

## **Report to Cabinet**

**Subject:** ERASMUS + European Funding programme - Process for distributing grant and associated matters

**Date:** 24 September 2015

**Author:** Corporate Director (Stephen Bray)

### **Wards Affected**

All

### **Purpose**

The purpose of this report is:

1. To authorise GBC to hold the grant monies and to distribute in accordance with the successful ERASMUS + bid and grant agreement;
2. To authorise GBC to enter into contracts with European and Canadian partner organisations to deliver the programme contracts and ensure that the money is spent in accordance with the ERASMUS + bid and grant agreement;
3. To establish, by virement, the income and expenditure budgets for GBC's share of the grant received from the European Union for the ERASMUS + programme.

### **Key Decision**

This is not a Key Decision

#### **1. Background**

Following consultation with the Leader of the Council (decision ref D304 refers), the Council submitted a funding bid in March 2015 to the EU's Erasmus+ programme to support development of apprenticeships in Small and Medium Sized Enterprises (SMEs). The Council is the lead coordinator/partner, working with partner organisations in the UK, Poland, Germany, Bulgaria and Canada. This is the first time the Council has bid for direct EU funds.

The project will involve learning from best practice in the area of SMEs

employing apprentices in other parts of Europe and then sharing and practicing that good practice locally in year 2 and beyond, with the aim of improvements being self-sustaining once project funding ends. The main outcome will be more SMEs taking on apprentices - across the partnership the aim is for 270 SMEs to take on an apprentice over the three year programme, 90 of whom would be in the UK. There is a very strong fit with the Council's priorities around youth unemployment and deprivation, its aspirations to help develop small businesses, and to improve the skills of our younger residents

Notification was received at the end of June that the bid had been successful. A maximum amount of €373,553 (£273,500 approximately based on current exchange rates) has been awarded to the partnership. This is less than the €433,207 (£320,500) bid for but still represents a major success for the Borough. It is however expected all the outputs and outcomes set out in the bid are delivered. The project will run for three years from 1 September 2015.

The funding will be paid to the Borough Council in three instalments of 40%, up to 40% and up to 20% respectively. The first payment will be made in advance; the second midway through the project and the final payment paid in arrears at the conclusion of the project. Conditions around outcomes being delivered to time are attached to the release of the second and third payments. The EU's agency can reclaim funds if outputs are not secured and progress reports not submitted accurately and in a timely way.

As lead partner, the Council will need to enter into separate contractual agreements with each of the partner agencies and release appropriate proportions of the funds made available for partners to deliver the project. The Council will monitor the performance of each contractor against the outputs and outcomes required.

Since July, further negotiations have taken place with the EU agency managing the project and contracts between the Council and the agency have been signed.

This report seeks formal approval to enter into partnerships and funding agreements with partner organisations and for establishment of the associated budgets to allow the Council to progress its role as the lead partner for implementation of the programme.

## **2. Proposal and Risk Assessment**

The Council's financial regulations specify the key controls and responsibilities that govern the management of partnership arrangements and specifically requires a risk management appraisal to be prepared before entering into agreements with external bodies.

Accordingly a risk appraisal of the proposed partnership for delivery of the ERASMUS + programme has been completed.

Major potential risks identified include: -

- Failure of partners to deliver against agreed outcomes resulting in recovery of funding
- Failure of partners to report back on progress in an accurate and timely manner, thus putting funding in jeopardy
- Failure of the Council to understand the requirements of the EU in terms of monitoring and reporting of progress
- Failure to attract and engage the interest of employers, schools, colleges and young people to participate in the programme
- Lack of capacity at the Council to deliver the programme alongside its other economic development activities
- Failure to keep accurate records to inform funding claims.

Risks regarding delivery and reporting will be managed primarily through separate formal contractual agreements between the Council and each of the partner agencies in the UK, Canada, Germany, Poland and Bulgaria as outlined above. Specimen contacts have been developed that meet with EU requirements for such agreements. These will ensure that partner agencies are contractually bound to deliver against outputs and outcomes and will form the basis of performance management of partners. 50% of the funding for each partner for each tranche will be held back pending delivery of those outputs and outcomes. There will also be ongoing liaison with partners, informally and through formal transnational meetings that form part of the delivery programme.

It is therefore proposed that Gedling, as the lead authority, develops and puts in place contractual agreements with each of the five partner agencies, drawing on best practice model agreements. These agreements will set out arrangements for the distribution the grant to the partners; agreed outputs and outcomes, performance monitoring framework, payment schedule and claw-back arrangements.

Risk regarding the Council's skills and capacity are being addressed through engagement with consultants with more detailed knowledge of EU reporting requirements and processes, to build up knowledge and expertise within the Council.

Risk relating to attracting interest in the programme is addressed in part through good quality engagement with businesses, schools, colleges and young people and partly by passporting elements of that risk to the contractor responsible for project delivery in the UK.

Risks related to the Council's capacity will be addressed through the recruitment of staff to support the Economic Development team throughout the EU contract period. Extra staff can be funded from the funding awarded, as long as it can be demonstrated that the work being done relates directly to the project. The staff involved can either work on the project themselves, or can be employed to allow current Council staff to focus on delivery of the project.

Risks relating to record keeping can be addressed by the use of clear timesheets that allow for time worked on the project to be accurately logged. Partner agencies will be encouraged to use similar systems for this purpose.

In terms of member oversight, there will be ongoing updates on progress reported at scheduled meetings between the relevant portfolio holder and officers working on the project. It is suggested that the relevant portfolio holder reports back to members on progress of the project as part of Portfolio Holder Updates scheduled on Cabinet agendas.

It may also be appropriate for periodic meetings with members to update and report on progress more formally. Such meetings might usefully tie in with key milestone dates in the project - for example reports back to the EU.

### **3. Alternative Options**

Alternatives include entering into less formal agreements with partners, though this may not meet with EU requirements and expectations, or making all funding available to partners as soon as it is received, though this has the potential to put the Council at greater risk of clawback of Funds if partners do not deliver outcomes. Neither option would be appropriate due to increased financial risk

### **4. Financial Implications**

As outlined above, as lead partner the Council will receive the grant funding of €373,533 (£273,500) in three instalments. The first payment, of 40%, is paid at the start of the project on exchange of contracts. The second payment, of up to 40%, is paid at a mid-point in the project – the exact amount paid will depend on outputs having been secured at that point. The final payment, of up to 20%, is paid after the project is completed and a satisfactory final report submitted.

In accordance with financial regulations revenue budgets will need to be established for the Borough Council's share of the grant for the management and co-ordination of the project and its expenditure on project delivery by the following virement:

Economic Development - SME Apprenticeship Project	£93,400
Economic Development – European Grant Income	(£93,400)

The budgets will be profiled to the appropriate financial year in accordance with the project timescales.

As project coordinator GBC will act as agent on behalf of the partner organisations in receipt of the grant and its subsequent distribution in accordance with the grant agreement and as such these transactions will not form part of the Council's budget or financial statements.

GBC will distribute the award to partner organisations in line with the amounts allocated by the EU in the successful bids. It is proposed that payments at each stage are split, such that 50% at each stage is paid to partners in advance, with the balance dependent on agreed results being secured.

Exact amounts awarded will vary depending on outcomes being secured.

## **5. Appendices**

None

## **6. Background Papers**

ERASMUS + bid – March 2015

ERASMUS + grant agreement – July 2015

## **7. Recommendation(s)**

- To authorise GBC to hold the grant monies and to distribute in accordance with the successful ERASMUS + bid;
- To authorise GBC to enter into contracts with European and Canadian partner organisations to deliver the programme contracts and ensure that the money is spent in accordance with the ERASMUS + grant agreement;
- To establish by virement the income and expenditure budgets for GBC's share of the grant received from the European Union for the ERASMUS + programme as detailed in paragraph 4.

## **Reasons for Recommendations**

**To ensure that the ERASMUS + EU funding is distributed in accordance with the proposals in the bid and grant agreement**

**To ensure that outputs and outcomes set out in the successful ERASMUS + bid are delivered**

**To use the funding grant to enhance the delivery of apprenticeships in SMEs in Gedling and in partner areas in Poland and Bulgaria, drawing on best practice in Germany and Canada.**