community representation through the private and voluntary sectors should comprise at least 50% of LAG membership. Each LAG should set its own rules regarding a quorum for meetings and the selection method for representatives on the LAG.

10. The frequency of LAG meetings will vary, depending on the number of project applications and delegated responsibilities to Project Coordinators.

Conflicts of Interest

11. A Register of Interests should be kept for Lead Partner staff and LAG members; this should be regularly reviewed and updated.

12. Potential conflicts of interest must be declared by everyone in the Register, before the project's processing begins. Once any declaration has been made, the person/s should take no part in the decision making, project approval process or subsequent monitoring.

13. No LAG member or employee with a declared interest in a project can participate in the decision making process or vote or score during the approval process; nor should they be involved in any claim or payment processing or inspection processes. This particularly applies when the Lead Partner is the applicant. Members or employees with an interest must leave the room during discussion on projects subject to appraisal. Particular care should be taken when the pre-LAG Technical Assessment is done. The Minutes and other relevant documents should record the action taken to ensure this happens.

14. Where the LAG Chair is an employee or representative of an organisation (either council or voluntary body) that is an applicant, the LAG must appoint a deputy from an impartial organisation to lead the discussion, scoring and voting. The Chair should leave the

room and must not take part in the discussion, vote or score. The Minutes and other relevant documents should record the action taken to ensure this happens.

15. Where it becomes obvious - post-event - that there has been a conflict, the Rural Communities Team should be informed in writing within three working days.

End of Year Review

16. Each LAG should prepare an End of Year Review for the calendar year (rather than the financial year) in the format shown in the template which can be found in the forms section of the LEADER website.

Business Plan Review

17. LAGs should review their business plan annually and update as required. The monitoring and amending of a Business Plan against the Strategy will help ensure that LAGs ultimately fund a balance of activities, in line with their local strategy.

Local Action Group Support

Lead Partner Role

18. Acting on behalf of and with the full authority of the LAG, the Lead Partner in each LAG acts as the delegated agent of Scottish Ministers in providing a range of reporting, processing, payment and monitoring functions as set out in the Service Level Agreement. A copy of the SLA for each LAG can be obtained from the Lead Partner.

19. In addition, staff employed by the Lead Partner undertake the range of programme coordinator and administration functions for the LAG**.** Prior written consent of the Scottish Government is needed if the Lead Partner proposes to assign or sub-contract any of these services or other services covered by the SLA.

20. Regulation 5 of the 2008 Regulations provides that management costs of the LAG up to a level of 20% of the total sum of LEADER funding approved by Scottish Ministers will be eligible for LAG grant under Regulation 3(2)(d) of the 2008 Regulations.

LEADER Coordinator role

21. Each LAG is supported by one or more LEADER Coordinator(s) as the first point of contact for potential applicants. All potential applicants should be encouraged to discuss their project with their local Coordinator prior to completing an application form, including match funding needs and submission of claims.

22. An outline LAG Coordinator job description is attached at Annex B.

23. Duties of Lead Partner staff employed to undertake programme coordinator and administrative functions include:

- liaison with individuals and community groups to promote community participation through developing LEADER projects;

- provision of advice and support to applicants in the preparation of their LEADER applications;
- development, implementation and maintenance of processes associated with applications for LEADER grant support. An outline process, sample application form and sample application scoring sheet are at Annex A.
- presentation and clearance of project applications through LAGs;
- approval and post approval of case management functions;
- support for the LAG in their decision making and LAG participation in wider LEADER networking activities as required by the LAG;
- verification and processing payment of individual projects' claims;
- submission of quarterly/monthly claims and reports on LAG spend to the Managing Authority (RURAL COMMUNITIES TEAM);
- producing progress reports for the LAG as required;
- producing an annual progress report for the LAG to submit to the Managing Authority;
- acting as financial contact between LAG and Paying Agency (RPID);
- undertaking administrative monitoring of projects in receipt of LEADER grant funding and reporting to the LAG; and
- cooperating with SG on audit needs.

Entirely separate Lead Partner staff or delegates - preferably part of or supervised by the Lead Partner's audit team - should be engaged in on-the-spot and ex-post monitoring of projects in accordance with the SLA and EU Regulations.

Relationship with Regional Proposals Assessment Committee (RPAC)

24. LAG Coordinators should be in contact with RPAC Case Officers in Scotland's Environmental and Rural Service (SEARS) organisations and Rural Direct Project Officers to avoid duplication and to agree the best delivery routes for projects to achieve strategic aims. Potential overlaps with other areas of the SRDP or EU funding programmes such as EU Structural Funds should be highlighted.

25. For a number of activities, a project could potentially be supported under LEADER as well as other areas of the SRDP.

Indicative Allocations

26. LEADER is made up of Scottish Government funding and matched EU funding under the EAFRD.

27. Under the RDR, spend on LEADER must amount to 5% of SRDP.

28. Indicative allocations can be viewed at http://www.scotland.gov.uk/Topics/farmingrural/SRDP/LEADER.

29. The LEADER broadband challenge fund, a separate funding stream under LEADER, is providing a further €1M for improvements in broadband provision in LAG areas.

Use of Convergence Funding

30. Convergence funding is funded solely by the EU. It must be co-financed at a minimum of 50% by public match funding. Public match funding is considered to be public money which is not provided by the private sector but is not paid directly by Scottish Government. Illustrative examples of such sources would be Local Authorities, Scottish Enterprise and SNH. Lotteries are also included. Every £1 claimed from the EU through the Scottish Government must be matched by £1 local match funding. 20% of administration expenses can be claimed under convergence funding. The grant rate for convergence is at LAG discretion and ranges up to 50%.

31. Indicators and targets for convergence funding will be the same as for LEADER funding, and projects supported by either funding stream will require to show under which axis the project has been funded.

32. When claiming from the Scottish Government for expenditure incurred, LAG administration must separate LEADER and convergence funds. Evidence of public match funding must be detailed when claiming from the Scottish Government.

SECTION 3 APPLICATION PROCESSES

Project Application Processes

33. Each LAG must determine its application process - either receiving applications on a running basis or at regular, for example quarterly, intervals.

34. LAGs must determine the project selection criteria, taking account of Regulation 10 of the LEADER Grants (Scotland) Regulations 2008 which set out statutory provisions for the determination of applications for LEADER grants.

Project Selection

35. The specific elements which comprise the selection criteria will vary between LAGs but should include fit with the overall SRDP and the local LAG development strategy, together with some or all of the following:

- target groups;
- additionality;
- value added by project;
- equal opportunities;
- sustainability;
- scope to add value;
- economic impact and value for money;
- environmental impact (where appropriate); and
- exit/continuation strategy.

36. These core criteria should be supplemented by criteria relating to each LEADER theme and priority.

37. Once an application has been submitted, the application should be appraised by a Coordinator employed by the Lead Partner against the eligibility and agreed selection criteria - prior to the application being appraised by the LAG.

Identifying Economic Benefits

38. All projects should be capable of identifying an ultimate economic benefit, no matter how small or indirect.

39. Applicants are required to identify an economic benefit for **all** LEADER projects. If a project does not make a direct or indirect contribution to improving the economic position of the area, then it is unlikely to be appropriate for support.

40. All projects should present quantified estimates of the likely benefits to be generated; other qualitative outcomes could occur in parallel. Estimates should be realistic and be of a scale comparable with the project, e.g. it is not realistic to claim that 50% of the jobs in a village will be safeguarded as a result of improvements to building facades.

41. In addition to considering the merits of the project, the Coordinator should consider whether the amount of grant payable for certain activities may also be limited by EU State Aid Rules with which all projects must comply. See Annex C.

42. LAGs will set their own processes for determining which applications are approved. However, processes are expected to be auditable and transparent, and records must be maintained of how LAG decisions were arrived at on awards.

43. A sample outline process and scoring sheet is shown in Annex A.

Fairness and Transparency

44. Where a weighted scoring sheet is used to assess the merits of projects, the link to the LAG strategic plan should be clear. Any gaps in meeting the stated LAG aims should also be highlighted to ensure project applications are encouraged to address these gaps. In all cases feedback on the approval process should be detailed and clear.

45. LAGs are administering public funds and are governed by administrative law. Generally the Scottish Government's view is that a decision of a LAG, being within the field of public law, can 'in principle' be judicially reviewed. The Scottish Government expects LAGs to act in accord with good practice by producing full reasons for their decisions. Where a project is rejected under LEADER and the applicant takes on board feedback from the panel, the applicant should not be prevented from reapplying for support.

46. LAGs should consider their actions against:

- legality – acting within the scope of any powers and for a proper purpose;
- procedural fairness – for example giving a rejected applicant the opportunity to be heard, and providing full reasons for rejecting an application; and
- compatibility with the European Convention of Human Rights and EU law.

Disclosure of information

47. Lead Partners may be obliged to give information relevant to applications and decisions in relation to LEADER grant if requested under the Freedom Of Information (Scotland) Act 2002 (FOISA) or the Environmental Information (Scotland) Regulations 2004 (EISR). LAGs should protect and process personal data received in accordance with the Data Protection Act 1998 (DPA).

48. The Scottish Government is also subject to the legislation mentioned in the previous paragraph, as well as requirements under the RDR and other EU legislation regarding the release of information. The Scottish Government will release information about the amounts of grant and subsidy for SFP and SRDP 2007-2013. LAGs should make applicants aware that this information will generally be disclosed.

49. The data provided in the application will be used primarily for the purpose of processing and evaluating the application. This may involve the disclosure of personal data. However, personal data may also be used subject to the requirements of the DPA for purposes connected with:

- monitoring and evaluation of LEADER and the SRDP;
- administration of the Common Agricultural Policy;
- the production and safety of food;
- management of land and other environmental controls;
- provision of services to businesses;
- animal health and welfare;
- occupational health and welfare; and
- publication of the amounts of funding received.

50. It may be necessary for data to be passed to other bodies. Data may also be used for statistical purposes, not identifying individuals, which may reduce the need for some statistical data collection. It may also be used, where necessary, to comply with FOISA[1] or the EISR[2].

Issue of Award

51. The LEADER contribution should be the minimum amount required to allow the project to proceed.

Match Funding

52. LAGs may give approval in principle to signal that LEADER funding may be available when match funding is in place. However, LAGs must ensure that all match funding is confirmed in writing as being in place prior to commencement of the project. LAGs should set a timeframe for securing this match funding in the approval in principle letter to ensure their allocations are not tied up.

53. Work must not begin until written evidence is provided to the Lead Partner that all match funding is in place and the LAG has received the signed grant acceptance letter from the applicant. Where all match funding cannot be secured within the timeframe, LAGs should consider rephrasing the project and reviewing at the end of the match funded phase.

54. EU funding from any other EU funding source e.g. ERDF, **cannot** be used to match LEADER and vice versa.

55. Retrospective approval is not allowed.

56. The LAG Programme Manager should receive and file letters confirming that all match funding has been approved by all the other funders. Examples of evidence are committee minutes, budgets, offers of grant from funders, bank statements, etc.

57. Financial assistance should be based on expenditure incurred, provided this does not exceed the limits set when the proposed project was approved and all work/goods or services have been completed/delivered to an acceptable standard. LAGs should only consider revisions to costs under exceptional circumstances, e.g. specialist equipment no longer available. Any such requests and procedure for agreeing this should be clear and transparent.

[1] http://www.opsi.gov.uk/legislation/scotland/acts2002/asp_20020013_en_1
[2] http://www.opsi.gov.uk/legislation/scotland/ssi2004/20040520.htm

Written approval

58. The LAG must advise all applicants by email or letter as to the success or otherwise of their application. They should be advised that they may not incur any expense until the terms in paragraph 60 below have been fulfilled.

Offer of Grant letter

59. The LAG shall issue an offer of grant letter where appropriate including relevant terms and conditions. LAG staff should agree with the LAG a timeperiod for issue of such letters from the date of the LAG approval . Special conditions should be detailed early in the offer letter.

Project Commencement and Committed Expenditure

60. The offer of grant letter must be returned to the LAG signed and dated with the applicant agreeing to the terms and conditions before the project commences and/or any claim is paid by the LAG. Receipt of the signed letter constitutes the beginning of LAG committed project expenditure for profiling purposes.

Award Conditions

61. Regulation 14 of the 2008 Regulations outlines the general LEADER grant requirements. In addition, Part 2 of this guidance gives more detail of grant funding, including funding restrictions, as provided for in Regulation 12 of the 2008 Regulations.

62. All applicants should confirm that their project provides equal opportunities for all in accordance with the Equality Act 2010.

63. It is recommended that a condition should be that capital items funded through LEADER be used for the purpose for which funding was granted for five years following completion of a project.

64. Pro-rata conditions of grant must be included where a LEADER funded item is not used wholly for LEADER purposes. For example, a project receives approval for a photocopier that will be used 70% of the time for LEADER project purposes. Therefore, only 70% of the cost of the photocopier can be awarded LEADER grant. Records of usage should be kept by the applicant to allow the Lead Partner to monitor compliance with this condition.

65. Residual value (RV) should be considered initially at the Technical Assessment stage. If the LAG recognise RV is or could exist this should be covered by Special Conditions in the Offer letter. Options to consider may include –

- Item must be offered to LAG at the end of the project for them to dispose of or use as they wish. This could include the LAG declining the equipment's return and donating it to the group with little or no further conditions
- The item must be retained by the applicant for a further x years and can only be used for a purpose to be specified. This may also include specifying where it must be physically located.

- The item must be offered for public sale (paper advert/auction) and the money received goes towards something specified by the LAG.

66. Where new investments replace existing facilities, LAG Coordinators must be informed of the re-sale value of the redundant item or facility. In addition, any insurance or compensation settlement received or expected in respect of an item which is the subject of a claim, must also be notified. This value should be deducted from the overall project cost to calculate the eligible cost for LEADER purposes.

Statutory Requirement/Consents

67. Eligible bodies applying for LEADER grant funding should ensure that they comply with any relevant legislative requirements, including obtaining any necessary statutory and other requirements. The nature of any consents or agreement needed will depend on individual project circumstances.

68. It is not obligatory that statutory consents be obtained before an application is submitted. However, Coordinators might advise applicants to undertake an initial consultation with their local Planning Department prior to submitting an application. If the LAG decides that the project proposal is successful, it will be approved subject to such consents being obtained and prior to any capital works commencing. Certain projects may require some planning, surveying etc to be done before the project goes forward for approval, to ensure the project is feasible and the cost is 'reasonable'. However, the project should seek written agreement from the Lead Partner before incurring these costs so that they may be claimed at a later date as eligible cost/s.

Profitability of projects

69. If the project is a revenue-generating project, the eligible body must demonstrate its profitability. Where a project anticipates generating income the applicants and the LAG should agree how the profits should be used for the benefit of the community. The expectation is that projects will be successful and capable of being sustainable in their own right. An innovative approach with high risk might be adopted and approved but should still show an element of sustainability.

70. LAGs can determine the level of award for each project according to need. Ministers have determined that awards of LEADER funds from 1 January 2010 for Action 1 projects (local projects) can be up to **90%** of eligible expenditure.

71. Action 2 projects (cooperation projects with other LAGs in Scotland, UK, Europe and other countries) can also receive up to 90% of eligible costs. Any funding awards exceeding these levels should be offset by lower awards elsewhere annually. As the Commission recognises the UK as the Member State, and Scotland as a region within it, projects within Scotland are classed as inter-regional and attract a funding rate of 90%.

72. Project funding will be made up of three elements as follows:

- a maximum of the rates above from LEADER funds relating to eligible project costs;
- the grant recipient contribution (minimum of 5% of the project eligible costs); and

- other match funding (not from another EU or SRDP funding source).

73. As indicated in Regulation 12(5) of the 2008 Regulations, a maximum payment of 95% of project costs may be made from public funds including LEADER grant. If this 95% limit is exceeded, any reductions in funding will be made in the LEADER support. Only where the applicant is a public organisation can 100% funding be made.

74. Regulation 18 of the 2008 Regulations sets out the circumstances in which the LAG or the Scottish Ministers may apply a reduction to any payment made, revoke or vary the approval, withhold payment or recover any financial assistance paid. Examples include:

- if the applicant or grant recipient has provided information which is false or misleading in a material respect;
- if the project breaches any conditions of the grant awarded;
- if the project has not been carried out in accordance with the LEADER grant application as approved;
- if the project has been, or is being, unreasonably delayed, or is unlikely to be completed;
- if the project was commenced before permission was given;
- if the European Commission has decided that the grant paid does not comply with a relevant EU obligation; or
- if the amount of expenditure included in the claim is excessive, having regard to the work or facility carried out.

75. Moreover, in accordance with Regulation 18(3) of the 2008 Regulations, additional penalties may apply where the grant applicant has acted recklessly or intentionally. In either case, certain steps must be followed before action is taken, and these are set out in Regulation 18(5).

PUBLIC PROCUREMENT RULES

76. A link to Procurement Scotland is attached www.scotland.gov.uk/procurement. Please also see the Procurement online training in the training section of the LEADER website.

77. LAGs should note that EU public procurement rules may apply in respect of projects to be funded by LEADER grant.

78. When considering project applications, LAGs will therefore wish to ensure that applicants are made aware of the need to comply with any responsibilities under EU public procurement rules.

79. There must be evidence of assessment of 'reasonableness of cost'. This should be done by the Coordinator as part of their pre-LAG Technical Assessment. This evidence must be retained in the project file.

80. For audit purposes, three written quotations are required. Where it is not possible to obtain three written quotations, a full note of the reasons why must be included in the project file. Any potential conflict of interest between Lead Partner staff or LAG member and a tenderer for LEADER project work or consultancy must be detailed in the project file. LAG

members must be made aware of any cases where this occurs before the application is considered.

PUBLICITY REQUIREMENTS

81. Appropriate acknowledgement of LEADER (EU) funding must be included in grant award conditions. Project sponsors should note that failure to comply with the publicity regulation could result in the freezing of grant payments and/or the repayment of monies already paid**.** Listed below are the main methods of publicising a project:

- prominent site signage during works
- permanent plaque on premises
- acknowledgement in all press and media releases
- acknowledgement in all project documentation
- website

LEADER Acknowledgement

82. When acknowledging the assistance of the LEADER money, promoters should use the European stars emblem and standard wording plus the LEADER and Scottish Government logos and LAG name. There is also a distinction to be made between ongoing projects and/or those under construction and completed projects as follows:

83. <u>For ongoing projects and/or those under construction</u>**,** e.g. temporary site signs, recruitment advertising, scheme guidelines, posters etc.

"THIS PROJECT IS BEING PART-FINANCED BY THE SCOTTISH GOVERNMENT AND THE EUROPEAN COMMUNITY [LAG Name] LEADER 2007-2013 PROGRAMME."

84. <u>For completed projects</u> e.g. permanent plaques, annual reports, long term publicity materials and brochures etc.

"THIS PROJECT WAS PART-FINANCED BY THE SCOTTISH GOVERNMENT AND THE EUROPEAN COMMUNITY [LAG Name] LEADER 2007-2013 PROGRAMME."

When to acknowledge LEADER funds

85. LEADER funding should be acknowledged both during the implementation of a project and as a permanent record. The following are the most common forms of acknowledging LEADER involvement.

86. Site signs erected during the construction of a project should indicate LEADER assistance. The section of the sign reserved for LEADER acknowledgement should meet the following criteria:

- It must take up at least 25% of the total area of billboard.
- It must include the European emblem, the LEADER logo, Scottish Government logo and LAG name with appropriate text.

- The lettering used to show LEADER participation must be at least the same size as the lettering used to indicate the participation of any other project partners.
- In cases where a general site sign is not being erected, a separate sign acknowledging LEADER assistance should be provided.
- Site signs should be removed no later than 6 months after the completion of the project and replaced, wherever practicable, by a permanent plaque incorporating the European, Scottish Government and LEADER emblems and appropriate text. Permanent plaques should be situated in a location accessible to the general public.
- Annual reports, brochures, posters, application forms and other forms of printed publicity material about individual projects or programmes should include a clear acknowledgement of the assistance of LEADER in a prominent position. When other agencies' logos are used, the European, Scottish Government and LEADER emblems should be at least the same size and proportion.
- Press releases and/or editorial features should make explicit the involvement of LEADER. These should be forwarded to LEADER Coordinators for comment before going to press to ensure accuracy of information and appropriate acknowledgement.
- Media advertising including recruitment and property availability should include the Scottish Government, European and LEADER emblems and appropriate wording.

87. The organisers of any openings or other events to publicise projects which have received assistance from LEADER should ensure that all the required acknowledgements are made and that appropriate representatives of the European Commission and the relevant Local Action Group are invited to attend. Please contact the Scottish Government for advice on the most appropriate persons for individual events.

Time limit for grant claims by beneficiaries

88. All grant assistance should be claimed within three months of the final spend date. Coordinators should ensure grant conditions reflect this as appropriate and regularly monitor project progress against approval conditions.

89. Projects should normally run for no more than 2 years. If a project is scheduled to run for more than 2 years it should be split into separate phases. A LAG may approve several project phases at the same time.

90. Applicants should be advised that should they fail to claim for financial assistance within the time-scale set out in the approval letter from the LAG, this may result in the applicant's claim being disallowed.

Interim claims

91. Coordinators may accept interim project claims. These can be made on production of proper receipts or in-kind vouched costs by the applicant to release further funding. Interim claims may be paid subject to a maximum of 75% of the approved eligible costs.

Appeals

92. There is no right of appeal to Scottish Ministers in respect of decisions by LAGs to approve or reject an application for LEADER grant or to later withdraw the offer of grant.

Where a grant has been awarded should a LAG or the Lead Partner subsequently decide to withhold or recover any or all of the grant awarded and the applicant is unhappy with that decision, then the LAG or Lead Partner should consider the case under their own Lead Partner operating guidelines.

93. Any decision by the Scottish Ministers (as opposed to the LAG or Lead Partner – see above) to withhold any aid due or recover any aid paid (in whole or in part) or require payment of any sum (including by way of a penalty) may be appealed under the Rural Payments (Appeals) (Scotland) Regulations 2009 ("the 2009 Regulations"). It is important to note there are statutory timescales that must be adhered to. Please see more detail at: http://www.legislation.gov.uk/ssi/2009/376/contents/made. A brief summary of the SG **2-**stage appeal process for LEADER is:

- 1st stage: An **Application for Review** to the Scottish Ministers under the 2009 Appeals regulations which must be made in writing using the Application for a Review Form (link below) to the Scottish Government Rural Communities team (as LEADER Managing Authority) in Edinburgh within the 30 day statutory timescales. More detail is at: http://www.scotland.gov.uk/Topics/farmingrural/Agriculture/grants/Standardsservices/Appeals/EURuralPaymentsAppeal

- The 2nd (& final) stage is an appeal to the Scottish Land Court and can only be made following the Scottish Ministers' review decision (which may result in the original decision being confirmed, amended or altered, or revoked in its entirety and substituted by a completely new decision). Again, statutory timescales apply.

However, after formally lodging the 1st stage **Application for Review** form but **before** it is heard, the appellant should be encouraged to have an **informal decision-review** meeting with the Lead Partner (or LAG) so that they fully understand why Scottish Ministers have had to take the decision. It is hoped that once the appellant understands the reasoning (e.g. Breach of contract) they will consider withdrawing their formal appeal. Notes of meetings and conversations should be taken and retained. If an **informal decision-review** is to be heard, the Lead Partner is encouraged to first contact the Rural Communities team for fuller guidance and clarification of the case specifics.

94. The SG appeals procedure is intended to ensure that beneficiaries who feel that the Scottish Ministers did not reach the correct decision to withhold any aid due or recover any aid paid or require payment of any sum (including by way of a penalty) have access to a fair and independent procedure. Their decision will be reviewed to ensure that it has been carried out objectively and within the scope of the legislation.

Part 2

ELIGIBILITY – BODIES, PROJECTS AND EXPENDITURE

Eligible Bodies

95. Regulation 9 of the 2008 Regulations provides that an "eligible body" for LEADER grant can be any of the following:

- incorporated bodies;
- individuals;
- partnerships and companies;
- public agencies;
- consortia, comprising collaborations between groups and individuals listed above where such collaboration is governed by a written legal agreement; and
- LAGs.

Eligible Projects

96. In terms of Regulation 7(a) of the 2008 Regulations, LEADER grant is payable to an eligible body towards project costs within the LAG area.

97. Projects may be:

Capital - Infrastructure such as building works or material goods;

Revenue - Cultural, educational, historical, social enterprise staff costs

98. Regulations 8 and 14 of the 2008 Regulations set out which projects may be considered for LEADER grant:

- Projects which are sustainable over the period of SRDP (2007-2013).
- Projects which are located within the LAG area.
- Projects which are of significance and value in implementing the LAG's local development strategy.
- Projects which provide an exemplar of an innovative initiative.
- Projects which engage the population across the LAG area.
- Projects which will make a positive or at least neutral contribution to ecological, economic, cultural and social sustainability in the LAG area.
- Projects which are clearly related to one of the strategic priorities identified in the local development strategy.
- Projects which will contribute to the implementation of the local development strategy.
- Projects which receive the support of the LAG selection panel.

99. Projects may be:

- Stand-alone– where approval is given for a discreet project or activity. An application will be submitted for each project. The majority of projects which have been funded under the current LEADER programme are stand-alone.

- Umbrella type. These may fall into two categories:

- Support to private businesses, e.g. an application sponsored by Highlands and Islands Enterprise (HIE) Orkney is approved for LEADER grant which will be used to part finance a scheme for businesses to purchase IT equipment. Each business will apply to HIE, Orkney for assistance rather than each applying individually for a LEADER grant.

- Support for community groups, e.g. a Local Authority or LAG applies for LEADER funding to match other funds already in place to run a "scheme" where similar types of small projects could be funded via a delegated scheme without the requirement for each application to go through the LAG. An example would be where a Local Authority wished to support youth projects costing no more than say £5,000. The LEADER funding would match 50:50 the Local Authority funds, as the applicant is a public body. The request from the Local Authority for funding would need to deliver some of the local development strategy and fit under one of the LEADER themes chosen.

100. Following a recommendation from Audit Scotland guidance on **umbrella** projects has been reviewed and the SLA revised. Although funding for umbrella projects is still technically Regular, from 1 October 2011, **the risks associated with funding umbrella projects rests solely with the Lead Partner.** LAGs have been advised that they may only enter into arrangements with umbrella projects to facilitate the disbursement of funding to the ultimate project beneficiaries, **subject to full compliance with the prevailing Regulations governing LEADER expenditure**. The requirements will not be applied retrospectively so **completed** projects will not be affected by this change.

101. This means that any and all groups continuing to claim LEADER funding from this date must apply for a Business Reference Number (BRN) and that the expenditure is recorded down to final grant recipient level. To streamline this process it is suggested that the LAG or the umbrella organisation submit one collective BRN submission (detailing all final beneficiaries involved)to the local RPID office.

102. Only under exceptional circumstances should future umbrella projects be approved; stand-alone projects are strongly preferred. In the rare instances that projects are applied for and approved, we would INSIST that the umbrella organisation has a formal agreement/application with all applicants for funding in respect of such projects, to ensure that the requirements of the LEADER Grant Regulations 2008 are fully complied with and the underlying EU Regulations met. Furthermore, given the requirements in Regulation (EC) 1698/2005 that only LAGs can approve projects, grants awarded by umbrella organizations must be pre-authorized by LAGs. In the case of doubt, regulations and the underlying EC legislation take precedence over this guidance.

103. The following conditions must be adhered to:

- The approved LEADER grant for the individual scheme recipients cannot be less than £1,000.
- There must be a fair application and assessment procedure for applicants.
- The successful applicants should have a contract and guidance relating to eligible and non-eligible spend, timescales and any other conditions attached to the funding.
- Applicants must follow the LEADER regulations and rules, including:

- Value for money must be considered and the relevant number of quotes obtained.
- Grants must only be claimed retrospectively after expenditure has been incurred and receipts and bank statements evidence the expense.
- Payment must only be made via BACS.
- Recipients must record their activities and outputs etc.
- Publicity requirements must be adhered to.
- Recipients must be aware that they may be required to have an on-the-spot or ex-post check.

104. Current umbrella projects which continue to claim will be subject to full compliance with the LEADER Grant Regulations 2008 and the various EU regulations. Where non-compliance is suspected or detected, the LAG should not submit further claims to the Scottish Government to protect the EU accounts. If after submission, these projects are found to be irregular then this money will need to be reclaimed from the project. Financial data and indicator data will also need to be collected from these projects.

105. Following the recent Audit Scotland review (2012) of the accounts there is further advice on umbrella projects, specifically in relation to the **administrative costs of umbrella organisations**. Audit Scotland identified potential duplication of funding for administration functions between LAG admin and umbrella admin. LAGS must ensure that there is complete transparency of accounting for any administrative funding for such projects and that the overall level of administrative cost does not exceed 20% of the budget. Umbrella administration can continue to be paid via project spend in the quarterly claims at a LAG level as long as it is recorded as umbrella admin spend on the claim. The combined LAG and umbrella administration costs cannot exceed the level of 20% of the total sum of LEADER funding approved by Scottish Ministers. We strongly recommend that unless the Lead Partner can ensure full compliance with the Regulations and can ensure that the overall admin costs will remain within the 20% admin allocation then these types of costs should not be funded.

Funding restrictions on LEADER grant

106. Funding for projects is subject to the funding restrictions specified in Regulation 12 of the 2008 **LEADER** Regulations. Under Regulation 12(1), LEADER grant may only provide support for projects which do not receive support from other Structural Funds payments or other delivery mechanisms under the SRDP. However:

- Projects involving the production, processing and marketing of products listed in Annex I to the Treaty on the Functioning of the EU that are not being funded through any other scheme within the SRDP are eligible; and

- Funding of community projects relating to forestry or other forms of land management will be eligible provided they demonstrate wider community benefits and are not a direct replacement for grants available through any other scheme.

107. However, a project which has failed to achieve support under any other SRDP scheme will not be eligible for LEADER grant (Regulation 12(2) of the 2008 Regulations).

108. Moreover, in terms of Regulation 12(3) of the 2008 Regulations, the following restrictions apply:

- Projects with grant eligible costs of less than £1000 cannot be funded.

- Existing core staff costs must be project specific. Subject to the terms of Regulation 12(3)(b) of the 2008 regulations, where central administration costs are directly related to a project e.g. financial management, this may be included as eligible costs. The test is whether the organisation will incur additional central (staffing) costs as a consequence of the project proceeding.

- General operating and running costs of an organisation which are not directly related to the project are not eligible for grant funding.

- No funding will be granted for activities which are statutory obligations of regional corporate bodies e.g. a Local Authority.

- Prize money is not eligible for funding.

- Professional fees for architectural, landscape design and engineering services can only be funded up to a maximum level of 10% of the total building costs. Up to an additional 5% of the central building cost may be available for projects which in the view of a LAG involve an intensive planning element, including work on listed or otherwise protected buildings or technically complex projects. (see Regulation 12(4) of the 2008 Regulations).

- Within the context of collaboration**,** the costs of land and buildings which are to be used as part of a transregional or transnational joint venture can only be funded with Scottish LEADER resources if they are situated within Scotland. LEADER grant can be used for the co-financing of transregional or transnational projects situated [outside Scotland], provided the project costs are identifiable (Regulation 12(3)(f) of the 2008 Regulations).

- Activities which are statutory obligations of regional corporate bodies, including local authorities and their agencies, are not eligible for funding. This includes core postal services. It may be possible in certain circumstances to support the non-postal activities of sub-post offices, such as helping to improve or develop an associated retail outlet for the benefit of the community. In addition, it may be possible to support a project, such as a 'community hub' or new/enhanced community facilities, based alongside a Post Office, as long as the funding is not intended to duplicate or deliver postal services or the statutory obligations of the Post Office business/services.

- Generally, expenditures on works of sculpture and other forms of civic art are not eligible for LEADER support. Projects comprising improvements to general security and safety of towns and villages such as Closed Circuit Television (CCTV) are also ineligible.

Where LEADER support involves grant funding for building projects and land purchase, it is expected that the project will deliver the originally funded intention for 10 years after its completion and for 5 years after completion or delivery for all other types of tangible items.

Contingencies

109. The assessment of the reasonableness of cost and value for money of all items must be completed at the start of a project. All elements of the project must be quantified and as near as actual costs determined at that point. Therefore any costs which are not quantified within a project such as Contingencies are considered ineligible projects costs. A project proposal can contain a contingency but this is not an eligible cost for LEADER or any SRDP scheme. Sundries and Miscellaneous expenses as cost headings should not be accepted as they are also ineligible.

110. If a capital project encounters unforeseen and/or increased costs, above the agreed rate, then it may be possible for the grant to be increased given solid justification and evidence. For larger increases a project amendment request in writing should be made and this request put to the LAG for consideration. For smaller increases the LAG may delegate co-ordinators the responsibility to approve changes to projects without seeking full approval at a LAG meeting. In order to show a clear audit trail all documentary evidence and justification relating to Variation case must be kept on file.

111. Finally, as indicated earlier, a maximum payment of 95% of project costs may be made from public funds including LEADER grant unless the applicant is a public body (Regulation 12(5) of the 2008 Regulations).

Transregional and Transnational projects (collaborative/joint projects)

112. As per Regulation 7 of the 2008 Regulations, LEADER grant may be paid:

- together with other LAGs and rural groups within Scotland for project costs of a project involving cooperation; and
- together with other LAGs towards the eligible project costs of a project involving cooperation either in the UK or other states (both EU and non-EU).

113. LAGs are therefore encouraged to undertake joint activities with other LAGs in Scotland, the UK, and Europe and beyond. Guidance from the EU on Transnational Cooperation projects can be found at:
http://enrd.ec.europa.eu/leader/tnc_guide/en/tnc_guide_en.cfm
114. It is hoped that quality transnational projects will occupy a large share of the funding under this action. Transnational projects are not just travelling abroad to look at other projects or share information, but must lead to a project involving all the partner LAG areas. LAGs should notify the Scottish Government where a transnational project foreseen in activity forecast in the local development strategy is being proposed for record purposes. Scottish Government approval is required for transnational projects which have **not** already been foreseen in the local development strategy.

115. Where joint activity is with a non-EU country or non-LEADER LAG Group the LAG should first confirm with the Scottish Government that the country or group are recognised as

adopting a LEADER type approach. For example the Scottish Government will need to know if the groups adopt a bottom-up approach, the make-up of the group and whether or not a strategy is in place for the local development of the area. Eligible expenditure for LAGs will only be available for animation and set-up costs i.e. activity in the LEADER area plus travel and subsistence incurred in attending events/meetings in the non-LEADER area. Any expenditure incurred by the non-LEADER Group or within their area is not eligible for assistance from LEADER.

116. When engaging with other LEADER Groups in the UK it is important to identify and agree roles and responsibilities. To achieve this it has proved beneficial to draw up a contract between the LAGs. (See Annex D). Normally eligible expenditure will be restricted to expenditure incurred in activity in an individual LAG area plus travel and subsistence. However, where this results in conflict with the rules of another Managing Authority that are beneficial to the Scottish LAG, then those rules can be adopted. The LAG should contact the Scottish Government before adopting different arrangements.

117. LEADER grant funding may be payable in relation to the:

- costs of preparing collaborative projects; and
- costs of implementing joint projects (including project design, staff costs attributable to the project and initial marketing and publicity).

118. However, this is again subject to the funding restrictions in Regulation 12 of the 2008 Regulations (see, for example, the restrictions in Regulation 12(3)(f) and (g) in relation to costs of projects out with Scotland).

Capital Projects

119. Subject to the requirements of Regulation 12 of the 2008 Regulations, examples of capital projects include**:**

(a) Provision/improvement of community/visitor/cultural facilities

A range of capital costs associated with creating and improving visitor attractions and community facilities, such as:

- **new** or extended heritage centre, gallery, museum or theatre infrastructure which enhances the experience for visitors;

- **new** or extended community facilities and visitor interpretation boards, signage and related tourist information facilities;

- **new** or extended infrastructure for niche sporting activities which will contribute to attracting visitors to the area, provide the infrastructure to allow the hosting of events and generally contribute to the economic development of the area. (*e.g. a dog sled course or a field archery course);*or

- **new** or improved community facilities for health and recreational purposes which contribute to the quality of life within the local area (*e.g. Creating and extending play parks for use by the whole community, public meeting spaces etc.).*

All projects should be designed to contribute to attracting visitors to the area or improving the quality of life for local community;

(b) Site/building acquisition

Expenditures relating to the purchase of an area of land or building as part of a larger scheme are eligible up to a maximum of 10% of other eligible costs (see Fig 1). Planning permission and building warrant costs are eligible. Acquiring land or buildings may not commence before funding has been approved. In individual cases and in exceptional circumstances projects may start early, but that may not be taken as a guarantee of funding being approved. Care must be taken not to allow work to start on a project before the project has been inspected and written permission given. Applicants must be made aware that they commence work on the project at their own risk and approval of LEADER funding is not guaranteed. Retrospective approval is not allowed.

Fig 1. Breakdown of Costs

Example	£
Total cost of project	50,000
Land acquisition costs	10,000
Other eligible costs (total costs – land costs)	40,000
Eligible land acquisition costs = (10% of 40,000)	4,000
Total eligible costs (other eligible costs + eligible land purchase costs)	44,000
Total ineligible costs	6,000
LEADER grant @ 50% £44,000	22,000

120. **Site preparation.** Expenditures relating to the works necessary for the preparation of an area of land for further development, i.e. site investigation, decontamination, demolition works and other activities related to site clearance.

121. **Physical building works.** A range of costs associated with construction of new premises and/or refurbishment of existing premises, including internal sub-division of existing premises. New provision and improvement of premises must relate to buildings which have an industrial, or business use. If used for training, new or improved facilities must relate to business or vocational training which contributes to the economic development of the rural area.

122. **External services.** The provision of external services to a building or area of land including gas, electricity and telecommunications are eligible. The provision of disabled access is also eligible but only where the works are part of a larger development. In addition, road improvements are permitted provided they are within the designated boundary of the site.

123. **Internal services.** The installation of utilities such as heating, lighting and telecommunications within a building are appropriate eligible costs. Other internal physical works necessary to prepare a building for use in a project are eligible, for example, to provide

access for individuals with disabilities or other special needs to meet the requirements of the Equality Act 2010.

124. **Environmental improvements and enhancements**

- Hard and soft landscaping where the works contribute to a larger cultural/tourism/community project or scheme.
- Other landscaping and environmental improvements where it can be shown that the improvements improve the economic position of the area, e.g. reduce areas of derelict land.
- Enhancements to building facades and business premises, particularly in tourism, conservation or community regeneration areas.
- Improvements to footpaths, walkways, cycle paths, piers, jetties and pontoons including related signage, way marking and visitor/user information.
- Street furniture and lighting.
- Traffic calming measures and related works to improve flows of pedestrians and traffic.

125. **Fixtures and Fittings.** In projects where such items are deemed as essential to the delivery of the project, for example, the purchase of a PC to be used to deliver a training course. In such cases, the onus is on the applicant to fully justify the need for the proposed items of equipment. Each project is treated on its own merits.

Examples of Revenue Projects

126. As a general principle, eligible costs are only those which directly relate to the delivery of the project or scheme. Existing costs or expenditures should not be offset against LEADER grant funding.

127. The LEADER Coordinator should discuss projects with applicants prior to breaking down expenditures in the application form. Examples of projects funded by LEADER LAGs in the current programme can be found at http://www.ruralgateway.org.uk/gd.

128. **Premises Costs.** The actual cost of rent, rates, heat, light, cleaning and service charges associated with the premises are eligible only where it can be clearly demonstrated that these are directly related to the delivery of the project and are additional, i.e. project expenditure over and above existing operating costs, e.g. if you have to rent additional premises. If a part of the premises is used then the amount charged should be apportioned accordingly, for example, floor space occupied. Calculations should show the actual additional annual rental cost to the applicant, the period of project usage, the proportion of the building used for the delivery of the project and the resultant eligible rental cost.

129. **Purchase/Leasing of Equipment.** The purchase of small items of new or second hand equipment is eligible, provided that the equipment is integral to the delivery of the project. Equipment should not be purchased prior to commencement of the project. Hire purchase, extended credit agreements and finance leases for eligible capital purchases may be considered eligible. Full details of all agreements should be provided. The ownership of the goods being financed should fall to the grant recipient to be eligible for support.

130. **Financing of Capital Costs.** Hire purchase, extended credit agreements and finance leases for eligible capital purchases may be considered eligible. Full details of all agreements should be provided. To be eligible for support the goods being financed should be owned by the grant recipient.

131. **Insurance.** Insurance of buildings and contents for public indemnity is eligible, provided it can be clearly demonstrated that this directly relates to the delivery of the project; for example where a lease of premises required for the project requires that the building and contents are covered by insurance. **If the building already exists and space was made available for the project then insurance cover is ineligible since it should already be in place.** Any project erecting a new building or extension works must have adequate insurance cover in place for the period of the project as a minimum requirement.

132. **Marketing.** Costs related to appropriate and proportionate aspects of marketing specific to the project are eligible; on, for example, design and production of marketing materials, facilitation of appropriate conferences and seminars, and targeted advertising campaigns.

133. **Professional fees.** Both pre-contract professional fees, e.g. design or technical advice relating to value for money/reasonableness of cost and post-contract professional fees e.g. project management can be included. As a rule, in terms of Regulation 12(4) of the 2008 Regulations, professional fees for architectural, landscape design and engineering services can only be funded up to a maximum level of 10% of the total building costs. Up to an additional 5% may be granted for projects with a particularly intensive planning element, e.g. work on protected buildings or technically complex projects. Legal fees which are an absolute necessity to the project may be eligible.

134. **Feasibility Studies.** Expenditures on commissioned research and feasibility studies which precede the implementation of a larger LEADER or SRDP project are eligible. Detailed information should be provided on how the composition of the study relates to the future project, including the forecast benefits.

135. **Other.** Software, 'consumables' and other reasonable costs are covered where it can be clearly demonstrated that these are directly related to the delivery of the project and should not exceed 20% of total approved eligible costs. Consumables may include items such as the actual cost of teaching materials, telephone, postage, stationery, and other costs, which the applicant can demonstrate are essential to the effective delivery of the project and where an itemised audit trail can be provided. Items that do, or would normally, feature on an organisation's asset register or would be, or are later, capitalised in the organisations accounts are ineligible. However, depreciation of these items is potentially eligible.

136. **Dependent Care.** Provision for dependents to allow participation in projects - actual payments made for nursery provision (running costs only) and actual payments made for care for other dependants are eligible.

137. **Childcare Costs.** Where participation at a seminar or training course is directly dependent on a contribution towards childcare expenses, then this expenditure may be considered eligible. A detailed justification is required for such a contribution, and individual proposals would be treated on a case-by-case basis.

138. **Repairs and Maintenance.** These must relate to equipment specifically included as eligible items of expenditure within the approved application and within the lifetime of the project (ie. start and finish date). Repairs and maintenance for a capital item are only eligible where the item has been purchased as part of the project and the item is required for the execution of the project e.g. a community bus has been provided.

139. **Non-recoverable VAT.** It is recognised that some applicant organisations are unable to recover VAT and are at a disadvantage to those who can. To rectify this, VAT can now only be claimed as an eligible cost where the applicant is an exempt trader. An exempt trader is defined as an organisation that is not required to charge VAT to customers for the goods or services which they provide, e.g. a small voluntary organisation. Lead Partner staff must satisfy themselves of any group claiming this status.

140. **Accommodation and services.** The costs provided by one organisation to another for the express purpose of delivery of an approved project are eligible, where the first organisation does not charge rent or any other compensation for the use of the office space.

141. **Community Transport.** The full cost of a minibus and associated maintenance during the project's life is eligible, including fuel and running costs. Whatever value is left once the project finishes and does not continue should be discounted from the LEADER support. This also applies to leasing i.e. the full lease cost plus the maintenance is eligible during the life of the project. For example, if a minibus is used 50% on the project and also used to transport school children for the other 50%, then only half the value can be allocated towards eligible project costs. If a minibus is not required full time it should be considered whether hiring/leasing a bus at certain times would be more appropriate.

Committed Expenditure

142. Expenditure for a project is only be **deemed eligible and committed** once the applicant has **signed and dated the LAG offer of grant letter agreeing to the terms and conditions** and this signed and dated letter is received and verified by the receiving LAG. This is the project start date and should be recorded in documents and databases as such.

Staffing Costs

143. Regulation 12(3)(b) of the 2008 Regulations notes that the internal staffing costs of any organisation are not eligible for LEADER grant. Eligible expenditure is for the cost of staff involved directly in project activity, including carrying out regulatory inspection work. This means activity explicitly set out in the approved application.

144. This includes:

- training to beneficiaries;
- advisory/training services to businesses;
- appraisal of grants/access to finance applications and management of successful applications;
- research activities in funded research projects;
- development of materials/courses for the project;
- essential software programming for the project;
- direct project management including financial management;

- cleaning, where directly associated with and duly justified by the project;
- refurbishment of premises directly associated with the project [NB maintenance is ineligible]; and
- project delivery – staff costs, materials, goods and services.

145. It excludes:

- pre project development;
- application for LEADER funding - however some projects supported may be the initial facilitation stages of a larger project where an application for RDC-RP/ERDF/ESF is integral to the implementation of the larger project;
- human resources associated with the project;
- non project costs involved in the procurement of goods or services required;
- IT equipment administration/upkeep, unless there are special requirements associated with the project (e.g. dedicated IT or other equipment specially purchased for the project);
- costs associated with the project's future after completion; and
- the management of the organisation running the project.

146. Staffing costs are eligible for personnel directly engaged in a project, whether full or part time, subject to the following restrictions:

- The job descriptions of all staff employed to deliver elements of the project should accurately summarise their contributing activity. Where staff are involved in the project for only part of their working time, they must complete timesheets (vouched by a line manager) throughout the project's life, showing the division of time between project and other activity.
- Where staff are also engaged in non-project related work, only the portion of staff costs directly attributable to the project should be shown and must be backed up by timesheets or other time recording systems, showing project activity where time spent on eligible activity can be clearly demonstrated.
- Where staff are paid at an hourly rate, the calculations must be acceptable, i.e. the total staff cost divided by the number of hours worked per year. Hours worked are contracted hours and, if appropriate, include paid holidays – costed on the basis of the contract.
- Where staff are part-time or have joined / left the organisation during the year, a pro-rata rate should be calculated.
- Recruitment costs are eligible provided the staffs are directly employed for the project.
- Project management costs including some core costs associated with recording, monitoring and the financial transactions of the project which are encountered by an organisation are eligible provided they are foreseen at the application stage and can be shown to relate to the project.

147. LEADER will only pay the real costs defrayed by the organisation in delivering eligible activity as set out in the approved application. It is recognised that often central administration and financial work is involved in the delivery of a project. There should be a clear audit trail for staff costs from time sheets through payroll records, via BACS to the bank statement or equivalent.

148. If existing staff are taken from their normal work in an organisation and employed for a period of time on specifically delivering a project then their costs can be considered as eligible for LEADER support. They must not be employed in their former work for the duration of the project.

In-Kind Staff Costs

149. In-kind staff costs are eligible if undertaken on a voluntary basis (i.e. no payment is made for the individual's time) and the applicant is a community group or business association. An application for funding including in-kind staff costs should make it clear exactly what activities are being undertaken and "funded" in this way. Only the notional costs of individuals *directly* involved in the project in question should be costed. For example, the time of all community group members spent discussing a project would not be considered eligible.

150. Depending on activity, Table 1, which shows suggested maximum notional hourly rates, can be used as a guide for staff costings:

Table 1: Suggested Salaries for LAG staff

Role	**Suggested notional full-time salary**	**Suggested notional hourly rate**
Project Manager	£30,000	£16.00
Project Coordinator/animateur	£22,000	£14.00
Project Researcher	£22,000	£14.00
Project Administrator	£15,000	£8.50
Manual Worker (skilled)	£22,000	£14.00
Manual Worker (unskilled)	£12,000	£6.00

151. If different roles and notional salary rates are required, these should be agreed with the Managing Authority in advance of project approval.

152. LAGs should direct potential beneficiaries to the Standard Costs for certain jobs accepted and used by SGRPID, SNH and FCS. Details of these costs are available from the local RPID Area Office.

153. Staff travel costs must be directly related to and essential for the effective delivery of the project. This applies equally for paid staff and volunteers. Certified travel claims must be retained. Actual costs up to a maximum of mileage at the public sector rate per mile (or comparable) or economy class travel on public transport must be claimed.

EXPENDITURE WHICH IS NOT ELIGIBLE FOR LEADER GRANT

154. General Administration

- Bank charges on accounts;
- Costs of guarantees provided by a bank or other financial institution;

- Debit interest (other than expenditure on interest subsidies to reduce the cost of borrowing for businesses under an approved State Aid scheme), charges for financial transactions, foreign exchange commissions and losses, and other purely financial expenses are not eligible for co-financing;
- Service charges – arising on leases and hire purchase arrangements;
- Costs resulting from the deferral of payments to creditors;
- Costs involved in winding up a company;
- Bad debts;
- Fines, financial penalties and expenses of litigation;
- Legal fees for routine advice, notary fees and the costs of technical or financial expertise;
- Loan part of the grant scheme;
- Expenditure defrayed out with the eligible programme period, including site acquisition;
- Related to research or studies carried out in respect of the project prior to the official project start date;
- Volunteer costs;
- Gifts and competition prizes;
- Repairs and maintenance unless noted under eligible costs above;
- CCTV for town centres and / or as a stand-alone initiative;
- Compensation for loss of office;
- Costs of works being carried out as a statutory requirement;
- Staff costs that are not directly attributable to project delivery subject to Regulation 12(3)(b) of the 2008 regulations;
- Training that is mandatory under statutory provision;
- Redundancy payments;
- Payments for unfunded pensions;
- Maternity/paternity/special leave/sick pay; and
- Dental or optometrist charges
- Recoverable VAT.

155. Appropriate protection should be put in place against potential claims for reclamation or restitution (this rests with the designated Lead Partner in charge of LAG finance). The Scottish Government Paying Agency has a Recovery Unit which will handle all recoveries.

156. **Non-Eligible Capital Projects**

- Works which largely comprise expenditures on necessary repairs are not eligible.
- **Site/building acquisition** – Additional expenditures in excess of the 10% maximum are not eligible.
- **Physical building works –** Investment in premises relating to statutory education, health, social work etc are not eligible.
- **External -** Road improvements of a more general nature or where access is being provided to a site, rather than within it, are not normally regarded as eligible.
- **Fixtures and fittings** - The purchases of items such as furniture and kitchen utilities are not normally regarded as eligible unless a core part of the project in question.

157. **Non-Eligible Revenue Projects**

- Notional rental charges where the applicant owns the premises, or occupies premises rent-free, are not eligible. An organisation providing accommodation to the grant recipient rent free for a project may be considered as providing "in kind" benefit to the project.

Recoverable VAT

158. VAT which is recoverable by whatever means is ineligible. Irrecoverable VAT can be claimed as an eligible cost provided the claim is substantiated by an appropriate VAT declaration statement or evidence from the applicant's Accountants. Beneficiaries not registered for VAT are able to claim the VAT element incurred in delivering a project.

159. This is a crucial area which should be discussed with the applicant at the pre-application stage. All tenders should show the VAT. If not clear in the application, Coordinators should ask the question pre-LAG and highlight the VAT element to the applicant, as communities often forget it as a cost. The VAT issue should be covered at any claims-workshop type events.

160. If the applicant is VAT registered the offer should be made excluding VAT. It would be illegal for any additional payment to be made to cover VAT that the applicant was liable for; any effective business recognises VAT as an ongoing business cost.

161. If the applicant is NOT VAT registered the offer should be made including VAT.

162. If VAT is NON Reclaimable it can be included in the project amount – they must provide evidence from the VAT office that this is the case.

163. On 4 January 2011 the standard rate of VAT was moved to 20% from 17.5%. LAGs should note that HMRC have confirmed that any work subject to standard rate VAT –

i). Completed and invoiced before 04/01/2011 will include VAT at 17.5%,

ii). Started before 04/01/2011 but not completed and/or invoiced until after 04/01/2011 will include VAT at 20% (see para 2 regarding optional change of rate rules for sales that span the change in rate).

iii). Started and completed after 04/01/2011 will include VAT at 20%.

The HMRC website also details special rules for sales that span the change in rate. Under the normal rules, standard rated supplies with tax points created by payments received or VAT invoices issued on or after 4 January 2011 will be liable to the 20%. However, there are **optional** change of rate rules that you should be aware of. HMRC have allowed suppliers the option to charge 17.5%. Read more about the special rules for sales that span the change in rate from the HMRC website.

164. Quotations received by applicants from prospective contractors now, may include VAT at 17.5% but as it is unlikely that the work will be completed and/or invoiced before 04/01/2011, LAGS should consider approvals on the basis that VAT will be charged at 20%,

regardless of what is shown on the original quotation provided by the contractor. In this situation, the increased costs should be detailed in the Approval Document, with a note retained in the project file and copied to the applicant explaining the re-calculation of project costs/grant offer.

165. With regards approvals which have already been issued based on quotations that included VAT at 17.5%, any claims subsequently submitted after 04/01/2011 should be checked and, where appropriate, VAT recalculated and amended on the original approval. The amended approval should be retained with the claim and a copy issued to the applicant for their records. Please see attached link to the VAT rate change on the HMRC web site[3].

Consultancy Fees and Contractors Charges

166. Subject to the terms of Regulation 12(4) of the 2008 Regulations:

- Costs for work done by an independent consultant or sub-contractor will only be eligible if the work is essential to the project and the costs are reasonable.

- All consultancy fees and sub-contractors costs must be tendered. At least 3 quotes will be required for audit purposes and in all circumstances. Where consultancy fees and contractors' charges have been subject to an approved tender process, the market rate resulting from that exercise may be included for support, provided the original tender is no more than 3 years old.

- Costs associated with payment of consultants that provide support in completion of LEADER application/claim forms and with management fees are not eligible.

- Project management by the consultants is an eligible expense since this is directly associated with the project.

- Consultancy fees and sub-contractor fees should not be included in staff costs.

Grant Administration

167. Local Action Groups should approach Rural and Environment Directorate if they are minded to approve a project with a **LEADER grant** in excess of £500,000 with a completed incurring expenditure proforma (at Annex E) and reasons why they consider that the project should be supported.

Business Reference Number (BRN)

168. To comply with EC financial reporting requirements, SGRPID (Scottish Government's Rural Payments and Inspections Directorate) need to issue a **BRN** (Business Reference Number) to approved projects. A LEADER Grant Application Form (LGAF) can be used to provide the detail that SGRPID staff need to issue a BRN.

169. Issuing of BRNs can only be done by SGRPID. To progress this, Coordinators need to email or fax SGRPID the first (2 or 3) pages of the new LGAF **after** the project has been

[3] http://www.hmrc.gov.uk/vat/forms-rates/rates/rate-increase.htm

approved. If the project is a non-land management one, they should be able to issue a BRN quite quickly; LAGs and the project contact will then be sent a letter showing the BRN. For further advice on assessing possible land management projects, please contact the local SGRPID Area Office. LAGs should ensure that the details lodged with SGRPID are the exact details which are used on the quarterly claim form, i.e. the grant recipient name, address and post code. If these details differ then claims will be returned for amendment.

Responsibilities of lead applicant of the grant recipients

170. Where there is a partnership project a lead applicant will be appointed by the community group. The lead applicant is responsible for ensuring that:

- there is a clear relationship between partners in the project including arrangements for payments and monitoring;
- all expenditure presented by and declared on behalf of the partners in the project has been incurred and it has met all the other rules with regard to LEADER;
- provision by other partners for requests for information etc. by the Scottish Government as Managing Authority or its agents has been met; and
- original copies of documents vouching costs claimed are retained for the required period. If the originals are not retained copies should be kept with a clear record of the place where the originals are. Auditors may also wish to view the original documents.

Winding Up

171. In the event of an applicant community proving insolvent (or prospect of), the LAG should advise the Managing Authority as soon as possible. Filed copies of project documents should be retained. On no account should documents be destroyed without the prior consent of the Managing Authority.

Project Future Income: Accounting Treatment of Receipts

172. Projects are intended to be sustainable. Any profit generated will be retained for the future running of the project. This is acceptable where the "profits" will be spent on community benefits.

173. **It is not acceptable for the profit to be retained and used to offset the match funding element of the project.** If this were to happen then the income generated and retained during a project's life e.g. sales, rentals, services, or other equivalent receipts representing income, which might reduce the net cost of projects and thereby the amount of LEADER funding required for the project in question, would be deducted from the project's eligible expenditure and no later than at the final claim stage. There are powers to recover money with interest if necessary and this process is operated by the Scottish Government.

Project Claim Inspections

174. Verification of the eligibility criteria must consist of both 100% administrative checks and, where appropriate, on-the-spot checks and ex-post checks.

175. There are 2 types of inspection that are required to be carried out under the LEADER programme. Projects will fall under either Title I or Title II. The details of these are contained within EC Regulation 65/2011, which replaced 1975/2006 for payment claims submitted on or after 1 January 2011.

176. It is imperative that these inspections are carried out according to the requirements of that EC Regulation. The minimum requirements are outlined here for these inspections but Lead Partners are strongly encouraged to exceed the stated minimum and must ensure that the monitoring requirements of Regulation 65/2011 are fulfilled.

177. The majority of projects to be inspected fall under Title II. Where support falls under Title I - usually projects having as their objective a measure set out in Axis 2 of EC Regulation 1698/2005 (improving the environment and the countryside) - this should be brought to the attention of the Managing Authority as soon as the relevant application is approved, in order that suitable monitoring arrangements can be put in place.

The two main types of inspections are On-the-spot checks and Ex-post checks. Details are as follows:

1) On the spot (OTS) Inspections (Pre Final Payment Project Inspections)

178. This requires an on-site examination of the works/goods/services claimed to ensure that they are as specified in the approval, appear to be technically sound and that the claim costs are justified. Photographic evidence should be recorded including of plaques etc.

179. On-the-spot checks of payment claims must cover **at least 5%** of the Title 2 expenditure financed under EAFRD each **calendar** year. In calculating this 5% minimum, the Lead Partner must bear in mind the co-financing rate for LEADER and Convergence. The co financing rate since **1 January 2012** is 25% SG funds and 75% EAFRD funding. Convergence funding is funded 100% by the EU. For example, if £1M was **paid** to the LAG in calendar year 2012 and the payments were made up of £0.5M for LEADER and £0.5M for Convergence funding, the amount of EAFRD funding in this payment would be £875,000 (LEADER £375,000 and Convergence £500,000). Therefore the **minimum** expenditure that would be required to be checked by on-the-spot inspections that year would be £43,750 (5% of £875,000). The co-financing rates may be subject to change from year to year. The following rates should be used to calculate the EAFRD funded element prior to 1 January 2012 – up to 1 January 2010 the rate was 65% SG and 35% EU. From 1 January 2010 to 1 January 2012 the co financing rate was 50% SG and 50% EU.

180. Under Reg 65/2011, a new requirement is that these OTS inspections **cannot be carried out by any person involved in the administrative checks on the same project**. This includes technical assessment, scoring and payments thereby preclude the project's coordinator from undertaking these checks. These checks must be carried out by someone wholly independent of the project and 'competent' i.e. suitably qualified and/or experienced.

181. This would usually mean a competent member of staff working for the Lead Partner or the Lead Partner from another LAG area, who has been suitably trained in the inspection process, and who was not involved in the initial scrutiny and checking of the application and claims. **Occasionally** it may be deemed necessary by the Lead Partner to contract in external

expertise to help inspect one-off high risk and /or specialist capital projects. However we would not expect many occasions when this would be appropriate.

182. It is strongly recommended that the project's coordinator also attends as they will be most familiar with what the project should have achieved in term of output. However it must be the 'competent' person (see above) who actually signs-off the OTS Report, which should include a record of everyone who attended the inspection.

183. Only checks carried out during the calendar year in question count toward these figures, with no scope for retrospective checking. Minimal notice must be given and claims must be rejected where beneficiaries prevent checks from being carried out. OTS inspections should be spread over the year on an appropriate sampling basis. In designing a risk/random sampling regime there are a number of factors for Lead Partners to consider:

a) Firstly, the need to **randomly** select 20 to 25% (of the 5%) of relevant expenditure form the full list of projects claiming in that **calendar** year.

b) After making the random selection, using risk methodology you then need to check an appropriate mix of types and sizes of projects maintaining a balance between different axes, measures and sub-measures. A range of project types should be selected e.g. festivals, training, capital buildings; a mix of revenue and capital projects; large, small and medium projects should also be considered.

c) Any risk factors that may have been previously identified following other checks or audits;

d) For audit purposes, you need to record the methodology used to select which projects to visit. For cases with similar risk you also need to record why Project A was chosen over Project B..

184. OTS inspections should, as far as possible, be carried out before the final payment is made. Except in exceptional circumstances they should include a visit to the project, or to its promoter where the project is intangible (e.g. feasibility studies). If this is not possible or appropriate then the reasons should be recorded on file. If selected, all capital work projects must be inspected on-the-spot.

185. During the inspections the inspector must check:

(a) that the payment claims submitted by the project are supported by accounting or other documents, including, where necessary, a check on the accuracy of the data in the payment claim on the basis of data or commercial documents held by third parties;

(b) for an adequate number of expenditure items, that the nature and the timing of the relevant expenditure comply with European Union provisions and correspond to the approved specifications of the operation and the works actually executed or services actually delivered;

(c) that the use, intended use or output of the project is consistent with the use described in the application and offer contract; and

(d) that the publicly funded operations have been implemented in accordance with European Union rules and policies, especially the rules on public tendering and relevant mandatory standards established by national legislation or established in the SRDP.

186. The on-the-spot inspection report completed by the inspector must detail:

(a) the measures and applications checked;

(b) the persons present;

(c) whether prior notice was given to the grant recipient of the visit and, if so, the period of advance notification and the reason for this;

(d) the results of the checks and, where applicable, breaches and any relevant observations; and

(e) any future control measures to be carried out.

187. **Template forms have been produced for these inspections by the Rural Communities Team and are available on the LEADER website. These forms must be used at the inspections.** Please read the relevant guidance on Breaches and Penalties in the Technical Guidance and on the LEADER website.

188. The grant recipient must be given the opportunity to sign the report, to attest presence at the check and to add their comments. Where irregularities are found, the grant recipient must receive a copy of the Control Report.

189. The results should be assessed in order to establish whether any problems encountered might present a risk for other similar operations or bodies, identifying the causes and whether any further action is required.

2) Ex-post checks

190. Ex-post checks shall cover, in each calendar year, at least 1% of EAFRD expenditure for which the final payment has been made and commitments are still ongoing. Only checks carried out until the end of the year in question shall be taken into consideration.

Year 1 = 1% of first year of final EAFRD payments
Year 2 = 1% of first and second years
Year 3 = 1% of first, second and third years

191. Ex-post checks must be carried out on investment operations to verify continuing compliance with the SRDP and other commitments. Inspections should be undertaken on investment operations, usually projects that have an ongoing programme or service, e.g. capital buildings and equipment. It is expected that a substantial modification will not have occurred within 5 years of the funding decision. Reports are required on whether funded goods are still there and/or the service is still being provided. Inspections have to be carried out by a 'competent' person i.e. suitably qualified and/or experienced. Unlike the OTS inspections, the coordinator can undertake these inspections. Otherwise it will be a 'competent' member of staff working for the Lead Partner or the Lead Partner from another

LAG. Where the project being inspected has previously been subject to an OTS inspection, the inspector will not be required to re-check all the invoices.

192. The sample to be checked must be based on an analysis of the risks and financial impact of different operations, groups of operations or measures, and at least part of the sample must be selected randomly. The same rules on reporting apply here as to OTS inspections. **A template form has been produced and is available on the LEADER website. These forms must be used at the Ex Post inspections**.

Eurostats

193. Each year the Scottish Government has to submit Control statistics (Eurostats) to the European Commission. The information from the OTS and ex-post inspections directly feed into these statistics. No data from any other type of Lead Partner visit (e.g. monitoring) to the project should be included in these statistics. The EC are increasingly using the Eurostats to formulate their audit risk analysis and consequently which Member State they will visit. It is important therefore that the above inspections are undertaken fully in accordance with Regulation (EC) 65/2011, on which basis the above guidance has been formulated.

Inspection Reports to the Scottish Government

194. Copies of all completed Inspection reports should be forwarded to Rural Communities Team within 30 days of the inspection. Towards the end of each calendar year, Lead Partners will be required to send a Summary Report to the Scottish Government on the results of the 2 inspection regimes. A template for this will be issued in November each year by Rural Communities Team and be required to be returned to Rural Communities Team by 15 December each year. The Lead Partner will be required to sign this report to attest to the fact that the inspection requirements have been met in that calendar year.

Failure to meet project conditions

195. If for any reason a grant recipient finds the project cannot meet the project conditions of grant or agreed expected outcomes, LAGs must obtain from beneficiaries as soon as possible a full explanation of the position in writing together with any relevant documentation. The LAG may consider agreeing budget heading transfers, revised outcomes and amend the conditions of grant.. However, in the event of failure to meet project conditions and depending on the nature of the breach, Regulation 18 of the 2008 Regulations specifies the steps which the LAG or the Scottish Ministers (as “responsible bodies” under the 2008 Regulations) may consider taking, such as revoking the approval and recovering any financial assistance already paid. Please see the Appeals section.

196. Regulation 23 of the 2008 Regulations also provides that certain conduct may give rise to a criminal offence, such as knowingly or recklessly making a false statement for the purposes of obtaining any payment under the 2008 Regulations. If either LAGs or the Scottish Ministers consider that there is evidence of an offence under this provision, they may refer the matter to the Procurator Fiscal.

197. Payment by LAGs must only be made by Bankers' Automated Clearing Services (BACS) or other form of electronic transfer e.g. Clearing House Automated Payment System (CHAPS).

IN-KIND CONTRIBUTIONS

198. All applications involving in-kind contributions should be dealt with on a case-by-case basis, and considered directly by the LAG.. A detailed justification for proposals involving in-kind contributions should be provided by applicants.

199. The guidelines below should also be followed:

- Contributions which are in-kind must be able to be assigned a monetary value (e.g. based on standard hourly labour costs) and must involve a logical audit trail. All in-kind claims must be backed by timesheets for labour costs detailing what activities have been undertaken.
- The supply of land, property, long term equipment, raw materials and unpaid work provided by volunteers as part of the direct delivery of a LEADER project may be considered as in-kind support.
- It should be noted that the level of EU financial assistance towards in-kind costs should not exceed 25% of the level of expenditure actually incurred.
- Applicants cannot receive a LEADER contribution greater than the value of the actual costs incurred.
- Reference should be made to the examples given below when calculating the EU contributions: the Scottish Government should be consulted if in doubt. Only 50% of LEADER money is European, whereas 100% of Convergence funding is European.

200. These central costs are eligible if identified at the application stage, and approved by the LAG, and are clearly identifiable e.g. from Senior Manager certified note of hours involved on the project i.e. making payments, recording data, completing claim forms and monitoring reports. Example project costs are shown in Fig. 2.

Fig 2. Example Project Costs

Example 1		Example 2	
Total Project cost	£1,000	Total Project Cost	£1,000
In-kind contribution	£200	In-kind contribution	£600
LEADER (50% TPC)	£500	LEADER (50% TPC)	£500
Other Match funding	£300		
Total cash costs	£800	Total cash costs	£400
LEADER	£500	LEADER (50%)	£500
OK		**Not OK can only pay out on £400**	

In kind contribution may not exceed 25% of the overall cost of the project which if LEADER = 50% leaves only 25% from other public or private funders.

201. Contributions by way of property should be valued by a qualified Valuer. Contributions by means of goods or services should be quantified and signed as correct by a

suitably qualified person. These should be checked wherever possible against costs for similar goods or services and against standard costs wherever possible. Standard costs are available from Scottish Government Rural Payments and Inspections Directorate (SGRPID), Forestry Commission Scotland (FCS) and Scottish Natural Heritage (SNH) offices for certain works. LAGS should seek to verify, that property goods or services provide value for money e.g. 10 hours labour by a volunteer matches up to equivalent time/cost for a person skilled in undertaking the job. LAGs will be responsible for checking that this is the case, satisfying themselves, and accepting or rejecting claims for in-kind contributions. Records of documentary evidence of in-kind contributions and decisions taken by LAGs or LAG staff to accept/reject claims should be retained for audit purposes.

202. In-kind contributions will only be considered for individual project activity. LAGs themselves are **not eligible** for in-kind assistance and all costs must actually be incurred, i.e. rent paid for accommodation or salary for LEADER staff or alternative staff where employed to cover officers full-time for the lifetime of the LAG.

203. In the case of volunteer time spent directly relating to LEADER projects, the relevant individuals should be unpaid, as their voluntary contribution can form part of the in-kind costs. This therefore excludes the vast majority of organisations currently gaining assistance from LEADER (i.e. local enterprise companies, local government, tourism bodies and so on) but focuses on community and voluntary sector bodies in particular. Volunteer time can be used against in-kind payment to match against LEADER funding for direct project costs. Travel and Subsistence costs for volunteer activity on a project will not be eligible for support as there is no separate funding stream to reimburse such costs. Any specific cases requiring advice need to go through Rural Communities Team.

204. All in-kind contributions should be costed in some way, using either an accepted market value for materials or goods, or a notional salary for individuals' time.

Grant recipient (Beneficiary) Contribution

205. Maximum level of support for individual projects is currently 90%. The remainder being either private or public funded with a **minimum** contribution of **5%.** This can be private match funding and not just from grant recipient group. The exception to this is applications from public bodies. Convergence projects must have sufficient **public** match funding to match 50:50 what is being claimed from the Scottish Government.

206. Measures involving in-kind contributions of a public or private grant recipient, namely the provision of goods or services for which no cash payment is made, may be eligible expenditure provided that the following condition is fulfilled:

- the contributions consist of the provision of land or buildings, equipment or raw materials, research or professional work or unpaid voluntary work.

207. In the event of a project under spending, approved costs will remain the baseline for establishing the eligibility of other costs.

Payments in advance of project commencement

208. LAGs, in consultation with their Lead Partner, may make advance payments to a project from the Scottish Government funds held by the Lead Partner up to a maximum of 30% of the eligible approved project cost. The decision to advance funding to a project is entirely at the discretion and risk of the Lead Partner. The LAG and Lead Partner must understand that they will be held liable for monies advanced if the project fails. European funding cannot be advanced to enable projects to start**.**

Payments in advance of project conclusion

209. Payments can only be calculated on the basis of what is found to be eligible during administrative checks and, as far as possible, on-the-spot checks must be carried out before final payment is made for an operation. However, where a community group recognises that it will struggle to meet the final costs of the project, LAGs, in consultation with the Lead Partner and Rural Communities Team, may be able to advance funding to the project management. The advance would be paid by the LAGs from Scottish Government money held by the Lead Partner. It should be used by the grant recipient to pay the costs of the project in order that the final claim can be made. The advance should be refunded to the LAG and returned to the Scottish Government. This can readily be achieved by reducing the final claim.

210. The onus is on the individual LAGs (in consultation with the Lead Partner and Rural Communities Team) to decide whether to approve an advance to a community group, bearing in mind the need to ensure it is returned at the end of the project. LAGs should arrange to have a signed agreement from the applicants to return the advance to the LAG at the stage of the final claim for payment.

211. To avoid potential losses, LAGs might consider an advance of a maximum of 15% of the total project costs to enable the claimants to pay the final 25% of the project costs and make the final claim. The claimants thus have to ensure that they hold sufficient funds to meet at least 10% of the final costs. The 15% can either be deducted from the last grant payment and thus returned to the Scottish Government funds held by the Lead Partner on behalf of the LAGs, or recovered from the beneficiaries after receipt of the final payment.

LAG Monitoring and Audit

212. In terms of LAG monitoring and audit, each Lead Partner has a Service Level Agreement (SLA) with the Scottish Government. The following outlines the main points. For further information and detail, reference should be made to the signed SLA held by the Lead Partner.

213. Monitoring visits can be undertaken by the Lead Partner as they consider necessary to determine whether project forecasts for expenditure and outcomes made at the application stage have been achieved. Under LEADER Regulations – with the exception of the pre-final payment on-the-spot inspection – the need to make these monitoring visits is at the discretion of the Lead Partner.

214. LAGs must, in writing, notify the SG Rural Communities Team as soon as reasonably practical of any suspected breaches, frauds and irregularities.

215. LAGs will monitor project expenditure, regularly providing returns to Scottish Government monthly, quarterly and annually as required under the Lead Partner Service Level Agreement.

216. Monthly, quarterly and annual proformas are available on the forms page of the LEADER website. To allow SGRPID to report to the European Commission how much each project has been awarded, LAGs need to associate the BRN with the project name on the quarterly claims spreadsheet sent to Rural Communities Team.

217. The EC requires an annual report in June each year that provides information on the baseline, input, output and result indicators. The Scottish Government is responsible for submitting the annual report and will require annual information on indicators from LAGs to enable it to complete the report. The template for this can be found on the forms page of the LEADER website.

218. Rural and Environment Directorate as Managing Authority will undertake annually a 5% control check of LAG expenditure.

219. Rural and Environment Directorate will undertake a 100% check of all Lead Partner project expenditure.

AUDIT CONTROL

220. Proof of expenditure – All payments must be supported by a fully transparent audit trail, including transaction lists, traceable through bank statements or such other verifiable means. Under Regulation 26 of the 2008 Regulations, a grant recipient of LEADER grant funding must retain all **original** invoices, accounts and other relevant documents in relation to the application, produce them for inspection if required, and provide such additional information in relation to the project or the LEADER grant monies paid as Ministers may require.

221. The **original** receipted invoices vouching individual items of expenditure are required in **all** circumstances. The originals must be stamped "EU/LEADER funded" or similar. Where originals cannot be provided, evidence of payments must be supported by cleared or other accounting documents of equivalent probative value. For example salaries might be supported through payroll records, BACS lists and bank statements. The acceptance of any non-original evidence is at the risk of the Lead Partner who will be liable for the cost should SG or others later decide they are not satisfactory evidence.

222. Electronic bank records can be accepted as proof where signed as a true record by a senior finance official e.g. Director of Finance, Senior Accountant or Bank Manager. For internet bank statements there is no need to routinely have these stamped by the local bank as there may be a charge for this service which is an ineligible cost. However, LAG staff may ask for this information to be brought up on screen and printed from the LEADER office.

223. If the LAG has a doubt about evidence to confirm the expenditure has been defrayed, then this can be checked with the help of the claimant as part of the administrative checks under Articles 11 and 24 of Regulation 65/2011 or the on-the-spot checks carried out by the Lead Partner under Article 25 of the same Regulation.

224. All records must be retained by the Lead Partner for a period of 6 years following the end of the financial year during which final payment of the final balance of funds was made, or 10 years in the case of purchases of heritable property. Claims and documents should be sent by recorded or registered post to ensure safe delivery.

225. A requirement of obtaining financial support from European Agriculture Fund for Rural Development (EAFRD) is that proposals for support and subsequent payment claims are 'checked' in a manner which ensures effective verification of compliance with the conditions for granting support. Guidance on how these checks should be carried out is set out in Commission Regulation (EU) No. 65/2006 which lays down rules for the implementation of Regulation 1698/2005 with regard to control procedures and cross-compliance, and in the SLA between SGRPID and the Lead Partner.

226. LAGs should undertake administrative checks on all applications and claims and should cover all elements that it is possible and appropriate to control by administrative means. Checklists should be prepared and used to ensure that all aspects regarding eligibility, verification and accounting have been checked.

227. A copy of the checklist should be retained with the case documents to demonstrate for audit purposes that the checks have been carried out. Each project file should contain a complete auditable trail of the claim, showing each officer's role in the claim process and the

evidence that has been verified at each level. Screen shots and any supporting notes should be included in the file.

Administrative checks should involve checking:

228. For applications:

- the eligibility of the project under application and all activities within it.
- The compliance of the project with SRDP and LEADER rules**,** and in particular that the project implements the local development strategy and complies with relevant rules on procurement and State Aids.
- the 3 quotes rule.
- that costs are reasonable as judged against reference costs.
- the reliability of the applicant from previous experience or information.
- that financing is not irregular, by means of checks with RPAC case officers, structural funds delivery partners, and local schemes.
- that there is written confirmation that match funding is in place – or will be before the project commences.

229. For claims:

- that delivery of goods or services was as described in the project application.
- that the claimed amount can be verified through receipted invoices, cancelled cheques, or bank statements.
- that the claimed in-kind contributions can be verified, such as property valued by a surveyor, signed timesheets from a suitably qualified person or through checking with Standard costs available from SGRPID, FCS or SNH for certain works. Also that in-kind contribution does not exceed 25% of overall project costs.
- that the project is the same as applied for and for which LEADER support was offered.
- that the project has been undertaken, by means of, for investment projects, at least one site visit pre-final payment. This may be waived in cases where the investments are small, where an on-the-spot check is to be carried out by the Lead Partner, or where the risk of the investment not being carried out or conditions not being complied with is low. The decision to do this and justification must be recorded by the LAG for audit purposes.
- VAT to verify whether registered or not.
- that planning approval or other statutory consents have been obtained prior to the submission of an application; any fees incurred will be deemed eligible if the LAG approves the project.
- that all match funding was approved and in place before commencement of the project and that double financing rules have been complied with.

Filing

230. Files represent the completed record of a LEADER funded project. They must be maintained in a logical way so that any auditor can follow a project through without the need to refer to additional sources. Namely:

1. Information should be presented in chronological order.
2. Checklists at the front of each file should be signed and dated.
3. Evidence of publicity, photographs etc. should be kept at the back of the files.
4. There should be evidence of any monitoring or visits undertaken.
5. There should be evidence of procurement processes undertaken by the applicant.
6. Files should not contain anonymous and/or scribbled notes.
7. No correction fluid must be used on any file papers or invoices.

231. The minutes of the relevant LAG meeting should be kept in each project file as evidence of the decision making process. LAGs should consider publishing minutes on their website.

Handling of Invoices

232. To be acceptable, the original invoice must show:

- The name and address of the supplier or contractor, and the name and address of the customer.
- Details of goods and services purchased and supplied, separately costed in relation to approved measures, and including VAT where appropriate.
- The date of supplying the goods and/or services.
- The total amount of the invoice.
- The amount paid by the customer in figures or words (where this is different from the total amount of the invoice, information must be provided to explain the difference, for example: amount of any discount given, or credit or hire purchase charges levied).
- The signature and stamp of the person receiving payment on behalf of the supplier or contractor.
- The date and method of payment (unless these are self-evident from an accompanying document, which may have been provided, for example a copy of the cleared cheque). Where the cost of carrying out an approved measure is in excess of £5,000, a properly receipted invoice and evidence of payment for example; a copy of the cleared cheque/bank statement/banker's letter of confirmation must be submitted.
- Where an invoice over £500 has been settled by cash, additional evidence of paying, such as a separately numbered receipted stamped invoice from the supplier's accounts or accountant's statement must be submitted.
- Original invoices should be available at claim stage stamped “EU funded”, and copies retained on the file.
- Photocopies of the invoices must be retained by the LAG as evidence for audit purposes for the duration of the SRDP programme. The stamp used on invoices by LAG Staff should show that it has been exhibited and used for an EU funded claim, thus alerting any other funder that it has already been used for EU funding and can therefore not be used for European Agricultural Fund for Rural Development, European Social Fund, or European Fisheries Fund.

Lead Partner Internal Audit

233. Under the terms of the Service Level Agreement, the Lead Partner’s Internal Audit should review the systems in place to deliver LEADER as well the financial processes to ensure they meet the EC and domestic regulatory requirements. Internal Audit should also

assess compliance with the SLA and conduct a “cradle to grave” review of a selection of LEADER projects. An Internal Audit report must be submitted annually to the Paying Authority (RPID) by 31 October - accompanying the Annual Confirmation Certificate and Report.

BREACHES AND PENALTIES

234. LAGs must, in writing, notify Rural Communities Team as soon as reasonably practical of any suspected breaches, frauds and irregularities. The following paragraphs note outcomes where deliberate or attempted non-compliance with the rules for LEADER has occurred.

235. Where **non-compliance** with the conditions for granting support is identified, there are detailed rules on actions to address the non-compliance. These actions are dependant on the type and severity of the breach that has occurred, and are considered in more detail in the following paragraphs. EU Reg 65/2011 (“The Control Regulation”) controls the application of penalties.

236. The Control Regulation separates the ‘measures’ contained in the RDR into 2 distinct groups, with each group having different rules for carrying out the administrative and on-the-spot checks, and actions to be taken as a result of non-compliance with the conditions for granting support. The two groups which apply to LEADER are:

Title I - Land based and animal measures (Agri environment and LEADER support for these measures)

Title II - Non land based measures (Axes 1, 3, and 4 but with some axis 2 supported by LEADER)

Title I - Cross Compliance

237. Support given to the majority of measures in Title I is subject to cross-compliance with the exception of first afforestation of non-agricultural land. Detailed rules on reductions and penalties as a result of a breach of cross compliance can be found in the Cross Compliance notes for guidance.

238. SGRPID Area offices hold copies of Cross Compliance booklets. LAG staff might wish to refer applicants to these booklets in order to raise awareness**.**

Intentional breaches

239. Where differences between the area declared and the area determined result from irregularities committed intentionally, the grant recipient shall be excluded from the aid the grant recipient would have been entitled to for the area related measure concerned for the EAFRD year in question.

Over claims

240. If the area declared for payment under an area-related measure exceeds the area determined, the aid shall be calculated on the basis of the area determined by twice the

difference found if that difference is more than either 3% or two hectares, and reduced by a % depending on the size of over declaration.

Title II - Cross Compliance

241. Measures in Title II are **not** subject to cross compliance.

Eligible Payments

242. Payments shall be calculated on the basis of what is found to be eligible during administrative checks. LAGs need to examine the payment claim received from the grant recipient, and verify that the amounts are eligible for support. LAGs need to verify:

(a) the amount that is payable to the grant recipient based solely on the payment claim; and
(b) the amount that is payable to the grant recipient after an examination of the eligibility of the payment claim.

243. If the amount payable to the grant recipient at (a) exceeds the amount payable at (b) by more than 3%, a reduction shall be applied to the amount payable at (b). The amount of the reduction shall be the amount found less the difference between those two amounts.

244. However, no reduction shall be applied if the grant recipient can demonstrate that he/she is not at fault for the inclusion of the ineligible amount. The reductions shall be applied in similar fashion to ineligible expenditure identified during on-the-spot checks.

Intentional breaches

245. If a grant recipient is found to have intentionally made a false declaration, the operation in question shall be excluded from support from EAFRD and any amounts already paid for that operation shall be recovered. Moreover, the grant recipient shall be excluded from receiving support under the same measure for the calendar year in question and for the following calendar year.

Breaches of LEADER scheme rules

Intentional Breaches

246. Intentional breaches can be difficult to establish, but if the breach is determined to be intentional the grant recipient shall be excluded from the measure in question for the calendar year concerned as well as for the following calendar year. The operation in question shall be excluded from support of the EAFRD and any amounts paid for that application should be recovered.

Negligent breaches

Title I

247. For Title I measures, aid claimed shall be reduced or refused and the Scottish Government shall determine the reduction in payment to be applied, on the basis of the

extent, **severity**, **permanence** and **repetition** of the breach that has occurred. A full report should be submitted by the LAG surrounding the circumstances of the case.

Extent

248. The categories of extent for land based measures are determined by the extent of the managed area covered.

- Minimum – Up to and including 0.5 ha or up to and including 10% of area managed, whichever is the greater
- Medium - Over 0.5 ha and over 10% and up to and including 50% of area managed
- High - Over 0.5 ha and more than 50% of area managed

Severity

249. The categories of severity will be determined on a case by case basis on the importance of the consequences of the non respect, taking into account the objectives pursued by the criteria which have not been respected, and will be assessed by the LEADER Coordinator.

Permanence

250. The permanence of the breach will be determined by the timescale in which the breach can be rectified, if at all.

- Rectifiable within the scheme year
- Rectifiable within the period of the commitment (only appropriate if commitment is >1 year)
- Not rectifiable within the period of the commitment

Repetition

251. A breach will be determined as a repetition where the same breach is found on the same site in subsequent scheme years. The penalty will, consequently, be more severe.

Title II:

252. For Title II measures when the breach is due to negligence, or if activities or investments made do not meet the minimum specifications set out in the agreement and/or the SRDP, they will not be eligible for payment. Payments will be withheld or reclaimed with interest unless the situation can be rectified. If the situation can be rectified, beneficiaries will have a maximum of one calendar year from the date of discovery of the non compliance to undertake the required actions to meet the minimum specifications.

Additional penalties

253. For both Title I and II there is an additional penalty of £200 or 10% of the value of the breach where the breach exceeds £2000 in each of the following circumstances:

- where access to the delivery mechanism is competitive in the SRDP;

- where intentional breaches have occurred; or
- where multiple breaches of scheme conditions have occurred within an individual agreement.

Irregularities

254. An irregularity is any infringement of a provision of community law resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the Commission either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by charging an unjustified item of expenditure to the community budget. This is covered by EU Regulation 1848/2006, and generally is any expenditure that has an adverse effect on the EU budget.

255. There are a variety of situations in which irregularities can be identified:
- 100% Administrative Checks
- On-the-spot checks/inspections
- Ex-post checks/inspections
- Rural Communities Team Monitoring Visits
- RPID Accreditation and SLA visits
- Audit Scotland/Internal Audit and EU

256. Some of the most common sources of irregularities are listed below:
- Claiming of ineligible items for a project
- Miscalculation of VAT
- The same original invoice claimed twice
- Lack of proper supporting documentation
- Policy change – e.g. FITS
- Grant offer rescinded and any grant paid to be recovered
- Expenditure incurred before the grant offer letter is signed and returned
- Under spent or unfinished projects
- Failure to meet project conditions
- Fraud
- Grant recipient goes out of business
- Publicity requirements are not met
- Assets disposed of before the 5 year retention period

Reporting irregularities

257. LAGs should keep a local register of irregularities for their own records, and should also submit a monthly record of irregularities to the SG (both LAG "potential" and "actual" overpayments), using the new Combined Monthly Report and Irregularities Reporting form. NIL returns must be provided.

Recoveries

258. Recovery action applies to all SRDP schemes. Specific guidance has been drawn up for the LEADER scheme and is to be found at Annex F. All overpayments between Rural Communities Team and the LAG must follow the recovery procedure detailed. These should be detailed in the irregularities register and a LEADER/Convergence Grant Overpayment

Notification form (Annex G) must be filled in and returned to Rural Communities Team. **All** overpayments have to be notified via this form. If the overpayment is below the de minimis limit for the EU financial year (2010/11: EUR 100 /£86) then no recovery action will be taken by Rural Communities Team once the form is returned. If the recovery is above the de minimis limit then Rural Communities Team will fill in a debt notification memo which will be sent to the Recoveries Section of RPID. On receipt of this form the Recoveries Section will undertake recovery action against the LAG.

Monitoring

259. The Service Level Agreement with the Lead Partner for the LAG sets out the need for monitoring and reporting of key statistical information to enable reports to be made to the EU. To ensure this work can be done, each LAG area should have a database to capture and store the data required for reporting on core monitoring indicators to the Scottish Government. Annex H contains information on performance indicators and job definitions.

260. The core indicators comprise 4 levels of benefits:

- **inputs,** e.g. amount of LEADER budget; monitoring commitment and payment
- **results**, e.g. numbers of businesses/organisations assisted, number of people trained
- **outputs**, e.g. additional spend by visitors to the area
- **impacts**, e.g. employment created and/or safeguarded, increase in tourism income.

261. Where the benefits of a project(s) do not fit easily into the established core indicators for that action, additional measures can be included by the LAG.

262. Guidance on which indicators require to be collected at the application stage, claim stage and through surveys are noted in Annex H, together with job definitions.

263. At the **application stage** LAGs will need to decide which Measure a particular project falls under; see Annex I.

41 = local project
421 = cooperation project
431 = LAG running costs

264. When **Measure 41** is selected, LAGs then have to decide which of the sub-categories in 41 the project falls into (411 Competitiveness; 412 Environment/land management; or 413 Quality of life/diversification) as well as which of the sub measures 111 – 341 the project falls into. Where the project falls within a sub-measure coming under Axis 2 of Regulation 1698, Rural Communities Team should be informed immediately. Some capture of monitoring data is done at this stage from details provided by the applicants on the application form.

265. At the claim stage further data is captured especially relating to the results and outputs of the project, i.e. gross jobs created on or off farm, women under 25 years old trained etc.

266. At the claim stage the LAG will also have to decide and capture whether a project:

- is innovative – product or process;

- transfers best practice;
- has a number of communities participating.

267. When **Measure 421** is selected the LAGs need to decide whether this is transnational or inter-territorial and then proceed to capture data as though it fell into Measure 41 above, i.e. capturing all the sub codes and output/result data.

GLOSSARY OF TERMS

Terms used in this guidance have the following meaning:

- **Applicant** – either a local action group or where the context requires an eligible body.
- **Application** – an application for local action group grant.
- **Approved expenditure** – the cost of a project approved by a local action group.
- **Authorised person** – a person who is authorised by Ministers.
- **Beneficiary** – the applicant for and direct recipient of LEADER support.
- **Beneficiary Contribution** – match funding obtained by the final grant recipient. This includes cash from the groups own resources (unrestricted funds under the control of the group), in-kind contributions, private donations that are project specific (including grants from charitable bodies) and project specific restricted grants received by the final grant recipient following an application to the funding bodies. If the final grant recipient is applying on behalf of a partnership or steering group, all funding provided by members of the partnership or steering group would be considered to be grant recipient contributions.
- **Claim for payment** – a written request for payment of sums of grant due to an applicant.
- **Cooperation** – either transregional or transnational cooperation.
- **Lead Partner** – legal entity responsible for application and claim and on-the-spot and ex-post checking.
- **Match funding** – own funds, resources or other partner contributions, whether public or private.
- **Measure** – an activity which can be EU funded under the RDR Regulation.
- **Participant** – a person or an organisation participating in a training course, grant project or scheme.
- **Project** – a project or investment proposed by an eligible body in an application for LEADER grant.
- **Project Partner** – organisation contributing directly to project delivery.
- **Public Body** - who controls the funding and or how they are formed – if cash is administered by public officials or publicly elected representatives then the organisation is public.

- **Public Match Funding** - local public match funding is considered to be public money which originates from the Exchequer but is not paid out directly by the Scottish Government. Examples of such sources are Local Authorities, Scottish Enterprise, SNH and Lottery funds.

- **Scheme** – a means whereby a number of similar small projects may be approved simply and easily by delegated means to an approved body rather than each project having to go through full LAG application and approval procedures. The "scheme" is funded through LEADER and relevant match funding.

- **State Aid** – based on the meaning of Article 107 (1) of the Treaty on the Functioning of the European Union (TFEU), State aid can be defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by the State or through State resources. State aid is generally prohibited by the TFEU, but there are automatic and discretionary exemptions to this. LEADER projects could fall within the scope of State aid rules, particularly when commercial activities are involved.

- **Transnational** - projects that involve cooperation with other LAGs in Europe.

- **Transregional** – where two or more LAGs in Scotland are involved - or involve cooperation with other LAGs in the UK.

Action types

- **Action 1 –** Local Projects
- **Action 2 –** Cooperation projects with other LAGs in Scotland, UK, Europe and other countries.
- **Action 3 –** Running Costs – this addresses the running of the LAG. 20% of the LEADER funding awarded can be used towards staff, office and resources costs, LAG costs such as events and meetings, members training or attendance at events etc.

Enterprise sizes

- **Microenterprise** - an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.
- **Small enterprise** - an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.
- **Medium-sized enterprise** - an enterprise which employs fewer than 250 persons and whose annual turnover does not exceed EUR 50 million or whose annual balance-sheet total does not exceed EUR 43 million.

GLOSSARY OF ACRONYMS

The following provides an explanation of some of the acronyms used in this guidance.

CPP	Community Planning Partnership
EAFRD	European Agriculture Fund for Rural Development
EC	European Commission
EFF	European Fisheries Fund
EISR	Environmental Information Scotland Regulations
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FOISA	Freedom Of Information Scotland Act
FCS	Forestry Commission Scotland
HIE	Highlands and Islands Enterprise
LAG	Local Action Group
MA	Managing Authority
RDC	Rural Development Contract
RDR	Rural Development Regulation
RDC-RP	Rural Development Contracts - Rural Priorities
RPAC	Regional Proposals Assessment Committee
SAF	Single Application Form
SCVO	Scottish Council of Voluntary Organisations
SE	Scottish Enterprise
SEARS	Scotland's Environmental And Rural Service
SEPA	Scottish Environment Protection Agency
SGRPID	Scottish Government Rural Payments and Inspections Directorate
SLA	Service Level Agreement
SMEs	Small Medium Enterprises
SNH	Scottish Natural Heritage
SRDP	Scotland Rural Development Programme

ANNEX A

OUTLINE SCORING SHEET

[NAME OF LOCAL ACTION GROUP]

Scoring System

These criteria will be used in decision making by the [Name] Local Action Group to appraise every application which is submitted for funding. Their purpose is to assist the fair and open assessment of projects submitted for LEADER funding under the Scotland Rural Development Programme.

Project Name			
Name of Scorer and organisation			
Criteria	**Comment (*optional*)**	**Score range**	
Community involvement • What degree of involvement will the community have in implementing the project?		0-10	
Evidence of demand • To what extent can the project demonstrate evidence of community, market or business demand, now or in the future? The score should reflect an assessment of the quality, validity and robustness of market research and/or evidence of market failure provided as justification for intervention		0-10	
Linkages with other relevant local strategies • To what extent does the project demonstrate clear linkages and coherence with other related local activities/strategies? List relevant, e.g. 1. Community Plan 2. Local Biodiversity Action Plan		0-10	
Priority Target groups • To what extent does the project target [List the priority groups noted in the LAG local development strategy]?		0-10	
Economic Impact • To what extent will the project achieve an economic impact including the safeguarding or creation of additional jobs?		0-10	
Project management • To what extent does the project demonstrate its feasibility and the ability over time to become self sustaining? Particular consideration should be given to assessment of		0-10	

the feasibility and risks of the project, its design and forecast targets and the capacity and track record of the delivery agent(s) to implement and sustain the project.			
Additionally and leverage • To what extent is grant aid essential for the implementation of the project? Does the project finance involve funds levered from sources other than LEADER?		0-10	
Innovation • To what extent does the project encompass new ideas or approaches to rural development?		0-10	
Sustainable development • To what extent does the project contribute towards sustaining the rural economy, environment and social well being?		0-10	
Value for Money • Considering its proposed outputs and impacts, to what extent does the project represent value for money?		0-10	
Transferability • To what extent could the project activities be used in other LEADER areas? Could the project act as a model for other areas to learn from?		0-10	
Equal opportunities • To what extent does the project actively promote the full and equal participation of individuals and social groups in the local economy (all members of the community and visitors)?		0-10	
Fit with LEADER local development strategy • To what extent does the project fit with the LEADER local development strategy?		0-10	
Total score and comment	Overall comment (*compulsory*)		

ANNEX B

OUTLINE LEADER LAG COORDINATOR JOB DESCRIPTION

PURPOSE

To have overall responsibility for the successful implementation of the LAG LEADER Strategy and Business Plan, supporting the Local Action Group and its constituent groups.

PRINCIPAL DUTIES & RESPONSIBILITIES

- Support the Local Action Group to coordinate and manage the implementation of the LEADER Programme.
- Implement an efficient framework of procedures for the application, evaluation, monitoring and follow-up of projects benefiting from LEADER funding.
- Prepare required financial reporting, monitoring or evaluation information for the Local Action Group in line with the Lead Partner Service Level Agreement with the Managing Authority, including submitting quarterly grant claims and the Annual Implementation Report.
- Ensure Managing Authority communications are conveyed as relevant to the Local Action Group and to Lead Partner support staff
- Ensure that the LEADER Programme is properly publicised and promoted, and that the Communications and Publicity Strategy is implemented.
- Provide workshops and training courses to community groups and the wider public to build awareness and understanding of the Programme, and maintain this information through newsletters, web sites etc.
- Advise and assist project applicants to develop innovative LEADER projects.
- Facilitate the development of partnership working by the Local Action Group.
- Maximise funding opportunities to the Programme through identifying appropriate sources of match funding.
- Ensure that the Programme takes account of the opportunities available through establishing links with other LEADER areas within the UK, and where appropriate transnational links.
- Ensure the target groups identified in the Programme are given priority by the Local Action Group.
- Ensure that the Programme 'horizontal themes' including Equality and Sustainability are addressed across the Programme.
- Contribute as appropriate to the activities of the Scottish, UK and European LEADER networks.

RESOURCE RESPONSIBILITIES:

Take responsibility for any other LEADER Programme employees or contractors if and when they are appointed.

OTHER DETAILS:

Some out of normal office hours working required, meeting with LEADER applicants and projects. This will involve attendance at evening and weekend meetings and events, and attendance at Scottish, UK and European LEADER network events and transnational cooperation projects.

ANNEX C

STATE AID RULES
The European Commission State Aid Rules

This guidance should be read in conjunction with the State Aid on line training[4] and any technical updates issued by the Managing Authority. Reference should also be made to the decision flow chart.

What is State aid?

1. The basis for State Aid control in the European Union comes from the Treaty on the Functioning of the European Union (TFEU). Specifically, Article 107(1) provides that "….any aid granted by a Member State or through state resources in any form whatsoever that distorts or threatens to distort competition by favouring certain undertakings or the production of goods or services shall, in so far as it affects trade between Member States, be incompatible with the internal market".

2. In short, the Treaty generally prohibits State aid being given to undertakings by Member States (which includes Scotland, as part of the UK). That is not to say State aid cannot be given as Articles 107(2) and (3) allow for certain types of aid to be considered compatible. However, this means that great care must be taken to ensure where State aid is given, it is done so within the State aid rules in force.

The first step in identifying if there could be State Aid present is to consider the original source of the funding. e.g. Member State, Local Authority and Big Lottery. Such funding is generally considered as public funding as its source is the public purse.

3. State Aid given in contravention of the EC State aid rules may result in legal proceedings by the European Commission and the recovery, with interest, of the payment from the recipient. This is why in delivering LEADER funding an assessment of the State Aid status of a project is important. [Council Regulation EC No 1698/2005- article 16(9) article 70(8) and articles 88-89.]

4. State funding to a public body does not generally constitute State aid unless the funding to that public body allows it to undertake an economic activity – this may bring it into the realms of being an undertaking offering goods or services in a given market and further consideration of the facts should be given. The State aid rules should not be used to reject LEADER projects without full consideration of all steps.

5. It is important to note that the European Commission has sole competence in determining whether public funding from a Member State constitutes State aid within the meaning of Article 107(1). The Member State does not have this power – only the EC can make this determination. Therefore, great care must be taken if 'no aid' arguments are being proposed – this can only ever be a risk-based approach and legal certainty over such a position cannot be guaranteed by the Member State (or, in this case, the LEADER Managing Authority).

[4] http://www.scotland.gov.uk/Topics/farmingrural/SRDP/LEADER/training

6. The wording from Article 107(1) of the TFEU provides a basis for determining if public funding (in this case for a LEADER project) might constitute State aid. These are called the 'Five State Aid Tests'

State Aid tests

7. The five State aid tests are cumulative (i.e. all tests need to be met to indicate state aid being present in a funding measure). Even if the 5 tests all produce a "yes answer" there are ways that funding can be given to projects in a compatible way.

The Five State Aid Tests

i) Is the funding from the Member or through State resources

ii). Does the funding confer an advantage on an undertaking?

- An undertaking is defined as any entity, regardless of its legal status, which is engaged in economic (commercial/competitive) activity and where there is a market in comparable goods or services.

- Economic activity means an activity which consists in offering goods or services on a given market and which could, at least in principle, be carried out by a private operator in order to make profits.

N.B. State aid can only be given to undertakings so if the grant recipient does not meet the definition of an undertaking, then this test will not be met.

iii). Is the measure selective e.g. to a part of the country or subject area i.e. (if regional support only it would be selective, if all UK got it then not selective)

iv). Does the measure distort or threaten to distort competition

v). Would there be an effect on trade between Member States

8. For example, for LEADER projects, arguments could be made that a local trust (or the like) operating a community facility such as a hall or play park is unlikely to meet the definition of "economic undertaking" or business and therefore is unlikely to present a State Aid issue. Equally, arguments could be made that funding for a tea room operating out of a hall and run by volunteers is not likely to be State aid as it may not affect intra-Community trade (although a Youth Café right next door to an existing premises might cause local displacement). Potential trade displacement alone should not be used in isolation to reject a LEADER project. LEADER projects need to be considered on a project by project basis using the guidance provided. With respect to the State aid position, consideration of the facts on a case-by-case basis should be given.

Compatible Aid

9. Even if State Aid is present support may be possible through

- GBER- General Block Exemption Regulation. In this case the scheme has to be notified to the Commission within 20 days of the aid coming in to force. Lead Partners may already have cover for a range of funding activities through existing GBER cover Local Authorities and the Lead Partner will issue funding to applicants and then be reimbursed from the Managing Authority.

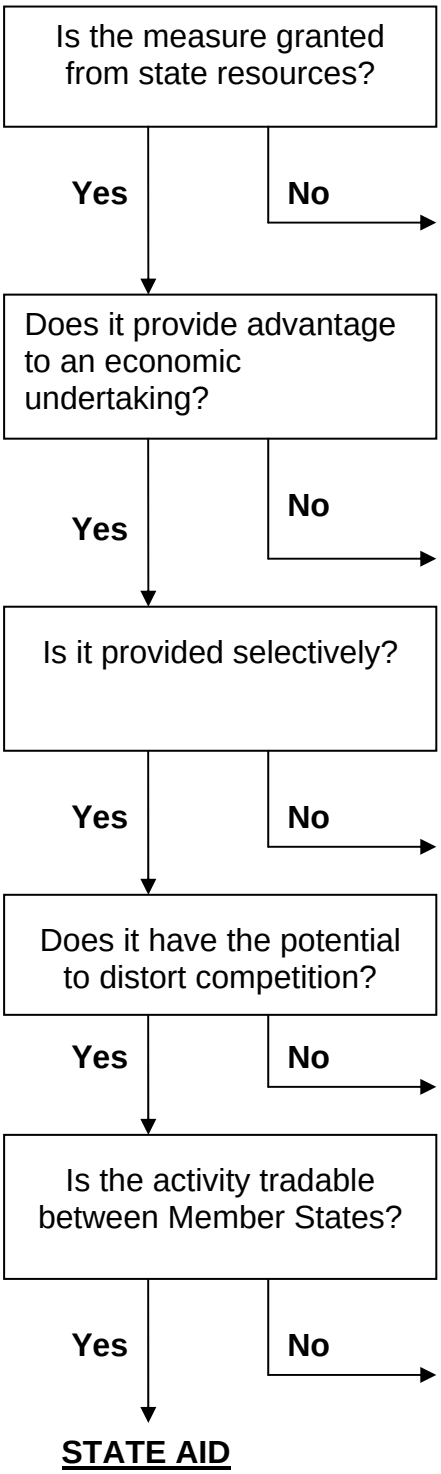
- The De Minimis Regulation – if funding is below a certain level of funding that is considered too low to distort competition and trade then it may fall within the de minimis level. i.e. it is not considered to be State aid within the meaning of Article 107(1).

10. The State Aid Analysis flow charts outlines the steps to consider in assessing whether State Aid is present and if so, the options to making it compliant.

Also attached is one worked example Case Study C, taken from the DVD on line training workshop.

LEADER - State Aid Analysis Flowchart

How to determine if state aid is present: <u>all 5 tests must be met to constitute a state aid</u>



- State Resources – Grant; tax exemption, loan at below commercial rate etc..

Not State aid

- Advantage – benefit otherwise not present under normal market conditions
- Undertaking – any entity engaged in economic activity i.e. whose activities consist of offering goods or services on a given market. (Social enterprises and Charitable Trusts can therefore also be undertakings)

Not State aid

- Selectivity – limited to region (Scotland therefore always fulfill this); size of business; Sector etc…

Not State aid

- Potential – merely the potential needs to exist to satisfy this criteria. In effect this means even very small amounts of subsidy can be deemed state aid.

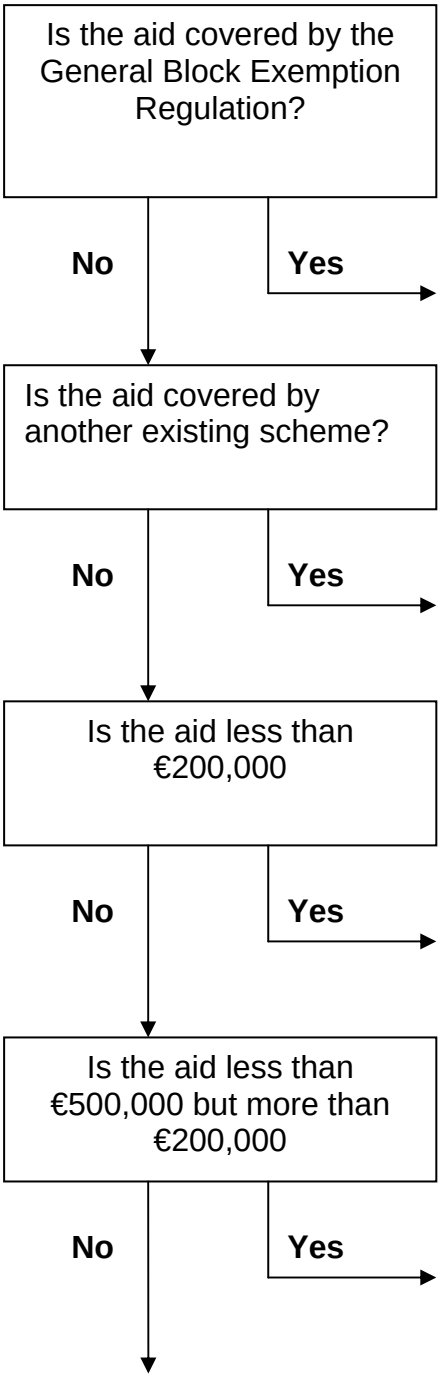
Not State aid

- Most activities are tradable between Member States.

Not State aid

LEADER - State Aid Analysis Flowchart

Ways of providing state aid which is compatible with EC rules.



- Refer to the separate General Block Exemption Regulation notification and guidance.

Note that funding is being provided under the General Block Exemption Regulation in terms & conditions. Note record keeping and reporting requirements. See advice here.

- Identify if Local Authority (as Lead Partner) has powers to utilise scheme and **contact State Aid Unit for further advice**.

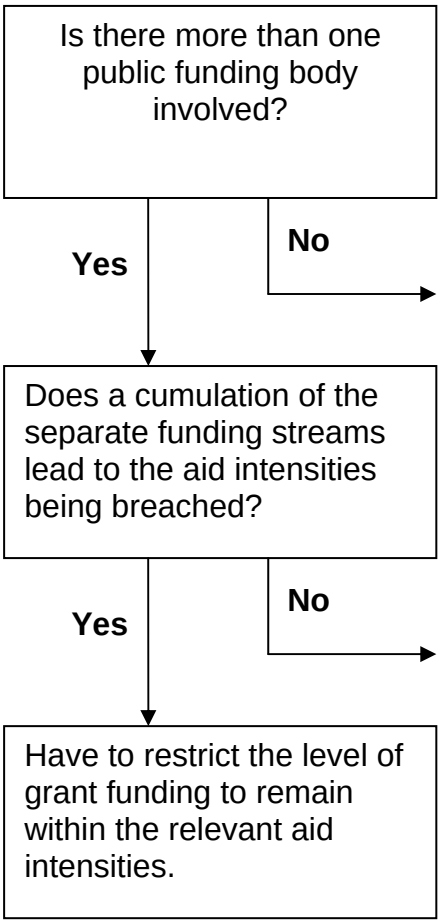
Request confirmation of any other de minimis aid received by the applicant in the last 3 fiscal years. Note that the aid is de minimis in terms & conditions. Note record keeping and reporting requirements. See advice here.

Temporary Framework can be utilized until end 2010 (provided criteria are met) through **UK scheme for small amounts of compatible aid**. De minimis previously received counts towards maximum amount of funding that can be awarded

- **Request confirmation of any other de minimis aid received by the applicant since 1 Jan 2008. See advice here.**

Consult State Aid Unit – may need to consider notification

LEADER – Cumulation Flowchart



Aid intensities must be adhered to in line with the relevant articles of the GBER. If the project meets the criteria set out in GBER then the public funding should be compliant.

Aid intensities must be adhered to in line with the relevant articles of the GBER. If the project meets the criteria set out in GBER then the public funding should be compliant.

Project funding should be State aid compliant with no consideration required of other public funding

IMPORTANT NOTE:

De-minimis funding **cannot** be used (as a top up) to meet any shortfall in the funding.

LEADER TRAINING

Case Study C

A local Social Enterprise Community Organisation (not-for-profit, registered charity and company limited by guarantee) currently facilitates skiing, snowboarding; mountain boarding and mountain biking in a purpose-built facility. All services are offered to both individuals and community groups including children and young people targeting the South West of Scotland.
The organisation which we will call “Snowy Boots" would like to expand their activities to cater for larger groups. Total funding for the project is in excess of £800,000. The organisation has applied for public funding totalling £300,000 and it is expected that the majority of match funding will come from private, charitable sources and the company’s own profits.

Questions:

1. Is the trust an undertaking involved in economic activity?

Yes, the activities are economic in nature and thus the trust would be considered an undertaking

2. Apply the five state aid tests to the project. Are they met?

MS/State resources - Yes: in this case the funding is from public bodies including Scottish Government, Sportscotland and Social Investment Scotland.

Advantage - Yes: in this case and advantage is being gained by “Snowy Boots” Ski and Sports over other similar type private operators in the area

Selective - Yes: the measure is selecting Snowy Boots Ski and Snow Complex

Distort competition - Yes: there is the potential to distort competition in this market with 3 other sites the closest competitors

Affect intra-Community trade - Yes: most products and services are traded between Member States and therefore aid for any selected business or economic activity is capable of Affecting trade between Member States even if the recipient undertaking itself does not trade with other Member States.

3. If aid is present, how could it be made compatible?

    - GBER scope – SME investment aid, training aid, etc
    - Soft loan

4. Are there any ways in which State aid could be mitigated in this case (i.e. how could State aid be avoided by changing the project)?

    - Commercial loan

If after going through the assessment and completing the form you require further guidance on whether the LEADER funding may constitute State Aid then once you have completed the assessment sheet the managing authority will further advise.

This form should be forwarded to your LEADER adviser if you believe there are State aid issues restricting your support for the project and you need further State aid advice. The form should be used following your own assessment of state aid status of a project. Please complete and return this sheet to Rural Communities Team detailing the initial assessment you have made. Rural Communities Team will be the point of contact for all LEADER queries and will liaise with colleagues in SG State Aid Unit where required.

1. Project Name:

2. Project applicant:

3. Brief description of project:

4. Have you considered the 5 State aid tests – please provide answers to the 5 State aid tests below

- Does the funding come from Member State/State resources?
- Does it confer an advantage on an undertaking?
- Is the measure selective?
- Does it distort or have the potential to distort competition?
- Does it have an effect on trade between Member States?

Have 5 tests been met – yes/no

5. If yes, have you confirmed that State aid is present (please explain)

6. What options are you aware of that could be used to fund this project while making it compatible? Possible options to consider –

e.g. GBER cover by Lead partner, Demonisms

7. Please detail your assessment below:

ANNEX D

ACTION 2 PROJECTS – GUIDANCE AND APPLICATION FORMS

General Rules

Cooperation is one of the five measures available through the LEADER Axis of the Rural Development Regulation (EC) 1968/2005. This measure encourages a LAG to undertake a joint action with another LEADER Group, or similar group taking a similar approach in another region, Member State or even third country.

Cooperation can take place between LAG areas in a single Member State (transregional cooperation) or between LAG areas in several EU Member States and even beyond. Cooperation should result in joint working which provides real tangible added-value for the Scottish area concerned. A cooperation project may have several different, but complementary, objectives to achieve the critical mass required for a common project to be viable and to identify complementarities.

Cooperation must involve the implementation of a joint project, if possible supported by a shared structure. The joint project undertaken should provide community benefits for all parties (LAG areas) and not be just one-sided. To that end, cooperation will involve pooling of know-how and/or human and financial resources scattered throughout all the LAG areas concerned. Cooperation projects will fit with the strategic priorities defined by the LAGs in their respective local development strategies. There is an expectation that the knowledge and experiences gained through cooperating will be passed on to other LAGs.

The initiative supports the creation of **high quality partnerships** among various parties. As long as the Action 2 projects fit the Scottish LAG strategic priorities, then it is the decision of the respective LAGs as to whether a project should be supported or not paying close attention to the quality of the proposed projects as shown by the level of involvement by the partners, the relevance of the objectives of the project, the soundness of the methodology, the clarity of the budget and the proposed management of the project. Where the proposal does not fit the local development strategy the managing authorities will pay particular attention to the same quality and quantitative criteria as the LAGs i.e. quality of the projects as shown by the level of involvement of the partners, the relevance of the measures proposed in terms of the objectives of the project, the soundness of the methodology, the clarity of the budget and the management of the proposed project.

SUPPORTING "COOPERATION"

Financing the "Cooperation" Action

It is important for these arrangements to be implemented under conditions which take account of the gradual nature of cooperation. Maximum flexibility should be sought to facilitate the construction of projects involving the approval of different national or regional administrative agencies.

An indicative level of up to 15% of LAG overall budget has been suggested by Scottish Government for cooperation projects. This was been approved by Scottish Government

during the bid assessment process, however LAGs may decide to allocate more or less to Cooperation projects as they see fit.

When they were selected most LAGs secured through the financial tables in their bids, pre-allocated funding for Action 2 which should enable them to finance cooperation projects. Where that is so, the LEADER LAG has received advance approval (whether credited to its own budget or not) for the project being developed. The approval is conditional that the project fits the approved strategic objectives of LEADER and the LAG.

Another method of establishing a cooperation project requires the "cooperation" Action (or global grant) to be implemented through calls for tenders organised at fixed dates and addressed to the various LEADER Groups in the region or country concerned;

In general, the LEADER Groups should notify the Managing Authority LEADER Team of projects which they wish to carry out with assistance from Action 2 (except if projects do not fit the LAG strategy in which case approval MUST be sought from Rural Communities Team.)

Both LAGs and Member States will check that the project is not supported by other European funding (e.g. Interreg IV).

APPROVAL PROCEDURE

It is essential for there to be an exchange of information and coordination between all the Managing Authorities in charge of the selection of the cooperation projects. It is recommended for projects involving transnational or transregional cooperation that the following procedure be followed: Cooperation projects within Scotland need only be notified to Rural Communities Team where the projects fit the local development strategy and help to deliver the local priorities.

Step 1: A LAG which intends to take part in a cooperation project will approve an application which fits into its local development strategy i.e. addressing the priorities of the area. This is a provisional approval dependent on the other LAG concerned also obtaining approval for the cooperation project. If the second LAG does not approve the project for whatever reason then the cooperation project cannot proceed as an Action 2 project. The options are to transfer the project to Action 1 in the LAG area which gave its approval or to reject the project in its existing format. Where this causes difficulties for the applicant, then the members of the respective LAGs should meet to discuss with a view to resolving the issues. Or the LAG Coordinators with authority from LAG members should attempt to find an acceptable solution for both LAGs (the numbers and distances involved mean it just isn't practical for the members of different LAGs to meet each other to discuss individual projects).

Where the project does not fit into the local development strategy the LAG should submit an application to the Managing Authority (MA). The Rural Communities Team can give its provisional approval to the LAG on condition that the other partners will obtain in the next 6 to 9 months approval by the other(s) MAs concerned.

Step 2: In some circumstances it will be prudent to agree a "Lead LAG" to drive the project and ensure the outcomes are achieved. In most cases however it will be sufficient for

cooperating LAGs to agree at the start how the work will be shared, how the costs and payments are to be provided and how the outcomes will be shared between the participating LAGs.

In transnational projects it would be sensible and prudent to sign a formal memorandum of agreement with the other LAG(s) so that all LAGs know exactly where they stand from the outset and there can be no misunderstanding as to any part of the project. The EC actually suggest a legal agreement. However a clear written understanding as to who does what, when and who pays what etc should be set out and signed by all parties.

In other UK or Scotland cooperation projects a simpler form of agreement through either an exchange of letter or a written note would be more common. The agreement should set out who does what, when, how, and especially cover the division of outputs, who pays the grant recipient and how (i.e. whether each LAG pays its share direct or singly through a Lead Partner, and who needs to see original invoices or certified copies)

An example likely to be used in a Scottish cooperation context is where a simple letter of agreement exists between the two LAGs concerned; each LAG will pay its share of the defrayed cost direct to the applicant who is notified of this at the outset. Each LAG will need to claim a share of the outputs achieved based on the pro rata share agreed. The applicant will forward his claim for the total to one LAG with all the original invoices and the report on project progress. The first LAG checks and validates the claim, stamps the invoices and copies them paying their contribution to the cost of the project with a note informing the grant recipient that the remaining part of the claim will be met by the second LAG concerned and that the claim information has been passed forward to the second LAG. For audit reasons the second LAG will also need to validate the claim from the original receipts and may require a separate invoice from the applicant before they can make their payment to the applicant (depending on the requirements of the LAG Lead Partner) which may vary from Lead Partner to Lead Partner.

Where Rural Communities Team is required to approve a project which does not fit the Scottish LAG local development strategy, the lead LAG in charge of the coordination of the project, having received a grant from its MA, will check through its partner LAGs whether all the approvals necessary for the cooperation project have been granted by the other MAs. If required, the lead LAG will inform the partners concerned who will notify their MA to obtain final approval. The notified MAs will confirm their approval.

A simple form of agreement is attached as an example. This should be amended to suit the circumstances and requirements of each LAG and Lead Partner.

1b.pdf (315 KB)

For the purpose of the formal procedure the LAGs and MAs are encouraged to use the standard document given in Annex D.

COMMON PROVISIONS FOR ALL COOPERATION PROJECTS

The general rule is that Action 2 projects of LEADER involve at least one approved LAG. It will be implemented through the responsibility of approved LAGs. Joint action, the joint structure and preliminary expenditure on the project will be financed under this action. The LAGs involved in the project have the final responsibility for implementing the project and are the channel of communication with the national and/or regional authorities for providing information on the progress of applications for finance and monitoring of achievements.

The content of the cooperation project may cover a whole range of activities: to share the design, completion and/or marketing of products and/or services in all areas of rural development, including ensuring the operation of the joint structure set up for that purpose.

It should be noted that actual implementation of the project must be undertaken by operators (or project promoters) designated by the LAG.

For example: two LEADER Groups may propose a cooperation project undertaken by communities in their areas wishing to promote tourism or local craft products. These communities will incur the expenditure on the cooperation project subject to coordination by the LAGs concerned and as agreed in either formal or informal agreement between the LAGs concerned.

THE TRANSREGIONAL COOPERATION PROJECT (within the UK)

Bodies participating in cooperation

Transregional cooperation within a Member State concerns at least one approved LEADER LAG area. In order to encourage the dissemination of LEADER experience, the partnership may also be open to other rural areas organised along the lines of LEADER and recognised by the Member State.

In addition to the criteria used for the official recognition by Member States, the following can be taken into account for the definition of "another rural area organised along the lines of LEADER" (Article 59 of RDR 1698/2005)

Eligibility of Operations

Apart from operations corresponding to the approved local development strategies the implementation of which requires a larger area than that of the LAGs concerned, only operations concerning the LEADER area will be eligible. However, expenditure on promotion becomes eligible for all the areas involved.

Promotion of the project is considered to comprise the coordination tasks needed for the implementation of the project (meeting of the partners; administrative and financial tasks of the lead group as a Coordinator; legal definition of the cooperation agreement and/or the common legal structure operation of the joint structure). It is suggested that funding of promotion costs is shared among partners on the basis of the cooperation agreement. Only joint action, a shared structure and expenditure on technical support provided before implementation of the projects will be supported for this type of cooperation.

THE TRANSNATIONAL COOPERATION PROJECT

Only joint action, a shared structure and expenditure on technical support prior to projects will be financed under this type of cooperation.

A distinction is made between transnational cooperation within the European Union and that involving a non-member country.

An example of a successful project in the previous LEADER+ programme 2000-2006 is attached for guidance. The example sets out the roles of each LAG, the parts of the project in each country concerned, and the outcomes. It is hoped that this gives some idea of what is required in terms of setting out transnational cooperation projects.

2b.pdf (4 MB)

Transnational cooperation within the Union

Transnational cooperation covers at least one LAG approved under LEADER. It is possible to extend cooperation to groups not selected under LEADER. The promotion, i.e. overall coordination of the project by the lead LAG, will be eligible. Other costs related to other groups (any other rural areas organised according to LEADER) should not be financed through LEADER.

On the basis of the cooperation agreement between partners, the lead LAG in the project has the responsibility for the coordination of the project. Every partner group should be responsible for communications with its supervising authorities and financially responsible for the execution of the part of the project on its territory.

Transnational cooperation with areas in non-member countries

Transnational cooperation with an area in a non-member country concerns at least one area with an approved LEADER LAG.

Areas in third countries

Where an approved LAG area engages in cooperation with an area in a country outside the Community, organised according to the LEADER approach, the expenditure involved relating to LEADER LAG area becomes eligible (share of the coordination and joint project/structure assumed on the basis of the cooperation agreement by the LAG, (e.g. participation by the LEADER LAG in partnership meetings; local application in its area of the joint project)). Expenditure in the area in the non-member country is not eligible.

The definition of the non-Community area participating in cooperation should be consistent with the LEADER approach.

DIFFERENT TYPES OF COOPERATION

Several types of cooperation projects can be envisaged; some examples include:

Pooling of local operations

Transnational cooperation involves pooling within a single project several local operations**,** each of which concerns a particular LAG. The local operations are linked through a **shared design.** The aim is to seek synergy adding value to operations which, if carried out separately, would have lacked it.

In this case:

- It is important to specify clearly what cooperation adds to the communities and the commitments given by each LAG which guarantee the shared nature of the project. The LEADER Group designated as lead group on the basis of the cooperation agreement has a coordination role and has to take the necessary steps to ensure coherence between the various local actions.
- Each LAG applies for financing for the cooperation aspect within its programme for the operation that concerns it directly. The expenditure planned by each LAG may differ in amount.

Example of project:

Several LAGs decide to establish a tourist reservation service for cyclists or walkers. These services are interconnected to widen the range of services proposed. Each LAG provides the service with which it is concerned.

Joint action plan not involving a local operation for each partner

- This activity may be broken down into a number of sub-measures and categories of expenditure which are allocated among the partners by common agreement.
- Each LAG requests support from the cooperation Action of the programme for its region (or country) for the expenditure for which it is responsible (unless it already has previously allocated funding as is the case in Scotland).
- The lead LAG, acting on the basis of the cooperation agreement, collects information on the progress of the project, coordinates all the expenditure and monitors the commitments given by each partner.

Example of project:

Several LAGs introduce a range of products or services which they wish to promote jointly. The budget for the promotional measure includes several categories of expenditure: attendance at fairs, the organisation of promotional events and general organisational expenditure. Each LAG is responsible for one of these categories.

THE ROLE OF THE LEADER LEAD GROUP

Each transnational cooperation project is implemented under the supervision and coordination of a LEADER group designated by agreement among the groups involved in the project on the basis of a cooperation agreement.

There must be a minimum of functions assigned to the lead group to have real 'Leadership'. Additional functions may be assumed on the basis of the agreement.

The lead group will normally have the following tasks:

- ***Steering and coordination*** of the design of the project, including preparation of the cooperation agreement presenting the cooperation project (description of the project and definition of the respective commitments of the various LAGs).
- ***Financial coordination of the project*****:** collection of information on the applications for financing presented by each group under the 'cooperation' Action (this information is then available to each group and the regional or national authorities concerned). Even if a LEADER group has available to it previously allocated funding, it must also send the lead group financial information about the cooperation project.
- ***Steering and coordination of implementation of the project and the tasks*** which are the responsibility of each partner to ensure correct implementation of the joint project.
- ***Promotion and monitoring of the cooperation project*** (financial progress in terms of expenditure incurred and revenue secured, organisation of exchanges between groups, preparation of records of implementation).
- The lead group ***checks compliance with the commitments*** made by each LEADER group for the correct implementation of the joint project.

Expenditure incurred on these tasks is part of the cooperation project financed by LEADER Action 2 of the lead group, whereas operating costs of the lead group are financed under Action 1.

THE ROLE OF EACH PARTNER IN THE COOPERATION PROJECT

All partner LAGs must take part in project activities sharing tasks and expenditure; it is responsible for the commitments vis-à-vis other groups and the lead group on the basis of a cooperation agreement.

Each group has administrative and financial responsibility for the operations which it heads and which are financed by the 'cooperation' aspect of LEADER. It is therefore responsible for drawing up the forecast financing plan and for negotiations with those providing part-financing. It is responsible for keeping and making available to the regional or national authorities all the accounting documents supporting expenditure incurred and the nature of public part-financing.

As stated above, it is possible for some expenditure on the cooperation project to be made through the various structures of the LAG, e.g. community cooperatives.

THE USEFULNESS OF A COOPERATION AGREEMENT

The experience of previous LEADER programmes clearly showed that to ensure effective management it is important to make clear from the beginning of the project the goals to be achieved, how responsibilities (for management, coordination, monitoring and evaluation) are to be shared and the financial contributions within the cooperation partnership. A formal cooperation agreement spells out all the different aspects involved in delivering the project and therefore helps ensure transparent management and clarity of activities undertaken.

In the absence of a shared structure, the formal cooperation agreement allows all these aspects to be clarified and encourages transparent management and clear reciprocal commitments.

Legal form and content

This EC suggest that the agreement has a legal form recognised in the country concerned (inter territorial cooperation) or in one of the countries concerned (transnational cooperation) and is signed by all the partners. This document must clearly describe the aims of the project, the steps that will be taken to achieve them, the role of each partner in the design and implementation of the project and its financial contribution to the project.

The cooperation agreement will set out all components of the whole budget for the joint measure. The document, written in the languages of the various Member States concerned, sets out the content of the project cooperation and the financial and technical contributions of each LAG to achieving it.

Cooperation agreements should contain:

- a written undertaking by the partners with the names and addresses of the coordinating Action Group and of the partner LAGs/local groups;
- a detailed description of the cooperation project indicating:
    a) the project goals;
    b) the measures that will be taken to achieve them;
    c) the potential beneficiaries;
    d) the role of each partner in organising and implementing the project (where appropriate, the name of the technical organisations authorised to carry out certain operations);
    e) the arrangements for organising and monitoring the project; and
    f) the expected results of the multilateral project.
- an overall planned budget and the financial participation of each partner;
- an indicative timetable;
- if the partners so wish, a clause permitting new LAGs/groups to be included; and
- a procedure permitting the agreement to be amended.

The applicable law and the competent courts in the event of a dispute between the parties will be left to the discretion of the partners/action group: either those of the place of residence or of the principal place of business of one of the partners/action group or of the place where the project is carried out. Preference will normally be given to the principal place of business of the coordinating action group.

Cooperation agreement establishing a common legal structure

The establishment of a new structure responsible for all expenditure is recommended. This shared structure could be any body using a legal form recognised in the country or countries concerned.

One of the prior conditions for the establishment of such a structure is that the partners are themselves legally-constituted structures.

Example of project:

A number of communities belonging to different LAGs decide to create a joint structure to sell their products.

DESCRIPTION OF THE COOPERATION PROJECT

Title of the cooperation project:……

Contacts:
Name of the lead LAG:
Name of Chairperson:
Name of contact person for this form:
Organisation in charge of local programme:
Address of contact: Telephone No: Fax No: E-mail: Languages spoken/understood:

This form should be completed by the lead LAG or any other group participating in the cooperation project.

Contacts:
Name of LAG 1:
Name of Chairperson:
Name of contact person for this form:
Organisation in charge of local programme:
Address of contact: Telephone No: Fax No: E-mail: Languages spoken/understood:

Contacts:
Name of LAG 2:
Name of Chairperson:
Name of contact person for this form:
Organisation in charge of local programme:
Address of contact: Telephone No: Fax No: E-mail: Languages spoken/understood:

Description of the project objectives, the main project activities (including location and relevant dates), the beneficiaries of the action, and its state of progress:
Description of expected results for the beneficiaries of the action and for the areas involved:
Approach, methods and procedure for implementing the project for which funding is requested:
Duration of implementation of project:

Role of each partner in relation to the main activities:

Estimated total cost of project:

LEADER or other programme	Lead LAG or LAG/other groups	Expected activities	Cost (EUR)	Financing LEADER programme (EUR)			Financing other Programmes (EUR)
				Community EAGGF	**Public**	**Private**	
	Promotion/ coordination costs (shared)						
	Other costs (shared) (main activities etc.):						
	Other costs (not shared)						
	TOTAL						

ANNEX E

Incurring Expenditure Proforma

Subject/Policy Description	
LAG	
Lead Partner	
Contact details	
Outline project which the request relates to:	
Has this been announced previously?	
Yes: **Date:**	**No:**
If yes please give details:	
Does this request relate to:	
Capital: **Direct /Indirect** (Please state) **Total Amount 2011/12:** Subsequent years (please state):	**Resource:** **Cash** **Total Amount 2011/12:** Subsequent years (please state):
When do you need a reply by?	**Date:**
What considerations drive the timing of the reply	
Link to local development strategy	
Approved by LAG to proceed and date: Yes/ No [date]	

ANNEX F

Rural Communities Team
Recovery Procedure

1. SRDP Overpayments to be Recovered and Reported By The Scottish Government

- The Scottish Government is required to report on the EAFRD funded elements of overpayments that occur between the Rural Communities Team & LEADER Local Action Groups (LAGs).

2. Identification of the Type of Recovery

- There are two types of overpayment that are to be recovered and reported by the Scottish Government:

    a) irregularity recovery: an overpayment by the Rural Communities Team to the LAG which has occurred as a result of an error in the amount claimed by the LAG. There are 2 main causes:

        i) a LAG has claimed for the reimbursement of costs from Rural Communities Team which have been incorrectly paid out to an approved project; or
        ii) a LAG has claimed an incorrect amount of administrative expenses from the Rural Communities Team.

    b) administration recovery: an overpayment by the Rural Communities Team to the LAG which has occurred as a result of a payment made by error of the Scottish Government as managing authority or Paying Agency.

3. Irregularity Recovery Action

Scenario 1: LAG Claim for the re-imbursement of approved project expenditure

- A Local Action Group (LAG) approved project incorrectly claims expenditure which it has incurred from the LAG who has approved the original project. The claim is inadvertently approved by the LAG who then make a claim payment to the project.
- The LAG then re-claims the incorrect project expenditure amount from the Rural Communities Team.
- The claim is inadvertently approved by the Rural Communities Team who then make a payment to the LAG.
- An overpayment has occurred between the LAG and the approved project.
- As a result an irregularity recovery has occurred between the LAG and the Rural Communities Team.

Recovery Action Required

- On discovering the overpayment the LAG must:

    a) immediately notify the Rural Communities Team of the overpayment it has made to the approved project and the overpayment it has received from the Rural Communities Team as a result of the incorrect claim that it has submitted to the Rural Communities Team. **This is essential for the formal reporting of all SRDP recoveries by the Scottish Government**.

    b) initiate the recovery of the overpayment that has occurred to the approved project.

- On receiving the notification from the LAG the Rural Communities Team must record the recovery in its irregularity register (see "Irregularity Register" section below) and undertake the following checks:

    a) is the recovery above the de minimis limit for the E.U. financial year (2010/11: EUR 100 / £86)?; or
    b) is the recovery above EUR 10,000?

- If the recovery is **below** the de minimis limit then recovery action must not be initiated by the Rural Communities Team. However they must still notify the Recoveries Section within RPID Finance of the overpayment amount using the Recoveries Desk Top Instructions as guidance (also see "De minimis Cases" section below).
- If the recovery is **above** the de minimis limit then recovery action must be initiated by the Rural Communities Team. A debt notification memo must be completed for the original capital amount plus any correctly calculated penalties if applicable, authorised and sent to the Recoveries Section within RPID Finance (using the Recoveries Desk Top Instructions as guidance). A covering note must also be provided detailing:

    a) the reason for the recovery including the E.U. Regulations that have been breached; and
    b) the project that has received the overpayment.

- On receipt of the debt notification the Recoveries Team will undertake recovery action against the LAG. An invoice will be raised for the overpaid amount and sent to the LAG Coordinator detailed on the debt notification memo.
- If the recovery is above EUR 10,000 the Rural Communities Team must initiate the completion of a FIN903 and send it to the Recoveries Section (using the Recoveries Desk Top Instructions as guidance).

Scenario 2: LAG Claim for Administration Costs

- A LAG claims an incorrect amount for its administration costs .
- The claim is inadvertently approved by the Rural Communities Team who then make a payment to the LAG.
- As a result an irregularity recovery has occurred between the LAG and the Rural Communities Team .

Recovery Action Required

- On discovering the overpayment, the LAG must notify the Rural Communities Team as soon as it identifies that it has received an overpayment as a result of the incorrect claim that it has submitted to the Rural Communities Team. This is essential for the formal reporting of all SRDP recoveries by the Scottish Government.
- On receiving the notification from the LAG the Rural Communities Team must record the recovery in its irregularity register (see "Irregularity Register" section below) and undertake the following checks:

    a) is the recovery above the de minimis limit for the E.U. financial year (2010/11: EUR 100 / £86)?; or
    b) is the recovery above EUR 10,000?

- If the recovery is **below** the de minimis limit then recovery action must not be initiated by the Rural Communities Team. However they must still notify the Recoveries Section within RPID Finance of the overpayment amount using the Recoveries Desk Top Instructions as guidance (also see "De minimis Cases" section below).
- If the recovery is **above** the de minimis limit then recovery action must be initiated by the Rural Communities Team. A debt notification memo must be completed for the original capital amount plus any correctly calculated penalties if applicable, authorised and sent to the Recoveries Section within RPID Finance (using the Recoveries Desk Top Instructions as guidance). A covering note must also be provided detailing the reason for the recovery including the E.U. Regulations that have been breached.
- On receipt of the debt notification the Recoveries Team will undertake recovery action against the LAG. An invoice will be raised for the overpaid amount and sent to LAG Coordinator.
- If the recovery is above EUR 10,000 the Rural Communities Team must initiate the completion of a FIN903 and send it to the Recoveries Section (using the Recoveries Desk Top Instructions as guidance).

4. Administration Recovery Action

Scenario 1: Rural Communities Team reimburses in error a LAG with an amount that is greater than the amount being claimed AND the error could NOT have been reasonably detected by the LAG.

Recovery Action Required

- On discovering the overpayment the Rural Communities Team must record the recovery in its irregularity register (see "Irregularity Register" section below) and undertake the following check:

    a) is the recovery above the de minimis limit for the E.U. financial year (EUR 100 / £86 for 2010/11)?

- If the recovery is **below** the de minimis limit then recovery action must not be initiated by the Rural Communities Team. However they must still notify the Recoveries Section within RPID Finance of the overpayment amount (using the Recoveries Desk Top Instructions as guidance).
- If the recovery is **above** the de minimis limit then recovery action must be initiated by the Rural Communities Team. A debt notification memo must be completed, authorised and sent to the Recoveries Section within RPID Finance (using the Recoveries Desk Top Instructions as guidance). A covering note must also be provided detailing the reason for the recovery including the E.U. Regulations that have been breached.
- The Recoveries Section will raise an invoice for the recovery amount.
- It will seek approval for the funding of the recovery by the Scottish Government. Such approval will be sought from Director General Finance who must authorise all debt write off's.

Scenario 2: Rural Communities Team reimburses a LAG with an amount that is greater than the amount being claimed AND the error could have been reasonably detected by the LAG

Recovery Action Required

- On discovering the overpayment the Rural Communities Team must record the recovery in its Irregularity register (see "Irregularity Register" section below) and undertake the following check:

    a) is the recovery above the de minimis limit for the E.U. financial year (2010/11: EUR 100 / £86) ?

- If the recovery is **below** the de minimis limit then recovery action must not be initiated by the Rural Communities Team. However they must still notify the Recoveries Section within RPID Finance of the overpayment amount (using the Recoveries Desk Top Instructions as guidance).
- If the recovery is **above** the de minimis limit then recovery action must be initiated by the Rural Communities Team against the LAG. A debt notification memo must be completed, authorised and sent to the Recoveries Section within RPID Finance (using the Recoveries Desk Top Instructions as guidance). A covering note must also be provided detailing the reason for the recovery including the E.U. Regulations that have been breached.
- On receipt of the debt notification the Recoveries Section will undertake recovery action against the LAG. An invoice will be raised for the overpaid amount and sent to the LAG Coordinator detailed on the debt notification memo.

5. De Minimis Cases

- For all recoveries at LAG and Rural Communities Team level which are less than EUR 100 (2010/11: £86), the LAG or Rural Communities Team must not undertake recovery action but notify the Recoveries section of the recovery amount for reporting purposes only.

- The Rural Communities Team must record the de minimis recovery on its irregularity register.

6. Irregularity Register & Recoveries Reporting

- It is essential that the Recoveries reporting team is notified of all recoveries that have been identified by the Rural Communities Team.
- To achieve this the Rural Communities Team will approach all LAGs on a monthly basis and request a return detailing all recoveries identified by the LAG during the period. The LAG returns will be consolidated into the Rural Communities Team irregularity register which must be submitted to the Recoveries reporting team on a quarterly basis.
- This will ensure that:
    a) all recoveries are recorded on either the de minimis register or Recoveries Management Information System
    b) recovery action is undertaken by the Recovery section where appropriate
    c) irregularities are appropriately accounted for and recovered
    d) irregularities are appropriately reported to the E.U. via Annex III (for irregularity recoveries) and Annex XI (for irregularity and administrative recoveries).

ANNEX G

LEADER/CONVERGENCE GRANT OVERPAYMENT NOTIFICATION

All overpayments of LEADER/Convergence grant relating to local projects or LAG running costs which have been claimed from Scottish Government must be reported to the Rural Communities Team.

LAG Name	
LAG BRN	
LAG Coordinator Name	

1. Is the overpayment resulting from a:

Project cost claim (Yes/No)	
LAG admin cost claim (Yes/No)	

2. If a project cost overpayment please complete the table below:

Project Applicant	
Project Name	
BRN	

3. Overpayment details:

Amount of grant overpayment	
Date of claim payment from SG	
Measure Code: 411/412/413/421/431	
Current or Capital grant payment	

4. Nature of the overpayment - details to include:

a) whether an error in the amount claimed by the LAG (irregularity recovery) or an error in the amount paid by Rural Communities Team (administrative recovery)
b) how overpayment was discovered.

Authorised Signatory:

Date:

Please return completed form to Rural Communities Team, B1 Spur, Saughton House, Broomhouse Drive, Edinburgh, EH11 3XD.

For Rural Communities Team use only

Amount of overpayment £

Interest to be applied (if applicable) £

Penalty to be applied (if applicable) £

Total Recovery £

Debt amount greater than EU de minimis limit – Yes/No

Explanatory note.

Financial year irregularity identified:

Date processed:

Authorised Signatory:

ANNEX H

SUMMARY: CORE DATA LEADER LOCAL ACTION GROUPS NEED TO COLLECT

The Service Level Agreement notes that a range of information is required for monitoring and evaluation purposes. The core information to be collected relates to both **projects** and **participants** in each project. Tables A and B summarise the core information to be collected.

At the outset it is worth noting:

- By collecting the core information, LAGs will have collected enough information to meet the EC Common Monitoring and Evaluation Framework requirements.
- LAGs will need to set up a database to record the core data.
- LAGs will need to be able to produce the output, result and impact indicators shown in Table D of this Annex. Table F provides guidance on the timing of data collection for these indicators.
- LAGs will need to be able to produce the EC finance tables shown in Annex 3 of this document (input indicators).
- LAGs can add their own indicators and collect more detailed information if they wish.
- LAGs will need to report progress to the Scottish Government on a quarterly basis.
- LAGs will need to report on how they impact on the equalities groups. The six equality strands are age, disability, gender, race, LGBT (lesbian, gay, bisexual and transgender), and religion and belief.

Information on Projects (Table A) refers to information about the grant recipient organisation i.e. the organisation leading the project. LAGs will have to ensure that the grant recipient organisation collects information on the participants in their project(s) (Table B).

Table A: Core Information on Projects

Information Required	Why does this need to be collected?
A unique project reference number for each project	So that LAGs have a database on each project
Finance awarded to project by the LAG	So that project awards can be estimated and input indicators reported.
Whether the project is under Axis 1, 2 or 3 of SRDP	So that LAGs can report their contribution to the wider SRDP
The SRDP measure code for the project*	So that LAGs can report their contribution to individual measures in the SRDP
The LEADER theme to which the project relates #	
Geographic location of project (post code and settlement)[5]	So that LAGs can report the communities who have benefited

[5] Information on settlements is available here: http://www.gro-scotland.gov.uk/census/censushm/scotcen2/reports-and-data/scotcen8.html

Size of area eligible for project	So that LAGs can report the wider geographic benefits beyond the project location (in some cases the whole LAG area that is eligible for a project)
For cooperation projects, whether groups co-operating are transnational or transregional	So that extent of cooperation can be monitored
Names of other LAGs involved in project	So that cooperation projects can be monitored
Type of innovation project associated with (new product or new process)	So that type of innovation can be monitored
Whether project is being led by a public or private sector (and if private whether an individual or legal body) and whether any partner organisations are public or private	So that role of public and private sectors is monitored
The equalities groups the project is targeted at [6]	So that LAGs' contributions to equalities can be monitored
Project start date	So that annual outputs and results can be monitored
Project end date	So that follow up questions can be sent out after a given time has elapsed

* Details in Annex I of this document
# See Table C

Table B: Core Information on Participants in Projects

Information Required	**Why does this need to be collected?**
A unique reference number for each grant recipient*	So that LAGs can contact participants after the project ends and survey them about impact
The project reference number a grant recipient participated in	So that LAGs can link the project and participant findings
Age of each participant (whether under 25 years of age or 25 years of age or above)	So that LAGs can report the age categories benefiting from LAG projects
Gender of each participant	So that LAGs can report the gender groups benefiting from LAG projects
Race of each participant	So that LAGs' contributions to equalities can be monitored
Whether participant disabled	So that LAGs' contributions to equalities can be monitored
Other equality groups where relevant[6]	So that LAGs' contributions to equalities can be monitored

[6] There are public sector equality duties for race, gender and disability. The full set of six equality strands are age, disability, gender, race, LGBT (lesbian, gay, bisexual and transgender), and religion and belief.

EC Common Monitoring and Evaluation Framework
The EC guidance on monitoring and evaluation is known as the 'Common Monitoring and Evaluation Framework' (CMEF). It is a handbook which shows how a common set of indicators covering all Member States will help to assess rural development programmes.

The aim of the CMEF is to provide a firm foundation for evaluation of rural development programmes against their strategic objectives, without imposing significant or unnecessary administrative burdens. Full details of the CMEF are available on the EC website[7].

LEADER specific measure codes and LEADER Themes
Within the EC rural development Regulation, LEADER has its own "measure codes". These codes are a way of ensuring that eligible activities are classified in the same way by different Member States. The LEADER specific measure codes are shown in Table C.

Table C: LEADER specific measure codes

Measure Code	Description	LEADER themes LAG used in their strategy
41	Implementing local development strategies	
411	Competitiveness	New markets and Products Progressive rural economy
412	Environment/land management	Conservation and Rural Environment
413	Quality of life/diversification	Revitalising Communities
421	Transnational and inter-regional cooperation	
431	Running the LAG, skills acquisition, animation	

Other measure codes that LEADER contributes to
Given its cross-cutting nature, projects funded under LEADER will also contribute to the wider SRDP. The full set of EC rural development regulation measure codes is therefore relevant. Full details are in Annex I. It is therefore essential that each project approved by LAGs is assigned the relevant measure code.

If a LAG is using a measure code not currently being taken up in the SRDP, it should still record the measure code.

Indicators for LEADER
Indicators for the LEADER measure codes are shown in Table D.

If LAGs want to collect and report on more indicators they are free to do so.

For each common indicator in Table D, the EC has provided a measurement fiche which provides further information on how the indicator is defined and measured. The fiches are presented in Annex 2.

[7] http://ec.europa.eu/agriculture/rurdev/eval/index_en.htm

Table D: Output, Result and Impact Indicators for LEADER

Indicator	Measure code to which it applies
Common Output Indicators	
Number of LAGs[8]	41, 411, 412, 413
Total size of the LAG area (km^2)	41, 411, 412, 413
Total population in LAG area (km^2)	41, 411, 412, 413
Number of projects financed by LAGs	41, 411, 412, 413
Number of beneficiaries supported	41, 411, 412, 413
Number of cooperation projects	421
Number of cooperating LAGs	421
Number of actions supported	431
Common Result Indicators	
Gross number of jobs created (division according to on-farm/off-farm jobs, age and gender)	41, 421
Number of participants who successfully completed a training activity	41, 431
Additional Result Indicators	
Number of communities participating	41
Number of new innovations (products or processes) developed	41
Number of best practice models transferred	41
Common Impact Indicators	
Economic growth	41, 421, 431
Employment creation	41, 421, 431
Additional Impact Indicator	
Improvement in rural community capacity	41, 421, 431

[8] Scottish Government collates information for this indicator and LAGs are not required to do this.

Sub-groups (including equality duties)
The EC requires that all indicators are broken down by gender and age. Age should be recorded by identifying whether a participant is less than 25 years of age or 25 years of age or above. This will then allow analysis of results by different age categories required by the EC.

In addition, there are public sector equality duties for race, gender and disability. The full set of six equality strands are age, disability, gender, race, LGBT (lesbian, gay, bisexual and transgender), and religion and belief. The impact of LEADER on equalities should therefore be monitored.

There are also additional sub-groups in the measurement fiches depending on the measure. For example, for employment, sub-groups of on-farm or off-farm jobs are required. See the measurement fiche on the result indicator on gross number of jobs created in Annex 3 for details of the sub-groups required.

For financial reporting, LAGs need to be able to identify whether the beneficiaries are private sector (individuals or legal bodies identified separately) or public sector.

Evaluation
A mid-term evaluation of the SRDP took place in 2010. The mid-term evaluation of LEADER is being done in Scotland through case studies. An ex-post evaluation of the programme is also required in 2015.

DATA COLLECTION AND REPORTING REQUIRED OF LEADER ACTION GROUPS

Overview
In order to produce the indicators, data are required. Careful consideration has to be given to how to capture the information most efficiently. The approach to data collection depends on the indicator type.

Input and output indicators will be measured through information collected at the point of delivery, generally through administrative records (such as application forms and claim forms) though there may be occasions when the information is better obtained by carrying out sample surveys.

Result indicators may be measured either through administrative records (such as claim forms) or through evaluation methods such as sample surveys or focus groups.

Impact indicators will be determined at the evaluation stage, using input, output and result information, but also other tools and wider sources of data, to build up a picture of the net impact of the programme on its wider strategic objectives.

LAGs are expected to set up their own databases to record information. They will be required to provide quarterly updates to the Scottish Government. Table E details the core information on participants that must be collected.

Table E: Core Information on Participants in Projects

Information Required	Why does this need to be collected?
A unique reference number for each grant recipient	So that LAGs can contact participants after the project ends and survey them about impact
The project reference number a grant recipient participated in	So that LAGs can link the project and participant findings
Age of each participant (whether under 25 years of age or 25 years of age or above)	So that LAGs can report the age categories benefiting from LAG projects
Gender of each participant	So that LAGs can report the gender groups benefiting from LAG projects
Race of each participant	So that LAGs' contributions to equalities can be monitored
Whether participant disabled	So that LAGs' contributions to equalities can be monitored
Other equality groups where relevant[9]	So that LAGs' contributions to equalities can be monitored

How and when to collect data and the frequency of reporting

Table F: Source and Time Point of Data Collection and Frequency of Reporting

Indicator	Source of data	Time point of data collection	Frequency of reporting
Common Output Indicators			
Number of LAGs	Scottish Government collates this	Scottish Government collates this	Scottish Government reports
Total size of the LAG area (km ^{2})	LAG business plan and GRO data #	At LAG inception and updated each year if changes over time	Annual
Total population in LAG area (km ^{2})	LAG business plan and GRO data #	At LAG inception and updated each year if changes over time	Annual
Number of projects financed by LAGs	Application form and claim forms	As each project is approved	Annual

[9] There are public sector equality duties for race, gender and disability. The full set of six equality strands are age, disability, gender, race, LGBT (lesbian, gay, bisexual and transgender), and religion and belief.

Number of beneficiaries supported	Claim forms	At end of each project	Annual
Number of cooperation projects	Application form and claim forms	As each project is approved	Annual
Number of cooperating LAGs	Application form and claim forms	At end of each project	Annual
Number of actions supported	Application form and claim forms	At end of each project	Annual
Common Result Indicators			
Gross number of jobs created[1]	Survey	After project completed	Annual
Number of participants who successfully completed a training activity	Survey	After project completed	Annual
Additional Result Indicators			
Number of communities participating	Claim forms	At end of project	Annual
Number of new innovations (products or processes) developed	Claim forms	At end of project	Annual
Number of best practice models transferred	Claim forms	At end of project	Annual
Common Impact Indicators			
Economic growth	Survey	Mid-term evaluation & strategic reporting stage	2010, 2012, 2014
Employment creation	Survey	Mid-term evaluation & strategic reporting stage	2010, 2012, 2014

Additional Impact Indicator			
Improvement in rural community capacity	Focus groups	Mid-term evaluation & strategic reporting stage	2010, 2012, 2014

Job Definitions[1]

Job: A paid, permanent (i.e. more than 12 months) job. (This should be a full time equivalent - or if it is easier clearly set out the number of hours per week the person is employed to carry out).
Job created: The job should be as a direct consequence of the project. The job should be new and should not have existed before the project.
Job safeguarded: The job existed before the project but was at risk (i.e. without the project the job would have been lost within 12 months).

Advice to participants/beneficiaries
Since data is required to be collected from participants/beneficiaries, they should be made aware that the purpose of it is for monitoring and evaluation (for example, information on age and gender). Beneficiaries should also be made aware that they may be asked to provide additional information at a later stage in order to assist with the evaluation (for example, completion of surveys or participation in focus groups).

ANNEX I

EC RURAL DEVELOPMENT MEASURE CODES

Measure code	Measures	Description
111	Vocational training and information actions	Skills development (land managers options and rural priorities)
112	Setting-up of young farmers	Setting up of young farmers (rural priorities)
113	Early retirement	Not used in SRDP
114	Use of advisory services	Business audit (land managers options) Specialist and outcome based plans (rural priorities) Nutrient management plan (land managers options and rural priorities) Soil and water management programme (rural priorities)
115	Setting up of farm management, relief and advisory services	Not used in SRDP
121	Modernisation of agricultural holdings	Crofting Counties Agricultural Grants Scheme Restructuring of agricultural businesses (rural priorities) Modernisation through electronic data management (land managers options) Manure/slurry storage and treatment (rural priorities) Establishment of short rotation coppice crops of willow or poplar (rural priorities) Support for renewable energy - agriculture (rural priorities)
122	Improvement of the economic value of forests	Support for renewable energy - forestry (rural priorities) Improving the economic value of forests (rural priorities) Management of genetically appropriate tree stocks for seed production (land managers options) Modernisation through electronic data management - forestry (land managers options)
123	Adding value to	Processing and marketing grants (rural priorities)

	agricultural and forestry products	
124	Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector	Cooperation (rural priorities) [Promote local cooperation and clusters to secure new markets and increase the business potential]
125	Improving and developing infrastructure related to the development and adaptation of agriculture and forestry	Provision and upgrading of infrastructure related to access to farm and forest land, energy supplies and water management (rural priorities) Access creation for sustainable forest management (land managers options) Treatment of run-off of nutrients and other pollutants (rural priorities)
126	Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions	Not used in SRDP
131	Helping farmers to adapt to demanding standards based on Community legislation	Not used in SRDP
132	Supporting farmers who participate in food quality schemes	Membership of food quality assurance schemes (land managers options)
133	Supporting producer groups for information and promotion activities for products under food quality schemes	Not used in SRDP
141	Supporting semi-subsistence agricultural holdings undergoing restructuring	Not used in SRDP
142	Supporting setting up of producer groups	Not used in SRDP
211	Natural handicap payments to farmers in mountain areas	Not used in SRDP
212	Payments to farmers in areas with handicaps, other than mountain	Less Favoured Areas Support Scheme.

	areas	
213	Natura 2000 payments and payments linked to Directive 2000/60/EC	Not used in SRDP
214	Agri-environment payments	Support for the conversion to and maintenance of organic farming (rural priorities) Agri-environment payments (land managers options and rural priorities): • Wildlife on farmland and other types of land management of species rich areas • Wetland features • Moorlands • Field margins and boundaries • Arable fields • Woodland and scrub • Water quality • Small units • Planning
215	Animal welfare payments	Not used in SRDP
216	Support for non-productive investments	Habitat grazing management (rural priorities) Livestock tracks, gates and river crossing - impacts on diffuse pollution (rural priorities) Standard cost agri-environment capital options (land managers options and rural priorities)
221	First afforestation of agricultural land	Woodland creation (land managers options and rural priorities)
222	First establishment of agri forestry systems on agricultural land	Not used in SRDP
223	First afforestation of non-agricultural land	See 221
224	Natura 2000 payments	Not used in SRDP
225	Forest environment payments	Sustainable management of forests and woodlands (land managers options and rural priorities)
226	Restoring forestry potential and introducing prevention actions	Not used in SRDP
227	Support for non-productive investments	Woodland improvement grants (rural priorities) Woods in and around towns challenge fund

311	Diversification into non-agricultural activities	Support for diversification outwith agriculture (rural priorities)
312	Support for the creation and development of micro-enterprises	Support for the development and creation of micro-enterprises (rural priorities) Support for renewable energy (non land-based) (rural priorities)
313	Encouragement of tourism activities	Improving access (land managers options) Information and awareness raising (rural priorities)
321	Basic services for the economy and rural population	Area access management and monitoring, and creation and upgrading of paths and routes (rural priorities) Reducing bacterial contamination in watercourses (rural priorities) Forestry for people challenge fund Provision of leisure, recreation, sporting, catering and other rural community services and facilities (rural priorities)
322	Village renewal and development	Not used in SRDP
323	Conservation and upgrading of the rural heritage	Active management to improve the condition of vernacular rural buildings, archaeological or historic sites and historic landscapes (land managers options and rural priorities) Enhancing enjoyment and maintaining the character of rural landscapes (rural priorities)
331	Training and information for economic actors operating in the fields covered by Axis 3	Skills development in rural areas (rural priorities)
341	Skills acquisition and animation with a view to preparing and implementing a local development strategy	Production of collaborative local development strategies encompassing axis 3 measures (rural priorities)
41	Implementing local development strategies	LEADER
411	Competitiveness	LEADER
412	Environment/land management	LEADER
413	Quality of life/diversification	LEADER
421	Transnational and	LEADER

	inter-regional cooperation	
431	Running the LAG, skills acquisition, animation	LEADER