

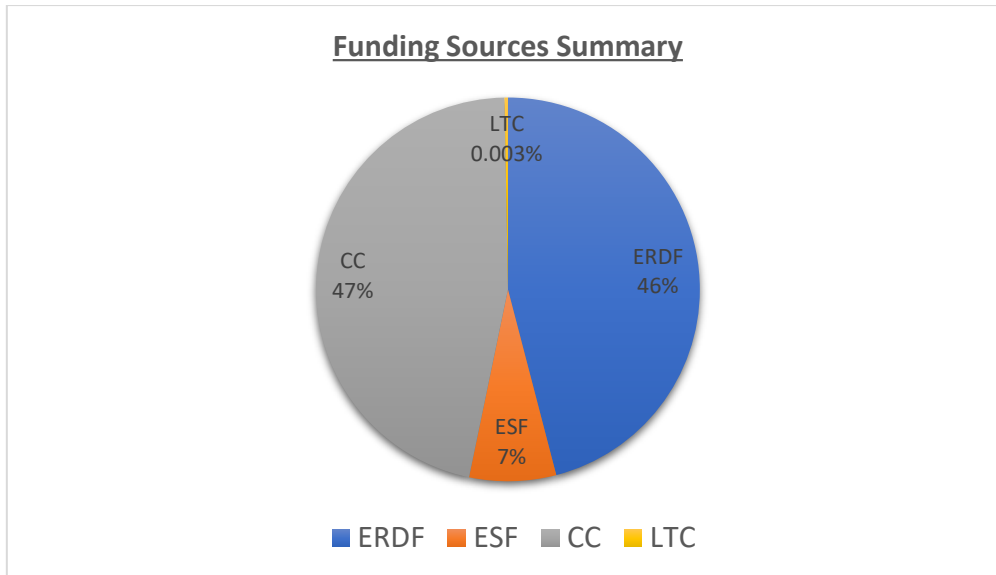
Cattle Market Makers Project – Financial Brief July 2021

In line with the structure of the funding the costs are initially broken down by European Regional Development Fund (ERDF) which covers the business support elements and European Social Fund (ESF) which covers work with people in deprivation, to improve their lives by learning new skills and accessing employment or finding better jobs.

This spreadsheet gives a summary of the costs of the project and funding sources.

Code	Element	Total Cost	Grant available CLLD	Match funding CC	Match funding LTC
<u>ERDF</u>					
<u>Capital</u>					
ERDF 1	Workspace	467,875	210,544		0
ERDF 2-4	IT & Office Furniture	32,166	14,474		
Capital Sub-totals		500,041	225,018	275,023	0
<u>Revenue</u>					
ERDF A1	Staff - LTC staff extra hours	1,442			
ERDF A8-9	Staff - new jobs created	51,375			
ERDF B	15% Overheads	7,923			
ERDF C	Service Delivery	14,768			
ERDF D	New start up establishment	16,265			
ERDF E	Marketing	13,736			
ERDF F	Business Support	14,440			
ERDF G	Evaluation	10,000			
Revenue sub-totals		129,949	93,563	35,386	1,000
ERDF Totals		£629,990	£318,581	£310,409	£1,000
<u>ESF</u>					
<u>Capital</u>					
ESF 1-4	Capital	1,507	1,206	301	
<u>Revenue</u>					
ESF A1	Staff - LTC staff extra hours	1,478			
ESF A8-9	Staff - new jobs created	30,776			
ESF B	15% Overheads	4,838			
ESF C	Training Delivery	16,260			
ESF E	Marketing	3,600			
ESF F	Participant Support expenses	4,900			
Revenue sub-totals		61,852	49,482	11,371	1,000
ESF Totals		£63,359	£50,688	£11,672	£1,000
PROJECT TOTALS		693,349	369,268	322,081	2,000

If required, a further breakdown of these costs can be found in sheets App2 ERDF Costs and App2 ESF Costs within the spreadsheet set in Appendix 2, together with a profile showing in which quarters the spend is expected to occur between 1 June 2021 and 31 January 2023. The codes shown here cross reference with the spreadsheets.



Grant Offer Letters

There are four separate grant offer letters which make up the funding package:

Grant Offer Letter	Amount	Legal Advice Requested	Legal Advice Supportive
ERDF dated 28/05/21	£318,581.50	✓	✓
Cornwall Council ERDF Match dated 15/07/21	£310,408.16	✓	✓
ESF dated 28/05/21	£50,687.25	✓	✓
Cornwall Council ESF Match dated 21/06/21	£11,671.81	✓	✓
Total	£691,348.72		
<i>Plus Liskeard Town Council contribution</i>	<i>£2,000</i>		
Project Total	£693,349		

The amounts in the shaded boxes correspond with the shaded boxes in the first spreadsheet.

Professional Specialist VAT Advice

We have engaged a specialist provider Buzzacott LLP to offer advice on the treatment of VAT within the various elements of the project, whether it can be reclaimed, and whether it will impact on the Town Council's VAT position for other activities.

All figures are inclusive of VAT, except the workspace purchase and installation, which is being delivered by Cornwall Council who can reclaim all VAT on this element. However, Buzzacotts have confirmed *'that the remaining VAT on the project which will be incurred by LTC is estimated to be c£14,000 over the ten-year period. As such it ought to be deductible either because it relates to non-business activity (provision of free advice) or because it relates to the exempt rent and training but will be "insignificant" under the rules in 4.3'*. They conclude that they do not think LTC will suffer irrecoverable VAT on the project.

In addition, Buzzacott have recommended some amendments to the Collaboration agreement with Cornwall Council, to make the Town Council's position clear, and Cornwall Council's legal team have agreed to the amendments.

Cashflow during the project

The Town Council will receive 90% of the Cornwall Council match funding (£289,873) at the start of the project, with the balance paid on completion. The Town Council will then need to pay for all the various elements of the project and claim the eligible grant amount of each from CLLD on a quarterly basis, against evidence of spend. This includes payment to Cornwall Council for delivery of the workspace, which is due in four instalments plus a retention. As the project progresses, it will be necessary to use the Town Council reserves to cover the project costs until they are reimbursed from CLLD. As at 31 March 2021 reserves totalled £463,017 of which £200,510 is allocated for specific projects – *see appendix 3 for balance sheet and draft statement of accounts from the annual return for more details.*

The worst position is expected in August 2022 when the Town Council will be covering approx. £100,000 of project costs before receipt of grant monies.

For more information, the monthly effect on cashflow is shown in App7 Cashflow from the spreadsheet set in Appendix 2, rows 120 – 122. However, the cumulative line 124 is based on a starting balance when the sheets were submitted, and also does not include all usual income and expenditure, so does not reflect the actual closing balance each month.

Professional State aid advice and future cashflow assumptions

The Town Council has obtained professional State Aid advice in conjunction with Cornwall Council, from DWF Law LLP, in relation to the workspace element of the project.

State aid law regulates the award of subsidies for ERDF projects. A "State aid" exists when State resources are utilised in a manner which provides an advantage to a particular undertaking (entities involved in the offer of economic activities on a market e.g. the construction and hire of workspace) where this may distort the market and affect the ability of other undertakings in other EU Member States to compete on a level playing field.

The summary State aid position for European Structural and Investment Funds (ESIF) purposes is that DWF Law LLP believe the Project is deliverable within State aid law and without the need for prior clearance from the European Commission.

Both the initial £225,000 ERDF grant and the £275,000 CC match funding are State aid. Since the project is entirely public funded, there is no room for operating profit.

There are several requirements under Article 56 General Block Exemption Regulation (GBER) most relevant to this project, but the key one is a reasonable projections model showing no operating profit. Calculations are usually supplied over 15 years but have been submitted over 10 years to reflect the temporary nature of this project. The requirement is that the forecast is reasonable at the date of the grant. There will undoubtedly be variances to budget moving forwards, but these need not be relevant as long as they are not so substantial as to reflect on the reasonableness of the forecast at inception.

The projections submitted show a loss over 10 years of £6,486 this includes allowances for insurance, utilities, legal fees, compliance and servicing, cleaning, caretaking and maintenance, consumables, and managements fees for staff time, in anticipation of all possible costs.

Costs of the project to the Town Council

In addition to the £2,000 match funding the Town Council will contribute to the project, it has also incurred the following costs:

Date	Description	Amount £
13/01/2021	Legal advice - Lease	1,500
14/01/2021	Legal advice - Collaboration Agreement	526
28/01/2021	Legal advice - Tenancy at Will	500
	Sub-total paid 2020/21	2,526
Approved	VAT specialist advice	1,700
Approved	State Aid advice	500
	Sub-Total	4,726
TBC	Legal advice on ERDF & ESF offer letters	unknown