



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Agenda Item No: 4.7

European Regional Development Funding (ERDF) Growth Coaching Grants – Partner Agreement

To: Cambridgeshire and Peterborough Combined Authority Board

Meeting Date: 30 June 2021

Public report: Yes

Lead Member: Mayor Dr Nik Johnson

From: Alan Downton, Interim SRO Growth Works

Key decision: No

Forward Plan ref: n/a

Recommendations:

The Combined Authority Board is recommended to:

- a) Approve option 2 as set out in this report to have a direct Partner Agreement between the Combined Authority and YTKO (consortium member delivering the Growth Work Contract);
- b) Approve the draft Partner Agreement included as Appendix 1;
and
- c) Delegate authority to the Director of Business & Skills, in conjunction with the Monitoring Officer to make the necessary changes to the existing Growth Works contract between the Cambridgeshire and Peterborough Business Growth Company (Growth Co) and Gateley Economic Growth Services (GEG) using a contracted change control process.

Voting arrangements: A simple majority of all Members present and voting

1. Purpose

- 1.1 To appraise the board of an issue raised by the Ministry for Housing, Communities and Local Government (MHCLG) in respect to European Regional Development Fund (ERDF) grant awarded to the Growth Works service (Business Growth Service).
- 1.2 To appraise the board on the options analysis to overcome the issue and to approve the recommended option (2).

2. Background

- 2.1 As part of the Combined Authority Growth Works Service, the Combined Authority has secured a grant from the European Regional Development Fund (ERDF) Programme for £3,067,640 of which £3,000,000 is for ERDF Revenue Grants to Small to Medium-sized Enterprises (SMEs). The remaining £67,640 is a contribution towards staff costs of overseeing this programme within Combined Authority and the Cambridgeshire and Peterborough Business Growth Company Limited (Growth Co), a subsidiary of the Combined Authority. The ERDF funding is matched at 50% which gives a total project value of £6,135,280. The ERDF Grant is confirmed via a signed Funding Agreement with the MHCLG dated 6th January 2021.
- 2.2 As part of the initial compliance process MHCLG carried out at a 'Project Inception Visit' on 11th March 2021. During the meeting MHCLG raised concerns that the project structure would not be compliant with ERDF rules (note that the issue was not raised during the long project appraisal and approval process which commenced in March 2020). Confirmation of the issue was received from MHCLG in an email dated 16th March 2021.

The problem identified by MHCLG is that payment of the Grants by YTKO, who are part of the consortia contracted to deliver Growth Works would not be compliant with ERDF rules because under the proposed structure YTKO would not be the ERDF applicant or a designated delivery partner in the grant funding agreement. Paragraph 5.3 (e) of the Funding Agreement states:

‘that Eligible Expenditure has been defrayed (that is that Eligible Expenditure has been incurred and that payment has been made by the Grant Recipient or a Delivery Partner) in respect of any Eligible Expenditure to which a Grant Claim relates;’

YTKO are a sub-contractor of Gateley Economic Growth Services (GEG) who are contracted to deliver the Growth Coaching element of the Growth Works Service. The commercial contract between the Combined Authority and GEG does not form part of the ERDF project since payment for delivery of Growth Coaching services is not part-funded by ERDF. Therefore, MHCLG see YTKO as external to the ERDF project and not capable of the defrayal of ERDF grants under the terms of the Funding Agreement.

- 2.3 Two possible solutions are available:
 - 2..3.1 Option 1 – The Combined Authority pay the ERDF Grants to SMEs

As project applicant, payment of grants to SMEs directly by the Combined Authority would constitute eligible expenditure for ERDF purposes. However, the Combined Authority has not allocated resource for payment of these grants and such a process would separate grant payments from the Growth Coaching services contracted through GEG and delivered by YTKO. Note that YTKO also have considerable experience in the delivery of compliant ERDF grant schemes. This option would potentially cost the Combined Authority an additional £60k per annum, as YTKO are undertaking this as part of the commercial negotiations, at nil cost as part of the Growth Work contract, under the wider Growth Coaching service. This workload or cost is not in the Cambridgeshire and Peterborough Business Growth Company business plan.

2.3.2 Option 2 – The Combined Authority designate YTKO as a project ‘delivery partner’ confirmed by a direct Partner Agreement. **Recommended**

This is the solution suggested by MHCLG. As the delivery of Growth Coaching Services to SMEs is included in the commercial contract and is not part funded by ERDF there is no need to change this relationship. However, under a separate ERDF Grants Partner Agreement between the Combined Authority and YTKO, the ERDF grant payments themselves would be paid to SMEs directly by YTKO and would be eligible expenditure under ERDF rules. This would allow SME grant payments defrayed by YTKO to be included in ERDF claims to MHCLG.

Note that MHCLG have advised that the Partner Agreement must be between the Combined Authority as the ERDF applicant and YTKO. It cannot be between Growth Co and YTKO. The grant recipient (Combined Authority) cannot delegate responsibility for managing one delivery partner to another.

2.4 Should option 2 above be approved there will need to be some consequential variations to the GEG Growth Works contract, as there are references to the payment of ERDF grants which would need to be removed. The creation of a direct Partner Agreement between the Combined Authority and YTKO has already been discussed and approved by YTKO’s lawyers.

In practical terms the arrangement proposed in solution (2) makes no difference to project delivery or costs. It was always envisaged that YTKO, as a sub-contractor to GEG, would manage delivery of the ERDF grants and make grant payments to SMEs. This will not change but it is necessary to redefine the relationship between the Combined Authority and YTKO as proposed to meet ERDF requirements.

2.5 The Board are asked to approve option 2 as set out above including the draft Partner Agreement, which is a standard agreement used within the Combined Authority for ERDF grants and has been signed off by the Combined Authority monitoring team. The Partner Agreement is in Appendix 1.

Significant Implications

3. Financial Implications

3.1 There are no direct financial implications arising from this paper, as the budget for the programme has already been agreed by the CA Board previously. This paper is purely concerned with the administrative processes surrounding the payment of the grant funding.

4. Legal Implications

4.1 None

5. Other Significant Implications

5.1 None.

6. Appendices

6.1 Appendix 1 – Draft ERDF Standard Partner Agreement

7. Background Papers

7.1 None