

Financial Appraisal Report

External Funding Application to National Institute for Health & Care Research, for funding for Health Determinants Research Collaborations (HDRC)

Date Issued: 4th October 2023

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Report to Cabinet

1 Executive Summary

Introduction

Public Health are seeking retrospective approval to submit an external funding application to the National Institute for Health & Research. Funding is available to support research collaborations between local government and the academic sector to improve the wider determinants, or drivers, of health.

The project will be delivered by Public Health in partnership with the University of Birmingham, Wolverhampton University and several voluntary sector organisations.

The Health Determinants and Research Collaboration will be based around poverty and the cost of living, aligning with the Levelling Up Programme to address the wider determinants of health and tackle systemic disadvantage in the Borough.

The project aims to transform the council's research culture and infrastructure to inform its decision-making and investments based on the needs and values of the borough's diverse local communities.

An independent NIHR-funded research needs analysis was undertaken by the University of Birmingham in 2021 and found that there was weak evidence-based decision making across the Council. Difficulties associated with making evidence-based decisions included a lack of time to apply for funding and deliver research, difficulty accessing the right data, lack of information governance and difficulty identifying and engaging with appropriate external research partners. Finances, budget and workforce constraints were particularly highlighted as having an impact on ability to search for, retrieve and apply research evidence, and the potential to engage in research. Voluntary sector partners and other stakeholders identified several potential barriers to effective community engagement, including failure to

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demonstrate the purpose and value of research to local communities, and managing expectations around outcomes and impacts.

Strategic Finance has been asked to carry out an appraisal of the funding application, which has been evaluated against HM Treasury Green Book guidance. The appraisal process recorded a score of 66%, with some areas of risk identified.

Project Objectives

- To support the Council's Vision 2030, in ensuring that we have a strong approach with all partner organisations to prevent ill health and improve long-term health and wellbeing by protecting our most vulnerable adults and children.

Project Details

In June 2023, the National Institute for Health & Research launched a funding programme to deliver innovative research collaborations between local government and the academic sector that focus on improving the wider determinants, or drivers, of health.

Sandwell MBC's project entitled 'Better Research for Better Health' aims to deliver the following:

- Strengthening research and development capacity, resources and infrastructure
- Embedding a strong research culture for evidence-informed decision-making
- Developing robust systems and partnerships for cultural and knowledge exchange
- Creating a community-led research culture

HDRCs will be led primarily by local authorities and Sandwell MBC will be the accountable body for the project. The Council will deliver the agreed outputs in partnership with the University of Birmingham, Sandwell Council of Voluntary Organisations (SCVO) and Sandwell Consortium.

The total cost of delivering the HDRC project is £5.165m, with grant funding requested from the National Institute for Health & Research of £4.999m and match funding 'in kind' of £0.166m offered by delivery partner, University of Birmingham. There is no requirement for match funding from SMBC.

The project will require 12 new full-time staff, to be recruited by SMBC on fixed term contracts of up to 3.5 years, to support programme delivery and development of internal research infrastructure. Project costs also include contributions to existing SMBC and University of Birmingham staffing costs.

The project programme will be delivered over a 5-year period and will be completed by December 2028.

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Scope and objectives of financial appraisal

The purpose of financial appraisals is to consider the guidance provided by HM Treasury in evaluating business case proposals and assessing the potential risk to the Council in achieving its objectives. The following components and risks are assessed:

HM Treasury Green Book	Potential Risks
<u>Strategic Case</u> Objective, need, demand and reasonableness	Insufficient justification for project/will not meet strategic objectives
<u>Economic case</u> Option analysis and risk	Poor use of council resources & excessive risk to Council
<u>Commercial Case</u> Legal and statutory implications	Project may contravene legal/statutory regulations
<u>Financial Case</u> Affordability	Proposals are not affordable or realistic
<u>Management Case</u> Governance, project management, monitoring and evaluation	Non-delivery of project and outputs
Limitations to scope of appraisal	Information provided by Project Officer

LEVEL OF ASSURANCE GAINED FROM FINANCIAL APPRAISAL

Limited (0%-65%)	Satisfactory (66%-80%)	Substantial (81%-100%)
There is a high risk of objectives not being met due to insufficient assurance within the project proposals. There is limited evidence to confirm that the risks to the Council could be adequately mitigated.	There is adequate assurance that objectives could be met, but further actions are required to adequately mitigate the risk to the Council.	There is good assurance that objectives will be met, with little risk to council resources.

Overall Conclusion

The appraisal scored 66% and provides **satisfactory assurance** over the adequacy of the proposals.

Financial appraisals will identify the following levels of issues:

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Fundamental

Action is imperative to ensure that the objectives of the project are met

Significant

Action is required to avoid exposure to significant risks in achieving objectives

Merits Attention

Action is advised to enhance operational efficiency

Summary of key issues identified

- The financial appraisal has identified no 'fundamental' issues
- The financial appraisal has identified 4 'significant' issues
- The financial appraisal has identified 3 'merits attention' issues

2 Issues Arising

Action is required to avoid exposure to significant risks in achieving objectives
Significant

2.1 Commercial Case – Funding Agreements

As accountable body for the project, Sandwell MBC will take full, financial responsibility for delivery of the project and will be required to adhere to the funder's terms and conditions. The Council will enter into a funding agreement with the National Institute for Health & Research and will be responsible for the performance of all delivery partners. At the time of appraisal, no funding agreements or terms and conditions for delivery partners had been prepared.

Implication:

That the risk to the Council of clawback of funding is not transferred to delivery partners. This may have financial implications to Sandwell MBC should the project outputs not be delivered as agreed.

Recommended Action:

- That NIHR's terms and conditions of funding are passported to delivery partners in agreements with Sandwell MBC and include the following:
 - Procurement in accordance with Sandwell MBC's own procurement requirements
 - Maximum funding allocation for each delivery partner
 - Evidence required to support grant claims
 - Grant claims paid in arrears
 - Repayment of grant in the event of non-delivery of outputs
 - Monitoring requirements

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- Responsibility for funding overspends on delivery of the project

2.2 Financial Case – Costs & Contingency Plans

Whilst a basic breakdown of costs for the project has been provided, the reasonableness of some costs cannot be confirmed. Staffing costs have been calculated on 2022/23 pay scales and do not specifically allow for future pay awards. Whilst it is advised that there is an allowance within indirect costs for other staffing costs, without a detailed breakdown, it cannot be confirmed that there will be adequate funding for future pay awards, severance liabilities, recruitment and legal costs. It is also unclear, without a detailed breakdown, how reasonable the non-staffing costs are, and it is not possible to confirm that the funding will be sufficient to deliver the outputs as detailed in the application. Whilst it is acknowledged that there will be some flexibility in how the funding is spent to meet the agreed objectives, there is no specific contingency allowance and there is a risk that if changes to spending are required, this may impact on the quality of the work undertaken and consequently the outputs.

Implication:

There may be insufficient grant funding available to successfully deliver the project outcomes, which may have financial implications on Sandwell MBC as accountable body, if costs exceed available funding.

Recommended action:

- That all estimated costs are reviewed with delivery partners to ensure that the outputs of the project can be delivered within available funding.

2.3 Financial Case – Value for money

A breakdown of proposed grant funding allocations to third party organisations has been provided but no information was available to determine the level of outputs expected from partners.

Implication:

The lack of pre-determined levels of outputs, limits the potential for adequate evaluation of project delivery and cannot provide assurance that value for money will be provided by partners.

Recommended action:

- That agreed output levels are agreed with partners involved in the delivery of the project and monitored throughout the funding period.

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2.4 Financial Case – Eligible grant funding

The external funding application includes indirect costs for overheads of £0.601m. The funder's terms and conditions require transaction listings to prove expenditure. As there is limited detail within the application to confirm the exact nature of these costs, it is unclear whether they can be evidenced sufficiently to support defrayment of grant.

Implication:

That ineligible expenditure may be incurred on the project for which grant cannot be claimed and which may have financial implications for Sandwell MBC.

Recommended action:

That overhead costs are reviewed to ensure that defrayment can be evidenced in accordance with the funder's requirements.

Action is advised to enhance operational efficiency
Merits Attention

2.5 **Economic Case – Risks**

A corporate Risk Register has been provided but there was concern that not all risks to the project have been identified, including ineligible grant expenditure, increased costs and project delivery risks by partners.

Implication:

Risks may not be identified and therefore not adequately mitigated. This may impact on the delivery of outputs and result in financial implications to the Council.

Recommended action:

- That the Risk Register is reviewed to ensure all risks relating to the project are identified and adequately mitigated.

2.6 **Commercial Case – Financial accounting treatment**

Project proposals include capital costs for the purchase of ten laptops. Such expenditure is classified as capital and should be accounted for accordingly.

Implication:

That capital expenditure is not accounted for in accordance with accounting regulations.

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Recommended action:

- That capital equipment purchased for the project is notified to Strategic Finance at the end of the financial year and is included on the council's Asset Register and accounted for accordingly on the authority's Balance Sheet.

2.7 Financial Case – VAT/Tax implications

Whilst it is not envisaged that the project would have any negative VAT or tax implications for the Council, confirmation has not been received from the Council's Tax consultants.

Implication:

Negative VAT/tax implications may have financial implications for the Council.

Recommended action:

- That VAT/tax advice is received from the Council's tax consultants and adhered to accordingly.

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