

Cabinet Meeting

19 July 2017

Report title	EU Funded Projects – Payment of Grants to Delivery Partners	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor John Reynolds City Economy	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Keren Jones, City Economy	
Originating service	Skills	
Accountable employee(s)	Heather Clark Tel Email	Service Development manager 01902 555614 Heather.Clark2@wolverhampton.gov.uk
Report to be/has been considered by	PLT 8 May 2017 SEB 16 May 2017	

Recommendation(s) for action or decision:

The Cabinet recommends that Council:

1. Approve a programme of reimbursement to pay grants to named Delivery Partners in reimbursement of costs associated with the delivery of European Union and Department of Business Energy and Industrial Strategy (BEIS) funded projects, in accordance with our Lead Authority role.
2. Delegate authority to Cabinet Member for City Economy, in consultation with the Director of Finance to use grant resources to reimburse delivery partner for all EU funded bids in line with their detailed project plans and financial profile to reimburse named delivery partners in line with Grant Agreements. The amounts could vary between years and partners.

That Cabinet agree to:

3. Provide delegated authority for the Cabinet Member for City Economy in consultation with the Service Director, City Economy, to agree grants to Small and Medium Size Enterprises

of up to £50,000 through the ERDF funded Black Country Transformational Growth Opportunities Local Delivery (GOLD) project.

4. Agree to enter into Grant Agreements with Delivery Partners in relation to Black Country Blue Network and Black Country Advice Investment Market (AIM).

1.0 Purpose

- 1.1 The purpose of the report is to request that Cabinet recommend to Full Council to approve a programme of reimbursement to pay grant to named Delivery Partners in reimbursement of costs associated with the delivery of European Union (EU) and BEIS (Department of Business, Energy and Industrial Strategy) funded projects.

2.0 Background

- 2.1 Cabinet (Resources) Panel agreed on 15 September 2015 to submit full bids as Lead Authority for Black Country Advice Investment Markets (AIM) and Transformational Growth Opportunity Local Delivery (GOLD). Cabinet (Resources) Panel agreed on 26 April 2016 to submit a full bid to ERDF as Lead Authority for Black Country Blue Network.
- 2.2 The Black Country Growth Hub offers a 'one stop shop' approach to business assistance across the Black Country, with packages of support available to local businesses. Cabinet (Resources) Panel agreed on 26 April 2016 the revenue budget for the Growth Hub and delegated authority to allocate the funding in line with the funding schedule.
- 2.3 Cabinet (Resources) Panel also agreed on 26 April 2016 to delegate authority for the Cabinet Member for City Economy in consultation with the Service Director, City Economy, to agree grants to Small and Medium Size Enterprises (SMEs) of up to £25,000 through the externally funded Black Country Transformational GOLD project. This report seeks approval to increase delegation to £50,000.
- 2.4 Cabinet (Resources) Panel agreed on 10 January 2017 to enter into Service Level Agreements (SLAs) with Delivery Partners relating to the delivery of the Black Country Blue Network project and on 15 September 2016 relating to Black Country AIM. This report seeks agreement to enter into Grant Agreements rather than SLAs.

3.0 Grants to reimburse costs

- 3.1 As Lead Authority, the City of Wolverhampton Council are responsible for the delivery, monitoring and compliance of the programme for all Delivery Partners, including the risk of clawback of grant from non-compliance or failure to deliver. The Lead Authority is responsible for:
- Submitting the bid on behalf of a number of delivery partners who are named in the bid;
 - Entering into a Grant Funding Agreement with the Managing Authority to deliver the project as set out in the bid;
 - Ensuring delivery of the project as per the funding agreement;
 - Collating evidence of spend and submit claims for grant funding;
 - Reimbursing Delivery Partners for eligible spend;
 - Ensuring compliance with EU rules and regulations.
 - Submitting change requests to amend delivery profiling of schemes where required.

3.2 To minimise risks associated with the Council being a Lead Authority, including clawback of grant, the following are undertaken:

- EU funded projects are set up and overseen by a team with experience of setting up and managing EU funded projects including putting systems in place and ensuring compliance;
- Appointment of an experienced ERDF Project Manager responsible for overseeing delivery against milestones, ensuring compliance and introducing a rigorous project and risk management process;
- Entering into Grant Agreements with named delivery partners to share the risk associated with Lead Authority status by passing, relevant obligations, rules and regulations from funding agreement to Delivery Partners. The move from Service Level Agreements to Grant Agreements is as a result of a recent review to ensure that the risk of the grant funding is appropriately shared in all cases with relevant delivery partners;
- Provide an information pack to Delivery Partners to ensure they deliver in line with the funding agreement and are compliant, providing one-to-one support if required;
- Check Delivery Partner claims to ensure evidence in place to support claim and delivery is compliant with EU rules and regulations including verification visits;

It should be noted that clawback would in most cases be proportionate to the issue, for example a missing invoice and hence lack of supporting information would result in clawback for the amount of that invoice not the whole amount.

3.3 Internal Audit are currently reviewing our Lead Authority processes, including ensuring Grant Agreements are in place to pass on risk appropriately to delivery partners, therefore minimising Wolverhampton's exposure to claw back liability.

3.4 As part of our role as Lead Authority, we must collate claims from the delivery partners on eligible spend against project delivery. We in turn compile a composite claim for all delivery partners and costs on a quarterly basis with defrayal evidence and then submit to DCLG. On receipt of the grant, we reimburse the delivery partners for their actual costs incurred. Due to the large number of projects, partners and regularity of claims and to increase efficiency of project management, we are seeking delegated authority to use grants resources to reimburse delivery partner for all EU funded bids in line with their detailed project plans, and financial profile to reimburse named delivery partners in line with Grant Agreements. The amounts could vary between years and partners. In future, agreement to become Lead Authority will include delegated authority to reimburse delivery partners as set out above.

3.5 Under the Council's constitution, payment to third parties that have not been procured, such as named Delivery Partners in ERDF funded projects, should have grant agreements in place. This report seeks approval to enter into grant agreements with Delivery Partners to reflect requirements of the constitution.

3.6 The Black Country Transformational Growth Opportunities Local Delivery (BCT GOLD) project will issue grants to Small and Medium Sized Enterprises (SMEs) to enable a sustainable step change in their working processes, business development and performance. SMEs will apply for grants using an application process. Decisions will be

made by the Investment Decision Group (IDG), the membership of which includes private sector representatives from financial and legal specialists, including Barclays and Santander. Previous approval was up to £25,000, however approval has been given by the Managing Authority, the Department of Communities and Local Government (DCLG), to increase the grant should the application be considered transformational.

4.0 Financial implications

- 4.1 As Lead Authority, the Council collates evidence of spend from delivery partners and reimburses eligible costs from the delivery of the project to delivery partners and then claim all costs back from the DCLG, and Walsall Council which is receiving funding for the Black Country Growth Hub directly from BEIS.
- 4.2 For **Black Country AIM**, based on delivery partners profiled spend and match funding contribution, the following grant payments are anticipated to reimburse eligible project spend:

Delivery Partner	2016	2017	2018	2019	Total
	£000's	£000's	£000's	£000's	£000's
Walsall Council	8	13	25	4	50
Sandwell Council	38	55	57	9	163
University of Wolverhampton	6	84	92	14	196
Black Country Consortium / Invest Black Country	49.5	73	84	9	215.5
Dudley Council	2.5	20	27	5	54.5
Black Country Chamber	22	139	168	20	349
City of Wolverhampton Council including shared costs	2	308	393	86	798
Total ERDF grant	128	692	846	151	1817

- 4.3 For **Black Country Blue Network**, based on delivery partners profiled spend and match funding contribution, the following grant payments are anticipated to reimburse eligible project spend:

Delivery Partner	2017	2018	2019	Grant £000s
	£000's	£000's	£000's	£000's
Environment Agency	13	22	2	37
Birmingham and Black Country Wildlife Trust	5	5		10
Walsall MBC	26	52	8	86
Canal and River Trust	80			80

City of Wolverhampton Council grant including shared costs	51	246	110	407
Total ERDF grant	175	325	120	620
Total Project Cost	350	650	240	1,240

- 4.4 The Black Country Growth Hub Strategic Board approved in February 2017 the following allocation of grant payments to partners for delivery of the **Black Country Growth Hub** objectives, on behalf of Walsall Council which is acting as Lead Authority:

Delivery Partner	Grant 2017/18 £000s
University of Wolverhampton	133
Black Country Consortium	117
City of Wolverhampton Council (including shared costs)	78
Total BEIS grant including City of Wolverhampton costs	328

- 4.5 As Lead Authority, any clawback on these grants would be claimed directly from City of Wolverhampton Council, as described the monitoring of schemes and legal agreements in place with all delivery partners mitigates this associated financial risk.
- 4.6 For **Black Country Transformational GOLD**, DCLG have agreed that the intervention rate can be increased for transformational projects. This will result in some projects being paid more than £25,000. The project will issue grants to SMEs of up to £50,000 with an intervention rate ranging from 10% to 50% of eligible project costs. Delegated authority is therefore sought to agree grants to Small and Medium Size Enterprises (SMEs) of up to £50,000. The financial profile of the project is based on an average intervention rate of 30% and ERDF grant award of £9000.
[HM/05062017/F]

5.0 Legal implications

- 5.1 As Lead Authority, the City of Wolverhampton Council will be required to enter into a funding agreement with the Department of Communities and Local Government (DCLG) which outlines the bid and also European rules and regulations that must be complied. Grant Agreements will subsequently be entered into with each Delivery Partner to set out their roles and responsibilities and ensure compliance with EU rules and regulations and minimise risk to the Lead Authority from non-compliance of delivery partners.
- 5.2 Grant Agreements will subsequently be entered into with each Delivery Partner to ensure compliance with their respective obligations, EU rules and regulations to minimise risk of clawback from the Lead Authority from non-compliance of delivery partners.
[RB/19052017/N]

6.0 Equalities implications

- 6.1 Equal opportunities is a cross cutting objective of all European funded bids, therefore must be considered in the delivery of all European funded projects with equalities data

monitored as part of delivery. The monitored equalities targets are set by the funder as part of the cross cutting themes.

7.0 Environmental implications

- 7.1 Sustainability is a cross cutting objective of all European funded bids, therefore must be considered in the delivery of all European funded projects.

8.0 Human resources implications

- 8.1 Project management costs are costed into the grant funded element of the project.

9.0 Corporate landlord implications

- 9.1 There are no corporate landlord implications.

10.0 Schedule of background papers

- 10.1 None

Appendix 1 Overview of ERDF and BEIS funded projects

Corporate Priority	Project
Place: Stronger Economy: An environment where new and existing businesses thrive	Black Country Advice Investment and Markets (AIM) will offer specialist support for Small and Medium Sized Enterprises (SMEs) pooling business support across four local authorities, the University and Chamber of Commerce, enhanced with specialist consultancy and delivered via the Growth Hub. The City of Wolverhampton Council is acting as Lead Authority on behalf of the Black Country. Funded by £1.8m ERDF against a total project cost of £3.8m.
Place: Stronger Economy: delivering effective core services that people want	Black Country Blue Network will create a high quality ecological network with a diverse range of habitats, centred on the area's historically important waterways and associated green spaces. This will be achieved through a three year programme of infrastructure and habitat improvements improve habitats along canals and rivers in the Black Country as well as other key nature greenspaces linked into this blue network facilitating better visitor management and improved access for local communities. The sites within Wolverhampton are Smestow Valley Local Nature Reserve (LNR) and Wyrley & Essington Canal Proposed LNR. Funded by £620,402 ERDF against a total project cost of £1.24m.
Place: Stronger Economy: An environment where new and existing businesses thrive	Black Country Growth Hub offers a one stop shop approach to business assistance across the Black Country, with packages of support available to local businesses. It aims to equip Black Country manufacturing Small and Medium Sized Enterprises (SMEs) with the tools and support they need to compete, innovate and take advantage of supply chain opportunities on offer to them. Funded by £328,000 BEIS funding.
Place: Stronger Economy: An environment where new and existing businesses thrive	Black Country Transformational Growth Opportunities Local Delivery (BCT GOLD) project will issue grants to Small and Medium Sized Enterprises (SMEs) to enable a sustainable step change in their working processes, business development and performance. SMEs will apply for grants using an application process. Funded by £1.6m ERDF against a total project cost of £5m. Delivery partners are providing match in the form of staff time but not receiving grants in reimbursement of costs. Approvals to issue grants to businesses are already in place. Funded by £1.6m ERDF against a total project cost of £5m.