
EUROPEAN REGIONAL DEVELOPMENT FUND

To: **Governance & Audit Committee – 29 June 2011**

Main Portfolio Area: **Corporate**

By: **External Funding Officer**

Classification: **Unrestricted**

Ward: **All**

Summary: To update Governance & Audit Committee on the 2000-2006 ERDF Programme

1.0 Introduction

- 1.1 The Council had grants approved of £5,575,715 through the 2000-2006 ERDF programme, for which, The Government Office for the South East (GOSE) was the accountable body.
- 1.2 The purpose of this report is to summarise the amounts awarded, received and repaid in relation to all projects and the reasons behind these reclaims, where made and action taken to reclaim them.

2.0 Project Summary

- 2.1 The below table details the amounts approved, claimed and paid to the authority and the amounts repaid on each project:

Ref.	Project Name	Grant Approved (£)	Amount Claimed and paid to TDC (£)	Amount Repaid (£)
002	Encouraging Social Inclusion - Main	15,909	15,909	1,806
006	Business Networks and Cross Working - Main	78,820	74,062	17,443
007	Events	150,000	149,999	
008	Ramsgate Renaissance	171,320	158,559	
009	Waterfront Proposals Margate	183,500	171,028	
011	Thanet Museum Strategy	170,000	115,990	63,702
012	Green Tourism Strategy	140,000	139,799	
015	Thanet Tourism Grant Scheme Phase 3	175,000	175,000	52,960
016	Margate Harbour and Turner Centre	220,000	220,000	22,635

Ref.	Project Name	Grant Approved (£)	Amount Claimed and paid to TDC (£)	Amount Repaid (£)
024	Educational and Media Initiative	75,100	75,100	
025	Empty Properties and Public Places	72,751	68,557	
028	Business Networks and Cross Working - Trans	81,180	64,537	20,159
029	Viking Bay Enhancement	313,000	313,000	
030	Margate Pedestrian Connection	450,000	140,874	
031	Organisation and Development Fund - Main	81,000	81,000	16,237
032	Connectivity and Information	68,000	48,295	
033	Organisation and Development Fund - Trans	100,000	97,737	42,363
034	Marketing and Communications	63,751	38,415	9,924
036	Encouraging Social Inclusion - Trans	128,750	128,750	1,093
037	Thanet Innovation Centre	1,300,000	1,299,765	250,000
049	TA/Programme Support (M1)	17,038	17,038	
050	TA/Programme Support (M1)	11,841	11,841	
054	TA/Socio Economic Data Service M2	16,464	16,464	
055	TA/Socio Economic Data Service M2	23,692	23,692	
059	Sure Start Thanet Millmead Project	125,000	125,000	
085	Stimulating Innovation and Entrepreneurship	123,534	26,096	1,797
158	Thanet Tourism Grant Scheme Phase 4	200,000	200,000	81,890
278	Creative Industries Business Advisory Scheme	17,000	17,000	
288	Speculative Development - Main	20,000	19,500	
289	Speculative Development - Trans	10,000	10,000	

Ref.	Project Name	Grant Approved (£)	Amount Claimed and paid to TDC (£)	Amount Repaid (£)
451	Delivering Margate's Creative Quarter	973,065	973,065	21,331
497	Final Evaluation	20,000	19,391	
		£5,595,715	£5,035,463	£603,341

2.2 The table above demonstrates that of the total funding received (£5,035,463), 12% of funding had to be repaid to GOSE (£603,341), the details of these reclaims are set out below.

3.0 ERDF Reclaims

3.1 **Project 002/036 – Encouraging Social Inclusion – Main/Trans - £1,806 + £1,093**

3.2 Following an Article 10 audit of both projects by GOSE, some expenditure claimed through the project for salaries could not be evidenced and as such the grant in relation to this expenditure had to be repaid to GOSE.

3.3 **Project 006/028 – Business Networks and Cross Working – Main/Trans £17,443 + £20,159**

3.4 These projects related to grant payments, however the sums made ineligible by the audit related to match funding that was originally added to the claim by the claim preparer, so the authority was able to claim back 100% of the grants paid out. There was no evidence on file of where the match was meant to come from and so could not be subsequently evidenced.

3.5 **Project 011 – Thanet Museum Strategy - £63,702**

3.6 The authority had claimed £63,702.48 in grants paid out to 2 museums, however the authority could not evidence what the museums had spent the funds on, despite attempts to contact the museums in question.

3.7 The authority sought to reclaim the grants from the museums, but between the time of the grant being paid out and the time of the audit, both museums had closed and the owner of one had passed away, meaning the authority was unable to reclaim the grants.

3.8 **Project 015/158 – Thanet Tourism Grant Scheme Phase 3 & 4- £52,960 + £81,890**

3.9 Both phases of the scheme faced issues when audited and there were three main reasons for grant repayment, these were:

- The hotel had been converted into apartments within 5 years of the grant being paid;
- The hotel was never eligible for a grant, as the grant was approved retrospectively or was for work to restaurants or other facilities that were not allowed under the scheme;

- The hotel closed within 5 years of the grant being awarded.
- 3.10 The Council managed to reclaim £10,000 of the total repayment of £134,850 on the scheme.
- 3.11 Where the hotels were never eligible for the grant, payment was made to the hotels in error and so a reclaim could not be undertaken.
- 3.12 Despite the Council pursuing other grant recipients, many of the owners were no longer traceable, because the hotels had been demolished / closed or the companies that the grant had been paid to, had ceased trading.
- 3.13 **Project 016 – Margate Harbour & Turner Centre - £22,635**
- 3.14 Some expenditure, which attracted grant of £22,635 was identified as ineligible by an audit and was subsequently repaid to GOSE.
- 3.15 **Projects 031/033 – Organisational Development Grants Main/Trans - £16,237 & £42,363**
- 3.16 Both projects had an Article 10 audit by GOSE and as a result it was identified that most organisations that had been paid grant, did not provide the authority with any evidence to support what the grant had been used for.
- 3.17 The authority subsequently wrote to all grant recipients and obtained a large amount of information which helped secure some of the grant. However, as the audit was not until 5 years after the grants had been paid out, a few of the organisations had ceased trading, some were un-contactable, some had passed away and some did not respond, leaving the authority with an incomplete audit trail.
- 3.18 The grant offer letter with each grant recipient stated that they were only required to maintain records for 5 years from grant award, though the authority is still required by GOSE to have access to records until 2014.
- 3.19 The External Funding Officer identified £12,935 of grants that were still within the 5 years and should be sought for reclaim, however the legal department have confirmed that as the second payment was made to these grant recipients confirming that the authority was satisfied with the project progress and evidence at the time, that it is not possible to progress a reclaim against these recipients.
- 3.20 **Project 034 – Marketing and Communications - £9,924**
- 3.21 The reclaim on this project related to expenditure that the authority had tried to claim twice, which was identified through an audit at a later date.
- 3.22 **Project 037 – Thanet Innovation Centre - £250,000**
- 3.23 This was the Council's single biggest reclaim and the partial repayment related to the authority not fulfilling all of the grant conditions and failing to notify GOSE of changes in the management approach following the original grant offer letter, that were considered substantial changes by GOSE. The authority has since agreed with GOSE some key changes in the management of the centre in order to overcome further reclaim.

- 3.24 The partial grant repayment specifically related to the authority running the facility (for VAT reasons) instead of the management being vested in a specialist Board - which resulted in a lower level of business networking than had been envisaged in the grant offer, that TDC had too large a percentage of tenants in the centre that were not innovative start up businesses and that the authority had not maintained fully detailed records of the jobs created and their longevity (including after tenants had moved out of the centre).
- 3.25 **Project 085 – Stimulating Innovation and Entrepreneurship - £1,797**
- 3.26 The reclaim related to ineligible accommodation costs that were claimed through the project, that were subsequently identified by audit.
- 3.27 **Project 451 – Delivering Margate’s Creative Quarter - £21,331**
- 3.28 This was the last project running through the 2000-2006 programme and finished on 31st December 2008. Unfortunately some of the expenditure claimed related to an invoice that covered a period after the project end date and the rest related to a grant offered at a rate of 45% of total spend, to a grant recipient, however the authority could not reclaim any grant, due to an error on the grant offer letter to the individual company, which stated 31st March 2009 as the end date for the project.
- 3.29 The authority did manage to attract additional grant from KCC due to invoices provided to them to assist in match funding their own ERDF project. The funds from this meant that TDC could repay the grant without any adverse impact on its own budgets.
- 3.30 Under this scheme, a grant of £68,750 was paid towards refurbishment works of 16 Marine Drive and 42 High Street. Works started in 2008 but the scheme has not been completed due to the withdrawal of the developer’s private sector funding. Action has commenced to recover the grant monies and GOSE has agreed that should any funds be recovered, that these could be recycled to support works that meet the original objectives of the programme.

4.0 The Way Forward

- 4.1 Following the lessons learnt through the old ERDF programme, the authority has now implemented the External Funding Protocol and has a dedicated External Funding Officer.
- 4.2 The External Funding Protocol came into force on 13 November 2009, this stated that all external funding bids had to be reviewed through correct channels prior to bidding of funds to ensure that:
- Finance were aware of the grant;
 - That terms and conditions in relation to the grant could be adhered to;
 - That the grant met corporate priorities.
- 4.3 As a result the External Funding Protocol requires that all external funding bids are examined by the External Funding Officer, who scrutinises the funding stream and requirements, prior to being considered by CMT for approval.

- 4.4 Should there be tight deadlines on submitting an application for funding, the Section 151 Officer has delegated authority to approve the funding and CMT are required to retrospectively approve the funding bid.
- 4.5 Some of the ERDF reclaims were due to poor audit trails maintained either centrally or by the individual departments, as a result, electronic records are now being maintained in line with the protocol, to ensure that large scale repayments due to a lack of audit trail, no longer occur and that all paperwork relating to claims or funding sources are routed through the External Funding Officer as a central point of contact.
- 4.6 **Recommendations**
- 4.7 That Governance & Audit Committee note the report contents on ERDF repayments;
- 4.8 And that the Committee note the progress made by the authority regarding systems implemented to avoid future grant reclaims.