F



**2014 - 2020**

**LEADER – GENERAL GUIDANCE FOR APPLICANTS**

|  |  |  |
| --- | --- | --- |
| ***Issue Date*** | ***Author*** | ***Details*** |
| 07/12/2015 | A Prior | [Version 1](https://www.ruralnetwork.scot/leader/archived-guidance) (archived 09/03/2016) |
| 09/03/2016 | G Allan | [Version 2](https://www.ruralnetwork.scot/leader/archived-guidance) (archived 08/12/2016)  |
| 08/12/2016 | M Collins | [Version 3](https://www.ruralnetwork.scot/leader/archived-guidance) (archived 05/01/2017) |
| 05/01/2017 | M Collins | [Version 4](https://www.ruralnetwork.scot/leader/archived-guidance) (archived 13/02/2018)  |
| 13/02/2018 | V Dunlop | [**Version 5**](https://www.ruralnetwork.scot/leader/archived-guidance) (archived 12/08/2019) |
| 12/08/2019 | G Allan | **Version 6** (amendments detailed below) |
| **Section**  | **Amendment** |
| Section 4.5  | Change to wording on capital/noncapital projects |
| Section 6.2 | Addition of Statutory Sick Pay as an eligible LEADER cost. |
| Section 9.5 | Additional reference in relation to Statutory Sick Pay |
| Section 12 | Clarification on Cash Flows |
| Section 13 | Common areas where evidence is not fully evidenced. |
|  |  |

Contents

[**1.** **Background** 5](#_Toc506460639)

[**1.1** **Delivery structure** 5](#_Toc506460640)

[**1.2** **Local Development Strategy (LDS)** 5](#_Toc506460641)

[**1.3** **LEADER - The Approach** 5](#_Toc506460642)

[**2.** **The application process** 6](#_Toc506460643)

[**3.** **Who can apply?** 6](#_Toc506460644)

[**3.1** **Registration/Business Reference Number** 7](#_Toc506460645)

[**3.2** **If you already have public funding** 8](#_Toc506460646)

[**4.** **Before you apply** 8](#_Toc506460647)

[**4.1** **Fit with the Local Development Strategy (LDS)** 8](#_Toc506460648)

[**4.2** **Suitability for LEADER funding** 8](#_Toc506460649)

[**4.3** **Rejections** 9](#_Toc506460650)

[**4.4** **Other funding programmes** 9](#_Toc506460651)

[**4.5** **Control of the asset** 9](#_Toc506460652)

[**4.6** **Bank statements** 9](#_Toc506460653)

[**4.7** **Invoices** 10](#_Toc506460654)

[**4.8** **Income generation** 10](#_Toc506460655)

[**4.9** **Acknowledgment of LEADER funding** 10](#_Toc506460656)

[**5.** **Project Application Types** 11](#_Toc506460657)

[**5.1** **Standard application** 11](#_Toc506460658)

[**5.1.1** **Community** 11](#_Toc506460659)

[**5.1.2** **Enterprise** 11](#_Toc506460660)

[**5.1.3** **Farm Diversification** 11](#_Toc506460661)

[**5.2** **Co-operation application** 12](#_Toc506460662)

[**5.2.1** **Preparatory support** 13](#_Toc506460663)

[**5.2.2** **Transnational Co-operation** 13](#_Toc506460664)

[**5.2.3** **Inter-territorial Co-operation: Scotland** 13](#_Toc506460665)

[**5.2.4** **Inter-territorial Co-operation: UK** 13](#_Toc506460666)

[**6.** **Ineligible Costs** 13](#_Toc506460667)

[**6.1** **Activities, Legal Expenses, Financial and Other Charges** 13](#_Toc506460668)

[**6.2** **Staff Costs (eligible staff costs are detailed in section 9)** 15](#_Toc506460669)

[**7.** **What Level of Support can my Project Receive** 15](#_Toc506460670)

[**8.** **Building and Infrastructure Development projects** 15](#_Toc506460671)

[**8.1** **Issues to consider before making an application** 15](#_Toc506460672)

[**9.** **Projects Involving Staffing & Premises** 17](#_Toc506460673)

[**9.1** **Direct Staff Costs** 17](#_Toc506460674)

[**9.2** **Recruiting new staff** 17](#_Toc506460675)

[**9.3** **Existing staff - new post** 18](#_Toc506460676)

[**9.4** **Existing staff - partial project hours** 18](#_Toc506460677)

[**9.5** **Claiming staff costs** 18](#_Toc506460678)

[**9.6** **Staff Travel and Subsistence** 19](#_Toc506460679)

[**9.7** **Premises Costs** 20](#_Toc506460680)

[**9.8** **Insurance** 21](#_Toc506460681)

[**9.9** **Publicity** 21](#_Toc506460682)

[**9.10** **Other Project Costs** 21](#_Toc506460683)

[**9.11** **Leasing** 21](#_Toc506460684)

[**9.12** **Volunteer Costs** 21](#_Toc506460685)

[**9.13** **Non-recoverable VAT** 22](#_Toc506460686)

[**10.** **Match Funding** 22](#_Toc506460687)

[**10.1** **Evidence required** 23](#_Toc506460688)

[**10.2** **Ring-fencing for funding of eligible and ineligible costs** 24](#_Toc506460689)

[**10.3** **Match funding and State Aid** 24](#_Toc506460690)

[**10.4** **Ineligible match funding** 24](#_Toc506460691)

[**10.5** **Funding changes** 24](#_Toc506460692)

[**10.6** **In-kind** 25](#_Toc506460693)

[**11.** **Project Design and Planning** 25](#_Toc506460694)

[**11.1** **Develop a project plan** 25](#_Toc506460695)

[**12.** **Setting milestones** 25](#_Toc506460696)

[**12.1** **Changes to milestones** 27](#_Toc506460697)

[**13.** **Demonstrating Project Costs** 27](#_Toc506460698)

[**13.1** **Exceptions to when to evidence reasonableness of costs** 29](#_Toc506460699)

[**13.2** **Financial accounts** 29](#_Toc506460700)

[**14.** **Permissions, consents and licences** 30](#_Toc506460701)

[**15.** **Complaints** 30](#_Toc506460702)

[**15.1** **Types of Complaint** 30](#_Toc506460703)

[**15.1.1** **Complaints against the general standards of service** 30](#_Toc506460704)

[**15.1.2** **Complaints against rejection/non-selection** 31](#_Toc506460705)

[**15.1.3** **Complaint against the percentage of the grant offer** 31](#_Toc506460706)

[**15.2** **Complaints process** 31](#_Toc506460707)

[**15.2.1** **Stage one – frontline resolution** 31](#_Toc506460708)

[**15.2.2** **Stage two – investigation** 32](#_Toc506460709)

[**16.** **Appeals** 32](#_Toc506460710)

[**17.** **Inspections** 32](#_Toc506460711)

[**17.1** **In Situ visit** 33](#_Toc506460712)

[**17.2** **On the Spot inspections** 33](#_Toc506460713)

[**17.3** **Ex Post inspections** 33](#_Toc506460714)

[**18.** **Breaches and Penalties** 33](#_Toc506460715)

[**18.1** **Exceptions to breaches and penalties** 34](#_Toc506460716)

[**18.1.1** **Force Majeure** 34](#_Toc506460717)

[**18.1.2** **Obvious error** 34](#_Toc506460718)

[**APPENDIX A - Information on How to Manage a Capital Project** 36](#_Toc506460719)

[**APPENDIX B - Glossary of terms used relating to capital projects** 37](#_Toc506460720)

1. **Background**

LEADER is an approach that supports quality of life and economic prosperity in rural areas through community-led local development. Below sets out the thrust of the LEADER approach:

**Local public-private partnerships: Local Action Groups**

**Integrated multi-sectorial actions**

**Innovation**

**Co-operation**

**Networking**

**Area-based local development strategies**

**Bottom-up elaboration and implementation of strategies**

* 1. **Delivery structure**

LEADER is an essential component of the Scottish Rural Development Programme (SRDP) implemented through Local Development Strategies (LDS) by Local Action Groups (LAGs). LEADER Grants are awarded by the LAGs to projects that are aligned to the aims and objectives of the LDS and operating within the scope of the SRDP.

* 1. **Local Development Strategy (LDS)**

You must familiarise yourself with the Local Development Strategy (each area has its own bespoke LDS) as you will have to demonstrate how your project will contribute to its aims.

* 1. **LEADER - The Approach**

Your local LEADER team is responsible for encouraging and facilitating actions in the local area, through working with people to develop ideas and transform them into proposals that support the LDS. These can then be brought forward to the LAG committee for consideration and approval.

 You should note that regardless of the support received prior to submission of an application, your application will still be subject to a rigorous assessment. This includes applications that have been inspired by the LAG or that have been submitted by one of the group’s members.

1. **The application process**

A typical outline of the process for applying to LEADER is shown below.

1. **Who can apply?**

Applications can be made by anyone who lives in a LAG/LDS area and/or wishes to undertake an activity within the LAG area. This can include:

* Individuals, including those who are self-employed
* Community and voluntary organisations (constituted bodies such as development trusts)
* Micro and small **enterprises\*** (including social enterprises, charities, community interest companies)
* Public bodies
* Local Action Group (LAG) members

You can find out which LAG/LDS area you are in on the Scottish Rural Network website ([www.ruralnetwork.scot/funding/leader/local-action-groups](https://www.ruralnetwork.scot/funding/leader/local-action-groups)). Confirmation of the eligible area should be made with the relevant LAG team. You can apply for more than one grant from the LAG, as long as they are for different projects.

**\*Enterprises:** An enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons, family businesses and partnerships or associations regularly engaged in an economic activity.

* A micro enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.
* A small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet does not exceed EUR 10 million.

## **Registration/Business Reference Number**

All applicants **must** be registered with the Rural Payments and Inspections Division (RPID), who will issue a Business Reference number (BRN). Contact details for your local RPID office can be found at the links below along with further information about Rural Payments and applying for a BRN.

* [www.ruralpayments.org/publicsite/futures/topics/customer-services/contact/](https://www.ruralpayments.org/publicsite/futures/topics/customer-services/contact/)
* [www.ruralpayments.org/publicsite/futures/topics/your-business/business-registration/](https://www.ruralpayments.org/publicsite/futures/topics/your-business/business-registration/)

The Senior Applicant must be registered as a ‘Responsible Person’ or ‘Business Representative’ of that BRN. More than one Business Representative can be registered and you must ensure details are kept up-to-date, via RPID.

## **If you already have public funding**

You must confirm whether your organisation has received any form of European or public funding in the last three years and whether you have any current outstanding/on-going applications for funding. You must also confirm (where applicable) if the funding was awarded under State Aid or ‘de minimis’ aid, the organisation which awarded the funding will be able to provide you with this information. You will need to explain in detail what this funding was used for and whether or not it has been awarded under either agricultural or industrial ‘de minimis’ aid. If your organisation has received aid under ‘de minimis’, it may limit the amount of grant that can be offered.

1. **Before you apply**

Before you make an application, you should submit an Expression of Interest to your local LEADER team. This lets the team consider the eligibility of your project concept/idea to check whether it is in line with the LDS you are applying under. If you haven’t completed an Expression of Interest, you should do so before you apply. Guidance on completing an Expression of Interest and the Expression of Interest form can be found on the Scottish Rural Network website ([www.ruralnetwork.scot/](https://www.ruralnetwork.scot/funding/leader/expression-interest-form)).

Where your Expression of Interest fits with LDS a full application requires to be submitted via an IT system, LARCs (**L**ocal **A**ctions in **R**ural **C**ommunities **s**ystem). The Local LEADER team will support you through this process along with further guidance available within LARCs.

## **Fit with the Local Development Strategy (LDS)**

Your application must set out how the proposal contributes to the priorities of the LDS. Elaboration of this will be critical to the local LEADER team/LAG assessment.

## **Suitability for LEADER funding**

Think carefully about whether your idea is more appropriate for other Scottish Rural Development Programme (SRDP) funding schemes such as Broadband; Agri-Environment Climate Scheme; Food Processing, Marketing and Co-operation Scheme; or the Knowledge Transfer and Innovation Fund. Detailed guidance on other SRDP schemes can be found on the Rural Payments and Services website:

([www.ruralpayments.org/publicsite/futures/topics/all-schemes/](https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/)).

If you are unsure then please contact your local LEADER Team.

## **Rejections**

Please be aware that if an application for the same project has been **formally rejected** by the relevant decision making committee/group of an SRDP scheme in the same programme period (i.e. 2014-2020) you will not be able to apply for LEADER funding.

## **Other funding programmes**

You should also consider how your proposal fits with other wider funding programmes, such as European Rural Development Fund (ERDF) and European Social Fund (ESF). For example, LEADER may be better suited to supporting projects that focus on aspects of employability, skills or business growth pipelines that are not already funded under ESF or ERDF. Further information on ERDF and ESF funded actions can be found on the Scottish Government website ([www.gov.scot/Topics/Business-Industry/support/17404/EuropeanStructuralFunds](http://www.gov.scot/Topics/Business-Industry/support/17404/EuropeanStructuralFunds))

## **Control of the asset**

It is important to note for capital projects that you must have control of the asset. If your application to LEADER is successful you should note that you must continue to have control of the capital asset for a period of 5 years after any final claim is paid and for non-capital assets, for the lifetime of the funded asset. Written confirmation is required as part of the overall application process e.g. if you have rented premises you must provide evidence of your long term lease from the landlord/owner of the property. Details will be contained under the terms and conditions section in the ‘Offer of Grant’ letter.

## **Bank statements**

Applicants are required to submit their most recent bank statements covering a continual 3-month period to demonstrate the “evidence of need” (Additionality) for LEADER funding. The bank account should be in the name of the business registered with RPID. This is the bank account for project costs and from which defrayal can be demonstrated.

Bank statements will also be used to evidence match funding where the applicant is using their own resources. This should be supported by a covering letter confirming that they will use these resources specifically as match funding for the project. Where a local authority is the applicant a letter from the financial director/head of finance, confirming the need for funding and where relevant, match funding will suffice. All letters must be on headed paper, signed and dated.

## **Invoices**

Invoices should be certified as correct by the Senior Applicant before loading them onto the LARCS system. You must keep originals of all invoices.

## **Income generation**

In certain circumstances, income generated by a project, either during implementation or after completion, may need to be deducted from the funding sought. Your local LEADER Team will be able to advise you.

## **Acknowledgment of LEADER funding**

LEADER funding is co-financed by the Scottish Government and European Commission. **Projects successfully awarded funding** require to ensure there is appropriate acknowledgement to comply with European Commission legislation. Failure to appropriately acknowledge funding may be considered as a breach (see section 4.2 breaches and penalties).

Acknowledgement of funding requires, where relevant:

* Where the funding awarded exceeds €50,000 projects require to display an explanatory poster or plaque (minimum size A3)
* Where the project includes the purchase of a physical object or financing infrastructure or construction (including renovations etc.) a permanent plaque (or billboard where public support exceeds €500,000) must be displayed within three months of completion
* Acknowledgement in press/media releases, website and/or project publications (i.e. booklets, leaflets etc.) and publicity materials (i.e. posters etc.)

Billboards, plaques, posters, websites and documentation require to include (EC legislation requirements), which should take up at least 25% of the billboard, poster, plaque etc.:

* the EU emblem along with the following statement:***“The European Agricultural Fund for Rural Development: Europe investing in rural areas”***
* The LEADER logo, and
* A description of the project/operation

Acknowledge and recognition of the Scottish Government (SG) and LAG is strongly encouraged by also displaying the following (logos should be the same size and proportion of those listed above):

* SG logo
* SRDP icon
* LAG logo

Your local LEADER team will be able to provide further information where required to ensure emblems/logos meet the necessary branding requirements.

1. **Project Application Types**

There are two types of application, standard and co-operation. The application process is the same and all guidance applies equally to the different project types and sub-types.

## **Standard application**

### **Community**

Community led to increase support to local rural community and business networks to build knowledge and skills, encourage innovation and co-operation in order to tackle local development objectives.

### **Enterprise**

An enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses and partnerships or associations regularly engaged in an economic activity.

### **Farm Diversification**

Farm diversification can support farmers/crofters, or members of a farm/croft household, to start-up a business into non-agricultural activities in rural areas, diversifying into non-agricultural activity or micro and small enterprises. An individual or group must undertake an agricultural activity on the farm/croft, at the point an application for funding is submitted. Where the above criteria is met a maximum of €70,000 LEADER may be awarded.

Where you **do not** meet all the criteria set out above you may be awarded de minimis funding:

1. For diversification into an agricultural activity LEADER could support projects using the agricultural de minimis regulation, which limits aid to €15,000 over three fiscal years. If you have received de minimise funding within 3 fiscal years this may limit the level of funding which can be awarded.
2. For diversification into a non-agricultural activity a business operating in the agricultural sector may receive industrial de minimis (limited to €200,000 over 3 fiscal years) for diversification purposes would be required to produce separate accounts for the non-agricultural business

**Note**: de minimis funding is determined in euros and calculated using the exchange rate in place at the point LEADER funding is offered.

Where a farm diversification project is assessed not to be state aid (your local LEADER team will be able to advise) the project may be awarded up to 100% or where relevant restricted to any lower maximum intervention rate, set by the LAG, in the LDS.

## **Co-operation application**

Co-operation aims to encourage innovation, feasibility studies and collaboration. Applications for co-operation projects are submitted in the same way as other LEADER project applications.

Co-operation is an essential element of the LEADER approach. It is concerned with adding scale to projects and building social cohesion between people in different areas and unifying them around a common purpose. In the past, actions have tended to focus on capacity building/knowledge exchange, joint working with a spatial and/or thematic focus. As with other project types, any co-operation actions are considered eligible if they fit with the LDS. Further information and support can be found here:

[www.ruralnetwork.scot/cooperation/what-cooperation](http://www.ruralnetwork.scot/cooperation/what-cooperation)

When submitting an Expression of Interest (EoI) you should identify all the LAG/LDS areas that you think your proposal will cover. Submitting an EoI will allow your local LEADER team or other LAGs areas to check that the proposal is in line with the LDS. The Scottish Rural Network Support Unit can work with your Local LEADER team to help find potential co-operation partners (particularly in other parts of the UK & EU).

LAGs can award up to 100% intervention rate for co-operation projects (subject to State Aid assessment). LAGs may wish to propose an aid intensity for this type of project based on the strategic role that co-operation projects play (within the limits of the aid intensity rates provided by the legal framework). When fixing the aid intensity, LAGs may take into account such criteria as: collective interest, collective beneficiary, public access to the results of the operation, potentially innovative features of the project at the local level, and the budget available.

### **Preparatory support**

If your proposal is in line with the Local Development Strategy(ies) then you may wish to access support to allow you to develop your co-operation ideas. You can apply for support towards application development, engagement within local stakeholders and potential co-operation partners, covering a range of costs, including:

* venue/equipment hire
* catering
* travel
* publicity
* accommodation
* subsistence
* translation/interpreters’ fees
* participation
* feasibility studies

Receiving preparatory support does not imply an obligation to carry out the project (for example if it proves not to be viable) and therefore the recipient of the preparatory support will not have to repay funding.

The intervention rate for preparatory support will be 100%, subject to a State Aid Assessment, up to a maximum of £5,000 per applicant. Reasonableness of costs must be demonstrated for all applications please see section 13 – Demonstrating Project Costs.

### **Transnational Co-operation**

Projects between territories in several Member States and/or with territories in third countries i.e. outside the EU.

### **Inter-territorial Co-operation: Scotland**

Projects involving Scottish LAGs only.

### **Inter-territorial Co-operation: UK**

Projects involving LAGs in England, Wales and/or Northern Ireland.

1. **Ineligible Costs**

Below are examples of costs which can’t be claimed from LEADER. This is a **non-exhaustive** list, if you are unsure about these please contact your local LEADER team.

* 1. **Activities, Legal Expenses, Financial and Other Charges**
* delivery of courses which form part of a primary or secondary school or college, or university education programme e.g. HNCs, HNDs, Nationals, Degrees etc.
* contingencies, miscellaneous or sundries
* accounting costs, preparation etc. of annual accounts and year-end auditing, unless a condition of the grant agreement
* bank charges on accounts
* costs of guarantees provided by a bank or other financial institution
* financial charges – e.g. charges for paying by credit card, NOT standard booking fees
* debit interest, charges for financial transactions, foreign exchange commissions and losses, and other purely financial expenses
* loan charges – the nature and amounts of any loan charges included in the overall project costs should be brought to the attention of the Scottish Government
* 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 or organisation
* bad debts, fines, financial penalties and expenses of litigation
* in-kind costs cannot be claimed or paid (they are shown to help assess commitment to the project)
* expenditure invoiced or defrayed outwith the eligible project period (the period before the signed Offer of Grant Letter has been received back into the local LAG office)
* expenditure committed to or incurred before the eligible expenditure date contained in the offer of grant letter (e.g. contracts signed, purchase orders raised, payments made, invoices or other commitment by the applicant to pay for something, whether it be goods, works or services)
* payments not supported by invoices and/or documents proving expenditure
* recoverable VAT
* improvements to buildings as a requirement of changes to legislation e.g. Disability Discrimination Act
* any actions already being funded by European Structural Funds under other Programmes or European Union-funded initiatives
* alcohol
* hire purchase, extended credit agreements and finance leases for capital purchases

Some of these costs may be eligible if they are directly linked to the operation and are necessary for its preparation or implementation or, in the case of accounting or audit costs, if they relate to requirements by SG and must be agreed with SG prior to being claimed**.**

* 1. **Staff Costs (eligible staff costs are detailed in section 9)**
* statutory maternity, paternity or adoption pay (Statutory Sick Pay is an eligible LEADER cost – see Section 9.5)
* payments for unfunded pensions
* redundancy payments
* bonus or commission payments
1. **What Level of Support can my Project Receive**

You can receive up to 100 per cent of your eligible costs. Please note that the aid approved by the LAG for your application may be lower. Your local LEADER team will be able to advise.

Please also note that State Aid rules may apply and this may limit how much you can be awarded, depending on what other public funding you have received. To find out more about State Aid, visit [www.gov.uk/state-aid](http://www.gov.uk/state-aid)

# **Building and Infrastructure Development projects**

This section relates to:

* Purchase of Capital Assets
* Construction of new buildings/facilities
* Improvement to/expansion of existing buildings/facilities

LEADER can support the following capital type investment:

* Purchasing equipment, fixtures and fittings linked to the eligible project activity
* Improving land, for example landscaping works, playgrounds etc.
* Altering, refurbishing or extending a building you already own or lease
* Constructing a new building or facility

## **Issues to consider before making an application**

* **Security of tenure**

Applicants applying for capital grant for a project must have security of tenure (heritable or leasehold) of the land and buildings where the capital project will take place.

Both landlords and tenants must keep capital works in place for five years following the final claim payment, e.g. if a building is to be constructed and the project takes one year to complete and claim, then the five years commences after the final claim is paid, making a total of six years’ commitment.

Tenants must obtain the owner / landlord’s permission for any intended improvement works.

* **Professional Fees**

Projects must make sure that they have the appropriate type/level of professional support, e.g. quantity surveyors, architects, project managers.

Support for fees relating to design (i.e. architects, engineers, consultants etc.) and planning permissions/building warrants etc. are restricted to a maximum of 20% of the overall project costs.

Where the project does not include any capital costs then support for any professional fees may be funded to a maximum of 100%.

* **Terms and conditions**

All Offers of Grant will be subject to standard terms and conditions. Where you are successful these will be laid out in your Offer of Grant letter. Some projects will attract additional terms and conditions.

Examples of some of the terms and conditions:

* Applicants may not sell, transfer, lease or otherwise dispose of land and buildings built, extended, refurbished, altered and/or improved in part or in whole within 5 years of the final LEADER claim being paid without the prior written consent of the LEADER LAG.
* Applicants may not change the purpose for which the capital assets are being used without the prior written consent of the LAG for a period of 5 years after the final LEADER claim has been paid.
* The applicant will be responsible for the condition and use of the land and/or buildings for five years commencing from the start of the year after the date of the payment of the final claim.
* **Second hand equipment**

The purchase of second hand equipment is allowed under the following conditions:

* the seller of the equipment must provide a declaration stating its origin, and confirm that at no point during the previous seven years has it been purchased with the aid of national or European grants
* the price of the equipment must not exceed its market value and must be less than the cost of similar new equipment

The equipment must have the technical characteristics necessary for the operation and comply with applicable norms and standards.

* **Insurance**

You must tell us which capital assets will not be covered by insurance, and guarantee in writing that all such assets will be replaced for their original purpose if lost, damaged or stolen.

Appendix A provides practical information on how to manage a capital project as well as a glossary of terms.

# **Projects Involving Staffing & Premises**

For all staff costs, you must be able to demonstrate that the pay and grading of the post has been determined appropriately. For example, benchmarking against similar posts within the organisation or more widely for the type of job concerned.

## **Direct Staff Costs**

Staff costs are eligible to be paid through the project, whether full or part-time. Staff may be either existing organisational staff who are administering/supervising the project or taking on a specific role in the project, or new staff recruited specifically for the project. All staff costs should be included gross (i.e. inclusive of National Insurance Contribution, pension, etc.)

For staff costs the following documents and information must be submitted at the application stage:

* a job description for each role included in the project budget. The job description(s) must clearly describe the responsibilities of the post and the time contribution to the project
* an hourly rate calculation based on gross costs and contracted hours where staff will not spend 100 per cent of their contracted hours on the project
* proposed templates for capturing and accounting for the activities of any staff not spending 100 per cent of their contracted hours on the project
* details of proposed framework for sourcing staff

## **Recruiting new staff**

Recruitment, supported by evidence, must be carried out in a fair, open and transparent way. Recruitment costs are only eligible during the approved project period. Costs may include advertising for the vacancy, interview travel costs, panel member expenses or other reasonable and appropriate costs as detailed in the travel and subsistence section.

For new recruitments, the following evidence must be provided:

* a copy of the advertisement and details of where the post was advertised
* a summary of the shortlisting process
* a summary of the interview process
* details of the selected candidate

## **Existing staff - new post**

If it is a new post which you wish to fill with the reappointment of an existing staff member in line with national employment legislation, this must be explained in the funding application form. Where you have an existing policy regarding reappointment/redeployment of staff, this should be provided as part of the explanation.

The local LEADER team will review the justification provided on a case-by-case basis, with the preference being for all new posts to go through a fair, open and transparent recruitment process.

Where an existing member of staff is transferred to a new post the employing agency must provide:

* evidence that their existing post is ending and that the post will not be backfilled
* evidence that the person has the relevant skills for the post and is the most suitable applicant if more than one internal applicant is eligible
* details of the selected candidate, including their contract of employment

## **Existing staff - partial project hours**

Where an existing staff member will deliver project specific activities for part of their contracted hours through either increased working hours or a change in job description the employing agency must provide:

* evidence that the staff member’s role has changed when they started working on the project, through the provision of old and new job descriptions
* evidence that the person has the relevant skills for the project requirements and is the most suitable person if more than one staff member could fulfil the function
* details of the selected candidate, including their contract of employment

## **Claiming staff costs**

Staff costs must be evidenced in financial claims with:

* a copy of the job description(s) signed by the staff member(s) (first claim only)
* a copy of the employment contract(s) (first claim only)
* timesheets for staff who do not spend 100 per cent of their contracted hours on the project. The timesheet must clearly show the hours worked and duties performed on the project and must be signed by the staff member and by another person who can verify the timesheet (normally a line manager)
* a copy of the payslip(s) for the staff member(s)
* a copy of the payroll showing full staff cost (payroll print-out must show any statutory leave payments made during the period). Statutory Sick Pay is an eligible cost, as it is the employer’s responsibility to pay it.
* BACS record of payroll payments if payments are made through BACS
* BACS record of employer payments to HMRC if payments are made through BACS
* bank statements showing the payroll payment and the payment of employer contributions to HMRC leaving the organisation’s bank account

**Note:** Staff costs cannot be claimed for the preparation of a LEADER application or claims.

## **Staff Travel and Subsistence**

**Staff Travel**

Staff travel costs must be directly related to the project. All actual costs incurred must be standard/economy class with all claims supported by original receipts.

Mileage rates can be claimed up to the following maximums:

|  |  |  |
| --- | --- | --- |
| **Expense Type** | **Rate** | **Unit** |
| Motor Cycle Allowance | £0.24 | Per Mile |
| Motor Mileage Rate | £0.45 | Per Mile |
| Pedal Cycle Allowance | £0.20 | Per Mile |

Where an organisation pays at a higher rate, LEADER will only pay up to the maximum shown above. Any claim for costs based on mileage must be evidenced by:

* a log sheet detailing miles, vehicle type, vehicle registration and purpose of journey directly linked to the LEADER project
* the log sheet must be signed by the staff member and approved by their line manager verifying the validity of the claim
* payment details as per organisational procedures (payment of the claim from the organisational bank account)

**Staff Subsistence**

Subsistence and accommodation costs can be claimed where staff are required to spend time away from their contracted place of work and where there is an organisational policy in place to support this.

Subsistence can be included up to a maximum rate of:

|  |  |
| --- | --- |
| **Expense Type** | **Rate** |
| Bed and Breakfast up to a maximum | £75 / night  |
| Meals Allowance covering a 24-hour period, or; | £23.50  |
| day subsistence over 5 hours (but less than 10 hours), or; | £4.90 |
| day subsistence over 10 hours (no overnight stay) | £10.70 |

All Subsistence and accommodation costs must be evidenced by:

* original receipts
* a staff claims’ form detailing the amount and reason for the claim. The form must be signed by the staff member and their line manager to validate the expenses
* evidence of payment by the organisation to the staff member of the claim

Where an organisation chooses to pay for subsistence at a higher rate, LEADER will only pay up to the maximum above.

**Consultancy Fees and Contractors’ Charges**

Costs for work undertaken by a consultant or sub-contractor (including staff supplied through temp agencies) are eligible. You will be asked to justify their use and reasonableness of cost as part of the project application.

**Project Evaluation Fees**

Costs of independent evaluations will be eligible if the work is essential to the project and/or a condition of the Grant Agreement.

## **Premises Costs**

This should include actual cost of rent, rates, heat, light, telephone and internet charges, cleaning and service charges associated with the premises. You must clearly demonstrate that these are directly related to the delivery of the project and are **additional to existing operating costs** (for example, if you have to rent additional premises). In circumstances where the organisation has internal ‘charging’ arrangements for staff in place, then these are considered to be eligible where they can be evidenced (for example, annual fees per head for the use of all services).

## **Insurance**

Insurance of buildings, contents and public liability are eligible provided it can be clearly demonstrated that these directly relate to the delivery of the project and are **additional** to existing organisational costs. Professional indemnity is also eligible, provided it is essential to the delivery of the project and **additional** to standard provision that organisations/individuals could be expected to hold.In circumstances where the organisation has in place internal ‘charging’ arrangements for staff, then these are considered to be eligible where they can be evidenced (for example, annual fees per head for the use of all services).

## **Publicity**

This may include costs related to appropriate and proportionate aspects of marketing specific to the project on, for example, design and production of publicity materials, or development and delivery of events and campaigns.

To be considered eligible, any items of publicity claimed **must** contain the appropriate acknowledgment of LEADER funding see **Acknowledgment of LEADER funding**.

Examples should be kept for audit purposes and samples of photographic evidence submitted when the costs are claimed.

## **Other Project Costs**

This may include software, stationery, teaching materials, postage, photocopying consumables and other costs where it can be clearly demonstrated that costs are reasonable (see **Demonstrating Project Costs**) and directly relate to the delivery of the project. All project costs must be accurate and included in the application form.

## **Leasing**

Leasing is eligible for support. Details and justification for this approach must be included in the application form and will be considered on an individual project basis. Leasing costs should not exceed the original value of the item.

## **Volunteer Costs**

A volunteer is someone directly involved in the delivery of the project who gives of their time and skills freely and not for personal financial gain. LEADER funding can be used to support volunteer expenses appropriate to the delivery of the project outcomes. Volunteer time (in-kind costs) cannot be claimed or paid.

Eligible costs could include:

* travel and subsistence at the same rate as staff members
* personal protective equipment required for the safe conduct of activities

Volunteer expenses must be detailed in the funding application form and will be considered on a case-by-case basis by the local LEADER team. Where appropriate, equipment should be retained by the organisation and not provided to individuals.

## **Non-recoverable VAT**

VAT charged on buying goods, services or transactions that you are not able to reclaim from HM Revenue and Customs is eligible. The following guidance is available from HM Revenue and Customs:

* VAT Notice 701/7 (August 2002): VAT relief for people with disabilities
* VAT Notice 701/58 (March 2002): Charities leaflet
* VAT Notice 708 /6 February 2008: Buildings and construction
* VAT Notice 701/6 (March 1997, supplement April 1997): Charity funded equipment for medical, veterinary etc. uses

You should seek guidance and obtain written confirmation of the VAT position in relation to your proposed project. Unexpected VAT bills can add significantly to the total project cost.

# **Match Funding**

Match funding is the amount of funding secured from other sources in order to deliver the project. There are two types of match funding:

* private match funding such as donations from trusts and personal donations
* public match funding such as Big Lottery, local or central government, public bodies

You are responsible for checking, confirming and declaring whether your match funding is public or private.

All match funding must be in the form of a direct cash contribution. The match funding must be secured and the appropriate evidence submitted to and accepted by the local LEADER team before a formal ‘Offer of Grant’ is issued.

If you are unable to confirm match funding at the point of application then you should include evidence of the status of the match funding with dates when it is expected to be confirmed.

The LAG may consider projects where the match funding is not yet confirmed and issue a ‘decision in principle’, pending confirmation of the match funding. The **decision in principle is not an offer of grant** and will have an expiry date no longer than 60 days from the date of issue to ensure that LEADER funding for other eligible projects can be accessed. If the match funding is not secured before the expiry date, the application will be rejected, withdrawn or reverted to “rework”, and you will be required to submit a new/updated application once the match funding has been confirmed with revised milestones etc. reflecting the delay. The application will then be reconsidered by the LAG.

## **Evidence required**

Where the match funding is in the form of donations or grant agreements paid in advance of the project commencing, you must provide:

* copies of each match funding offer, donation confirmation or other evidence of receipt showing what the funds are for and demonstrating that the funds are specifically for (or not for) the LEADER project. Offers of match funding must be addressed to the applicant/business
* bank statements or other evidence (e.g. accountant letter) showing the receipt of the funds

When the match funding is paid in instalments either during or after project activities, the applicant must provide:

* copies of the match funding offer showing the total amount of the grant and the payment terms and demonstrating that the funds are specifically for (or not for) the LEADER project
* bank statements showing receipt of the match funding as it is received

Where match funding is provided by you, the applicant, from your own sources, you must provide:

* a letter of commitment referencing the project and stating the amount of funds that have been committed to the project
* an organisational bank statement, overdraft commitment or other equivalent probative value to demonstrate that the organisation has the promised funds

Income generated by the project cannot be used as match funding.

## **Ring-fencing for funding of eligible and ineligible costs**

Match funding must be shown to be available for the eligible costs of the LEADER funded project and within the project timeframe. In some cases, the match funder will provide a grant where only some of the grant will be used to match fund the project, the remainder going to support ineligible project costs or activities outwith the project timeframe.

In these cases, the applicant should ensure that the match funder provides a breakdown of the funding allocated. This should show the amount allocated to the project and activities, against actions not being funded through LEADER. The entire project costs must be included in the project plan submitted with the application, showing the split between eligible & ineligible costs.

## **Match funding and State Aid**

The LAG will make an assessment on State Aid for each project. If the funding for the proposal is deemed to be State Aid, all public funding has to be cumulated and cannot exceed the State Aid intervention limit (where State Aid is deemed to be present).

For example, if the project has a State Aid intervention limit of 50 per cent then all public funding from the match funder or funders cannot exceed 50 per cent. The remaining 50 per cent must be private funding, and private funding is not State Aid.

## **Ineligible match funding**

European Funding, of any kind, and in-kind (non-cash contributions) are ineligible as match funding.

## **Funding changes**

Any change, either increase or decrease, in match funding after project approval must be approved by the LAG through a change request process. If there is a requested change to the funding package the group will be required to review, and then approve or reject, any resulting changes to the LEADER funding for the project.

If the match funding is being reduced, you are required to inform the LAG immediately due to the risk that the project may not be able to meet its objectives. If the match funding is being increased, then a further State Aid assessment may be required to ensure the intervention rate is not being exceeded (where LEADER funding for a project has already been deemed to be State Aid).

## **In-kind**

In-kind contributions are valuable in demonstrating the added value of LEADER through the inclusion of a diverse range of individuals and communities in making the project a success. While in-kind is an **ineligible** contribution to the LEADER project, it may be recorded as a milestone with no cost.

In-kind provided towards a LEADER project, whether it is provided by an individual, business, local community or any other person or body, can have a notional value but no cash disbursement can be provided for this activity.

# **Project Design and Planning**

Time spent on proper planning is critical to developing and delivering a successful project. The local LEADER team staff can be contacted at any stage in the process to provide support and guidance. Working through the project design process will provide you with the information that you need to complete the application process. This process will also help you decide if LEADER is an appropriate funding option for you to consider.

## **Develop a project plan**

The project plan should include the purpose of the project, the activities, targets and resource needs. The information in the project plan will form the basis for the assessment and subsequent approval of the LEADER project. Where appropriate the delivery of activities should include the involvement of the community.

# **Setting milestones**

Designing the milestones for the project is a critical step and the local LEADER team can support you with this. Milestones are determined by the individual characteristics of the project. The minimum number of milestones is one.

The milestones will come from the project plan which should include all the tasks and the timeline required to deliver the project. The project should then be split down into clear and manageable stages which will become the milestones. The milestones must have measurable activities which can be reported against and evidence of their achievement provided.

Key things to consider when deciding the milestones are:

* + **frequency** – not too many, not too few. The achievement of milestones is directly linked to interim reporting and financial claims, therefore the setting of milestones will closely link to cash flow forecasting. A cash flow forecast may help you identify when claim income will help your project, as all LEADER funding is paid in arrears. Claims are reimbursed after milestones have been reached - your Local LEADER team and/or Grant award letter will set out how long it will take to process your claim..
	+ **evidence** – evidence must be submitted to the local LEADER team to demonstrate achievement of the milestone and this should be considered when setting the milestone. Examples of evidence include photos of goods purchased, completion of certificates of construction, samples of documents, feedback forms from event participants, reports completed etc. This links to project monitoring.
	+ **appropriateness** –milestone should be appropriate for the project, don’t design activities just to have a milestone. Also, not every activity is a milestone. Set the milestones to support project delivery.

To determine which milestones are right for the project, select those that will demonstrate that the project is on track and ensure regular reporting on the impact of the LEADER funding. You could choose to design your project milestones around a period of time which suits your management cycles. All milestone descriptions must be what the project expects to have achieved during any given time period. Each milestone must have a delivery date, this is the date, the achievement of which will be reported to the local LEADER team.

For each milestone there must be a budget forecast. If no expenditure will be incurred during delivery of the milestone then the budget forecast should be zero.Each project will have specific targets. Progress on the targets achieved in delivery of the milestone should be included in the interim report. The report should include unique data for that milestone and not cumulative data.

Some examples of milestones:

* workshops/events completed
* number of participants completing an activity
* completion of tender and selection of a supplier
* hiring of essential personnel
* printing of promotional material
* completion of community consultation

## **Changes to milestones**

The purpose of milestones is to help track and review project progress. If you need to change milestones after the grant agreement is signed you must submit a change request. All change requests must be submitted via LARCs for approval before the original milestone delivery date. Failure to deliver a milestone on time may lead to suspension or withdrawal of project funding.

# **Demonstrating Project Costs**

Your application should set out detailed costings and must be accompanied by supporting documentation (see **Exceptions to when to evidence reasonableness of costs**).

For organisations subject to the 2012 Scottish Public Procurement Regulations, such as Local Authorities and National Park Authorities, public sector procurement rules apply for the purchase of any goods and services funded under LEADER. To check if your organisation is subject to public procurement rules contact SPOEprocurement@scotland.gsi.gov.uk

Details about the Public Sector Procurement in Scotland can be found on:

* [www.publiccontractsscotland.gov.uk/](http://www.publiccontractsscotland.gov.uk/)
* [www.gov.scot/Topics/Government/Procurement](http://www.gov.scot/Topics/Government/Procurement)

Other organisations - you will be required to establish how you consider the costs set out in your application to be reasonable. You must comply with any specific requirements set out by your LAG, or in the absence of any such requirements, you may wish to consider various approaches to help you do this:

* tendering/multiple quotes e.g. for consultancy work or capital investments
* benchmarking – comparing costs e.g. for staff recruitment against other organisations or within the organisation
* single quotes – where an alternative is not an option or impractical – e.g. use of a local hall for an event
* price comparisons e.g. for items with a particular specification

For tenders, the selection criteria should also be included in your application, demonstrating:

* the weighting of tenders to show reasonableness of costs selected
* the successful tender has the relevant experience and expertise to carry out the work
* the financial security of the contractor appointed to carry out the work
* genuine and effective competition for the tender

Whatever approach, or approaches you adopt, you will be required to include all documentation and evidence that demonstrates how you have arrived at the costs, and how in doing so you consider them to be reasonable. In particular but not restricted to, please ensure sufficient evidence is submitted in relation to open and fair recruitment and evidence that you have control over assets e.g. title deeds or rental agreements etc.

You may wish to utilise independent expertise to justify choices – e.g. Chartered Surveyors or HR. For multiple quotes or tendering exercises, you will be expected to provide full justification to the local LEADER team if you have not chosen the cheapest quotes or tenders.

Below sets down the *types* of evidence that should be provided:

**Price comparisons**

* the date when printed or copied
* the item description and the price
* the name of the company or catalogue
* the page number or webpage

**Multiple Quotes or tenders must come from:**

* different suppliers that trade as standalone businesses and are not linked through shared ownership
* a business that’s independent from the applicant or their business

**Multiple Quotes or tenders must include:**

* a detailed and itemised breakdown of costs
* the supplier’s address, telephone number and a contact name
* the VAT number (if the supplier is VAT registered and VAT is itemised on the quote)
* the supplier’s company registration number (if they are a limited company)

**Multiple Quotes or tenders must be:**

* comparable to each other in terms of quality, size, quantity, units and specification
* from the last six months and still valid
* made out to the same business address on the application form – online quotes should also be addressed to the business

## **Exceptions to when to evidence reasonableness of costs**

There are three **exceptions** to the requirement to provide evidence at the point of application, however evidence is required **before** you will be reimbursed for the costs incurred.

**Exceptions**

1. Where the intervention rate is ≤30% **or** is a co-operation project (see Co-operation application) evidence to demonstrate the reasonableness of project costs may be provided at claim stage, rather than at application stage.
2. Where total eligible project costs are **less** than €5,000 then at application stage you may demonstrate reasonableness of costs using a draft budget. Evidence to demonstrate the reasonableness of project costs will be required at claim stage and before you will be reimbursed for the costs incurred.
3. Where the project is undertaken by a LAG **and** covering a group of projects under a common theme reasonableness of cost for the group of projects may be evidenced at claim stage.

As in all circumstances the payment will be restricted to, and calculated using, the cost(s) actually incurred or the cost approved (including those subject to a change request), whichever is lower.

## **Financial accounts**

You must provide the local LEADER team with copies of accounts for the individual, business or organisation etc. applying for the grant. Copies of all of the following must be uploaded to LARCs:

* Title and introduction pages
* Profit and loss statement
* Balance sheets
* Any accounts notes pages

For applications for grants of less than £35,000, copies of financial accounts are needed for the last **two years**. For applications for grants over £35,000, copies are needed for the last **three years**.

New organisations, i.e. those which don’t have accounts covering the preceding two or three years requires, must send one of the following:

* Draft accounts
* Latest tax return
* Management accounts
* On opening statement from an accountant which includes expected income and operating expenses

# **Permissions, consents and licences**

Submitted applications may include elements that require consents and permissions from the relevant authorities e.g. planning permission, building warrant, listed building consent, Environmental Impact Assessment, SEPA consent etc. (i.e. statutory regulatory requirements). They may also include actions that are required as a condition of approval. It is your responsibility to obtain any permissions pertaining to the project.

All documentation associated with any permission and consents should be included with the application. You will not be able to claim awarded funding without evidence of any required permissions or licences being provided to the local LEADER team.

# **Complaints**

Complaints can be made about the application process. A complaint is an expression of dissatisfaction with the standard of service, procedures, or processes at the application stage which you feel requires a response or explanation. You or your representative can complain in person, by phone, by email or in writing.

All complaints will be treated seriously and you will receive a full response.

## **Types of Complaint**

There are three types of complaint under this scheme. You can complain:

1. against the general standard of service
2. against the decision to reject your application
3. against the decision to lower the percentage grant rate awarded to your successful application

Please note that your complaint should be submitted **within 60 days** of issue of your outcome letter.

### **Complaints against the general standards of service**

All complaints will be treated seriously and you will receive a full response. Full details are available from your local LEADER team Co-ordinator.

### **Complaints against rejection/non-selection**

If your project has not been selected to receive funding from LEADER and you feel this is the wrong decision, you can submit a complaint in writing to your LEADER Co-ordinator / Programme Manager.

You must explain why you feel that the LEADER LAG has failed to properly apply the scheme rules or regulations; it is insufficient simply to disagree with the LAG’s scoring.

Your complaint will be reviewed by a member of the LAG or Accountable Body who has had no previous involvement in the original handling of your application.

They will independently review the information contained in your application, technical assessment/decision making processes and will decide whether to uphold or reject your complaint, seeking legal advice where necessary. However, you should be aware that the reviewer may only take account of the evidence and information originally supplied by you (or your agent) along with your application.

If the reviewer does not uphold your complaint you will receive constructive feedback.

If your complaint is upheld then your application will be re-submitted to the LAG decision making group with the reviewer’s findings for further consideration.

If your application is still rejected you will receive constructive feedback. If your application is successful you (or your agent) will be informed of the revised position and an Offer of Grant will be made by the LEADER LAG.

### **Complaint against the percentage of the grant offer**

If, following approval of your application, the percentage of grant awarded has been reduced, you can make a complaint which will be reviewed as previously described.

## **Complaints process**

The complaints process has two stages:

### **Stage one – frontline resolution**

Frontline resolution aims to quickly resolve straightforward customer complaints that require little or no investigation. At this stage you should direct your complaint to the LEADER Co-ordinator/Programme Manager in charge of the LEADER staff you have been dealing with during the application process.

They will give you a decision at Stage 1 in five working days or less unless the complaint is particularly complex, in which case you will be notified.

If you are dissatisfied with the response, you can ask for your complaint to be considered at Stage 2.

### **Stage two – investigation**

The local LEADER Team/Accountable Body will acknowledge receipt of your complaint within three working days. For stage two complaints, as described above, a reviewer who has had no previous involvement with your application will be appointed and you will be notified of the outcome of their review.

The local LEADER LAG/Accountable Body will aim to issue this to you or your agent as soon as possible but no later than 20 working days from the date of receipt of your complaint.

# **Appeals**

If you have been granted funding through LEADER, you can appeal against decisions made regarding your claims, including refusal of payment, reduction or recovery of payments.

To lodge and appeal contact your local LEADER Team.

# **Inspections**

We are required by European Commission legislation to undertake inspections, they are designed to make sure that LEADER complies with European Commission rules. If we do not meet these rules, the European Commission can fine the Scottish Government.

There are three types of inspection applicable under the LEADER Scheme. The inspections will involve the full assessment of the project from the application stage right through to the payment of claims. A visit to the project will, where necessary, also take place.

If you fail part or all of your inspection, this is referred to as a breach (see **Breaches and Penalties**) and may reduce your funding. Any reduction in payments, or recovery of payment(s) made, will be assessed depending on how serious the breach is.

**Keeping records and documents**

All original invoices, accounts and other relevant documents in relation to the project must be retained and produced on request. Sight of all documentation will be required for all of the above inspections. For the purchase of heritable property, records must be kept for a period of 10 years for all other projects, for a period of five years, after the last payment has been made.

## **In Situ visit**

Every project will be subject to an ‘In Situ’ visit by a member of the Local LEADER team before its completion. A project will not be able to proceed to payment of the final claim until such time as an ‘In Situ’ inspection has been carried out.

## **On the Spot inspections**

Not every project will be subject to an On the Spot Inspection. Inspections will be carried out on selected projects, generally after the final claim has been paid by the local LAG administrative team. These inspections will be carried out by a member of the Scottish Government. Should your project be selected for an On the Spot Inspection you may be notified in advance.

## **Ex Post inspections**

An Ex Post Inspection can take place at any point within a five-year period after the payment of the final claim. These inspections will be carried out by a member of the Scottish Government. Should your project be selected for an Ex Post Inspection you may be notified in advance.

# **Breaches and Penalties**

LEADER is part of the European Commission's Common Agricultural Policy and is highly regulated. The Scottish Government and Local Actions Groups have to apply the Commission's procedures for dealing with non-compliance (breach).

We do not have discretion about whether or not to apply penalties. Any claims submitted that include costs which were not approved or were in excess (≥10%) of the amount approved in your grant award, will be subject to penalties. The penalty will be the value of the over-claimed sum or cost claimed which was not approved.

The Rural Development (Scotland) Regulations 2015 make provision for the revocation and variation of approval, the withholding or recovery (in full or in part) of grants and the payment of interest on grants recovered. They also create offences of knowingly or recklessly making a false statement to obtain grants or obstructing authorised persons acting under the regulations.

If you wish to appeal the decision to withhold, reduce or recovery of your grant award please contact your local LEADER team.

## **Exceptions to breaches and penalties**

There are exceptions to the application on breaches and penalties:

### **Force Majeure**

Force majeure relates to exceptional circumstances such as:

* death of the beneficiary
* long term professional incapacity of the beneficiary
* severe natural disaster affecting the land or location
* accidental destruction of buildings

To seek an exception to any withdrawal of support or financial penalty on the grounds of force majeure, you must write to your local LEADER team within 10 working days of your knowledge of the event/incident. You should send as much detail as possible to support your case, including proof that the event occurred.

### **Obvious error**

You can correct a mistake in your application or claim at any time. If the obvious error can be accepted by the European Commission legislation and we are satisfied you have acted in good faith and there is no risk of fraud we will not apply a penalty.

The following errors in an application or claim may be considered as an ‘obvious errors’:

* Arithmetical errors
* Transpositions of figures
* Errors detected from an apparent contradiction during a more in-depth examination of the application or claim
* Inconsistencies between the information provided (for example the same item claimed twice on the same claim)
* Inconsistencies between supporting documentation and the claim

# **APPENDIX A - Information on How to Manage a Capital Project**

This section of the guidance notes gives you an overview of the key stages in planning and managing a capital project.

However, remember each project is different and the level of detail will vary depending on its size and complexity. We particularly recommend that you read this section if your previous experience of land and building projects has been limited.

**There are generally five stages to a capital project:**

1. Initial planning – setting up internal management and co-ordination.
2. Design – appointing a design team.
3. Procurement – appointing a building contractor.
4. Building – monitoring the works.
5. Completion – maintenance and monitoring use.

**Initial planning**

1. Decide how your project will be managed within your organisation.
2. Establish the need for the project.
3. Consult and involve key stakeholders.
4. Define the project outcomes and benefits.
5. Do an options appraisal.
6. Research possible sources of funds.
7. Decide on the best option for you.
8. Prepare the project brief.

**Design**

1. Talk to relevant regulatory bodies, such as the local authority planning department and HM Revenue and Customs.
2. Appoint building professionals.
3. Carry out a feasibility study.
4. Establish the design brief.

# **APPENDIX B** **- Glossary of terms used relating to capital projects**

* **Access audit**

A part of the process of designing a building or site, which considers how disabled people will be able to access the building or site. You can get publications and information about accessibility and audit from:

* **Employers’ Forum on Disability (a membership based organisation)**

Nutmeg House

60 Gainsford Street

London SE1 2NY

Telephone: 020 7403 3020

Website: <http://www.efd.org.uk/>

* **Centre for Accessible Environments**

Holyer House

20-21 Red Lion Court

London EC4A 3EB

Telephone: 020 7822 8232

Email: info@cae.org.uk

Website: [www.cae.org.uk](http://www.cae.org.uk)

* **Equality and Human Rights Commission**

Website: <http://www.equalityhumanrights.com/>

* **Equality and Human Rights Commission Scotland**

Freepost Equality Advisory Support Service FPN6521

Telephone: 0808 800 0082

Monday to Friday 9.00 to 19.00, Saturday 10.00 to 14.00

Email: scotland@equalityhumanrights.com

* **Adverse entries**

Anything appearing on the documents that proves the landowner’s title to the land, but which might affect the landowner’s ability to use all or part of the land for the grant purposes or which might limit the use of certain parts of the land for a specific purpose or which might have an adverse impact on the value of the land.

* **Agreement for or to lease**

Before the tenant takes a lease (confirming his leasehold ownership), the landlord might confirm in a written document called an agreement for lease that they will give the tenant a lease if certain conditions are met. If these conditions are not met, the tenant will not get the leasehold ownership. Therefore, you must be sure that you can meet the conditions of an agreement for lease if the grant depends on you having a leasehold ownership.

* **Architects Act 1997**

The consolidating Act of Parliament of the United Kingdom for the keeping and publishing of the statutory Register of Architects by the Architects Registration Board.

* **Asset monitoring period**

This is the time during which we will monitor your project to ensure that the grant purpose is being met, and the period during which we will hold you responsible for the condition and use of the land and buildings funded by the grant, starting from the date that the capital works are completed.

* **Assignable lease**

A term used for leasehold land and buildings to show whether the land and buildings can be sold to or given to another owner. The lease will say whether the land and buildings can be given to or sold to another owner, and therefore if they are assignable. Often the lease will contain a number of conditions that have to be met before the lease is assignable. These conditions may include obtaining the consent of the landlord.

* **Break clause**

A provision in a lease that allows the landlord or the tenant or both to bring the lease to an end before the full period of years has elapsed.

* **Building Cost Information Services**

The BCIS service from the Royal Institution of Chartered Surveyors provides a quarterly review of building prices that can be used for feasibility studies and forecasting building costs. Average building costs based on the analysis of more than 10,000 tenders are shown in tables per square foot and per square metre for all types of buildings in various locations.

* **Building control approval**

Building control approval can be given under the Building (Scotland) Act 2003 by verifiers, approved certifiers of design and approved certifiers of construction who are appointed by Scottish Ministers.

* **Buildings insurance certificate**

Certificate to show that there is insurance for the building and its use.

* **Building professional**

A professional adviser or consultant with specialist training and knowledge employed by you to act for you.

* **Building standards**

Formerly called building regulations, these rules, made under powers provided within the Building Standards (Scotland) Regulations 2004, which apply in Scotland and cover the technical aspects of building projects (for example structural, fire safety, ventilation). You or your professional advisers will need to obtain approval that your proposals meet the building standards from the local authority (the building warrant). For further information on Building Standards, refer to the attached Scottish Government link:

<http://www.gov.scot/Topics/Built-Environment/Building/Building-standards>

* **Building warrant**

Confirmation from the local authority building standards department that project proposals and plans comply with the requirements of the Building Standards (Scotland) Regulations 2004.

* **Burdens and servitudes**

Rights over property that is owned by someone else; for example, rights to cross land with vehicles or rights to lay pipes and cables.

* **CDM regulations**

The Construction (Design and Management) Regulations 2007 replace the 1994 regulations and concern occupational health, safety and welfare in construction. They place duties in relation to management arrangements and practical measures on a range of construction project participants, including clients, designers and contractors. For more information see:

<http://www.hse.gov.uk/construction/cdm.htm>

* **CDM co-ordinator**

The CDM co-ordinator’s role is to advise the client on health and safety issues during the design and planning phases of construction work. They should be appointed prior to the completion of the initial design work.

* **Certificate of practical completion**

A formal document issued under the building contract (by the contract administrator) to show that the building work is complete, apart from any defects that will be corrected by the making good defects certificate.

* **Certificate of title**

A written document from a solicitor, confirming that the grant recipient is the heritable or leasehold owner of the land and buildings to which the grant relates and that there are no restrictions that might stop the grant being used for the grant purpose.

* **Contingency**

An amount of money (usually expressed as a percentage) built into the total project costs in case part of the project costs more than you thought.

* **Contract administrator**

The person or organisation (for example, an architect, engineer or building surveyor) named within a building contract to manage the terms of the contract between you and the contractor.

* **Contractor**

The organisation carrying out building work for a pre-agreed cost.

* **Covenant**

A formal acknowledgement of a legal responsibility to another person.

* **Deed of dedication**

The deed of dedication is a document the grant recipient (as landowner of the freehold or leasehold) must sign to confirm that the land or buildings will be used for the grant purpose and will not be disposed of or transferred without the consent of the local LEADER team and Scottish Ministers.

* **Employer’s agent**

Someone acting on behalf of the client or employer in respect of administration of a ‘design and build’ contract incorporating issue of notices and certificates.

* **Extension**

Additional space built on to an existing building.

* **External works**

The works on or in the land surrounding a building; for example, drainage work, roads, paths and landscaping.

* **Fixtures and fittings**

Items inside a building that are attached to the walls, ceilings or floors or built in as part of the building; for example, electrical sockets and light fittings.

* **Final certificate**

A document usually issued six to 12 months after the certificate of practical completion and following the making good defects certificate. It confirms the end of the builder’s liability and marks the end of the contract administrator’s authority under the contract.

* **Gantt chart**

A pictorial representation of a project plan, showing activities (usually as shaded bars), milestones (usually as black diamonds), and dependencies (usually as lines linking the relevant ends of the activity bars).

* **Good and marketable title**

This means that the current owner has complete freedom to sell you the property and no other party has an interest in it.

* **Grant purpose**

What the LEADER award must be used for.

* **Gross internal floor area (GIFA)**

The area inside a building, measured to the inside face of the outer walls. This is prepared by measuring each floor of the building (or plans) and adding them together to give the total.

* **Ground investigations**

A detailed technical investigation of the ground on which a building will be constructed to determine the type of soil and subsoil, how suitable it is for building on, and whether it contains any old structures that need preserving, contaminated areas or existing pipes, cables or other services.

* **Heritable ownership**

A form of ownership of land or buildings where ownership cannot be taken away from the owner unless they agree. This is the most permanent way in which someone can own land or buildings. The owner owns the property forever, or until they sell it or give it away. They do not have to pay anyone for the use of the land and buildings.

* **Lead building professional**

The member of the design team (normally the architect, project manager or building surveyor) who, appointed following competitive tendering process, takes overall responsibility for co-ordinating the design process and client contact.

* **Lease**

A document containing the rules that show how a particular piece of leasehold land or leasehold building is owned. The lease will contain rules about how long the tenant’s ownership is for and how much rent is paid and when it is paid (among other things). The lease is given to the tenant by a landlord. The tenant pays the landlord rent for the use of the land and building.

* **Leasehold**

A form of land ownership in which someone (known as the tenant) occupies the land and buildings for a limited number of years. The conditions of that occupation will be dealt with in a document known as a lease (see above). Often the lease will be for many years and the tenant will pay a sum of money to ‘acquire’ the lease from a previous tenant or from the landlord and then will pay a small rent to the landlord each year during its ownership.

* **Legal opinion**

A written document from a solicitor in which the solicitor confirms that they believe the recipient has the legal power to sign the terms and conditions of grant and any standard security or other document that we may ask the grant recipient to sign.

* **Letter of undertaking**

The letter of undertaking will be provided by the heritable or leasehold owner of the property, confirming that the land will be used for the purpose for which the grant was made.

* **Listed building and listed building consent**

A building which, because it has special architectural or historic interest, has been given ‘listed’ status by Historic Scotland on behalf of Scottish Ministers, and requires special approval if it is to be altered or extended. The Act that covers this area is the Planning (Listed Buildings and Conservation Areas) (Scotland) Act 1997.

* **Management committee**

Members of your organisation’s governing body (who may be called trustees, directors or members of the management committee).

* **Non-recoverable VAT**

VAT charged on buying goods, services or transactions that you are not able to reclaim from HM Revenue and Customs. The following guidance is available from HM Revenue and Customs:

* VAT Notice 701/7 VAT relief for people with disabilities
* VAT Notice 701/58 Charities
* VAT Notice 708 /6 Buildings and construction
* VAT Notice 701/6 Charity funded equipment for medical/ veterinary uses etc.

You should seek guidance and obtain written confirmation of the VAT position in relation to your proposed project. Unexpected VAT bills can add significantly to the total cost of your capital project.

* **Planning permission or planning consent**

The approval decision made on a planning application by a local authority planning committee.

* **Practical completion**

When the construction works have been completed in accordance with the requirements of the contract.

* **Preliminaries**

Cost of work required before the main building work can start (for example, the contractor setting up the site office).

* **Principal contractor**

Required on projects that are notifiable under the CDM Regulations 2007, their role is to plan, manage and monitor the construction phase to ensure, so far as is reasonably practicable, that it is carried out without risks to health or safety.

* **Professional indemnity insurance**

Insurance covering building professionals from civil law claims arising from advice or services provided.

* **RIAS (Royal Incorporation of Architects in Scotland)**

This is the qualifying body for Scottish architects.

* **RIBA (Royal Institute of British Architects)**

This is the professional UK body (including Scotland) for architecture and the architecture profession.

* **Refurbishment**

To renovate, re-equip, or restore a building.

* **Searches**

Questions asked before land or buildings are bought to check if there are any rights, restrictions, covenants or other matters affecting the property that may cause the new owner a problem.

* **Security of tenure**

A good, strong and usually well documented right to own or use a property for a period of time.

* **Specification**

A description of the type of materials or services to be used in the building works.

* **Standard security**

A document that contains rules about how land and buildings may be used. An owner of land gives a standard security to someone who lends or grants them money. If the owner goes bankrupt or fails to keep to the rules about how the money must be used, the standard security should mean that some or all of the money could be recovered. The standard security will also stop the owner from selling the land without the consent of the person who lent or granted the money.

* **Tenant**

The holder or owner of a lease who pays rent to the landlord for the use of the property.

* **Tender**

A formal process that allows contractors to bid to supply a service or carry out work at a stated cost.

* **Tender review report**

A written report by your lead building professional to report on the tenders received, the work undertaken to check them and the final result after checking.

* **Tenure**

The form of right (title) under which land or a building is held or occupied (heritable or leasehold or licence).