SRDP 2014-2020 LEADER Working Group

Report for SRDP Programme Manager

1 August 2012

“LEADER encourages rural territories to explore new ways to become or remain competitive, to make the most of their assets, and to overcome the challenges they face”

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1. INTRODUCTION

2011/0282 (COD)
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)
(38) The LEADER approach for local development has, over a number of years, proven its utility in promoting the development of rural areas by fully taking into account the multi-sectoral needs for endogenous rural development through its bottom-up approach. LEADER should therefore be continued in the future and its application should remain compulsory for all rural development programmes.

a) Context

1.1 Since the early 1990s, the EU has pioneered LEADER, a bottom-up, partnership based approach to rural development with which Scotland has actively engaged. The principle of placed-based community-led development has been endorsed by evaluations and subsequent funding rounds, and reasserted in the recent OECD report on Scotland.

1.2 LEADER now operates in a more crowded policy field alongside other forms of locally based development partnerships which often pursue rather topic-specific activities. Climate Challenge Fund projects, community energy projects, local food sector projects and community land purchases all draw from a common set of core principles: that empowered local actors are able to nurture multi-sectoral sustainable development. Alongside such subject-specific local development partnerships, community planning partnerships also offer potential for enhanced service delivery across the public sector.

1.3 In our view, LEADER retains a distinctive niche to support multi-sectoral community-based development. It articulates upwards to EU territorial development policy, connects to the national level localism agenda, bridges to Councils and other public sector actors and, most importantly, gives a voice to, and empowers local development actors to come together to design and implement local development strategies.

1.4 Whether and how LEADER can connect more effectively to other local development initiatives and occupy a stronger bridging role between European aspirations for rural areas and local actions remains open to question. Ensuring good design of the new LEADER Programme and creating scope for effective articulation to other local partnership approaches to rural development are core tasks in relation to the post 2013 SRDP and the wider structures of the Community Support Framework.
b) What is LEADER?

1.5 LEADER is characterised by seven features (see Page 11) designed to help ‘rural actors’ consider the long term potential of their local area. Financial support is given to ‘Local Action Groups’ (commonly known as LAGs), to develop and implement their local development strategies. Implementation is primarily through grants to local projects, strongly supported by local ‘coordinators’. LAGs are partnerships of public, private and third sector members which represent rural communities.

1.6 LEADER programmes have always viewed local people and knowledge as the main asset of rural areas. The distinctive characteristic of LEADER projects has been the reliance placed on the people who live in rural areas to discover what was best suited to their environment, culture, working traditions and skills.

1.7 The LEADER approach involves more than the administering of grant and it requires much more than simply waiting for the applications to come in. It is about proactive ‘animation’ (or even ‘animating a territory’) and ‘links between actions for the development of the rural economy’. It is always central that the grant aid takes forward issues in the Local Development Strategy. In this way the LEADER approach becomes “a method for involving local partners in steering the future development of their area.”

1.8 LEADER is a method to achieve the objectives of the EU’s rural development policy through bottom-up implementation rather than the traditional top-down approach. The LEADER approach cedes a high degree of control to local partnerships, encouraging them to design development strategies and foster innovation. As such it is not a cheap option, but one that seeks to build capacity by linking social, economic and environmental outcomes.

1.9 LEADER does two things: it should build social capital (or more generally capacity); and it should lead to enhanced development outcomes. The added value that flows from the bottom-up and partnership approach — better identification of local needs and local solutions, more engagement on the part of local stakeholders and greater scope for innovation — provides justification for LEADER’s additional costs and risks.

1.10 The LEADER approach can deliver added value compared with traditional top-down implementation. Bottom-up approaches and interaction between different sectors at local level can mobilise local potential more effectively. LEADER encourages what might be termed ‘embedded development’. Local groups are often best placed to identify integrated and innovative local solutions to local problems and to be more responsive to local needs. Participation in local decision-making should generate enthusiasm and increased commitment and can thereby result in better, more sustainable, local rural development. The community involvement achieved through the bottom-up approach can also lead to other important, but harder to measure impacts, such as ‘capacity-building’ and ‘empowering the local population’.
c) Remit of the Working Group

1.11 The remit of the Working Group was agreed with the Working Group and Scottish Government officials. References in this report to ‘the Programme’ are specifically about a future Scottish LEADER Programme, unless otherwise noted.

Objective
To assess the strengths of LEADER and the current LEADER Programme and recommend what can be rolled forward into SRDP 2014-2020.

Scope
A short life working group that met 4 times to deliver the following key tasks. The Group’s work considered:

- The progress made, lessons learned and gaps identified in LEADER 2007-2013.
- What the objectives of a future LEADER Programme should be, how it might operate, and where elements of the LEADER approach might be used on a wider basis.

1.12 An Annex listing members of Working Group is attached at the end of this report.
2. THE CURRENT LEADER PROGRAMME

2.1 The Working Group discussed the strengths and weaknesses of the current LEADER Programme with a view to helping inform the development of any future Programme. It is clear that there are significant strengths in the LEADER Programme and LEADER Approach. It was also clear from the discussions that there are areas that can be improved, particularly in relation to the management and administration of a future LEADER Programme. It was generally accepted that various limitations in the administrative and managerial systems put in place at the start of the current Programme (in 2007/2008) had coloured the views of many of those involved. It was also agreed that significant progress had been made in addressing these limitations and that the lessons learned were useful to inform the development of Programmes for 2014 and beyond.

2.2 The views expressed by members of the Working Group are summarised under the following three headings.

a) What has worked well?

1. The multi-sectoral and community-based approach which is implemented at a meaningful local level, helping communities to develop an identity and sense of place.

2. Local decision making linked to local budgets being targeted and committed at local discretion.

3. The LEADER Programme is responsive to, and supportive of, local communities, thus encouraging adaptability to change.

4. The innovative nature of LEADER – testing new ideas and positively pushing the boundaries to identify what can work in rural areas. It is one of the few tools that proactively drives innovation in rural areas.

5. The LEADER model’s capacity for attracting co-financing and match funding.

6. The huge amount of positive energy and enthusiasm invested by the members of Local Action Groups, by Lead Partners and by Coordinators – which in turn builds understanding and trust in local communities.

7. A strong legacy of community-led actions, delivering what people need locally.

8. LEADER provides much more on-going support for applicants compared to other SRDP schemes, thus achieving better applications, which relate to the local development strategy and provide joined-up, added value delivery.

9. There is a strong element of capacity building for the applicants built through the idea development and application process.

10. A can-do attitude is fostered in communities - but not just geographic communities, also communities of interest.
11. The full ‘project development to implementation’ process (‘cradle to grave’) is ‘owned’ and run at the local level. Local delivery makes it a stronger, more effective process than most other forms of publicly supported development.

12. The ability to fund a wide range of discrete, bottom-up projects which contribute towards delivering a strategic approach to rural development at a LAG level.

13. LEADER has the flexibility to change its intervention rate and has done so, but only funds the ‘gap’—the minimum investment needed to deliver a project.

14. Helping to develop new partnerships between land managers, farmer, communities, local food networks, environmental interests, farm based tourism and other rural stakeholders.

15. The claims and payment processes are much more sensitive to local needs than those run at a national level. This is a crucial advantage for small local applicants where grant payments are being made ‘in arrears’.

16. There is a strong element of ‘aftercare’ in the system so that the delivery phase is monitored and supported more closely than other parts of SRDP.

17. The involvement in decision making on LAGs of private and third sector individuals is crucial in adding value and can be built on.

18. The LEADER focus on local solutions means LEADER adds value to local (sometimes niche) products, encouraging regions to remain competitive and make the most of their assets.

19. The LEADER structure provides a level of project support that has helped additional rural stakeholders to be involved in projects. Without that support they would not have been able to participate.

20. Fundamentally, LEADER delivers direct economic benefits to rural communities aligned to the economic, employment and sustainable development policies of the Member States and the EU through a wide range of projects.

b) What needs to be improved?:

1. The current Programme lost sight of the ‘bigger picture’ and what LEADER is supposed to be about, resulting in a lack of focus on the 7 Principles of LEADER.

2. A stronger strategic overview should have been put in place from the start of the Programme so that Scottish Government (SG) and LAGs were clear about what was expected to be achieved.

3. There is a conflict between the LEADER Principles and the current EAFRD regulatory/budget framework. Many stakeholders now consider the regulatory and administrative burden to be disproportionately heavy. Crucially, small community projects face the same burden as larger projects.
4. An initial lack of clear technical guidance has caused problems for SG and LAGs, and in turn, these have been compounded by ongoing changes.

5. In some areas ‘risk’ perceptions have limited action on the ground, due to fear of ‘audit’ and ‘need for compliance with EC requirements’ and a high degree of risk aversion in many public sector bodies. This can also stifle innovation, particularly where there is uncertainty with regard to accountability and responsibility.

6. Loss of leadership and expertise in Scottish Government at the beginning of the Programme led to delays and inconsistency in programme management, advice and guidance.

7. The current Programme started at least 12 months late so the Government and LAGs were behind profile from the start.

8. There is a need for more support for LAGs so that they achieve more consistency and to reduce variations in the ‘standard of delivery’.

9. There needs to be a clear demarcation between the LEADER Programme and wider Rural Priorities interventions from the start of the Programme so that applicants and administrators are sure about which projects go where.

10. ‘Lead Partners’ are a crucial element of the LEADER system but their role, input and recognition of their responsibilities varies from area to area.

11. There is a need to ensure that communication flows are effective between LAGs and the Managing Authority, and that issues that arise are disseminated to all LAGs.

12. It is clear that issues such as audit requirements, Service Level Agreements and financial cash flow management all dictate the requirement for a large public sector Lead Partner. In turn there is a risk that LEADER becomes ‘institutionalised’ because of this.

13. Transactional costs are high for the beneficiaries at present. Applying and claiming are complex, time consuming processes for most beneficiaries.

14. Networking and inter-regional co-operation has had much less emphasis in the current Programme.

15. The nature of LEADER means that it is relatively complex to evaluate because the contexts are so different, but we need to find an effective way of measuring its ‘added value’.

16. Technical Guidance and reporting systems need to be set up and fully tested at the beginning of the Programme.

17. The transition between Programming periods needs to be carefully managed to avoid loss of capacity and expertise.
18. There is a clear opportunity to move towards a more outcome oriented delivery, management and evaluation in the future. This should be clearly defined from the start of the next Programme.

19. LEADER needs to link not only to EU policy requirements (climate change, social inclusion etc), but also to the National Performance Framework (NPF). The co-financing component provided by SG needs to deliver to Scottish policy targets.

c) Key Lessons Learned for Future Programmes:

1. The Scottish Government needs to put in place a strategic framework for the start of the new Programme. There should be clear objectives at the start of the Programme to allow effective monitoring and evaluation. This should also include a Strategic Board or Programme Monitoring Committee for the Programme.

2. Having a clear framework at the start of the new Programme will be helpful to all stakeholders. It is not ‘simplification’ but rather ‘clarity’ that is being sought.

3. Robust local development strategies are central to delivering an effective LEADER Programme. This requires improved guidance on the nature and extent of LDS’s and the level of socio-economic profile analysis required.

4. Appropriate preparation, capacity building and training for all key stakeholders is required in the lead up to any new Programme to prevent delays and confusion.

5. The current Programme budget was developed with a ‘flat’ spend profile. This is unrealistic when LAG start-up times, applicant learning curves and the real world experience of project spend are considered.

6. Accreditation and control teams must be involved from the outset in designing the new Programme in order to ensure the proper effectiveness and proportionality of audit and compliance.

7. For the next programme, a national, web-based IT system should be used, designed at the start of the Programme to meet the needs of the LAGs, Managing Authority and Paying Agency.

8. There is a strong desire to ensure that LEADER better serves innovation and that it becomes ‘cutting edge’ again.

9. The current Programme started with the principles of innovation, which inevitably involves some risk-taking, but this changed to an audit / compliance / administrative approach to the extent that applicants were put off applying and significant pressure placed upon LAGs. There needs to be good risk management that facilitates bottom-up decision making and innovation in the next Programme.
10. There is a need for renewal and refreshment of Local Action Groups to ensure that all relevant stakeholders are enfranchised and that private sector participation in partnerships is strengthened.

11. Continuity can have positive and negative impacts, but it is important to retain key skills at local and Scottish levels when establishing any new Programme.

12. The next Programme should encourage a much more outward focused approach that includes stronger elements of networking and cooperation (currently supported under Action 2). The Programme needs to be designed to facilitate projects that cross territorial boundaries.

13. State Aid is an important issue for all EU Funds and its impact on future project activity in a LEADER Programme should be set out clearly as part of any new Programme.

14. The Monitoring and Evaluation group looking at the current Programme will have useful recommendations to inform monitoring and evaluation in the next Programme.

15. Consideration needs to be given to the provision for an applicant to appeal a LAG decision beyond the LAG itself. While being aware of the legal ramifications of this, addressing it would ensure wider public accountability of the LAG’s activities and encourage wider involvement of groups not traditionally involved in LEADER.
3. A NEW LEADER PROGRAMME

a) Making Better Use of the LEADER Approach

3.1 Discussions have all pointed to a need to refocus on the 7 Principles of the LEADER Approach, and how by revitalising our approach based on these principles a refreshed, more effective LEADER Programme can deliver even more in 2014-2020. This aligns strongly with the EC statements that it wants to see LEADER strengthened in 2014 and beyond.

3.2 The 7 Principles of the LEADER Approach are:

1. Area-based local development strategies
2. Bottom-up elaboration and implementation of strategies
3. Local public/private partnerships: Local Action Groups
4. Integrated and multi-sectoral actions
5. Innovation
6. Cooperation
7. Networking

1. Area-based local development strategies

3.3 The main concept behind the LEADER approach is that development strategies are more effective and efficient if decided and implemented at local level, by local actors.

3.4 The Local Development Strategy (LDS) provides the basis for an area-based, bottom-up approach. The LDS should aim to demonstrate alignment of EU, national, regional and local priorities with the targeting of resources through the local strategy. Every project proposal must clearly fit with the LDS.
3.5 There may be an opportunity to start early preparation of Local Development Strategies if localities are willing to undertake work ‘at risk’. This could allow LAGs to start their Programmes earlier in the Programme period than was achieved in the 2007-13 Programme. Scottish Government needs to provide appropriate guidance to aid the development of robust LDS. It may be useful to analyse the current local development strategies to identify good practice that can be shared across LAGs. It is not clear whether existing documents can form the basis of the next round of LDS or not.

3.6 In order to facilitate effective evaluation each LAG will require to identify a clear set of data that provides a baseline against which to measure progress. This will be an important part of all LDS.

2. Bottom-up elaboration and implementation of strategies

3.7 The Local Development Strategies are delivered by local actors with the aim of delivering positive impacts for local beneficiaries. There should be clear complementarity with other local and national activity. In order to deliver Local Development Strategies there needs to be local decision making and a local budget.

3.8 In developing local projects the LAG should focus on the project’s contribution to the LDS, and in an integrated and sustainable sense, on its economic, community and environmental outputs and results.

3.9 It may be possible to deliver more of the SRDP budget through the LEADER Programme if the evidence base shows that it is the most effective, value-adding way of delivering on EU funds. However, it is crucial that in any future LEADER Programme the 7 Principles should not be compromised merely for the sake of achieving this. Further, LEADER should not become a ‘lender of last resort’ when projects have been rejected by other possible funders.

3. Local public/private partnerships: Local Action Groups (LAGs)

3.10 The Local Action Group model is at the heart of effective local decision making. It facilitates increased involvement from a wide range of stakeholders. There should be a broad framework within which LAGs can operate and demonstrate local distinctiveness and ‘added value’.

3.11 Existing LAGs need to think carefully about how they can relate more effectively to their local communities; how they can encourage more effective engagement; and how they can ensure their membership is broadened. This may mean wider community and private sector representation on LAGs in future. It is clear that the strongest LAGs are those where there is a strong public/private partnership.

3.12 LAGs should operate in close co-operation with local Community Planning Partnerships. This happens in some areas already and should be strengthened in any future Programme. There are likely to be a number of ways of achieving this cooperation at the local level depending on how individual CPPs and LAGs are constituted.
3.13 It is acknowledged that there may be an opportunity for independent organisations to deliver and administer LEADER, using models that have proven viable in other Member States. Inevitably, consideration of these new models will have to be balanced against the Managing Authority and Paying Agency requirements for audit and compliance.

3.14 One of the challenges for all LAGs will be how they can sustain the interest of key actors in joining the LAG and at the same time, how they can encourage new stakeholders to get involved. LAGs operate in dynamic rural places that mean the LAG must adapt and change in response to their changing environment. This must include engaging different groups of stakeholders and new individuals if the LAG is to retain its ability to encourage innovation and new projects.

4. Integrated and multi-sectoral actions

3.15 More focus needs to be given to encouraging integrated and multi-sectoral actions. LAGs need to capture the benefit of local connections better and look for stronger links with other funding streams (for instance between RPACs and LAGs, if still appropriate).

3.16 LAGs need to apply the key LEADER Principle of ‘integrated local development’ linking social, economic and environmental actions by means of a dynamic and representative LAG and effective local animation. Inevitably this means that LEADER projects may be more complex than those being supported by other funds. This also places an emphasis on capacity building and support for applicants so that projects can be successfully delivered. This includes building financial management capability as well as other project management and administration activities.
5. Innovation
3.17 More energy needs to be focused on encouraging innovation. Innovation is seen as crucial by the EC. Innovation in a LEADER context can be: product; process; institutional; market-based; new to area – but not new elsewhere; smart and inclusive.

3.18 There is a perceived tension between innovation (and the risks associated with some types of innovation) and the administrative/regulatory framework. However, this should not be problematic where a clear regulatory framework is in place and communicated from the outset of any new Programme.

3.19 At one level there is a 'risk' that the idea being tested in a project may not actually work. However, this is an acceptable ‘risk’ as it is still a valid outcome from the project, just as if the project had worked. The key in this instance is that this learning is then shared as widely as possible to prevent the same lessons being learnt elsewhere. This risk should be seen as acceptable because it is different from the risk of project failure due to poor project management.

3.20 It is also important to ensure that other definitions of ‘risk’, such as the audit definition relating to potential fraud, are not inadvertently used in the LEADER context as this will lead to misunderstandings.

3.21 LAGs should be empowered to be more innovative and risk-taking, within a clear regulatory framework. This may require LAGs and project delivery agents to consider a more structured approach to risk management, and will require Scottish Government to work with key stakeholders to put this risk management approach in place in time for the start of any new Programme. There needs to be an acknowledgement that the innovation process is probably inherently more risky than some other development processes - but if we then learn the lessons and communicate these to other LAGs as part of the process, this may be a legitimate learning process.

3.22 In terms of risk and compliance, it is worth considering for the next Programme whether there is an opportunity for LEADER to use flat-rate costs and output based grants as set out in the Structural Fund Regulations.

6. Cooperation
3.23 Cooperation activities with other LAGs in Scotland, the UK and Europe have been relatively low key in the current Programme. However, there are valuable learning experiences and deepened understanding to be gained from more pro-active engagement in cooperation activity. These activities need to be positively supported in the next Programme through funding advantages in order to encourage this additional engagement. Such cooperative activities need to be well thought out and purposeful, and if possible, the focus should be on delivery activities, rather than on networking/learning journeys.

3.24 Cooperation activities should be expected of all LAGs and should form part of their LDS. The application and claim systems included in any new Programme should include provision for cross-boundary applications to minimise the administrative burdens on both applicants and LAGs. There may be examples of more efficient systems in other member states that can be adapted for Scotland.
7. Networking

3.25 Networking activities with other LAGs in Scotland, the UK and Europe need to be promoted and supported more effectively. Relations with other Scottish LAGs can help support new LAGs to become effective more quickly and there are many excellent project ideas and processes to share across LAGs regionally and nationally. Networking can provide excellent ‘self-help’ benefits, encourage knowledge transfer and allow strategic projects across areas to be developed.

3.26 The Managing Authority should create more opportunities to encourage networking. It is important for groups and specific communities of interest to learn from each other and exchange good practice. Specific targets for each LAG could be set in order to encourage more effective and functional LEADER networking and co-operation in Scotland, UK and Europe (e.g., Attendance at one UK/EU networking event per annum).

3.27 The Managing Authority should investigate additional events that connect LEADER projects and encourage learning, sharing and networking. Mentoring or twinning with other LAGs across areas may be a good way of helping new LAGs build their capacity. Networking can be a powerful tool and we need to test cost effective ways of improving our networking. A starting point could be the effective networking activity that was undertaken through the UK Leader+ Network.

3.28 Because other approaches also encourage local community-led development, LEADER should not exist in isolation but should connect where possible to encourage integrative action.

b) The Scope of a Future LEADER Programme

3.29 The Working Group discussed a number of tensions in relation to the scope of a future LEADER Programme. At one extreme LEADER could be given flexibility / ambition to deliver right across the Rural Development Programme and the local community planning process encourages such a vision. However, a broadening of the range of actions could create a substantial evaluative challenge. At the other extreme, the objectives could be quite narrow and specific, perhaps missing opportunities to add value and be more joined up. The Working Group was conscious of the inherent tension between individualistic and collective action. Some outcomes may be better delivered by individualistic action and others by collective action.

3.30 In view of the prevailing economic and fiscal conditions, it was noted that there may be a need to shift the focus of a future LEADER Programme towards the economy, with less emphasis on the community than has been apparent in the current Programme. This is a shift towards economic outcomes as opposed to community outcomes, but is in the context of a Programme that is aiming for integrated economic, community and environmental impacts. It was recognised that the integrated nature of LEADER projects meant that there would be an environmental or climate-related component to many projects that would be supported, as well as economic or community outcomes.
3.31 In terms of overall objectives there was a need to be realistic in view of constrained national and local finance likely to be available in the next Programme period. The 2014-2020 Programme is being developed in a very different economic and fiscal climate to the one in which the current Programme was created. The new Programme needs to consider how we use LEADER in a 'foresightful' way to help the rural economy when times are so tough.

3.32 There was a sense from the Working Group that if we do not focus on disadvantage then there is a risk that the LEADER process will privilege the more able, higher-capacity groups. The strategic focus might be to look at rural disadvantage and address rural poverty. This would push us to consider how we create processes to encourage those disadvantaged the most to take advantage of LEADER. However, it is important to be clear about what our specific objectives are in these areas. There is a danger that if the whole Programme is focused on disadvantage then we would lose opportunities. The current rural statistics do not help as areas are too small. Localities such as Strathaven have pockets of deprivation but these are masked by the data zones used to collect and report data.

3.33 As well as being a focus for innovation in rural development, the Working Group also considered the need for LEADER to deliver long-term beneficial outcomes. There is an attraction for Programmes that can leave a lasting legacy. At least part of the focus of any new Programme should be delivering sustainable assets (which could be economic, social or environmental). There are also other needs that should be addressed in terms of employment, young people, networking, cooperation, innovation and capacity building. If we are to support the most disadvantaged communities then we need to provide communities with the skills and knowledge they need to engage in the LEADER process in the first place. We also need to have realistic expectations of what can be achieved with relatively constrained resources.

3.34 The Working Group agreed that at its core, the main focus for a LEADER Programme should be Priority 6 of the six EC Rural Development priorities - Promoting social inclusion, poverty reduction and economic development in rural areas. This would be within the framework of a sustainable, integrated (ie non-sectoral) approach that can respond to the needs and opportunities facing local communities.

3.35 The suggestion was made that LEADER could be used to deliver Article 20 and 21 related activity. In relation to Article 20, Farm and Business Development, it was the non-agricultural element of this article that was highlighted. Article 21, Basic services and village renewal in rural areas, had a strong resonance with LEADER, although some elements of this may be more effectively delivered at a national or regional level. Farm Diversification and Farm Business Development could also be delivered through LEADER in response to the perceived weakness of the current Rural Priorities approach.

3.36 It was also suggested that LEADER could deliver everything that is not mainstream agriculture or forestry. There was no agreement on this suggestion because of doubts over the scale of budgets that this would involve.
3.37 Overall, the Working Group were keen to stress that Scottish Government should ensure that decision making and delivery happens at the most appropriate level for a given activity – whether that is national, regional or local. Local decision making is considered optimal, where that adds the most value to the activity in question. There was a sense of realism from the Group that not all activities can be locally decided or locally delivered. There was also recognition that ‘local’ was a contested concept, with ‘local’ ranging from village to sub-regional scale, Highland and Islands providing a good example of this.

c) LAG Structures

3.38 There are currently 20 LAGs in place across Scotland, covering 95% of rural areas. These LAGs are different sizes geographically, in population terms, and in the scale of funding that they manage. There is no ‘one size fits all’ solution in relation to LAGs, with this diversity a reflection of the needs and drivers in each of the local areas. In view of this, LAGs should be based where possible on a coherent geography and be as compatible as possible with EU guidelines.

3.39 LAGs vary in size across the EU, with some Member States encouraging a very small scale approach. However, in the current fiscal climate it would seem sensible to aim for a size and scale of LAG that is relatively cost effective, as well as suitably local. There is a balance to be struck between small, very local LAGs and larger, more remote LAGs. This balance is also determined by the level of funding available through LEADER, as there is scale at which the fixed costs of managing and administering LEADER make it impractical to run a LAG. It is noted that the size of a LAG area and the associated scale of its budget is also an issue for individual existing LAGs, especially those with a relatively small budget allocation.

3.40 LAGs are at the cutting edge of partnership working in rural areas and local approaches should continue to develop and be tested. However, it will be important that all LAGs connect effectively to their Community Planning Partnerships in taking forward any future Programme. These links can best be determined at a local level in view of the different approaches taken by CPPs, but all LAGs should be able to demonstrate these links as part of their Local Development Strategy development.

3.41 The Working Group also noted the revised and strengthened format for LAGs in the next Programme, where at least 50% of the votes in the decision making body come from non-public sector partners (see extract from Regulations below).

3.42 The Working Group were keen to stress the need for appropriate training to be made available to existing and new LAGs in the run up to the start of the new Programme to ensure that individual LAG members and Coordinators had the right knowledge and skills.
Article 30
Local action groups
1. Local action groups shall design and implement the local development strategies. Member States shall define the respective roles of the local action group and the authorities responsible for the implementation of the relevant programmes, for all implementation tasks relating to the strategy.

2. The managing authority shall ensure that the local action groups either select one partner within the group as a lead partner in administrative and financial matters, or come together in a legally constituted common structure.

3. The tasks of local action groups shall include the following:
   a) building the capacity of local actors to develop and implement operations;
   b) drawing up a non-discriminatory and transparent selection procedure and criteria for the selection of operations, which avoid conflicts of interest, that shall ensure that at least 50% of the votes in selection decisions are from the non public sector partners, providing for the possibility of appeal against selection decisions and allowing selection by written procedure;
   c) ensuring coherence with the local development strategy when selecting operations, by prioritising them according to their contribution to meeting the strategies’ objectives and targets;
   d) preparing and publishing calls for proposals or an ongoing project submission procedure, including definition of selection criteria;
   e) receiving applications for support and assessing them;
   f) selecting operations and fixing the amount of support and, where relevant, presenting the proposals to the responsible body for final verification of eligibility before approval;
   g) monitoring the implementation of the local development strategy and the operations supported and carrying out specific evaluation activities linked to the local development strategy.

Programme Management and Administration – Operational Issues

i) Preparation and Start-up for a New Programme
   - Define EC requirements at the outset and clarify roles, responsibilities, guidance and regulations which should then not change during the Programme.

   - Explore how new European priorities asserted in the EC documentation (such as climate change) can be effectively integrated into LEADER post 2013.

   - Clarify processes from the start – clear, concise and transparent guidance, reduced bureaucracy, a more proportionate audit burden and a fit for purpose IT
system. Being clear at the start of the Programme about the audit framework will help LAGs and stakeholders respond more effectively.

- Simplify reporting and provide clear guidance and forms from the start with fewer changes through the Programme period. Create standardised forms and standard Reporting Systems where possible.

- Aim to make the Programme paperwork efficient to save management and reporting time for LAGs and for Scottish Government.

- Apply monitoring and evaluation across all LAGs with a clear framework and methodology in place at the start of the Programme, including the identification of appropriate ‘baselining’ measures against which to appraise progress.

- Give LAGs clear guidelines on what must be included in their Local Development Strategies and start this process early to allow enough time for LDS development.

- Early training to prepare Managing Authority, Paying Authority, any other auditors, LAGs and Coordinators for the new Programme.

- Make changes to the LAG structure / membership and behaviour, and the transparency of decision making before the Programme starts.

- Ensure that LDSs do not restrict the range of choice of local development actions and remain flexible to accommodate locally conceived ideas for collaborative action for local development, albeit within a strategic framework.

ii) Support for Programme Transition
- The transition period from the current Programme to any new Programme is important. There needs to be effective and flexible transition support for LAGs during this period.

- A clear Transition period should be formally identified to LAGs so that they can plan appropriately – including a start and likely end date.

- There is a significant risk of a loss of continuity during the transition and LAGs should be assisted in maintaining an appropriate level of continuity. This should include ongoing support for LAG Coordinators and other key staff.

- Support should be put in place to ensure early establishment of LAGs and the Programme team.

- It is recognised that any new Programme will involve new roles and new employment contracts.

iii) Technical Guidance
- The Technical Guidance that is provided to LAGs by the Managing Authority is crucial to the successful delivery of the Programme.
• Scottish Government should work to prepare Technical Guidance for any new Programme so that it is available at the start of the Programme.

• The guidance needs to be as clear and complete from the start as possible.

• Scottish Government should work with LAGs to develop the new technical guidance to ensure it is user-friendly and definitive.

iv) Improved claims, reporting, evaluation and audit processes
• There is a need to make sure the Claims process is as efficient as possible at local and national levels. Backlogs anywhere in the system affect stakeholder’s cashflow.

• Effective LAG reporting on progress is crucial to the overall management of any future Programme. Consistent and efficient reporting processes need to be designed and operational at the start of the new Programme. LAGs should support the Scottish Government in developing these systems so that they are effective at local and national levels.

• The aim should be to develop streamlined applicant-friendly processes for any new Programme. Systems could be refined to cater for different project scales, e.g. LEADER-lite for smaller projects (shorter application form, quicker processes).

• The use of flat-rate costs and outcome based grants is set out in the Common Provisions Regulation and could be a useful tool. This could remove much of the administrative burden faced by applicants and projects in the current programme.

• Better evaluation is needed to maximise the impact of LEADER – by elaborating lessons learnt and enhancing shared understanding. Need to build capacity in LAGs and projects to do good evaluation and establish a system for them to share these good evaluation techniques.

• Funds should be made available to help with project evaluation if we want to improve it. HIE has a system that it uses for Monitoring and Evaluation and is willing to share it. Any system needs to be proportionate and relevant all the way through the process.

• Better risk assessment and risk management procedures should be built into LAG processes and officers should be better trained in risk management.

v) Communication with Scottish Government and Others
• Scottish Government should consider whether Service Level Agreements are the most appropriate approach for working with LAGs or designated Lead Partners. If they are, then they should be developed and agreed at the start of the new Programme so that all key stakeholders are clear about their roles.
- A communication framework should be put in place at the start of the Programme so that it is clear how the Scottish Government will communicate with LAGs.

- LAGs should be clear how they communicate and integrate with the relevant Community Planning Partnership.

- Scottish Government and COSLA should consider how best to support LEADER alongside other community-based development policies, including the Climate Challenge Fund, community buy-outs, community energy projects etc. There may be scope for strengthening expertise and deepening support for community partnership based approaches to local development.

vi) Cooperation and Networking
- There needs to be an Action 2 application form and claim form, each specifically designed to accommodate applications to more than one LAG.

- The SG reporting system must be designed to accommodate Action 2 projects, payment of sums due, and recording of outputs of the participating LAGs.

- We should aim to ensure that the Action 2 system in Scotland will be compatible with the systems in England, Wales and Northern Ireland.

- A short term working group (possibly UK wide) should look at this issue in more detail so that the solution is ready when the local strategies are being prepared.

- LEADER in Scotland should be constantly learning from the experience of other regions and programmes, and sharing our knowledge and understanding in a reciprocal manner.

vii) Other Operational Issues
- Scottish Government should ensure that electronic signatures are acceptable in the future in response to the electronic banking era.

- Cashflow for community projects is a significant issue for all LAGs. SG should consider how this can be ameliorated as part of the financial management of the Programme.

- It is worth considering whether a common ‘core’ administration system can be agreed. This should not prevent local distinctiveness but would help all LAGs achieve a minimum standard.

- Umbrella projects, or Schemes, have proven complicated to operate in the current Programme. The need for an appropriate statutory instrument, technical guidance and project support to ensure their success should be considered in designing the next Programme.
4. LINKAGES BEYOND THE LEADER PROGRAMME

a) What opportunities arise from the Common Strategic Framework (CSF) 2014-20?

4.1 The focus for the Working Group was to ensure that a stronger LEADER Programme is put in place for the 2014-2020 Programme period. The Group discussed the Common Strategic Framework and felt that theoretically it is a good step forward in ensuring better integration of EU Funds. However, as long as there are separate sets of regulations for the different Funds that make up the CSF, it was difficult to see major delivery level changes being achievable. While recognising the conflicts between the different regulations for stakeholders to create workable common systems, work is being carried out with other parts of Government to identify common synergies between LEADER/SRDP, the Structural Funds and Fisheries.

4.2 The localised, bottom-up approach to delivering funds could usefully be used in other EU Programmes. The LEADER model is highly visible to the public as they can see how EU funds directly benefit their communities. In addition, the LAG structure encourages partnership working between the public and private sectors and different agencies to achieve common objectives. These benefits are transferable to other Funds and would help ensure complementarity between EU Funds and minimise gaps or possible overlaps.

4.3 The LAG structure, strategic geographical approach, one-stop shop approach and accessibility of the LEADER Programme could be successfully used in other parts of the EU Funds. This is happening to some extent in the present funding programmes, but could be much expanded.

b) Which elements of the LEADER approach can be usefully used in other parts of SRDP or structural funds?

4.4 The Working Group recognised the significant emphasis that has been placed on Community Led Local Development (CLLD) by the EC in developing the new Regulations. It was also clear that LEADER is seen as being able to play an important role in CLLD activity.

4.5 The LEADER approach to delivering funds could be rolled out to cover a range of EU programmes within a geographical area. This approach is already present in the European Fisheries Fund and could be widened to include the ERDF and ESF funds (Community Led Local Development).

EAFRD

4.6 There is 5% minimum expenditure requirement in EAFRD identified for LEADER and the Group discussed whether this should be higher. It was agreed that a larger allocation would be especially relevant if Scottish Government wanted to shift the focus of LEADER towards the economy, with less emphasis on the community than has been apparent in the current Programme. This is a shift
towards economic outcomes as opposed to community outcomes, but is in the context of a Programme that is aiming for integrated economic, community and environmental impacts.

4.7 We considered whether we could use elements of LEADER to deliver more? For instance, whether RP funds could be delivered at a local level by LAGs? There is a spend of 5% at present through LEADER and the Group noted that Scottish Government would need a high level of certainty that LAGs would then be able to commit and spend the increased amount.

4.8 It was noted that assistance to small business was not strongly promoted by RPACs under the current Programme. This sparked a discussion that related to the Rural Economy Working Group, highlighting that it is not just agricultural businesses that operate in rural areas. There are thousands of other SMEs, with a high percentage of micro businesses, which are also important.

4.9 There was the suggestion to use the LEADER LAG membership approach (with a wider perspective and experience base) to improve the decision making at RPAC area level. It was agreed that this was difficult to achieve without regional budgets being in place. There was consensus that current RPACs would work better with regional budgets. It was considered that private sector input on RPACs would provide a wider range of experience that would help with decision making. In relation to RPACs the solution may be to use LEADER as it is more responsive to local needs.

4.10 It would be very positive to involve actual small business applicants in the discussions over the future of LEADER and RPAC to ensure future programmes are more tailored to SME needs.

4.11 The need for better targeting of spend to deliver maximum impacts for public funding (and Value For Money) was highlighted, and it was agreed that it is this that should drive the decisions on which elements of future SRDP are delivered by which channel. Policy and operational effectiveness is crucial to the delivery method.

**Agri-Environment links**

4.12 The idea of collaboration with other measures was raised, so that LEADER could help join up actions at a local level. For instance – an idea was mooted about LEADER being used as the vehicle for piloting / testing innovative Agri-Environmental projects. The question was raised over whether innovating or testing new Agri-Environment actions could be more readily achieved under LEADER than it could under the mainstream Agri-Env strands?

4.13 The possibility was raised of redirecting small amounts of mainstream agri-environment funding for LAGs to use locally to encourage certain types of innovative and collaborative environmental projects. This would use the ability of LEADER to drive forward more innovative, integrated actions.
EMFF links

4.14 In relation to other Funds there was also a suggestion that future LAGs and FLAGs could be merged together. This may depend on the EMFF Regulations and the practicalities on the ground in each area. Perhaps this is a local option rather than a requirement.

CLLD in Practice

4.15 Thus the LEADER approach could be integrated into a wider Community-Led Local Development approach covering a number of funds (EAFRD, EMFF, ERDF and ESF). There should be sufficient scope for flexibility to tailor the management structure to the needs of local areas. In some cases it may be appropriate for a structure covering a number of local authority areas to be deployed; in others coverage of a single local authority or even smaller area may be appropriate. Existing partnerships should be used where possible to minimise additional administration and bureaucracy.

4.16 There would be administrative costs to this approach at the local level, but it is envisaged that reductions in administration at the Scottish level would also occur. Technical assistance could therefore potentially be made available to facilitate local delivery of funds.

The Future

4.17 In summary, we need to acknowledge the LEADER Principles and apply those against actions to derive what can be best delivered at a local level. LEADER cannot do everything – but it can deliver more than it has under the current Programme.
5. **RECOMMENDED NEXT STEPS**

5.1 This report has highlighted a range of important aspects from the current LEADER Programme that can help inform the next Programme, and make it as effective as possible from the start.

5.2 The Working Group recommends the findings of the Report to the Scottish Government. It expects that much of what has been written is directly relevant to a new LEADER Programme and is happy to discuss the more far reaching aspects of the Report with Scottish Government officials if that would be helpful.

5.3 The Working Group has also recognised the need for a number of continuing workstreams now that this report has been finalised. These include:

- Monitoring & Evaluation
- IT System to support MA/PA/LAGs
- Financing LAGs & Projects (cashflow)
- Local Development Strategy preparation – clear guidance and framework for future LDS
- Technical Guidance

**Issues for further consideration**

5.4 A number of questions were raised by the Working Group which it was unable to address in the time available. These include:

- How we identify the optimal size of the LAG entity? Do we have enough of an evidence base to make a fully informed decision?
- How LAG membership is recruited to make it genuinely community-based rather than organisation based?
- How individualistic development actions and community or collaborative actions are balanced within strategic plans remains an issue?
- Whether LEADER needs to differ between prosperous and less prosperous areas and needs supplementary support where capacity is more limited and development challenges are greater?
- How LEADER can better articulate with the National Performance Framework, particularly the parts of the NPF that address inequalities?
- How LEADER can better articulate with other forms of collaborative local action?
- Does LEADER make clear that it will (or should) connect to both EU and Scottish strategic priorities such as climate change? When there are already many locally based collaborative approaches to deliver on such areas, how does LEADER dovetail?
- What are the distinctively LEADER issues that no other institution could handle?
- How fit for purpose is a LEADER programme in a cash-tight recession?
Annex A

Working Group Membership

Bryan McGrath, LAG, Chairman
Billy McKenzie, SG
Bill Dundas, SG
Alistair Prior, SG
Patrick Krause, Crofting Commission
Peter Sunderland, LAG
Samantha Smith, COSLA
Hugh Donaldson, HIE
David Cameron, Cairngorms National Park
Angela Hallam, SG
Daye Tucker, Scottish Land and Estates
Bill Slee, Hutton Institute
Robin Clarke, HIE
Vicki Swales, RSPB
Amy Corrigan, RSPB
Claudia Rowse, SNH
Peter Pitkin, SNH
Nick Galloway, SG
Alistair Henry, SG
Jonathan Wordsworth, Archaeology Scotland/LINK
Norman MacAskill, SCVO
David Rennie, Scottish Enterprise
Alison Smith, LAG
Riddell Graham, VisitScotland
Ros Halley, LAG Coordinator
Lorna Elliot, LAG Coordinator
Chris Parkin, LAG Coordinator

Graham Kay, SG, Secretariat