

Financial Appraisal Report

External Funding Application to the Ministry of Housing, Communities and Local Government's Community Renewal Fund for the Black Country 50+ Partnership

Report to Cabinet

Date Issued: 7th June 2021

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1 Executive Summary

Introduction

Education, Skills & Employment are seeking retrospective approval for Sandwell MBC to act as the accountable body in an application to the Ministry of Housing, Communities and Local Government's Community Renewal Fund for £0.833m, to deliver the Black Country 50+ Partnership.

External funding will enable employment support to be delivered to residents across the Black Country and will be targeted at those aged fifty plus.

Dudley MBC, Walsall MBC and Wolverhampton Voluntary Sector Council will work alongside Sandwell MBC, as delivery partners for the project.

Unemployment rates in workers aged 50 and over has increased by a third since the start of the pandemic and evidence suggests that older workers who are made redundant are significantly more likely to experience long-term unemployment than other age groups.

Strategic Finance has been asked to carry out an appraisal of the funding application, which has been evaluated against HM Treasury Green Book guidance. The appraisal process recorded a score of 70%, with some areas of risk identified.

Project Objectives

- To reduce unemployment in the Black Country.
- To support the Council's Vision 2030, to ensure our workforce are skilled and talented to respond to changing business needs

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Project Details

The UK Community Renewal Fund aims to support people and communities most in need across the UK, creating opportunities to trial new approaches and innovative ideas at a local level.

The Black Country 50+ Partnership aims to deliver employment support to 1,220 residents aged fifty and over across the Black Country, who are unemployed, employed but at risk of redundancy, employed but wish to upskill or increase the number of hours worked and those that do not currently work and do not claim benefits. Sixteen navigators will be employed by delivery partners who will signpost individuals to available services.

As accountable body, Sandwell MBC will take full financial responsibility for delivery of the project. Delivery partners for the project will include Dudley MBC, Walsall MBC and Wolverhampton Voluntary Sector Council.

Sandwell MBC has applied to the Ministry of Housing, Communities and Local Government for grant funding of £0.833m and propose to provide match funding of £0.018m in the form of staff time. No match funding is proposed from the other delivery partners.

The Black Country 50+ Partnership will operate from September 2021 through to February 2022.

Scope and objectives of financial appraisal

The purpose of financial appraisals is to consider the guidance provided by HM Treasury in evaluating business case proposals and assessing the potential risk to the Council in achieving its objectives. The following components and risks are assessed:

HM Treasury Green Book	Potential Risks
<u>Strategic Case</u> Objective, need, demand and reasonableness	Insufficient justification for project/will not meet strategic objectives
<u>Economic case</u> Option analysis and risk	Poor use of council resources & excessive risk to Council
<u>Commercial Case</u> Legal and statutory implications	Project may contravene legal/statutory regulations
<u>Financial Case</u> Affordability	Proposals are not affordable or realistic

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<u>Management Case</u> Governance, project management, monitoring and evaluation	Non-delivery of project and outputs
Limitations to scope of appraisal	Information provided by Project Officer

LEVEL OF ASSURANCE GAINED FROM FINANCIAL APPRAISAL		
Limited (0%-65%)	Satisfactory (66%-80%)	Substantial (81%-100%)
There is a high risk of objectives not being met due to insufficient assurance within the project proposals. There is limited evidence to confirm that the risks to the Council could be adequately mitigated.	There is adequate assurance that objectives could be met, but further actions are required to adequately mitigate the risk to the Council.	There is good assurance that objectives will be met, with little risk to council resources.

Overall Conclusion

The appraisal scored 70% and provides **satisfactory assurance** over the adequacy of the proposals.

Financial appraisals will identify the following levels of issues:

Fundamental

Action is imperative to ensure that the objectives of the project are met

Significant

Action is required to avoid exposure to significant risks in achieving objectives

Merits Attention

Action is advised to enhance operational efficiency

Summary of key issues identified

- The financial appraisal has identified NO 'fundamental' issues
- The financial appraisal has identified 3 'significant' issues
- The financial appraisal has identified 4 'merits attention' issue

2 Issues Arising

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No

2.1 Strategic Case – Deliverability

Sandwell MBC invited expressions of interest from potential delivery partners; the results of which were then used to formulate a final bid submission to MHCLG. However, no Memorandum of Understanding has been entered into with delivery partners, with no evidence to confirm that the partners have agreed their individual allocations of funding and delivery outputs, or terms and conditions.

Implication:

That delivery partners are unable to deliver the required outputs of the project within the available funding allocations.

Recommended action:

- That funding agreements are issued and signed by delivery partners prior to the acceptance of funding from MHCLG.

2.2 Commercial Case – Funding Agreements

As accountable body for the project, Sandwell MBC will take full, financial responsibility for delivery of the project and will enter into a funding agreement with the Ministry of Housing, Communities and Local Government. Whilst it is advised that all delivery partners will be required to enter into a similar grant funding agreement with Sandwell MBC, draft partner agreements have not yet been produced and terms and conditions cannot be confirmed as reasonable.

Implication:

The risk to the Council of clawback of funding is not transferred to delivery partners, which may have financial implications to Sandwell MBC should the project outputs not be delivered as agreed.

Recommended action:

- That MHCLG's terms and conditions of funding are 'passported' to delivery partners in agreements with Sandwell MBC and include the following:
 - Procurement complies with Sandwell MBC's own procurement requirements
 - Agreed outputs for each delivery partner

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- Funding allocation for each delivery partner
- Evidence required for grant claims
- Grant claims to be paid to delivery partners following submission of claim and approval by MHCLG
- Repayment of grant on non-delivery of outputs
- Monitoring requirements
- Responsibility for funding overspends on delivery of the project
- All grant recipients to verify that they are eligible to receive grant funding under the Trade & Co-operation Agreement between the EU and UK.

2.3 **Financial Case – Costs & Contingency Plans**

A basic breakdown of costs for the project has been provided. However, the reasonableness of some costs cannot be confirmed. This includes some staffing costs which have been calculated using an average salary cost, and contributions of £0.020m to each delivery partner towards a Lead Officer and administration time. It is also unclear how some of the non-staffing costs have been calculated and whether the funding will be sufficient to deliver the project.

There was no evidence to confirm that a contingency allowance had been provided for within estimated costs or how any overspends on the project would be managed and funded.

Implication:

There may not be sufficient grant funding available to successfully deliver the project, which may have financial implications on Sandwell MBC as accountable body, if costs exceed available funding.

Recommended action:

- Review all estimated costs with delivery partners to ensure that the outputs of the project can be delivered within available funding.

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No

2.4 Economic Case – Future sustainability

The Black Country 50+ Partnership programme will be funded until February 2022, but it is unclear whether consideration has been given to how 'long-term' employment support for those aged 50 and over could continue after the funding period.

Implication:

That the project will not lead to future long-term employment support to residents aged over 50 that require assistance in the job market.

Recommended action:

- That consideration is given on how the project could be continued after the initial funding period.

2.5 Commercial Case – State Aid

State aid advice has not been sought for the project.

Implication:

Grant funding may not be compliant with state aid regulations.

Recommended action:

- State aid advice is sought from Legal Services to ensure all grant funding is state aid compliant.

2.6 Financial Case – VAT/Tax implications

Whilst it is not envisaged that the project would have any negative VAT or tax implications for the Council, confirmation has not been sought from the Council's Tax Accountant.

Implication:

Negative VAT/tax implications may have financial implications for the Council.

Recommended action:

- That VAT/tax advice is sought from the Council's Tax Accountant.

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2.7 **Management Case – Project management & monitoring**

Sandwell MBC will be responsible for the co-ordination and submission of monitoring information and grant claims from partners to MHCLG. Whilst some information has been provided on how this will be managed, a full governance structure with roles and responsibilities was not available and it is not known what systems will be used for monitoring. It is also unclear whether there will be a sufficient skill set of resources and time allocated, to successfully manage and co-ordinate the project.

Implication:

The project is not adequately managed and monitored in accordance with the funder's requirements; exposing the Council to risk of clawback, if grant claims or monitoring are not submitted or evidenced satisfactorily.

Recommended action:

- That a full governance structure with roles and responsibilities for each delivery partner is produced to ensure the effective management, monitoring and submission of grant claims
- That systems and processes be established for the management and monitoring of the project.

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