

## REPORT TO PROCEDURES COMMITTEE – APRIL 20<sup>TH</sup>, 2018

### GRANTS, GRANT APPLICATIONS AND LOANS

#### 1 Recommendations

The Committee is recommended to:

- 1.1 Note the current position with grant funding from the council to external bodies, with grant applications by the council and loans to external bodies by the council.
- 1.2 Agree a financial threshold for approval of grants to external bodies.
- 1.3 Agree a financial threshold for acceptance of grants on behalf of the council.
- 1.4 Agree a financial threshold for approval of loans to external bodies.
- 1.5 Note that if the above recommendations are agreed then amended and additional powers will be required for Chief Officers and Committees and amendments will be required to the Financial Regulations.
- 1.6 Instruct the Acting Head of Legal and Governance to seek the required amendments to the Scheme of Governance in Part 2A (List of Committee Powers), Part 2B (List of Officer Powers) and Part 3 (Financial Regulations) in the report to Full Council on June 28, 2018 as part of the Review of the Scheme of Governance.

#### 2 Background / Discussion

- 2.1 In relation to all the proposals in this report, Services have been consulted via Governance Service Champions, as has the Governance Officer Transition and Implementation Taskforce (GOT IT Officer Group) and the Strategic Leadership Team. The officer recommendation is that financial thresholds are required to give clarity to the delegated powers and ensure that the issuing of grant funding, grant applications by the council and loans to external bodies are determined in an accountable and transparent manner.

##### **Grant Funding for External Bodies**

- 2.2 When the council awards grant funding to external bodies, Section 4.15 of the Financial Regulations provides the governance for awarding grants and Services also have set procedures to follow. It is within this financial regulation that there is the requirement to Follow the Public Pound Procedures. These Procedures were reviewed, amended and approved by

Policy & Resources Committee on November 17, 2016. The review followed a Scrutiny and Audit Committee workshop where the outcome included recommendations on the update and there were recommendations to update the Procedures from the following Internal Audit reports:

- 1543 – Education Purchasing and Creditors
- 1626 – Support for Small Businesses
- 1636 – Social Work Following the Public Pound

The Follow the Public Pound Procedures are in Appendix 2.

- 2.3 The grant funding governance procedures are not the same as procurement expenditure. This report is related to grants (by which the Council provides subsidies or funding to external bodies to further the aims of those external bodies) in the absence of provision otherwise, this currently includes payments under a Service Level Agreement and a Partnership Agreement.
- 2.4 The Part 2B, List of Officer Powers in the Scheme of Governance provides that the Chief Executive, Directors and Area Managers have the delegated power to award grants. Policy Committees also have the delegated power to award grants to voluntary organisations. Area Committees have the delegated power to award grants from the Area Committee Budget. There is no financial threshold that limits the amount of grant that can be awarded by the Chief Officer. The financial delegations table in the Scheme of Governance apply only to procurements of goods works and services.
- 2.5 The information from Services as to the type and level of grant funding is in Appendix 1.
- 2.6 Business Services Directorate do not award grants. The Health and Social Care Partnership grants are approved by the Integration Joint Board and then the Council are issued a direction. The Council implements this direction using officer delegated powers to the Chief Officer of the Integration Joint Board. Any amendments that are required to the Scheme of Governance must preserve this position.
- 2.7 The recommendation is that in accordance with the thresholds applied in the Following the Public Pound Procedures that a threshold of £100,000 or more being delegated to Committee and less than £100,000 being delegated to Chief Officers is added to the delegated powers.
- 2.8 The provisions of the Financial Regulations will also need to be amended and extended to cover the financial threshold; the definition of grants needs to be clarified and this includes adding payments under Service Level Agreements and Partnership Agreements. In addition, the effect of cumulative payments is required to be explored further along with how aggregation is applied to the amount that an outside body receives. This is proposed to be a three-year rolling period (the previous two years will be used to calculate the total amount of grant).
- 2.9 The amendments to the Scheme of Governance will include the addition of the threshold to the officer delegated powers. It is also recommended that Heads of Service are also included in the delegation. In practice the Heads of Service are responsible for dealing with grants as they are responsible for the budget. If Heads of Service are added to the officers that can authorise

grants, then the Scheme of Governance will be consistent in the delegations section and Financial Regulations.

- 2.10 Policy and Area committees will require a revised delegated power, as the current power is limited to grants to voluntary organisations. The delegation requires to be expanded, as grants are awarded to a variety of organisations and the threshold will require to be inserted.

### **Council Applications for Grants**

- 2.11 The Council applying for grant funding to fund projects in Areas and Services is a regular occurrence and is currently dealt with in Part 2B of the Scheme of Governance. The Chief Executive, Directors and Area Managers have the general delegated power to deal with applying for grants. There is no limit on the amount of grant that these Chief Officers can apply for. However, feedback from the GOT IT group and the Strategic Leadership Team has indicated that there is a requirement for greater clarity on how this is dealt with in terms of the Scheme of Governance and there is a preference for a financial threshold. A Chief Officer, when making an application for grants, at the point of accepting the grant, has to agree to terms, conditions and obligations. Therefore, there will be a risk element that has to be determined. It is this risk element along with the value that has led this request for the addition of a financial threshold.
- 2.12 The current position is that the Chief Officers are using delegated powers to apply for all grants and deal with the administration and allocation on receipt. The Chief Officers are required to consider the requirement for consultation and it is noted that Chief Officers have been choosing not to exercise their delegated powers when a matter is more complex or there is an element of risk in relation to conditions or performance of obligations.
- 2.13 It is proposed that further delegated powers are given to all Chief Officers to deal with the complete process of applying for grants from start to receipt, allocation and compliance with conditions but that a financial threshold is added to this power, meaning that committees will also need a delegated power to determine acceptance of grants and the conditions, over the financial threshold amount.
- 2.14 The proposed threshold is that Chief Officers deal with applications for grants and acceptance of the grant and conditions up to £500,000 and Committees are delegated the power to accept grants and the associated conditions of over £500,000.
- 2.15 As is required with any exercising of a delegated power, an officer is required to consider the limitations that are contained in the General Provisions of Part 2B (9-16) of the Scheme of Governance. A Chief Officer may decide that, in their professional judgement, an application for an amount less than the threshold needs to be determined by the appropriate committee. It is proposed that officer guidance is provided so that there is a consistent approach applied by all Chief Officers.

## **Loans to External Bodies**

- 2.16 Loans to External Bodies are contained in the Scheme of Governance in two places. The Head of Economic Development and Protective Services has a specific power to support businesses up to £20,000. This includes a loan. There is also a Home Loan scheme. The Head of Finance has a power to grant home loans following consultation with the Directors of Business Services and Infrastructure. The Support for Business related power will be required to be reviewed and amended accordingly.
- 2.17 To give transparency and clarity, it is recommended that the governance around loans is added to the Scheme of Governance in Parts 2A-List of Committee Powers and 2B-List of Officer Powers and the Part 3 - Financial Regulations. The recommendation is that Policy Committees are given delegated powers to determine loans of £100,000 or more and all Chief Officers are delegated powers to approve, following consultation with the Head of Finance and appropriate Director(s), loans of less than £100,000.
- 2.18 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

## **3. Scheme of Governance**

- 3.1 The Committee is able to consider this item as Full Council appointed the Procedures Committee on May 18th, 2017. The established remit of the Committee is to consider proposed changes to Aberdeenshire Council's Scheme of Governance and to make recommendations about required amendments.

## **4. Implications and Risk**

- 4.1 An equality impact assessment is not required because the recommendations in this report do not have a differential impact on any of the protected characteristics.
- 4.2 There are no staffing or financial implications.
- 4.3 The following Risks have been identified as relevant to this matter on a Strategic Level BSSR003 Future Governance. The Council needs to be assured that it has the best fit of decision making so as to make it an agile and efficient body and a governance structure that reflects and serves well the communities whose priorities it is here to deliver. The link is here to the page on the Council website which contains the Directorate Risk [Register](#).

**RITCHIE JOHNSON**  
**DIRECTOR OF BUSINESS SERVICES**

APPENDIX 1

INFRASTRUCTURE SERVICES

Grant	Value Range	Criteria	Frequency	Type of Recipients	Delegated Powers -
Support for Aberdeenshire Business Scheme Grants (SAB)	£1k - £25k	There are 5 criteria the main one being creating additionality for the Aberdeenshire economy.	Continuous application process with SAB Panels held every two weeks.	Aberdeenshire businesses that are expanding and exporting goods and/or services outwith the north east.	There is a limit of £20k for Head of Service. Above that then relevant Committee.
Support for Aberdeenshire Business Scheme (SAB) Loans	£5k - £25k	There are 5 criteria the main one being creating additionality for the Aberdeenshire economy. Loan can cover up to one third of an eligible project.	Continuous application process with SAB Panels held every two weeks.	Aberdeenshire businesses that are expanding and exporting goods and/or services outwith the north east. Not sole traders or partnerships of less than 4 persons.	Director

First Employee Grant	£1k	Businesses taking on their first employee.	Continuous.	Aberdeenshire businesses with no employees.	Director
Social Enterprise Support Fund	£1k - £10k	True social enterprise with asset lock, viable business, project not detrimental to other businesses.	Continuous.	Social enterprises with an asset lock and social aims.	Director
Rural Partnership Fund	£32,616 - £30,900	Rural partnerships in Aberdeenshire covering a Council Area and agreeing to sign off SLA and carry out community Dev. Work.	Annual, paid quarterly	Rural partnerships in Aberdeenshire covering a Council Area	ISC but delegated for next two years to Head of Service
Business Support Projects.	Usually £1k - £10k	Project meets with Economic Development Action	Continuous.	Usually community group, partner organisation,	Director

		Plan. Often covers community group activity or events.		sports organisation or internal project delivery body.	
Regeneration Grant					
Regeneration Grant	1k-10K Macduff Property Grants	Visual improvement to property	One -off	Property owners	Director
Regeneration Grant	2K – 100K Property Investment Fund	Re use of vacant properties	Continuous	Property owners	50k - 100K Area Committee Below 50K to Head of Service
Regeneration Grant	2K Retail Plus	Business support to retailers	One - off	Retail businesses	Director
Regeneration Grant	2K Enterprise Challenge Fund (Banff and Macduff)	Business collaboration	Continuous	Businesses within regeneration towns – usually retail	Director

Regeneration Grant	150K + 27K Fraserburgh Sports Trust	Regeneration Plan	One off	Fraserburgh Sports Trust	Area Committee
Regeneration Grant	£150K Fraserburgh Fitness Centre	Regeneration Plan	One off	Fraserburgh Fitness Centre	Area Committee
Regeneration Grant	Super Saturdays £62,627	Regeneration Plan	One-off	Fraserburgh Development Trust	Area Committee
Regeneration Grant	£49K participatory budgeting	As defined by Community Planning	One - off	Community groups in Peterhead	Director
Regeneration Grant	£50K Regeneration transfer to community planning for participatory budgeting	As defined by Community Planning	One - off	Community groups in Fraserburgh	Director
Regeneration Service Level Agreements (SLA)	£5- 50K	Delivers elements of regeneration plans	Continuous	Partnership organisations – such as Modo Circus with purpose	Director

**One off Grant awards**

Grant/SLA/ Partnership agreement	Value Range	Frequency	Type of Recipients	Delegated powers to –
Grant	£2,000	One off payment	Royal Northern Agricultural Society	Director
Grant	£800	One off payment	Glen Tanar Estate	Director
Grant	£400	One off payment	Ballater Farmers Market	Director
Grant	£5,000	One off payment	Conference Partners Ltd	Director
Grant	£7,800	One off payment	Royal Highland Show	Director
Grant	£3,500	One off payment	Scottish Sculpture Workshop	Director
Grant	£10,600	One off payment	ANM Group Ltd	Director
Grant	£400	One off payment	Ballogie Estate Enterprises	Director
Grant	£3,000	One off payment	University of Aberdeen	Director

Grant	£1,210.54	One off payment	Aberdeen BID Co Ltd T/A Aberdeen Inspired	Director
Grant	£500	One off payment	Lantra	Director
Grant	£3,384.66	One off payment	SAOS Ltd	Director

## HOUSING

Grant/SLA/ Partnership agreement	Value Range	Type of Recipients	Delegated powers to -
Annual grant to Local Tenant Groups	Up to £3500	Constituted groups and Registered Tenant Organisations	Director
Annual Grant to Local Tenant Voices	£200	Individuals – honoraria grant to assist with costs of being a voice.	Director

**EDUCATION & CHILDREN'S SERVICES**

Type of Funding	Detail	Annual Value for 2017/2018	Delegation Powers -
Grant	Children's Hospice Association Scotland (CHAS); Contribution for the Palliative and Hospice Care Services for Children and Young People.	30,022	Director
Grant	NHS - Medical care for children	25,000	Director
Partnership funding	Aberdeen City Council. Share of Child Protection Partnership (NESCPC)	30,000	Director
SLA -	Buchan Dial a Community Bus Volunteer Driver Service	30,000	Director
SLA	Museum of Scottish Lighthouses Key Partnership Funding -	90,000	Director
SLA-	Museum of Scottish Lighthouses Historic Environment Scotland Key Partnership Funding - Duff House	100,000	Director
Key Partner-Core Funding. Grants	Arts & Heritage Multiple grant awards	110,000	Director
Key Partner-Core Funding. Grants	Sports & Leisure Multiple grant awards	110,000	Director
Capacity Grants	Sports and Leisure Capacity Grants. Multiple grant awards	91,000	Director
Capacity Grants	Arts & Heritage Capacity Grants Multiple grant awards	91,000	Director

Partnership Agreement	Aberdeen FC Community Trust	20,000	Director
SLA with NHS	Speech and Language Therapy service provided by NHS Grampian.	345,823	ECSC
Grant / Partnership	Aberdeen Foyer - agreed by Education & Children's Services Committee on annual basis	82,000	ECSC
SLA	Aberdeen City Council / Other Local Authorities Agreement(s) for recharging of cross-authority ASN pupils receiving additional support	238,000	ECSC
Grant / SLA	Workers' Education Association	24,900	Director
Grant / SLA	Linking Education and Disability	24,000	Director
Grant	Payments to Community Groups	45,000	Director
Grant	University of Aberdeen Development Trust - gift agreement - Library and Special Collections centre - 10 instalments of £25,000 - £250,000 - 18/19 will be last payment	25,000	Director
SLA	NHS Provision of Speech & Language Therapists	234,000	Director
SLA	Homestart	281,219	Director
SLA	Capability Scotland	135,075	Director

SLA	Children 1st	64,873	Director
SLA	Scottish Childminding Association	72,023	Director
SLA	Early Years Scotland	92,978	Director
Grant	Payments to playgroups who are struggling to survive financially	23,000	Director
Grant	Start - up grants individuals starting up as childminders £500 and additional limit of £250 for installing interconnecting smoke alarms, which is a requirement for the Care Inspectorate.	750	Director
Grant	Payments to individual parent councils to promote parental involvement	70,000	Director
Grant	Payments of clothing grants to individuals through the benefits system	135,000	Business Services Committee



## **CODE OF PRACTICE – FOLLOWING THE PUBLIC POUND: ABERDEENSHIRE PROCEDURES**

### **1. Scope of the Procedure**

1.1 The 'Code of Guidance on Funding External Public Bodies and Following the Public Pound' which was published by the Convention of Scottish Local Authorities (COSLA) and the Accounts Commission in 1996 contains six key principles which should be considered when determining funding for arms length and external organisations (ALEOs). These are:

- Purpose – the council is clear about its reasons for transferring funds to the ALEO
- Financial regime – the council has a clear and robust financial regime in place
- Monitoring – the council has robust arrangements for monitoring its relationship with an ALEO
- Representation – the council is clear about the purpose of any officer or member representation on ALEOs, and representatives discharge their responsibilities with due regard to the objectives of the council
- Limitations – in entering into a substantial funding commitment with an ALEO, the council lays down a timetable for the achievement of its objectives
- Accountability – the council makes arrangements for suitable access by external audit

1.2 These procedures, in conjunction with the application process and any service agreement, set out how these principles will be applied in Aberdeenshire Council. These procedures do not apply to the Support for Aberdeenshire Business (SAB) scheme, which has its own procedures. Grant awards under £750 are exempt from these procedures.

1.3 The scope of this procedure is set out in Appendix A. This definition is not exhaustive, and any issues should be discussed with the Chief Accountant in the first instance.

1.4 The level of financial checks required will correlate with the funding given to each organisation, to minimise the risk to the Council and also to ensure that the requirements on small organisations are not too onerous.

- 1.5 In setting out the checks required, the following funding bands will be used:
- annual funding in excess of £100,000
  - annual funding between £10,000 and £100,000
  - annual funding less than £10,000
- 1.6 The council will identify for all organisations who receive such grants:
- the budget holder within the service
  - the accountant responsible
  - the budgeted contribution.
- 1.7 This information will be held in a central grants register. Services are responsible for updating the register. Grant applications should be entered in the register when they are received. A pro-forma for updating the register is attached at Appendix B.

## **2. Accounting Requirements Applicable to All Organisations**

- 2.1 In respect of registered companies, the funded organisation should submit to the Council, a copy of their accounts prepared and audited in accordance with the requirements of the Companies Act 2006.
- 2.2 In respect of small charities that are not charitable companies, the funded organisation should submit to the Council, a copy of their accounts prepared and audited in accordance with the Charities Accounts (Scotland) Regulations 2006.
- 2.3 In respect of charitable companies that are large companies, are over the audit threshold set out in the Companies Act 2006 and require to have an audit under that legislation as well as the Charities Accounts (Scotland) Regulations 2006, the funded organisation should submit to the Council a copy of their accounts prepared and audited in accordance with both the Charities Accounts (Scotland) Regulations 2006 and the Companies Act 2006.
- 2.4 In respect of voluntary organisations and community groups that are not Charities, or other incorporated bodies, the criteria set out in the Charities Accounts (Scotland) Regulations 2006 will be used to determine the accounting information that requires to be submitted to the Council. Where the Council funding to the organisation is less than £3,000 per annum, an independent examiner's report on the accounts is not required.
- 2.5 A typesigned copy of the final accounts is acceptable.
- 2.6 A summary of the accounting requirements of the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 is set out in Appendix C.

2.7 Where it is considered that the organisation seeking funding is carrying out an economic activity, the application should be referred to the European Unit who will carry out a State Aid risk assessment.

### **3. Where Annual Funding from the Council is Greater than £100,000 per annum**

#### **3.1 Information Required from the Funded Organisation by the Service Budget Holder**

3.1.1 The following list determines the minimum information requirements of Aberdeenshire council and the timescales in which these are required for existing providers.

- Detailed one year business plan and summary three year business plan provided at least one month before the commencement of Aberdeenshire's financial year for the project if part of a larger organisation or for the whole organisation. The business plan should include financial information;
- Where the memorandum and articles of association, constitution or trust deed has been amended, a copy of the amended document will be required; and
- An assurance on governance arrangements completed by the organisation (link to be inserted).

3.1.2 Where funding is given for new providers, in addition to the above information, a copy of the memorandum and articles of association, constitution or trust deed will also be required.

3.1.3 Performance information should be sought from the organisation covering:

- the aims and objectives of the organisation and how these have been met;
- whether the standards set by the Council have been met;
- how performance is measured against value for money indicators; and
- targets and future plans.

3.1.4 Copies of minutes of the board of directors or trustees' meetings should be sought.

#### **3.2 Financial Checks and Risk Assessment to be completed by Aberdeenshire Finance**

3.2.1 The following list details the financial checks and risk assessment that must be carried out by Aberdeenshire Finance and the timescales for completing these checks.

3.2.2 The Council will carry out the following check every three years:

- ensure the organisation has adequate rules in place to govern the way their finances are handled

3.2.3 A rolling programme will be determined to ensure that checks are carried out on approximately one third of the ALEOs each year.

3.2.4 The Council will carry out the following checks on an annual basis:

- check that the projections in the business plan for the project or organisation are realistic and achievable. This should be completed by checking projections with past performance and extrapolation of current trends
- check that enough cash exists to ensure the monthly cash flow projections can be financed
- ensure that the organisation has adequate insurance cover for public and employers' liability
- check that any other material sources of external funding are secure. This should be evidenced in writing.

3.2.5 When the above checks have been completed to the satisfaction of the accountant an annual risk assessment should be carried out on the project or organisation's business plan. The purpose of this is to ensure that the Council is not subject to undue financial or reputational risk.

3.2.6 The risk assessment which should be conducted is outlined in Appendix D.

3.2.7 Where a risk analysis is not deemed to be appropriate, the requirements of paragraph 2.2.6 can be waived with the agreement of the Chief Accountant.

#### **4. Where Annual Funding from the Council is between £10,000 and £100,000 per annum**

##### **4.1 Information Required from the Funded Organisation by the Service Budget Holder**

4.1.1 The following determines the minimum information requirements of Aberdeenshire council and the timescales in which these are required.

- a copy of the memorandum and articles of association, constitution or trust deed. The Council officer reviewing the information should ensure that this is the most up-to-date version of the document; and
- Details of expenditure requirements and income expected for the forthcoming year.

- 4.1.2 In addition, other appropriate information will be sought as good practice, for example:
- regular performance measures e.g. visitor numbers, waiting lists.
- 4.2 Financial Checks and Risk Assessment to be completed by Aberdeenshire Finance
- 4.2.1 The following details the financial checks and risk assessment that must be carried out by Aberdeenshire Finance and the timescales for completing these checks.
- 4.2.2 Steps 3 to 5 of the risk assessment should be conducted as outlined in Appendix D. There is no need to carry out steps 1 and 2 as financial risk is minimised through the payment framework set out in Section 5.
- 4.3 *Annual checks:*
- check that sufficient cash exists to ensure the viability of the organisation throughout the course of the financial year
  - check that any other material sources of funding are secure. This should be evidenced in writing.
- 5. Where Annual Funding from the Council is less than £10,000 per annum**
- 5.1 Financial Checks and Risk Assessment to be completed by Aberdeenshire Finance
- 5.1.1 Where Aberdeenshire Council's funding constitutes more than 50% of the organisation's funding, steps 3 to 5 of the risk assessment should be conducted as outlined in Appendix D. There is no need to carry out steps 1 and 2 as financial risk is minimised through the payment framework set out in Section 5. Where the Council funding is less than £3,000 per annum, no risk assessment is required.
- 6. Payments**
- 6.1 A schedule of payments will be agreed with the receiving organisation prior to the commencement of the financial year. The payments should be tailored to meet the cash flow projections, per the business plan. Payments in excess of £10,000 but less than £25,000 per annum should be made in no less than four instalments. Payments in excess of £25,000 should be made monthly in advance. This will minimise the Council's exposure in the event of the organisation encountering financial difficulties.
- 6.2 Prior to any payment being made to an organisation, checks must be made to ensure no sundry debts or business rates are owed by the organisation. If any such debts are due and are past the second stage in the recovery process (i.e. final notice), then this debt must be deducted from the next payment to the organisation.

6.3 Payments will only be made to the organisation if all financial checks have been completed to the satisfaction of Aberdeenshire Finance, and all information submitted as required by the organisation. In exceptional circumstances, where the level of funding is still under discussion, payment may continue at the same level as the previous year, as long as approval is given by the Chief Accountant, and a suitable deadline is put in place for resolution.

## **7. Service Agreement**

7.1 All organisations covered within the scope of this procedure must have a service agreement (SA) where the funding from the Council is substantial (generally greater than £10,000 per annum), or a letter setting out the conditions of the grant where a lower level of funding is given. The length and detail of any service agreement will vary depending upon the nature and size of the funding given. Where possible, the SA should be completed at least one month before the commencement of the financial year. The terms and conditions of all SAs and grant awards must be agreed by the Head of Legal and Governance.

7.2 This agreement will include non-financial targets and information, but as a minimum the following must be included.

- Detailed schedule of deficit funding from the Council, specifying when each payment will be made.
- The requirement for information to be submitted to the Council as per the above procedures and a clear statement that should this not be received, no additional payment will be made to the organisation concerned.
- Ability of the Council to deduct any debts due to the council prior to making any further payments
- Access by Council officials and external auditors to the accounting records of the organisation.
- Procedures for cancelling the service agreement.

## APPENDIX A SCOPE OF THE POLICY<sup>1</sup>

This policy applies to organisations which are legally separate from the Council to which either financial or non-financial support is given. This will include charities, companies, and voluntary/community bodies. They will have their own governing documents which specify their organisational/legal status and the rules under which they operate. In the case of companies this will consist of a memorandum and articles of association. In the case of unincorporated voluntary organisations, this should be a constitution.

There is a growing trend for councils to move away from grant funding of Arms Length External Organisations towards commercial contracts for the procurement of services. However, this policy covers the Council's financial involvement which is outwith the terms of a normal commercial contract and does not involve a straightforward payment for services. The table below, taken from a recent Scottish Executive publication, gives a quick guide to the main differences between commercial contracts, Service Level Agreements (SLAs) and grants:

	Procurement contract	Service level agreement	Grant
Intention	Contract	Quasi-grant	Grant aid
Opportunity/ purpose	Purchase of service	Development of service	Grant funding of service
Primary method	Tender	Negotiation	Application
Relationship	Contractual	Service level agreement	Monitoring

*Source: Tendering for Public Sector Contracts, Scottish Executive, June 2004 – page 14.*

Many types of arrangements exist and the table<sup>2</sup> below, defining what is included, will not be exhaustive. If you are in doubt, please discuss the issue with the Chief Accountant in the first instance.

<sup>1</sup> Adapted from the guidance notes of Audit Scotland, Following the Public Pound Follow-Up Study, January 2004

<sup>2</sup> [Guide to} Company formation, brochure GBF1, Companies House, September 2003, [www.companieshouse.gov.uk/about/pdf/gbf1.pdf](http://www.companieshouse.gov.uk/about/pdf/gbf1.pdf)

	Types of funding arrangement	Types of ALEO
I N C L U D E	<p><b>1. Grant</b> – a payment based on an application for funding, usually subject to conditions. <b>But</b> exclude grants to an individuals, eg housing improvement grants.</p> <p><b>2. Service level agreement</b> – to provide a certain minimum level of service.</p> <p><b>3. Deficit funding agreement</b> – may be set up where there is a charge for services provided by an organisation but this is set below a commercial rate at the request of the council, to encourage take up of services, eg sports and leisure facilities or cultural activities.</p> <p><b>4. Loan agreement</b> – loan agreements should be included where these are on other than normal commercial terms, eg where the council makes a loan to an ALEO at a preferential rate or there is a flexible repayment period.</p> <p><b>5. Loan guarantee</b> – the council acts as a guarantor against a loan to an ALEO by another organisation, eg the Public Works Loan Board or a commercial lender.</p> <p><b>6. Joint funding agreement</b> – eg with other public sector bodies or with the private sector, where this leads to joint funding of a discrete financial/organisational vehicle. <b>But</b> council funding which forms part of a 'mainstream' joint funding arrangement with organisations such as NHS Trusts or with other councils for the support of Joint Boards (eg for Police, Fire, Bridge, the Assessor) should <b>be excluded</b>. If the council simply earmarks funds in its budget but pays for goods and services directly, these funds should also be <b>excluded</b>.</p> <p><b>7. Match funding</b> – the council provides funding to an ALEO to supplement its funding from another source (eg the EU or the Scottish Executive). The amount of funding provided <b>by the council</b> should be <b>included</b> but not contributions by other bodies.</p> <p>Discretionary rating relief</p> <p><b>8. Other</b> arrangements not excluded below.</p>	<p><b>1. Charity</b> – to be a Scottish Charity, an organisation must apply to the Office of the Scottish Charity Regulator (OSCR) for recognition. If its application is accepted, the organisation becomes a 'recognised body' and is entitled to call itself a Scottish charity. It is given a unique number with a prefix of SC, is listed on the index of Scottish charities, and becomes regulated by the Office of the Scottish Charities Regulator. English and Welsh Charities require to be registered with the Charities Commission. The charity number should appear on all its official documents. Please include any charity funded by the council irrespective of the geography of its operation, eg whether it operates across the UK, Scotland, on a regional level, a council-wide level, or in a locality within the bounds of the council. <b>Please include all charities whether they are incorporated (ie a company) or unincorporated.</b></p> <p><b>2. Company</b> – <b>Please include only those companies that are not charities (ie include charities that are companies under '1. Charities'</b>. Companies must be registered with Companies House and have a companies' registration number. They are likely to include the word 'Limited' in their name. The registration number should appear on all the documents of the company. There are four main types of company:</p> <p>Private company limited by shares – members' liability is limited to the amount unpaid on shares they hold.</p> <p>Private company limited by guarantee – members' liability is limited to the amount they have agreed to contribute to the company's assets if it is wound up.</p> <p>Private unlimited company – there is no limit to the members' liability.</p> <p>Public limited company (PLC) – the company's shares may be offered for sale to the general public and members' liability is limited to the amount unpaid on shares held by them.</p> <p>Companies may be set up on a commercial or charitable/not for profit basis. Include holding companies, operating companies, and companies wholly- or part-owned by the council.</p> <p><b>3. Voluntary organisations and community groups that are not charities or companies</b></p> <p><b>4. Other unincorporated bodies and bodies not excluded below.</b></p>

<p><b>E X C L U D E</b></p>	<p><b>1. Commercial contract</b> – to purchase goods and services, eg payments to independent sector providers for residential home places, and spot purchase arrangements.</p> <p><b>2.</b> Situations where the council simply <b>administers</b> funds under the control of another agency or acts as a banker, (eg Social Inclusion Partnerships).</p> <p><b>3. PFI contract</b> – typically involves contracting with the private sector to finance, build, extend/refurbish facilities and manage them for an extended period.</p>	<p><b>1. Trades unions, COSLA, Social Inclusion Partnerships, Pension schemes, Educational endowments</b></p> <p><b>2. Common good funds</b> or other trusts where all members of the governing body are councillors</p> <p><b>3. Funding to other statutory bodies</b> as part of the council's core business, eg: Police authority/Fire authority, Joint bridge authority</p>
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## APPENDIX B

### GRANT APPLICATION INPUT FORM

Name of Applicant
Address of Applicant
Type of Award
Financial Year
Total Amount of Award
Payment to Date
Name of Council Project
Activity Being Funded
Frequency of Activity Reports
Council Contact Name
Council Contact Service
Council Contact Phone Number
Documentation Held
Administration Area
Has a State Aid assessment been carried out?
Has the funding been identified as State Aid?
If the funding is State Aid, under which scheme/derogation has it been awarded?
Comments

The grant application form can be accessed through the following link:

[https://docs.google.com/forms/d/e/1FAIpQLSdPca9eJopu\\_TSQkDqDcNtIhrXAskzXbKpNsu-33SpKcBmlrw/viewform?formkey=dG1pM0gtNXVpOFp2Ym4zZFg0eHgyX1E6MQ&ifq&theme=0AX42CRMsmRFbUy1INjA2ZGVkNy0yYjViLTRiNzQtYWZhYy0yNjI0OGQ0NTIhODE](https://docs.google.com/forms/d/e/1FAIpQLSdPca9eJopu_TSQkDqDcNtIhrXAskzXbKpNsu-33SpKcBmlrw/viewform?formkey=dG1pM0gtNXVpOFp2Ym4zZFg0eHgyX1E6MQ&ifq&theme=0AX42CRMsmRFbUy1INjA2ZGVkNy0yYjViLTRiNzQtYWZhYy0yNjI0OGQ0NTIhODE)

## **APPENDIX C**

### **ACCOUNTING REQUIREMENTS**

#### **1) Requirements of the Companies Act 2006**

The Companies Act 2006 applies to all registered companies and all registered charities where that charity is also registered as a company. The latter are also known as charitable companies.

All companies, with the exception of dormant companies and certain small companies, require to prepare accounts in a specified format and require to have their accounts audited. For financial periods beginning on or after 1 April 2008 there are no longer special rules regarding audit exemption for charitable companies. They can qualify for audit exemption in the same way as any other company.

To qualify for audit exemption as a small company, the company must:

- qualify as small
- have a turnover of not more than £6.5 million; and
- have a balance sheet total of not more than £3.26 million.

To qualify as small, the company must meet at least two of the following conditions:

- annual turnover must be £6.5 million or less
- the balance sheet total must be £3.26 million or less
- the average number of employees must be 50 or fewer.

Companies which are classed as medium-sized are entitled to prepare abbreviated accounts. To qualify for abbreviated accounts as a medium-sized company, at least two of the following conditions must be met:

- annual turnover must be £25.9 million or less
- the balance sheet total must be £12.9 million or less
- the average number of employees must be 250 or fewer

Unless you are filing your company's first accounts the time normally allowed for delivering accounts to Companies House is:

For a private company, 9 months from the financial year end;  
For a public company, 6 months from the financial year end.

## **2) Charities that Are Not Companies**

### **The Charities Accounts (Scotland) Regulations 2006**

For financial years beginning on or after 1 April 2008, small charitable companies are required to prepare their accounts in accordance with the Charities Accounts (Scotland) Regulations 2006. Only where a charitable company is a large company and over the threshold set out in the Companies Act 2006, would it be required to have an audit under that legislation as well as the 2006 Accounts Regulations.

#### **Scope of the Regulations**

The Charities Accounts (Scotland) Regulations 2006 apply to all charities (including those governed by other statutes) with a financial year starting on or after 1 April 2006.

A charity's income or asset values for a financial year will determine the type of accounts prepared or external scrutiny that should be carried out. If a charity breaches a threshold in either direction then the new income or asset levels apply for that year.

#### **Accounting Thresholds**

##### **Accrued Accounts**

Charities with an annual income of £250,000 or more and charitable companies must prepare fully accrued accounts.

Other Charities with incomes under £250,000 must also prepare fully accrued accounts if their constitution or any enactment so states, or if the charity trustees have decided they should.

Fully accrued accounts have to be prepared using either:

- (i) the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller Entities (the FRSSE)
- (ii) the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);

## **Independent Examination**

Charities that have an income of over £500,000 or have gross assets greater than £3.26 million or have an income less than £500,000 but their constitution, any enactment or their trustees decide they should, must have a full audit by a qualified auditor or the Auditor General for Scotland.

Charities with incomes below £500,000 can have an independent examination.

For charities with an income of between £250,000 and £499,999 or with an income of less than £250,000 and which produce fully accrued accounts, the independent examination must be carried out by one of the following:

a) A member of one of the following professional bodies:

- The Institute of Chartered Accountants in England and Wales
- The Institute of Chartered Accountants in Scotland
- The Institute of Chartered Accountants in Ireland
- The Association of Chartered Certified Accountants
- The Association of Accounting Technicians
- The Association of International Accountants
- The Chartered Institute of Management Accountants
- The Institute of Chartered Secretaries and Administrators
- The Chartered Institute of Public Finance and Accountancy
- A full member of the Association of Charity Independent Examiners
- The Auditor General for Scotland
- A person appointed by the Accounts Commission for Scotland

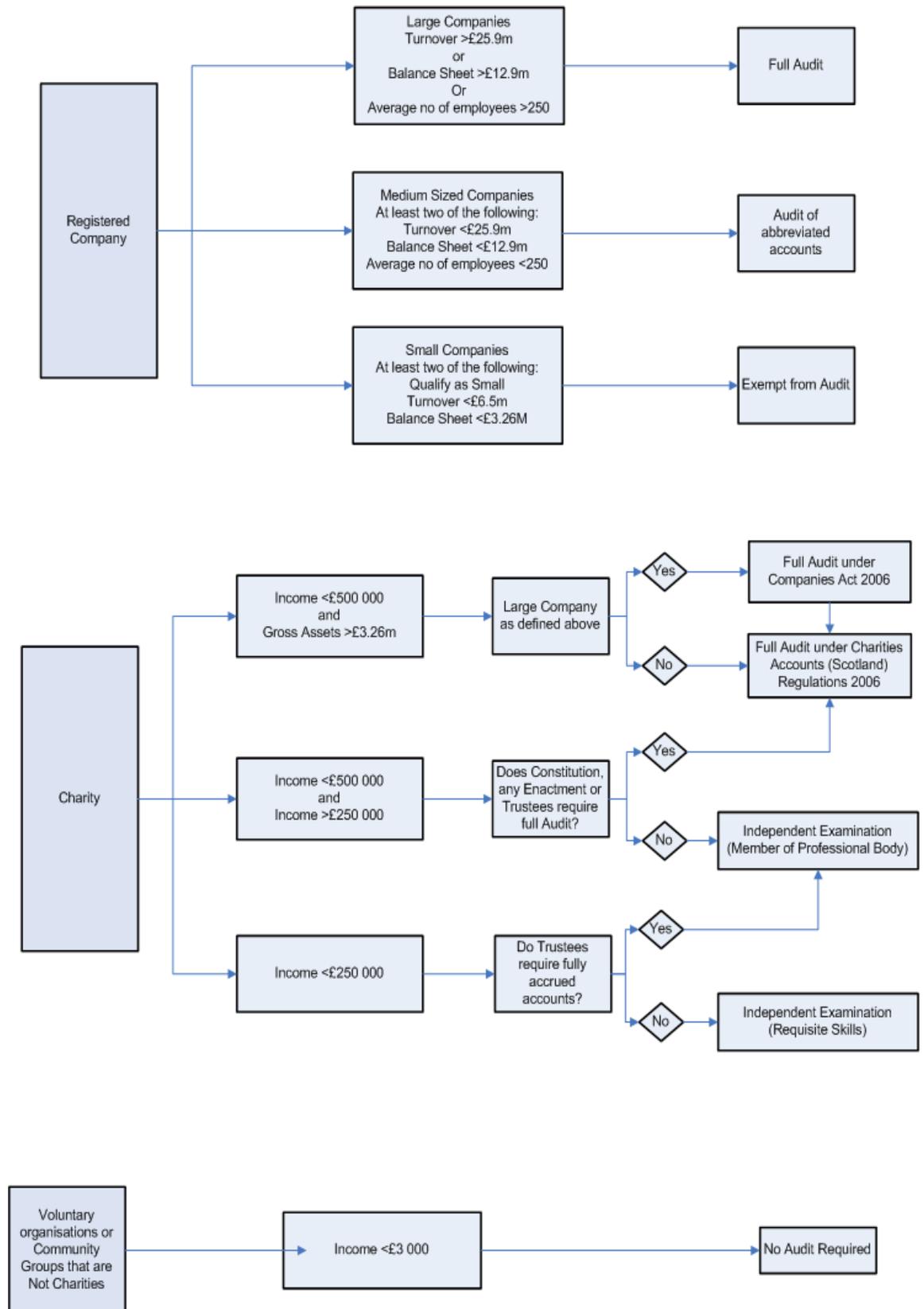
b) For charities with an income below £250,000 that do not produce fully accrued accounts the independent examiner must be someone the charity trustees believe to have the requisite skills and experience to carry out a competent examination of the accounts.

## **Submission of Accounts to the Office of the Scottish Charity Regulator (OSCR)**

Charities must submit to OSCR a copy of their annual statement of account within 9 months of their financial year end.

The audit requirements are summarised in the flow chart on the next page.

Flow Chart of Audit Requirements  
for  
accounting periods beginning on or after 1 April 2011



Created 15/05/12

## APPENDIX D

### EXAMPLE RISK ANALYSIS

#### Step 1

Determine the impact of an increase of 5% in the project or organisation's running costs. The project or organisation should have the ability to meet an increase as above within its available financial resources.

Is the business plan still achievable? \_\_\_\_\_

*Example of a simple risk analysis which should be completed by the accountant.*

#### ABC Ltd Business Plan:

##### Income

Government grants	5,000	
Visitor income	150,000	
Sales	45,000	
Other Income (donations)	<u>3,000</u>	
		203,000

##### Expenditure

Salaries & wages	200,000	
Cost of sales	20,000	
Depreciation	3,000	
Running costs	85,000	
Miscellaneous	<u>2,000</u>	
		310,000

Net Operating Loss 107,000

**Deficit funding provided 107,000**

##### Balance Sheet

Fixed assets	100,000	
Stocks	3,000	
Debtors	13,000	
Cash	8,000	
Less: Creditors	<u>(5,000)</u>	
		<u>119,000</u>

##### Financed by

Capital Grants		<u>119,000</u>
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<u>Income</u>		
Government grants	5,000	
Visitor income	150,000	
Sales	45,000	
Other	<u>3,000</u>	
		203,000
<u>Expenditure</u>		
Salaries & wages	210,000	
Cost of sales	21,000	
Depreciation	3,000	
Running costs	89,250	
Miscellaneous	<u>2,100</u>	
		325,350
Operating loss		<u>122,350</u>
Deficit funding		107,000
Shortfall		15,350
Net current assets (ex-stock)		16,000
Cash available		650

## **Step 2**

Note – this step is not required if the Council is providing 100% funding for the project or organisation.

Determine the impact of a 10% reduction on the project or organisation's variable income. The organisation should have the ability to meet the decrease as above within its available financial resources

Is the business plan still achievable? \_\_\_\_\_

*Example of a simple risk analysis which should be completed by the accountant.*

<u>Income</u>		
Government Grants	5,000	
Visitor Income	135,000	
Sales	40,500	
Other	<u>2,700</u>	
		183,200
<u>Expenditure</u>		
Salaries & Wages	200,000	
Cost of sales	18,000	
Depreciation	3,000	
Running costs	85,000	
Miscellaneous	<u>1,800</u>	
		307,800
Operating loss		<u>124,600</u>

Deficit funding	107,000
Shortfall	17,600
Net current assets (ex-stock)	16,000
Cash shortfall	<u>1,600</u>

**Step 3**

Determine through a review of past performance, future predictions and any internal or external changes which the project or organisation is likely to face, whether there is a risk that non-financial targets will not be met.

Assessment

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**Step 4**

Consider whether there is a risk of damage to the Council's reputation through association with an external organisation if financial or service delivery problems emerge.

Assessment

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**Step 5**

Through consideration of the above determine whether the Council is exposed to a greater than normal business risk. Where this is the case the results of the risk analysis should be communicated to the chief accountant, the budget holder and, where applicable representatives of the organisation. Where necessary officers should require revision to the project or organisation's business plan and ensure that there are clear exit strategies in place for the Council should problems arise.

Assessment

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