

**PROCESS FOR ASSESSING FOUR FUNDING REQUESTS RECEIVED AS PART OF
THE 2015/16 REVENUE BUDGET REPORT**

1. SUMMARY

- 1.1 This report addresses the process for handling funding requests outwith area committee grant schemes. Four funding requests have been received, referred to in the 2015/16 budget report, from Kilmartin House Museum, Auchindrain Museum, Dunoon Boxing Club and Kintyre Way. The budget motion agreed by Council, February 2015, in respect of these matters is in the following terms :-

“To note that funding requests have been received from Kilmartin House Museum, Auchindrain Museum, Dunoon Boxing Club and Kintyre Way and that it is proposed to carry out a detailed assessment of each of these requests in relation to impact, financial deliverability, sustainability of proposals, financial capability of the promoters, governance issues and the risks/ deliverability of the proposals. Reports will be brought forward once all of the information necessary to complete such an analysis is available. This will allow members to consider these proposals in the context of the Single Outcome Agreement, the financial commitment required and risk of deliverability.”

- 1.2 The Council Audit Committee at its meeting in September 2014 noted that the Council would be reviewing its procedures for dealing with external funding requests to ensure that there was proper scrutiny of any such request and that any decisions taken thereon would have all necessary information on which to make a decision. That process should ensure that such requests are not considered in isolation to other service delivery issues and cost pressures and should recognise the need to adopt the principles of best value. A process for considering external funding requests which fall outwith the area committee grant schemes is proposed below.
- 1.3 The budgetary outlook reported to Policy and Resources on 18th December 2014 forecast a funding gap from 2016/17 to 2020/21 of £28.1m to £37.5m (based on the narrower range of scenarios). This report confirms that there is no budget for these applications. There will be a need to prioritise service capital and/or revenue spending plans as any approvals would otherwise add to the existing funding gap. Use of reserves for any one-off funding request would reduce the effective level of support for strategic priorities including the flexibility to manage reductions in budgets in a planned way. Members may therefore wish to prioritise any new proposals, requiring alternative savings to be identified to avoid any net increase in the funding gap.

2. RECOMMENDATIONS

It is recommended that the Policy and Resources Committee agree:

- 2.1 The proposed process for assessing ad hoc funding requests as set out below.
- 2.2 That should any of these funding requests be agreed following assessment that the Committee identify how the cost can be contained within available resources to avoid adding to the existing funding gap.

3. DETAIL

- 3.1 This report sets out proposals to formalise the process for dealing with four funding requests included within the 2015-16 budget report. It would be applicable to any such requests, apart from area committee grant schemes for which existing processes are in place. The Council Audit Committee at its meeting in September 2014 noted that the Council would be reviewing its procedures for dealing with external funding requests to ensure that there was proper scrutiny of any such request and that any decisions taken thereon would have all necessary information on which to make a decision. That process should ensure that such requests are not considered in isolation to other service delivery issues and cost pressures and should recognise the need to adopt the principles of best value. In formalising the process it must be borne in mind there is no recurring budget for this type of support so any requests approved requires decisions on how costs can be contained within existing resources.
- 3.2 The budgetary outlook reported to Policy and Resources on 18th December 2014 forecast a funding gap from 2016/17 to 2020/21 of £28.1m to £37.5m (based on the narrower range of scenarios). There is a risk that formalising this process may be seen as an open invitation for organisations to make funding requests, when in fact the process should bring a clearer, more disciplined approach to assessing ad hoc requests against the wider financial challenges facing the Council. The Council has clearly identified the funding pressures it faces in future years and it should be noted that no budget provision exists to support these or any future funding requests from external bodies. Currently there is no separate budget for these applications and each one approved becomes a budget pressure. Consequently, should any of these funding requests be agreed following assessment the Committee should identify how the cost can be contained within existing resources to avoid adding to the existing funding gap.
- 3.3 A standard application / assessment form should be developed that the four organisations would need to complete. The application should have with it sufficient information (e.g. business case, projections etc etc) to allow the Council to come to a view on whether the particular proposal was one which the Council should support. It may not always be possible to get all the required information with a proposal at first ask, but we should be trying to get as much as possible first time around and then pursue further detail as necessary.

- 3.4 All applications must go through the same assessment process subject to a 4 stage review as part of the formal process.
- Policy
 - Governance
 - Financial
 - Delivery & Risk
- 3.5 The policy review would be to analyse and assess the impact of the project on the Council / SOA objectives and priorities. This could cover social, cultural and economic aspects so is likely to be a qualitative assessment. This would also include where the project benefits will arise.
- 3.6 The governance review would consider any issues around the constitution and powers of the applicant, and any procurement or legal issues.
- 3.7 The financial review would consider the cost and funding of the proposals. This would cover project / one off cost and also ongoing operational cost and potentially both. Clarity would be sought on reliability of costs and security of funding / income and would include an assessment of its reasonableness of assumptions. This would require to be supported by project budgets or forecast profits and loss accounts and forecast cash flow statements.
- 3.8 A second element of the financial review would focus on the financial capacity / capability of the organisation rather than the specific proposals. This would consider review of:
- Annual accounts
 - Auditors reports
 - Management accounts for current year
 - Budget projections
 - Bank account position
- 3.9 The deliverability and risk assessment would examine any issues around the deliverability of the proposal and the risks associated with it. This would include assessing the experience of the individual promoting and managing the project and the role of any partners / contractors or external advisors. It would also consider the information / assumptions in any business plans or business cases and the reasonableness including the extent of any backup research undertaken by the proposers. Finally consideration would be given to any risks identified by the proposers and their risk mitigation / management strategy.
- 3.10 The policy review would be carried out by the lead service, the governance review by Customer Services, the finance review by Strategic Finance and all three would participate in the delivery of risk review.
- 3.11 A report would be drafted to capture the outcome of the assessment. A checklist and aide memoire on the information required to support this is attached at Appendix 2. The overall assessment and report would be narrative and qualitative rather than a set of weighted scores. The report would set out qualitative information but would not make a clear recommendation.

- 3.12 The assessment report would then be considered by the relevant head of service, scrutinised by SMT and submitted to Policy & Resource Committee for consideration. The final report would also consider any conditions attached to the release of the funding.
- 3.13 It should be noted that the Council may be asked to provide grant funding that will be matched against other external funding packages. Some of those external grants are dealt with on a staged basis. It may therefore be necessary for the Council to assess requests in a way that reflects that staged approach. In these circumstances in principle approval of a request may be given subject to conditions, including assessment in line with the process proposed within this report.
- 3.14 Successful applications will be subject to a final Post award evaluation exercise which will require protocols to be developed by the lead service subject to the nature / type of award. These protocols should refer to desired policy outcomes and /or objectives and offer commentary as to impact and or achievement.
- 3.15 Appendix 1 sets out a proposed process.

4. CONCLUSION

- 4.1 This report sets out a number of issues for the Council to consider in formalising the process for considering external funding requests that fall outwith the area committee grant schemes. No budgetary provision exists. Should funding requests be agreed following assessment then the Committee should consider how the cost can be contained within existing resources to avoid adding to the existing funding gap.

5. IMPLICATIONS

- 5.1 Policy - Formalise approach to external funding requests.
- 5.2 Legal – None.
- 5.3 Human Resources – None.
- 5.4 Financial – No budget provision exists to support applications. Should a proposal be agreed following assessment, the Committee should identify how the cost can be contained within available resources to avoid adding to the existing funding gap.
- 5.5 Equal Opportunities – None.
- 5.6 Risk – A formalised process would help manage risks on a more structured basis.
- 5.7 Customer Service - A formalised process would improve the handling of these requests with applicants.

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Process for External Funding Request

1. Organisation contacts Council with a request.
2. The request is passed to the co-ordinator of the process, nominated by SMT.
3. Co-ordinator ensures lead service undertakes initial sift to determine consistency of application with the SOA and council priorities. Initial report prepared by lead service to determine officer /member views and ascertain support to carry out a detailed assessment on requests above £25,000. Requests below £25,000 may be subject to a lighter touch review.
4. Co-ordinator issues the organisation with an application form and checklist.
5. Organisation completes application form, checklist and submits these with relevant documents (annual accounts, bank statement, business plan, budgets, minutes of meetings, consultation, tender reports). This is submitted to the co-ordinator.
6. Co-ordinator reviews submitted documentation and checks to ensure all required documents appear to be included and application form fully completed. Any missing information requested from organisation.
7. Co-ordinator identifies lead service to support assessment of application in addition to Governance and Strategic Finance and circulates application and document to them.
8. Lead service, Governance and Law and Strategic Finance complete the assessment based on Appendix 2. The assessment will be qualitative in nature rather than a set scoring system. The assessment will clearly set out any “showstoppers” and conditions that are required.
9. Meeting between co-ordinator, lead service, Governance and Law and Strategic Finance to agree overall assessment and report for SMT / Councillors. This would include any conditions. Report prepared by lead service.
10. Report reviewed by Head of Service, the Executive Director and cleared through SMT.
11. SMT submit report into the political process reporting through Policy Leads and Policy and Resource Committee for a decision. This could include (1) reject the application (2) recommend award of a grant and the proposed basis of funding that decision (3) refer the matter to Community Services, EDI or Area Committees for review (4) hold the request for consideration as part of the February annual budget decision.
12. Once a decision is made Applicant advised accordingly by lead service. Where successful this would include any conditions for release of grant.
13. If no conditions set then lead service request release of funding.
14. Organisation submits information to evidence conditions met for release of funds. Co-ordinator passes this to lead service to review the information provided and submit to those delegated to release monies.

15. Successful applications will be subject to a Post award evaluation exercise by the lead service. This will require protocols to be developed by the lead service subject to the nature / type of award. These protocols should refer to desired policy outcomes and /or objectives and offer commentary as to impact and or/ achievement.

STANDARD CHECKLIST OF ITEMS TO BE ASSESSED / REVIEWED

<p><u>Policy Review</u></p> <p>What will impact be? How much / many? What locations? How does it relate to SOA and Council priorities? Does it conflict with current and other projects? Does it support other projects/initiatives? Can we do a SWOT analysis? What is economic impact? How many jobs created?</p>	<p><u>Governance Review</u></p> <p>What is legal status of applicant? Is this confirmed? Can it do this – does it have powers? Have the board / org agreed? Is it duly registered if required e.g. OSCR? Any related company / organisation?</p>
<p><u>Financial Review</u></p> <p>Proposal: Costings provided? Have costings been verified? Is funding in place? Any ongoing costs – is there an operating business plan? Profit and loss forecasts, cash flow forecasts and income and expenditure assumptions clear / supported?</p> <p>Proposer: Copy of annual accounts Copy of 3 month bank statement Copy of current year financial reports / management accounts Copy of auditors report Copy of budget proposals</p>	<p><u>Deliverability/ Risk Review</u></p> <p>Do we have business plan / business case? Are the assumptions clearly stated and reasonable /supported? Who are partners / advisers? Are they sufficiently experienced? Who are directors / key people in the group? Do they have relevant experience? Have risks been clearly articulated? Have they set out their approach to managing risks? Are risk assumptions and proposed risk management reasonable?</p>