

Report of the Corporate & Scrutiny Management Committee

Loans & Grants Scrutiny Review Final Report – Cover Report

Summary

1. This cover report presents the final report arising from the Loans & Grants Scrutiny review – see Appendix 1, and asks Cabinet to approve the recommendations arising from the review.

Background & Review Objectives

2. In January 2013 the Corporate & Scrutiny Management Committee considered a scrutiny topic submitted by Cllr Healey and Cllr Runciman on how loans/grants from City of York Council (CYC) to outside organisations were being monitored. The topic was submitted as a result of the collapse of the North Yorkshire Credit Union, for which the Committee were informed there was an ongoing investigation.
3. However, the Committee agreed the focus of the scrutiny review should be to look forward to provide guidance on best practice for monitoring future grants/loans provided by the Council, and set up a Task Group of the following Members to carry out the review on their behalf:
 - Cllr Chris Steward
 - Cllr Ruth Potter
 - Cllr Carol Runciman

Review Recommendations

4. In January 2014, the Corporate & Scrutiny Management Committee considered the Task Group's draft final report, and agreed to make the following recommendations to Cabinet:

- i. An agreed common approach to be put in place for coding all loans and grants on the Council's finance system to make them easily identifiable.
- ii. In regard to New Service Level Agreements (SLA):
 - a) Where those agreements make reference to other documents e.g. performance management information, those documents must be attached as an appendix to the agreement.
 - b) A template together with officer guidance notes to be introduced to support the process of producing an SLA, in line with that shown at Annexes B & C.
- iii. In regard to current SLAs, the new process detailed above to be implemented as part of a phased approach, as and when each SLA is reviewed.
- iv. All Loans and grants over 50k to be agreed by Cabinet
- v. All grants over £100k or those deemed to be of higher risk, to have a legally binding grant funding agreement (GFA) rather than an SLA.
- vi. The Council to make greater use of its website to share information on the loans and grants it provides, together with information on how to make loan/grant applications and details of those available to the voluntary sector.
- vii. Applications for loans should detail the applicants other attempts to find the appropriate funding
- viii. In regard to monitoring arrangement for loans – introduce a six monthly minimum requirement for reporting back on loans to a specified named officer or in the case of higher level loans, to the Cabinet.
- ix. In regard to defaulted loans:
 - a) A separate recovery route on the Council Finance system to be set up to enable the Corporate Finance Team to easily identify and actively monitor those loans.
 - b) Guidance to be given to ensure an improved understanding of the times allowed between each stage of the loan recovery process

Council Plan 2011-15

5. The review supports all of the priorities within the Council Plan as it ensures that the Council is effective in its financial monitoring of loans and grants, which in turn supports the work of external businesses, community groups, charities and other organisations.

Implications

6. **Finance** - The draft recommendations in this report will improve financial management and accountability for this area of expenditure.
7. In regard to Recommendation (iv), the Task Group originally recommended an approval level of £100k which Corporate Finance agreed would ensure consistency with the Council's existing financial regulations and prevent the need for additional processes to be put in place for monitoring and approval. However CSMC chose to lower the approval level to £50k as they understood there would be a minimal number of grants affected, and signed off the report on that basis.
8. Subsequently, having considered the implications associated with that change to recommendation (iv) Corporate Finance has provided the following additional financial implications information:

'If the lower level (50k) as set out in Recommendation (iv) is agreed, an additional administrative burden will be created that cannot be contained within existing resources - not as a result of the number of grants affected, but due to the need to create and maintain further processes within the finance system. Given the relatively small risks associated with maintaining approval at £100k, the additional work arising from reducing the level to £50k would seem disproportionate.'

9. **Legal** – In regard to recommendation (v) the introduction of a grant funding agreement (GFA) for grants over £100k, in place of a SLA would be beneficial to the Local Authority as it is a more robust legally binding and enforceable document – see template for GFA at Annex D. There are no legal implications associated with the remaining recommendations arising from this review. In regard to the provision of loans and grants in general, under section 1 Localism Act 2011, the Local Authority has the power to do anything that an individual may do (known as the general power of competency).

10. In regard to recommendation (vi), whilst providing details of grants given on the Council's website is acceptable, i.e. the amount and who it's for, it would not be appropriate to place the full associated SLA or GFA on the website as it may contain commercially sensitive, or confidential information. The acceptable alternative to this would be to publish a summary of the agreement online containing details of the recipient, the purpose and period of the grant, the main terms of the agreement, and the agreed monitoring arrangements.
11. There are no other implications associated with the draft recommendations arising from this review.

Risk Management

12. The risk to the Council of not effectively monitoring the allocation of loans and grants and their outcomes, could result in some not achieving the outcomes that were set when the grant or loan was agreed, and/or loan repayment terms not being met.

Options

13. Having considered the scrutiny final report attached, the Cabinet may choose
 - i. To approve the recommendations
 - ii. Not to approve some or all of the recommendations listed above.

Recommendation

14. Taking into consideration all of the information contained within the final report attached and its annexes, the Cabinet are recommended to:
 - i. Approve the recommendations arising from the review, as shown in paragraph 4 above.

Reason: To conclude the Scrutiny Review in line with CYC Scrutiny procedures and protocols

Contact Details

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Report Approved **Date** January 2014

Implications: Information was provided by the following Officers:

Legal – Glen McCusker

Finance – Debbie Mitchell

Wards Affected:

All

For further information please contact the author of the report

Background Papers: N/A

Appendices:

Appendix 1 –Final Report