

PROGRAMME IMPLEMENTATION: RISKS AND ISSUES

Decisions required

1. **None**

Background

2. The JPMC meeting in May 2016 agreed the need for a risk register in a standard format. It was agreed that the risk register also identify issues specific to the Highlands and Islands transition region.
3. Risks may arise and affect different parties - Managing Authority, Certifying Authority, Audit Authority as well as arise from the actions of beneficiaries and Lead Partners. They may also arise from externalities such as budget pressures, changes in government, currency exchange rate or potential Brexit scenarios.
4. Current risks are focused on delivery of 2014-2020 programmes which are now covered by HM Treasury's guarantee on EU funding. This increases the pressure to commit funding early and continues long held risks associated with financial challenges with match funding and increasing risks from exchange rate fluctuations. A new risk for ESF and ERDF is linked to the differences in the programmes leading to delays in implementation or lack of interest in applying from stakeholders.
5. The UK referendum result in June 2016 and the uncertainty around the exact timing of Brexit is causing uncertainty around continuity of staffing and funding. This is being kept under review as it may eventually lead to under-commitment in some priority axes, and to under-performance against some outcome and result targets. IT systems also continue to be monitored to ensure robust delivery arrangements, monitoring information, and alignment with eCohesion requirements.
6. There are currently no issues specific to the Highlands and Islands transition region.

Decisions Required

7. **None**

JPMC Secretariat
30 November 2016

Current Risks for ESI Funds

Funds Affected	Risk Description	Mitigation	Risk rating	Risk movement
ERDF ESF	Errors and behaviours found in 2007-2013 Programme may continue into new Operations impacting on programme delivery or quality	<p><u>Controls in Place:</u> New MCS published and made available to all staff, training in the procedures and behaviours expected provided to all staff and lead partners. System Audits carried out in September - November 2016 and findings in discussion with AA. Findings to be used to inform staff training.</p> <p>Regular monitoring of progress and relationships by weekly senior management meeting (joint MA and AA), oversight by Joint Programme Board and training/ sharing of knowledge between AA and MA</p>	Amber	Increasing
All Funds	Pace of delivery of Programme outcomes not maintained due to operations not being approved, contracted or delivered, including affecting N+3	<p><u>Controls in Place:</u> ERDF and ESF MAAP scheduled for December 2016 to meet known SI and Operations. Further activity likely but subject to review following HMT guarantee up until point of Brexit. EAFRD maintaining rolling application cycles (annually), EMFF deliberately adding pace with a quarter of programme now committed.</p> <p>Regular monitoring of progress of Operations against claims schedules agreed for each operation and project.</p>	Amber	Static
All Funds	Pressure on public spending and exchange rates may lead to decrease in available match funding and co-financing, putting at risk the delivery of programme and national outcome targets over the long term	<p><u>Controls in Place:</u> Monitoring of all programmes both annually for official reporting and ongoing with scheme, delivery and financial colleagues.</p> <p>Ongoing monitoring will lead to modifications of the Programmes where required, including to co-financing and match funding rates.</p>	Amber	Increasing
ESF	Lack of participation from smaller organisations might hollow out delivery capacity in Scotland, particularly for social inclusion and employability measures	<p><u>Controls in Place:</u> Monitoring at an operational level. A number of Lead Partners actively engaging smaller community and voluntary organisations and supporting applications and tenders. Evidence is currently mixed.</p> <p>consideration of whether additional support is required for community and third sector organisations.</p>	Amber	Decreasing

Funds Affected	Risk Description	Mitigation	Risk rating	Risk movement
ERDF ESF	Review of programmes might impact negatively on delivery momentum, particularly where private sector investment is involved or delivery stability is required to deliver long-term outcomes.	<u>Controls in Place:</u> Discussion of scope of review of ERDF and ESF with JPMC. Scope does not re-open programme architecture, an area which would be likely to cause delays. Steering group to be established to help lead review, specific role in ensuring funding is committed and secured for Scotland.	Green	New
EDRF ESF	Changes to process or miscommunication among partners which could lead to delays in implementation or lack of interest in applying from stakeholders.	<u>Controls in Place:</u> Discussion of scope of review of ERDF and ESF with JPMC. Scope does not re-open programme architecture, an area which would be likely to cause delays. Steering group to be established to help lead review, specific role in ensuring funding is committed and secured for Scotland.	Green	New
All Funds	IT systems do not have full functionality, affecting reporting, payments and monitoring	<u>Controls in Place:</u> Extensive oversight arrangements for CAP IT, and delivery of components ongoing. EUMIS is undergoing testing and its progress is being monitored by a dedicated IT Project Board. A contract is in place for "post-release" system support. AA has provided a category 1 level of assurance on EUMIS, which is now operational and meets eCohesion requirements.	Amber	New
YEI	YEI performance is under pressure, with only 2/3 of funding committed, and significant changes in labour market. Failure to adapt programmes to such changes, in YEI and in the rest of the programmes, could undermine long-term performance.	<u>Controls in place:</u> JPMC monitoring already includes assessing performance against macro-economic and environmental changes, as well as assessing results on an ongoing rather than ex post basis. YEI Territorial Committee should be convened urgently to assess what more can be done to improve and shore up performance of existing operations. COM has clarified that further operations can be committed, although these must still complete activity by end 2018.	Amber	New

Issues Log

Fund Affected	Issue	Management and review
All Funds	<p>Brexit has raised a number of uncertainties around timescales, match funding availability, and resource commitments and stability (staffing), both for SG and lead partners.</p> <p>Currency fluctuation means there is limited certainty around the value of programmes and commitments, although this now appears to be stabilising.</p>	<p><u>Controls in Place:</u> The current HM Treasury's guarantees cover all payments of contracts for EU structural funds, /Scottish Rural Development Programme, European Maritime Fisheries Fund and projects funded directly by the EU (e.g. Horizon 2020 and European Territorial Co-operation programmes) that are entered into before the UK leaves the EU – even if the payments extend beyond the date of Brexit.</p> <p>Close working between Governance and Policy team and remainder of SG / BEIS and stakeholders to mitigate impacts of lack of clarity.</p> <p>Scottish ministers committed to negotiations with UKG on future policy and funding on areas currently supported.</p> <p>Currency fluctuations and value of commitments and programme subject to monthly review in MA.</p> <p><u>Action:</u> Wider programme review will enable clear timescales around further commitments, enabling match funding to be secured against known projects.</p> <p>There are currently no guarantees for projects or proposals that might come forward after the UK leaves the EU. The Scottish Government will continue to engage with HM Treasury and UK Ministers to get clarity on longer term funding arrangements</p>