

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	5 November 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Grant Review
REPORT NUMBER	CR&E/24/303
EXECUTIVE DIRECTOR	Gale Beattie
CHIEF OFFICER	Julie Wood
REPORT AUTHOR	Laura Paterson
TERMS OF REFERENCE	2.1.6

1. PURPOSE OF REPORT

- 1.1 To present to the Committee a review of grants awarded in Financial Year 2023-24, including the UK Shared Prosperity Fund.

2. RECOMMENDATIONS

That the Committee:-

- 2.1 Notes the findings outlined in this report from the peer-led Grant Review of grants administered in Financial Year 2023-24;
- 2.2 Notes the recent introduction of the Scottish Government's Fair Work First policy, and the Subsidy Control Act 2022 (UK-wide legislation), and the impact that both have on the awarding of grant funding; and
- 2.3 Notes the activity which is taking place to address the said policy and legislation and the findings from the peer-led Grant Review.

3. CURRENT SITUATION

Background

- 3.1 The Director of Commissioning was instructed at Council on 1 March 2023 to undertake a review of all grants awarded by the Council in Financial Year 23-24 to ensure alignment to the 3 Tier Preventative Approach. A review was presented to Finance and Resources Committee on 8 May 2024 which detailed that the majority of capital and grant revenue allocations in FY23-24 were distributed under Tier 2: Early Intervention. Officers were subsequently instructed to return to Committee with a more in-depth analysis of all grants, including the UK Shared Prosperity Fund, with recommendations for future grant activity.
- 3.2 A working group was established to consider grants allocated in FY23-24, including internal procedures and processes. This group consisted of

representatives from Legal and Finance, as well as officers who administer grant programmes from services including City Development and Regeneration and Education and Lifelong Learning.

- 3.3 The contents of this report are subsequently based on peer-led activity and review.

Data

- 3.4 The data presented in the report on 8 May 2024 was an extracted version of grants administered in FY23-24. Grants to Arms Length External Organisations (ALEOs) were omitted as there were some funds which were administered for specific activity from government bodies, such as the Scottish Government's Regeneration Capital Grant Fund (RCGF).

- 3.5 The instruction from Finance & Resources Committee on 8 May 2024 was to include all grant activity from FY23-24. Subsequently the data reviewed by the working group included all grants recorded in the Following the Public Pound Register which were administered to organisations in FY23-24, including those to ALEOs and those administered on behalf of government bodies for ringfenced activity. Grants to individuals, such as the Scottish Welfare Trust and School Clothing Grant, were excluded from the review due to being means tested.

- 3.6 Insights of grant activity from FY23-24:

- The total value of grants awarded was £49,821,827.20;
- A total of 218 grants were administered;
- A total of 124 organisations received a grant;
- 138 grant awards were under £25,000;
- 23 organisations received grants worth a total value of £100,000 and over

Policy and Legislation

- 3.7 Subsidy Control continues to be an evolving legislative area. The Subsidy Control Act 2022 defines a subsidy as being where a public authority provides support to an enterprise that gives them an economic advantage, meaning equivalent support could not have been obtained on commercial terms. This can take the form of a grant, a tax break, a loan, guarantee or equity investment on favourable terms, or the use of facilities below market value, amongst other kinds of support.

- 3.8 Not every grant award will be a subsidy and every grant award should be assessed on an individual basis. For financial assistance to be a subsidy it must meet four specific conditions:

- Limb A: The financial assistance is given, directly or indirectly, from public resources from a public authority.

- Limb B: The financial assistance confers an economic advantage on one or more enterprises.
- Limb C: The financial assistance is specific, such that it benefits one or more enterprises over one or more other enterprises with respect to the production of goods or provision of services.
- Limb D: The financial assistance has, or is capable of having, an effect on competition or investment within the UK, or on trade or investment between the UK and another country or territory, or both.

- 3.9 Officers are currently required to complete a Subsidy Control Assessment as part of the Following the Public Pound criteria. The External Funding Team are currently developing resources, including arranging training sessions, to assist officers with making assessments. Scottish Government's Subsidy Control Unit have recently announced that they will review and upload subsidies of £100,000 and over as an additional support. The Council remains responsible for reviewing subsidy assessments below £100,000. It is considered that Council officers continuing to review any subsidy assessments above £100,000 will provide a level of consistency for updating the Transparency Database, as opposed to referring these to the Scottish Government, however the option to refer assessments would remain available. Officers from Finance and Legal are reviewing existing policies and written procedures within Following the Public Pound to ensure legislative compliance.
- 3.10 Subsidy Control could pose a risk to grant recipients, particularly those in receipt of large sums of public funding and/or involved in commercial activity. Minimal Financial Assistance (MFA) is set as £315,000 over a three year period – this is the maximum amount an organisation can receive in public subsidies, including grants, loans and rates relief, without having to use a Subsidy Scheme or assess against the Subsidy Control principles. There is a risk that larger organisations which rely on grants may meet their MFA limit within the three year period and so are ineligible for future subsidies through MFA.
- 3.11 The Council has mitigated against this risk to local organisations through the creation of Subsidy Schemes for a number of recent grant programmes, including the UK Shared Prosperity Fund and Local Business Start Up Grants. The creation of a Subsidy Scheme for a defined grant programme ensures that any grants awarded through that programme do not contribute towards a recipient's MFA. A review of current grant activity and whether projects – particularly those which provide service delivery – should be funded through a grant or procured approach could further mitigate this risk for organisations as a procured approach is not considered a subsidy.
- 3.12 Scottish Government's Fair Work First policy is also evolving and presents a risk particularly when applying for or administering grants on behalf of the Scottish Government. The Council has a Fair Work First exemption until March 31st 2025, but there is a risk that the exemption scheme may not be extended and that the Council may have to quickly make a decision on Fair Work Principles prior to April 1st 2025 to ensure that the Council can continue to

receive funding from the Scottish Government. This is being monitored through a cross-cluster Fair Work First officers group.

- 3.13 The Fair Work First Policy also needs to be taken into consideration when administering grants which are sourced from the Scottish Government, such as the Place Based Investment Programme Fund, as all recipients must demonstrate compliance with Fair Work First principles or apply for an exemption from Scottish Government. There may be organisations which have previously been funded that either are not aware of, or not compliant with, Fair Work First principles and this could lead to an increased ask on grant programmes funded through the Council's General Fund if these organisations now cannot apply for Scottish Government schemes. Officers are developing guidance and training to increase awareness and familiarity with Fair Work First Policy.

3 Tiered Preventative Approach

- 3.14 Data from the report presented to 8 May 2024 Finance & Resources Committee showed that the majority of funds were distributed under Tier 2: Early Intervention. This activity was undertaken by Finance and based upon knowledge of cost centre activity.
- 3.15 As part of the review, officers who manage the grants were asked to determine which tier the grant aligned with. Officers' responses largely corresponded with the alignments undertaken by Finance. The majority of grants awarded in FY23-24 aligned with Tiers 1 and 2 with only £299,533 allocated to Tier 3 – Response. This demonstrates that the Council's grant making process aligns with a Preventative and Early Intervention approach. The Finance team are considering how to align grants to the 3 Tier Model and record this within the Following the Public Pound Database.
- 3.16 Feedback was received from officers with regards to this and future exercises on the 3 Tiered Preventative Approach:
- Projects supported within grant programmes can vary widely and so individual projects should be assessed against the 3-Tiered Preventative Approach.
 - Alignment to a tier is based upon an officer's interpretation of the level at which a project takes place – more clearly defined terms and definition of each tier would be beneficial;
 - The definition within the tiers is broad and it may be that more than three tiers are required to effectively capture data.

The Extended Corporate Management Team are collaborating with colleagues from NHS Grampian to review and further develop preventative approaches including exploring more detailed tiers and descriptions.

Processes and Procedures

- 3.17 The processes and procedures in place throughout the Council vary dependent on the funding programme. The process in which organisations receive grant funding varies between open programmes in which any organisation/individual can apply if they meet that specific criterion – such as the Place Based

Investment Programme Fund – and direct awards approved by the relevant governance body which includes Council, Boards and Delegated Authority. Of the 218 grants awarded in FY23-24, 3 did not record details of a decision making body – these grants were either awarded on behalf of a government body or historically awarded grants; There also appeared to be grants regularly issued to the same bodies on an annual basis to provide a service and queries were raised with regards to whether these activities should be a grant or whether a procured approach should be the preferred option to enable these activities. The FtPP Database of grants will allow cross-referencing of multiple grants to one organisation, in line with protecting organisations from subsidy control. Further guidance and training is being explored by the External Funding Team with Procurement and Legal teams to help determine governance and delivery routes.

Stakeholder Engagement in Decision Making

- 3.18 There are grant programmes within the Council, such as the Fairer Aberdeen Fund, which have developed participatory procedures and processes which could be replicated by other grant programmes. The Fairer Aberdeen Fund – managed by a board with community representatives from priority areas and stakeholders from public services – directly relates to the Community Empowerment (Scotland) Act 2015 because it gives communities more control over decisions that affect them, which aligns with the participatory approach of the Fairer Aberdeen Board. Under the Act, public bodies are required to consider the views of communities. The involvement of Aberdeen City Council, NHS Grampian and Police Scotland in the Fairer Aberdeen Board ensures that these public bodies work in partnership with communities and Aberdeen Council of Voluntary Organisations (ACVO), aligning resources with local priorities, as highlighted in the Local Outcome Improvement Plan. The Fairer Aberdeen Fund's management through a community inclusive board and open application process is a practical application of the Act, promoting local decision making and collaboration between communities and public bodies. Officers are developing guidance on how to develop stakeholder boards, such as the Fairer Aberdeen Board to help officers better understand and utilise this approach.

Reporting and Monitoring

- 3.19 Due to the nature of external grant funding, the working group found that there was not a consolidative approach to reporting and monitoring and therefore the ability to subsequently utilise that data to inform future decision making was dependent on external criteria. For example, many of the Council's competitive grant schemes do have a requirement for applicants to demonstrate reportable benefits which align to the key policy directives, such as the LOIP for example. However, there is data that could further demonstrate the real economic and social impact of these grants by introducing a reporting system which would also capture other data, such as GVA and community wealth building. If this data was subsequently recorded centrally, it could be used to aid budget and policy making decisions in future. City Development & Regeneration are in discussion with Data and Insights to explore options for a consolidative model to capture more informed data and benefits from the grants administered by the Council.

Community Capacity and Awareness

- 3.20 Increasing community capacity and awareness of available grant funding was also raised as an area of improvement within the Council. It was noted that organisations often did not know where to find information on available grant funding and how to apply for it. Since May, the External Funding Team have brought together Council and external grants onto a single page on the Council website; delivered free grant funding events which discuss current funding opportunities and skills for writing grant applications; created a LinkedIn page with regular external funding opportunities; and developed a newsletter. Officers will continue to improve community capacity and awareness of grants taking feedback from outreach sessions with communities.

Next Steps

- 3.21 The creation of a centralised hub to inform and support officers during the grant making process was identified as being a required output of this peer review. New grant schemes have recently been developed following budget decisions from the Council, such as the Union Street Empty Shops Grant, and from services utilising available funds from government bodies, such as the ABZWorks Development Fund. Officers managing these grant programmes often have limited experience of administering grant funding and the working group discussed a centralised resource to support officers. As a result of this grant review and peer discussions, clusters across the Council are developing training and support materials for grant management, including templates.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from this report.

7. RISK

- 7.1 The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) <small>*taking into account controls/control actions</small>	*Does Target Risk Level Match Appetite Set?
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Strategic Risk	No significant risks identified			
Compliance	Non-compliance and legal challenge to Subsidy Assessments	Officers are reviewing current processes to ensure compliance with Subsidy Control	L	Yes
Operational	No significant risks identified			
Financial	Compliance with awarding grants on behalf of an external organisation	Create resources for staff to use which demonstrate best practice for the grant making process	L	Yes
Reputational	No significant risks identified			
Environment / Climate	No significant risks identified			

8. OUTCOMES

Council Delivery Plan 2024	
	Impact of Report
Regional and City Strategies Council Delivery Plan 24-25	This report supports the Council Delivery Plan by reviewing grants and making recommendations which support the Council's Prevention and Early Intervention Strategy.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I confirm this has been discussed and agreed with Julie Wood, Chief Officer City Development & Regeneration on 27.09.24.
Data Protection Impact Assessment	Not required
Other	N/A

10. BACKGROUND PAPERS

10.1 COM/24/060, Council Delivery Plan 2024/25, Council, 6th March 2024

10.2 CR&E/24/126, Grant Review, Finance & Resources Committee, 8th May 2024

11. APPENDICES

11.1 n/a

12. REPORT AUTHOR CONTACT DETAILS

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