
Report to: Clackmannanshire Council

Date of Meeting: 10 May, 2018

Subject: External Grant Funding

Report by: Chief Executive

1.0 Purpose

The purpose of this report is to ask Council to agree governance protocols for applications for external grant funding and to brief Council on the return of a grant which had previously been awarded to the Council.

2.0 Recommendations

2.1 It is recommended that Council agrees:

- a) the governance protocols for future applications for external grant funding set out at section 5 of this report;
- b) that these protocols should be incorporated into the Council's Financial Regulations; and
- c) that grant of circa £151,000 previously drawn down by the Council to fund floodlighting at Lornshill Academy athletics track should be returned to sportscotland.

3.0 Background

- 3.1 External grants can be a useful source of funding provided that the case for applying for such grants stacks up and the parameters of any funding received are fully appreciated.
- 3.2 Prior to any application for grant funding, one of the most important considerations should be strategic purpose and fit, i.e: *is the application for funding for a purpose which is a Council priority (as demonstrated through various plans, strategies and approved budgets)?* Similarly, there should be clearly articulated business objectives and expected outcomes behind any decision to apply for external funding.
- 3.3 An assessment should be made of the costs/benefits of making an application, with active consideration being given to any match-funding requirements (whether capital or revenue) and sustainability issues when the funding is exhausted or the funding period comes to an end.

- 3.4 The Council generally has made good use of funding for a range of services and projects; however, there have been occasions where applying for and receiving grant funding has not been efficient or effective and one of those is set out in the next section of this report.
- 3.5 Going forward, to ensure that there is an explicit framework for applying for external funding, it is proposed that formal protocols are introduced as set out in Section 5 of this report.

4.0 External Grant for Lornshill Academy Athletics Track Floodlighting

Background (2010-mid 2016)

- 4.1 A grant of £239k was awarded to the Council by sportscotland in October, 2011, for the provision of floodlighting at Lornshill Academy. This was made in response to an application for funding based on a decision by Council to allocate money in its capital budget for the demolition of Lornshill Academy and associated issues including the installation of floodlighting. A report to the Scrutiny Committee of 8 April, 2010, notes that *'application for sportscotland funding for will be made next year.'*
- 4.2 When the grant award was made in 2011, the Clackmannanshire Schools Education Partnership Ltd (CSEP) had been established and contracts agreed for the long term management of the new school facilities, including Lornshill Academy. The proposal to install floodlighting at Lornshill represented a change to the agreed contracts and discussion took place between the Council's Facilities Management service and CSEP about the potential cost of contract variation to install and maintain floodlighting.
- 4.3 Initial costs estimates were:
- £172,800 for installation – one off capital expenditure
 - £47,250 for lifecycle related costs – one off revenue cost associated with change to the contract
 - £10,950 per annum maintenance – recurring indexed linked cost (4.5% per annum) associated with change to the contract.
 - Other costs associated with planning consents, building warrants and securing estimates, with additional energy consumption to be metered separately.
- 4.4 These costs were not thought sustainable at the time and efforts were then made by Facilities Management and Education to negotiate a reduction in costs to make the financial case stack up.
- 4.5 Between 2011 and into 2013 efforts focused on addressing the contractual issues concerning variations, reviewing costs, planning consent and building warrants, and other technical issues (e.g. a requirement for additional special foundations due to unfavourable ground conditions).

4.6 £151k of the total grant award was drawn down in March, 2013, and placed in a suspense account, with a report to the Resources & Audit committee in September of 2013 stating that *'the process for agreeing terms was nearing completion.'* This position was reiterated to the then Enterprise & Environment Committee in January 2014 in the Facilities Management Performance Report.

4.7 In 2014 estimated costs changed to:

£179,559 for installation – one off capital

£18,196 for lifecycle related costs – one off revenue

£2,242 per annum for maintenance – recurring revenue indexed linked

and another review of the proposal was undertaken by Council officers. The conclusion of that review was:

'We have consulted with the school's deputy head, principal teacher (P.E.), leisure services and sports development staff to ascertain the anticipated usage of the floodlit running track and concluded that due to the limited individuals and organisations who have expressed an interest there is no case to support value for money for the floodlighting and apart from the substantial capital costs there will be ongoing annual maintenance costs that will not be recouped through hire-out fees/charges.'

'In conclusion, the capital, lifecycle and annual expenditure involved in providing floodlighting, the anticipated limited usage of the floodlighting and the initial disruption to the school curriculum lead us to conclude that this proposed variation to the PPP Schools contract cannot be recommended for approval.'

4.8 File records suggest that this conclusion was shared with relevant spokespersons and that there was the intention to take the matter to the Education Committee for consideration and to enter into discussions with sportscotland to ascertain whether the grant funding might be used for another purpose. This is confirmed in references in Council financial performance reports to the then Resources & Audit Committee (ref 26/2/15 and 3/12/15) where the possibility of returning the grant is mooted.

4.9 The last reference in Council reports of the matter is in April of 2016 when it was reported to the Resources & Audit Committee as follows:

'Discussions with sportscotland ongoing to establish if funding can be used for another purpose if decision from Education committee does not align with Council priorities. Any unspent grant will have to be repaid.' (Ref - Capital budget update in Council Financial Performance Report, 21/4/16).

4.10 There is no record of the matter ever being considered by the Education Committee. This may be due to the fact that the next month the then political Administration resigned, with a new Administration being appointed in June of 2016, at which time various standing committees (including the Education Committee) were disestablished. This period also coincided with the dissolution of shared services with Stirling and the transfer of senior education managers back to Stirling.

4.11 Since that time, there has been no reference to the matter at Council or committees and the £151k grant remains unspent and held in a suspense account.

Recent Events & Current Position

4.12 Since April, 2016, various other options have been explored regarding the potential provision of floodlighting – however, these have not resulted in any permanent resolution. In December of 2017, sportscotland intimated that while they remained keen to fund floodlighting for athletics, if the Council was not proceeding with the proposal then the grant monies of £151k should be returned.

4.13 It remains the position that the business case for installing floodlighting at Lornshill does not stack up. Current revenue for the athletics track is approximately £1,200 per annum, this income coming solely from one club. Even were there to be a growth in local clubs, it would be unrealistic to assume significantly more than a doubling of income to around £2,500-3,000.

4.14 The revenue costs associated with varying the contract, which are indexed linked at 4.5% per annum, would require ongoing Council subsidy which would not likely be recovered due to limited income generating potential.

4.15 Setting aside any cost issues which would still pertain if the Council were to revisit a potential contract variation with CSEP, the capital costs would now be well beyond the grant sum available and would require additional council capital investment.

4.16 Given these value for money considerations, the financial challenges facing the Council and other priorities for spend which the Council has, it is recommended that the £151k received in grant for the purpose of installing floodlights at Lornshill Academy is returned to sportscotland.

5.0 Protocols for Applying for Grant Funding

5.1 It is clear from reviewing the history of the funding application and award for floodlights at Lornshill that there were some governance omissions in the process. Specifically, there is no record that the following were carried out in advance of the application being made:

- Cost benefit analysis
- Value for money appraisal
- Risk assessment
- General feasibility study

5.2 This resulted in wasted time and effort once the grant had been awarded in trying to find a way to implement the proposal. There also appeared to be absence of forethought in respect of the potential ongoing revenue and maintenance costs of the proposals.

5.3 While there is no evidence that there are significant issues more generally across the Council in relation to proposals to source external funding, neither is there explicit guidance or governance framework to support officers who are trying to bring in income and find creative solutions to resourcing initiatives.

- 5.4 Accordingly, it is recommended that all proposals to apply for external funding over £50,000 are subject to a preliminary assessment which will require information to be provided at a fairly high level on the following:

Proposal Description

- what the external funding is for
- why external funding is needed
- estimated start and finish dates
- key milestones

Strategic Purpose and Fit

- how proposal fits with existing priorities as set out in Community Plan, budget, Corporate Plan, other strategies
- what are the business objectives of the proposal and expected outcomes are

Evidence of Demand/Need

- demonstration of the demand for proposal with relevant and firm evidence

Finance and Resources

- total cost of initiative
- total grant sought
- capital or revenue?
- if capital, are there ongoing revenue costs and are these already approved?
- is there resource in Council budget already?
- is any required match-funding in place?
- if revenue grant, what will happen when the funding stops?
- VFM considerations
- confirmation there is sufficient and appropriate capacity to effectively project manage the proposal

Options Appraisal

- status quo option to be appraised alongside proposal for funding
- outline cost/benefit analysis for each option considered
- impact if full amount of funding applied for is not awarded

Sustainability

- is funding for one-off initiative or ongoing service?
- impact once funding ends and actions to be taken

Project Governance & Risk

- evidence of effective approach to project management for externally funded projects
 - regular reports throughout project highlighting any delays and slippage
 - risk assessment to be carried out
- 5.5 It is further recommended that approval to apply for external funding is authorised at the level of chief officer (and potentially of Council depending on the proposal in question). Approvals should be reported through the committee system so that there is elected member oversight and a forum for elected member monitoring of progress and performance.
- 5.6 It is recognised that on occasion opportunities for receiving external funding may arise at short notice and require a quick turnaround which could preclude a full preliminary assessment being undertaken. In such circumstances, the relevant chief officer, the Chief Executive and relevant spokesperson will be required to authorise such an application.
- 5.7 These protocols should ensure that relevant funding can be applied for if appropriate but that:
- resources are not wasted in applying for funding for non-priority activities
 - mainstream resources are not diverted or skewed to non-priority activities simply because external funding is available
 - feasibility and sustainability are analysed in advance of an application being made.
- 5.8 It is also recommended that the protocols, if agreed, are incorporated into the Council's Financial Regulations.
- 5.9 Bringing in additional resources forms part of the Council's overall budget strategy. There are opportunities as part of the new organisational design to create a corporate role to: identify potential sources of external funding, support the development of applications for funding, advise how to submit bids and generally co-ordinate the Council's activity in this area. This was included in the Best Value Assurance Report Action Plan which Council approved in March as part of the proposed action to: *establish a Programme Management Office to support organisational redesign incorporating: project management, funding and digital support (resourced – in part – from the existing Transformation Fund)*.
- 5.10 A report on the establishment of the Programme Management Office is scheduled to come to Council in June (per the Best Value Assurance Report Action Plan).
- 6.0 Sustainability Implications** – the proposals in this report aim to ensure that due consideration is giving to financial sustainability when external funding is being applied for.
- 7.0 Resource Implications** – the proposals in this report aim to increase the resources coming in to the Council from external sources.

8.0 Exempt Reports - this report is not exempt.

9.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

Our Priorities

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all

Our families; children and young people will have the best possible start in life

Women and girls will be confident and aspirational, and achieve their full potential

Our communities will be resilient and empowered so that they can thrive and flourish

10.0 Equalities Impact – n/a

11.0 Legality

11.1 In adopting the recommendations contained in this report, the Council is acting within its legal powers.

12.0 Appendices - none

13.0 Background Papers

Minutes of meetings of Council and Resources & Audit Committee as referred to in the report

File notes re Lornshill floodlighting

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