

**TITLE OF REPORT : PROVISION OF EQUIPMENT FOR VOLUNTARY ORGANISATIONS**

**REPORT OF THE HEAD OF FINANCE, PERFORMANCE & ASSET MANAGEMENT**

**1. SUMMARY**

- 1.1 At the 13<sup>th</sup> March 2013 meeting of the Letchworth Area Committee, Members requested that the Head of Finance, Performance and Asset Management provide a report addressing issues of grant funding to voluntary organisations for capital expenditure and ways in which NHDC can retain ownership of these items.
- 1.2 Officers have been requested to provide this report to all Area Committees for information.
- 1.3 It should be noted that the Head of Policy & Community Services is currently undertaking an internal review of the grants process, including issues such as this and therefore this short report will not seek to replace that review.

**2. RECOMMENDATIONS**

- 2.1 That the report be noted.
- 2.2 That Members support the approach whereby items acquired, and subsequently owned, by external organisations utilising grant funding should be treated equivalently to being on loan to the organisation in question, following a proportionate approach depending on value and a clear audit trail as described in 8.3.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 As requested by Members, to inform Area Committees of the financial reporting approach to be taken with respect to grant funded purchases.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 These are contained within the report.

**5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 5.1 Consultation has been undertaken with the Portfolio Holders for Finance & IT, and for Community and Rural Affairs

## 6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

## 7. BACKGROUND

- 7.1 This request originated from discussion at Letchworth Area Committee regarding a grant application received recently. Members supported the aims of the applicant and wished to support the start up of the group; however they expressed concern about the amount of capital expenditure requested for a new group and felt that ownership of the equipment purchased with any grant should remain with NHDC.
- 7.2 It was proposed and seconded that a grant of £1,600 be awarded to purchase a PA (personal address) system, ownership to remain with NHDC, which would be loaned to the New Youth Foundation Workshop on a permanent basis. A further grant of £400 be awarded to New Youth Foundation Workshop as support funding towards the costs for hall hire, stationery and publicity.
- 7.3 Members agreed that the Head of Finance and Asset Management should be requested to provide a report addressing issues of grant funding for items of a capital nature and ways in which NHDC can retain ownership of these items.

Specifically, it was **RESOLVED**:

- (1) That grant funding of £1,600 be awarded from the Discretionary Budget to purchase a PA system, ownership of which is to remain with North Hertfordshire District Council;
- (2) That Grant funding of £400 be awarded from the Discretionary Budget to New Youth Foundation Workshop as support funding towards the costs of hall hire, stationery and publicity;
- (3) The PA system mentioned in (1) above be loaned, on a permanent basis to the New Youth Foundation Workshop, who will be responsible for any upkeep and safekeeping of the equipment;
- (4) That the Head of Finance, Performance and Asset Management be requested to provide further information to Members regarding purchases, loaned to groups in order that NHDC retain ownership. The report will cover issues such as insurance and repairs to equipment.

**REASON FOR DECISION:** To improve services provided by local organisations and groups which are accessed by the community.

## 8. ISSUES

- 8.1 The Council must strike a balance between setting up monitoring systems that are labour-intensive to administer on the one hand, and having sufficient safeguards in place on the other to ensure that funds awarded are used for the purpose intended; that items purchased with that funding are used and maintained appropriately; that should a group cease to operate they are returned; and that in the event the items are no longer required (for whatever reason) they are returned to NHDC for potential redistribution or utilisation by another body or group delivering similar activities within the District .

- 8.2 NHDC would not wish to engage in the purchasing activity itself, or take on ownership of the item, as it is for the grant recipients to organise this to meet their own specification. Furthermore, utilising NHDC purchasing mechanisms and engaging officer time in the process, would represent further cost to the Council, may generate VAT issues (e.g. purchasing on behalf of another body could be regarded as VAT avoidance) and could lead to anomalous entries on the “expenditure over £500” records published on the Internet.
- 8.3 The view of the Head of Finance, Performance & Asset Management (HF) is that items purchased should be owned by the grant recipients, although treated equivalently from a monitoring perspective as being on loan to the organisation in question and ideally recorded on a NHDC inventory, with a clear audit trail to include:
- who the organisation are and that they are a formally constituted body (community interest company, charity, social enterprise etc);
  - the organisation should be ‘not for profit’ i.e. they can make a surplus, but any surplus made must be shown to be re-invested back into the organisation and its aims;
  - who in the organisation is responsible for the item, i.e. a named contact and proven address;
  - where the items purchased will be located; and
  - an annual statement provided by the organisation to the Council to confirm ongoing use and appropriate maintenance, to include PAT testing for electrical items;
  - confirmation that the organisation will arrange appropriate insurance
- 8.4 The information for the first three points is already provided during the grant application process. The final three points could be conditions in the awarding of a grant and added to the grant documentation kept on file.
- 8.5 This approach must be proportionate to the value of the item and there would also need to be an agreed useful life for an item, after which it would be deemed to be “written off”. This approach should be a condition of the grant even though the item becomes the property of the external organisation.
- 8.6 The Head of Policy & Community Services is undertaking an internal review of the grants process, which intends to also address issues such as this and the Community Development Manager (CDM) is currently in the process of drawing up a short procedure including all of the points in 8.3, and to include a checklist for annual use similar to the following:
- Name of organisation, their constitution and their purpose;
  - Reason for which item acquired;
  - Is item still required?
  - Name and address of person responsible for use of item/maintenance of item/safekeeping of item;
  - Where is the item kept when not in use?
  - Estimate of remaining useful life by NHDC Officers;
  - declaration that the item is being and will continue to be used by the organisation appropriately and for the intended purpose, and should the council find that not to be the case, understand the item will be returned to us, e.g. inappropriate use of sound equipment;
  - Signature / organisational role of person completing the return;
  - Signature/role of NHDC officer.

- 8.7 It is proposed that this Inventory record is maintained by the CDM, although the HF would re-iterate that it should be kept to manageable levels, proportionate to value, and not become overly bureaucratic or a significant impact on the workload of the CDM.
- 8.8 Another related development is with regard to NHDC “portable and attractive” equipment that is taken on short-term loan by local groups from time to time, e.g. laptop computers. Appropriate sign in/sign out procedures are required to ensure all items/accessories are returned and that the equipment is not used inappropriately, nor does it contain any viruses or other inappropriate material. Officers will also consider the content and administration of the loan forms and agreements which the North Herts and Stevenage CVS use for the loan/hire of such equipment to community organisations, as these are ‘industry standard’ documents used in the support of the local community.
- 8.9 It remains important for the council to assist and support local groups and organisations in a variety of ways, including provision of equipment; however there should be proportionate financial and asset management processes in place to safeguard Council equipment and funding.

## **9. LEGAL IMPLICATIONS**

- 9.1 The legal implications in the specific example above concern the procurement of the PA system and the Council’s enabling powers to make grants. Given this system will be purchased at a cost of £1,600, the Council’s Contract Procurement Rules, if this purchase had been carried out by NHDC, would permit approaching a sole supplier.
- 9.2 Section 137 of the Local Government Act 1972 contains a general power to make grants to voluntary bodies provided the Council is satisfied that the benefits are commensurate with the spend.
- 9.3 A loan agreement should be prepared to include provision for use, upkeep, repair and such other conditions as agreed between the parties.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The financial implications arising from this activity are contained in the main body of the report.
- 10.2 In general terms, for capital expenditure on Council Assets (as detailed in the Asset Register and included in the Council’s Balance Sheet) the minimum level for capital funding is £20,000 for property and construction and £10,000 for vehicles, plant and equipment. However, where the Council is allowed by statute to treat expenditure on third party assets as capital (i.e. if item is to be owned by the grant receiving organisation) and it can be demonstrated to the Strategic Director of Finance, Policy & Governance that the expenditure meets the requirements of the Prudential Code, a minimum level will not be applied.
- 10.3 With respect to the subject of this report, the expenditure in question would not be regarded as capital in NHDC accounting terms, nor would it be recorded on the Asset Register, as the items would belong to the grant recipient. However, an inventory could be maintained by Community Development.

## **11. RISK IMPLICATIONS**

- 11.1 The risk implications arising from this activity are contained in the main body of the report. There is a potential risk of financial or reputational loss to the council in the event of fraud or misuse of equipment provided. Items loaned should be covered under the insurance arrangements of the organisation receiving the benefit of the equipment and this should be made clear at the outset of a loan arrangement.
- 11.2 Potential risks regarding treatment of VAT and also reporting of spend over £500 on the Internet, as part of the Transparency agenda, are raised in the report, along with solutions to these risks.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 Ensuring that local organisations are funded, or provided with equipment or means by which they can raise additional funds themselves, is an important aspect of supporting communities to help themselves in the longer term, a key principle of the Localism Act.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section above.

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 There are no direct Human Resource implications arising from this report. The proposals to seek an annual update of the ownership and continued use of assets funded by the authority will form part of the annual grants payment, review and monitoring system already in place.

## **15. APPENDICES**

None.

**16. CONTACT OFFICERS**

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**17. BACKGROUND PAPERS**

None.