

ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy & Resources
DATE	15 September 2015
INTERIM DIRECTOR	Angela Scott
TITLE OF REPORT	Funding External Bodies & Following the Public Pound – Local Code of Practice Update
REPORT NUMBER	CG/15/112
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek committee approval of the amended and updated Following the Public Pound (FPP) Local Code of Practice (the Code).

2. RECOMMENDATION(S)

It is recommended that the Committee:

- i) Approve the updated FPP Local Code of Practice as appended to this report

3. FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications arising from this report.
- 3.2 By “Following the Public Pound” the council demonstrates that there is proper accountability for public funds used in delivering services, irrespective of the means of service delivery.
- 3.3 The concept of FPP applies when the Council agrees to fund external organisations to deliver specified services. Such funding is a significant element of council business and as such millions of pounds are paid to external organisations each year.
- 3.4 It is therefore important that appropriate and suitable means of approval of funding, following the principles of FPP, is maintained in order to ensure Best Value.

4. OTHER IMPLICATIONS

- 4.1 Governance of public funds does not end when the payment is made, it continues at a number of levels, including risks that may damage the Council's reputation, that statutory obligations are not met and that public funds are misused wasted or lost.
- 4.2 Therefore, the Code also considers the level of assurance required on the ability of organisations awarded funding to deliver the services required, reflecting the risks that exist. The Code follows the principle that different levels of scrutiny are required depending on the level of risk posed by each, the control exercised over the organisation by the Council and/or the level of funding given to each organisation. This approach is proportionate and will minimise the risks posed by organisations to the council's reputation, finances and statutory obligations and also ensure that the requirements on small organisations are not too onerous.
- 4.3 Services may need to revise the approach being taken to approval and recording of grant funding and update their monitoring processes to ensure compliance with the revised policy.

5. BACKGROUND/MAIN ISSUES

- 5.1 The FPP guidance was last updated in 2011. Since then, there has been increased focus on the work of our Arm's Length External Organisations (ALEOs) and the scrutiny arrangements in place to monitor their use of public funds.
- 5.2 The internal audit report entitled 'ALEO Tier 2 review', considered at the Audit, Risk and Scrutiny Committee on 26 February 2015, emphasised the need for the Council to review and update its FPP guidance to ensure that it is capable of directing proportionate governance across the Council's ALEO portfolio and that it is capable of operating in practice.
- 5.3 Currently, determination of the extent of checks required is based purely on funding levels. Therefore, it was considered necessary to modify the tiers to ensure that they also considered the full risk profile of the organisation in question.
- 5.4 The main changes to the guidance document are as follows:
 - Addition of risk and control considerations in the determination of the tier to be applied to the organisation (section 1.11)
 - Funding bandings have now been increased to reflect the same levels as the ALEO tiers (section 1.11)
 - Clarifying procedures to be followed where funding is less than £15,000 (section 1.12)

- Clarifying how the council will manage risks posed through the delivery of services by external bodies (sections 1.15-1.16)
- Addition of information regarding Governance Hubs (sections 9.2-9.3)
- The FPP register is to be held on Covalent instead of an excel spreadsheet. Appendix C has been updated to reflect the headings required for this system

In addition, there have been a number of minor amendments to the procedures.

6. IMPACT

- 6.1 Having a FPP Code in place demonstrates the Council's proper stewardship and accountability of the public funds with which it is entrusted.
- 6.2 This report is likely to be of interest to the public as it demonstrates the use of public funds.

7. MANAGEMENT OF RISK

The FPP Code enhances the councils reputation for accountability in the use of public funds and aids in mitigating the risks posed in providing funding to external organisations.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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