

Loans & Grants Scrutiny Review Draft Final Report – Cover Report

Summary

1. This cover report presents the draft final report arising from the Loans & Grants Task Group scrutiny review – see Appendix 1, together with new information in regard to the appropriate use of Grant Funding Agreements. The Task Group are asked to agree any further changes required to the draft final report in light of this new information.

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 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. The Committee agreed to receive an update on the results of the investigation into the collapse of the North Yorkshire Credit Union, on its completion. However, they 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.
4. On that basis, the Committee agreed to proceed with the review and set up this Task Group to carry out the review on their behalf.
5. Work on the review commenced in March 2013 and the draft final report attached at Appendix 1 details the information gathered and the review conclusions.
6. In concluding their work on the review the Task Group have already identified a number of recommendations (shown at paragraph 54 of the draft final report attached).

7. Information on the implications associated with those draft recommendations was subsequently sought and the following advice was provided by the Corporate Finance Manager and Deputy Head of Legal Services respectively:

Finance

The draft recommendations in the report will improve financial management and accountability for this area of expenditure.

Legal

In regard to recommendation (v) the introduction of Grant Funding Agreement (GFA) for grants over £100k, in place of a Service Level Agreement (SLA) would be beneficial to the Local Authority as it is a more robust legally binding and enforceable document. 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).

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 associated SLA or GFA in full 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.

8. The legal advice raised a number of questions e.g. in what circumstance would it be more appropriate to use a GFA rather than an SLA, and what are the pros and cons of using a GFA rather than an SLA. The Task Group therefore requested this final meeting of the Task Group be convened to receive additional information ahead of the presentation of their draft final report to the Corporate & Scrutiny Management Committee.

Additional Information Provided

9. The Corporate Finance Manager has confirmed that an SLA is the approach the council would use for lower level funding or partnership working, and would choose only to create a Grant Funding Agreement for any grant over £100k – see example GFAs at Appendix 2.

10. If the Council needed to take an organisation to court for non delivery of something it had given them funding for, then a GFA would be a more water tight legal document than an SLA. However to use a GFA for every single grant would be excessive and it would be a significant strain on resources for both the Corporate Finance Team and the Legal Team.
11. Both implication officers will be in attendance at this meeting to answer any questions the Task Group may have in response to the information provided above.

Council Plan 2011-15

13. The recommendations arising from this review support 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.

Options

14. Having considered the scrutiny draft final report attached at Appendix 1 the information provided in paragraphs 7 – 11 above, and any additional information provided at this meeting, the Task Group may choose:
 - i. To revise their draft final report and arising recommendations (as shown at paragraph 54 of the draft Final Report);
 - ii. Not to revise the draft final report and/or draft recommendations previously identified

Recommendation

15. Taking into consideration all of the information contained within this cover report and the draft final report attached etc, the Task Group are recommended to:
 - i. Make any changes necessary to their draft final report and;
 - ii. Agree their draft recommendations

Reason: To enable the presentation of the review draft final report to the Corporate & Scrutiny Management Committee at its next meeting on 13 January 2014, and to conclude the review in line with CYC scrutiny procedures and protocols.

Contact Details

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Implications: Information was provided by the following Officers:

Legal – Glen McCusker
Finance – Debbie Mitchell

Wards Affected:

For further information please contact the author of the report

All

Background Papers:

See information contained within the final report attached

Appendices:

Appendix 1 – Final Report & Annexes

Appendix 2 – Grant Funding Agreement Template & Completed Example
(Example is Confidential)

Report Abbreviations:

Cllr – Councillor

CYC – City of York Council

SLA – Service Level Agreement

GFA – Grant Funding Agreement