

## **Item: 7**

**Policy and Resources Committee: 24 November 2020.**

**Third Party Funding Applications.**

**Joint Report by Executive Director of Development and Infrastructure and Head of Finance.**

### **1. Purpose of Report**

To consider development of a framework that would allow the Council to submit applications to funding schemes that are open only to local authorities on behalf of community organisations.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That there are a number of grant funds to which only local authorities, or partnerships involving local authorities, can apply, such as the Rural Tourism Infrastructure Fund and the Regeneration Capital Grant Fund.

#### **2.2.**

That, conversely, other funding streams only available to community organisations could potentially be accessed as match funding in applications to funding sources of the type referred to at paragraph 2.1 above.

**It is recommended:**

#### **2.3.**

That the Executive Director of Development and Infrastructure and the Head of Finance should develop a draft framework that would allow the Council to submit applications to funding schemes available only to local authorities on behalf of community organisations.

#### **2.4.**

That the Executive Director of Development and Infrastructure and the Head of Finance, should submit a joint report, to a meeting of the Committee no later than June 2021, presenting the draft framework referred to at paragraph 2.3 above.

## **3. Context**

### **3.1.**

As indicated by a number of recent enquiries, there is an identified opportunity to create an enabling environment that supports community organisations to develop projects that foster investment and innovation, and which may not otherwise be developed.

### **3.2.**

An enabling environment would support efforts to empower community organisations and stimulate development, making a significant contribution to recovery from the COVID-19 pandemic.

### **3.3.**

Timelines for submitting expressions of interest or stage 1 funding applications are often tight and may not allow each request from a community organisation to submit a funding application on their behalf to be considered through the usual committee cycles, hence the need for some guiding principles.

### **3.4.**

When submitting a grant application on behalf of a third party, it is important to establish at the outset what the substance of the relationship is between grant funder, local authority and scheme beneficiary, including for example who the principal party is in the contractual arrangement with the grant funder, what the nature of the transactions between each entity are and which tax regime is to be followed.

### **3.5.**

Not only should the grant conditions be fully understood but also the inherent risks for the Council, recognising that some variables may be outwith the Council's direct control. This is particularly important where financial penalties often translate into grant claims being deemed ineligible and/or a requirement to repay grant funding where target outcomes are not achieved by the due date.

### **3.6.**

It has not been the practice for the Council to act as guarantor for third party developments, preferring instead to let the third party manage their own risks. In this way the Council manages its own exposure to risk more effectively, when any forms of financial assistance can be duly considered on a case by case basis when in possession of all the facts.

### **3.7.**

It is also not clear what administrative burden such an arrangement would represent for the Council but is likely to require staff in various Services establishing systems and procedures to effectively manage any development phase and deal with grant

fundings as if the project were a Council project. These arrangements will then need to be maintained over the life of the project as the Council's liability is amortised and the grant conditions are fully discharged. The claw back period on grant funded projects can run for many years after the development phase is complete.

### **3.8.**

Although officers are aware that other local authorities have processes in place to enable them to apply for funding on behalf of third parties, there are a number of implications for the Council associated with accessing funding on behalf of community organisations. Accordingly, at this stage, only agreement in principle is sought. Subject to approval of the recommendations, further detail, including a draft framework, will be presented at a meeting of the Committee no later than June 2021.

## **4. Corporate Governance**

This report relates to the Council complying with its financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

## **5. Financial Implications**

The financial implications are contained in the body of the report.

## **6. Legal Aspects**

### **6.1.**

The grant conditions for each funding scheme will required to be checked prior to making an application, to ensure that there is no prohibition on passing on the funds to a third party.

### **6.2.**

To claim grant monies, whether or not on behalf of a third party, the Council will be required to adhere to the funder's grant conditions.

### **6.3.**

The Council's position will require to be protected by the third party entering into an agreement on terms satisfactory to the Council before the Council enters into any agreement with a funder in respect of grant monies. Without such an agreement, the Council would be liable to the grant funding body for any default against the grant conditions.

## **7. Contact Officers**

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