

**CAIRNGORMS NATIONAL PARK AUTHORITY  
AUDIT & RISK COMMITTEE**

---

**FOR DECISION**

**Title: RISK MANAGEMENT: ANALYSIS OF RISK  
PROJECT DISRUPTION FROM EU EXIT**

**Prepared by: DAVID CAMERON, DIRECTOR OF CORPORATE  
SERVICES**

**Purpose**

This paper presents a more detailed analysis of the strategic risk to delivery of the Authority's objectives posed by the current uncertainties around the UK's exit from the European Union. The paper follows up the agreement by the Audit & Risk Committee to analyse at least one of the Authority's strategic risks in more detail at each meeting.

**Recommendations**

**The Audit & Risk Committee is asked to:**

- a) **Consider the analysis of the strategic risk presented.**
- b) **Consider whether any adaptations are required to the risk register, the specific risk and the mitigation measures currently adopted.**

**Overview: Risks Arising from EU Exit**

- I. The Park Authority's strategic risk register includes a risk around the Authority's management of uncertainties created by the United Kingdom's planned withdrawal from the European Union following the referendum result in June 2016. The risk (reference A12) was added to the risk register by the Board in June 2016. The risk is currently stated as: *"Resourcing: UK vote to leave EU disrupts project delivery and financing plans and exposes Authority to longer terms financial liabilities as a result of loss of EU funds"*.

2. This risk is interrelated with a number of other risks and opportunities also covered by the Authority’s strategic risk register.

Strategic Risk	Rating	Reference
Resources: public sector finances constrain capacity to allocate sufficient resources to deliver corporate plan.	Red	A1
Government and Policy: wider national political changes and policy direction force change away from current objectives.	Red	A2
Resourcing and partnerships: breadth of need and limitation of resource available prevents “transformational change” within most fragile communities.	Amber	R2

### **Risk Mitigation Actions**

3. The strategic risk register sets out that the mitigation action as: *“Risk management analysis of specific EU funded activities – particularly of Authority’s exposure as Accountable Body for LEADER”*.
4. Since the referendum decision in June 2016, the Board’s Finance and Delivery Committee and Senior Management Team have been managing the interaction of the Authority’s role as Accountable Body for LEADER in the Cairngorms as the key area for mitigation of this risk.
5. The Finance and Delivery Committee agreed immediately after the referendum result that the shortest expected period prior to EU exit would be to September 2018. This allowed for the wider political activities at the time around the election of the Conservative party leader, and a two year period to negotiate exit under Article 50. This risk analysis and request to restrict duration of funding in project funding awards was communicated to the Cairngorms Local Action Group (CLAG). The CLAG accepted the Authority’s position, were grateful for the clarity of position being taken by the Authority, and agreed to restrict offers of funding to a period not later than September 2018.
6. Management have continued to monitor developments in this situation. A letter from Cabinet Secretary, Mr Fergus Ewing, near the end of August 2016, set out that only contracts entered into prior to the UK Autumn Statement on 23 November would be honoured. In combination with the Authority, the CLAG agreed to suspend its issue of letters of offer from 23 November until further notice.
7. The CLAG also put additional volunteer time into an extra decision making meeting early in November, with a view to allowing a number of developed projects to proceed into funding cycle prior to the 23 November deadline. This action in tandem with the Authority’s support and that of the LEADER staff team helped address the risk inherent in risks A1 and R2 noted above, adapting to political prioritisation and seeking to sustain community development action as much as possible. Four additional applications were approved at this meeting.

8. November also brought a longer term clarification of position by the Scottish Government. The Finance Secretary issued a statement that EU finance would be covered until the point of exit from the EU. Under latest indicative timetables issued by the UK Government, the expectation is that Article 50 will be triggered to commence the process of withdrawal from the EU in March 2017, with the timetable expected to take two years, until March 2019. This position has been reviewed with regard to the Authority's risk exposure. The Finance and Delivery Committee have therefore revised their position toward funding, agreeing that the Authority should support the issue of offers of grant covering approved project expenditure made up to and including 28 February 2019.
9. As a wider mitigation action, the LEADER team and Director of Corporate Services have identified the potential for the Authority's £70,000 annual contribution to support Cairngorms LEADER processes to be switched away from project administration and animation support, to be held as cover in 2018/19 for any late adjustments in eligibility of payments to be recovered from LEADER funding as a consequence of any unanticipated changes in eligibility. This potential will continue to be monitored by the Management Team in the first instance, and of course remains dependent on the Authority's own resource levels being sufficient within public sector funding settlements to continue to provide this level of support.
10. As a further monitoring and control measure, the Finance and Delivery Committee will receive a report on the Authority's overall level of financial "exposure" and potential liability arising from its status as Accountable Body for Cairngorms LEADER as a standing item on its agenda. We will also cover the Authority's position as lead applicant to Heritage Lottery Fund for the Tomintoul and Glenlivet Landscape Partnership Project in this standing report.

## **Conclusions**

11. Overall, the Management Team's assessment remains that actions have mitigated the risks as far as possible. Residual risk remains "red" and at unacceptable levels to tolerate within our risk appetite. The Director of Corporate Services will continue to prioritise investment of time liaising with colleagues in Scottish Government to monitor the development of this risk exposure as closely as possible.
12. The risk does remain acceptable with this ongoing active mitigation management in place as it does provide support to taking the opportunity afforded to secure the investment of LEADER funding into the Cairngorms National Park, valued at £3 million of LEADER funding with an anticipated programme value of around £6 million.

**David Cameron, Director of Corporate Services**  
**7 December 2016**  
[davidcameron@cairngorms.co.uk](mailto:davidcameron@cairngorms.co.uk)