

The Highland Council
Resources Committee - 25 May 2016

Agenda Item	12a
Report No	RES 29/16

Capital Discretionary Fund – Criteria for Considering Applications

Report by Director of Finance

Summary

This report seeks approval to establish a set of criteria by which all applications for financial support from the Capital Discretionary Fund can be considered by the Council.

1. Background

- 1.1 The Capital Discretionary Fund forms part of the Council's Capital Plan, and as such is fully funded through the borrowing commitment in the Loans Fund Revenue Budget.
- 1.2 Whilst at present there are no specific criteria, the Fund has typically been used to match fund community projects and/or support projects that deliver community benefits or financial savings.
- 1.3 Scottish Government guidelines do allow dispensation to award capital grants for areas where the Council could legitimately treat as capital expenditure if it were to incur the cost itself.
- 1.4 Over the past few years there have been a significant increase in the number of applications, and this is starting to have an impact on the size of the Fund. This paper therefore sets out criteria by which each funding application can be considered by Members on a consistent and transparent basis.

2. General Principles

- 2.1 Applications to the Capital Discretionary Fund (CDF) should not be for more than 25% of the total project cost (ref 3.1). The minimum award of grant will be £10,000.
- 2.2 The Council will only provide funding to Third Sector or Community Groups (ref 3.2).
- 2.3 All applications must support the principles of, and evidence support for, the delivery of the Council's objectives in line with the Council's Programme "*Highland First*" and successor Administration's programmes (ref 3.3).
- 2.4 All applications must meet the definition of capital expenditure (ref 3.4).
- 2.5 All applications must be made on a standard grant application form, available on the Council website or from Ward Managers. The form may be supplemented by additional information such as a business plan on request, depending upon the value of sum applied for (ref 3.5).

- 2.6 The Council will not consider a further application from the same Group within a period of 12 months from the date the application is approved by Committee (ref 3.6). This will also apply to any application that is rejected.
- 2.7 Any grant award by the Council will be time limited to a maximum period of three years. If the funding is not drawn down within that period then the offer of funding will be withdrawn, and the applicant will be required to re-submit an application if the project is still viable (ref 3.7).

3. Discussion

- 3.1 The Capital Discretionary Fund should not be seen as the only source of funding, and the Council should expect to see evidence of a commitment to seek other funding. On that basis the Council will be a grantor of last resort rather than first funding source. This will evidence wider support for the project and provide greater assurance of a successful outcome.

It is however acknowledged that on occasions, a Council funding commitment may assist in further grant applications, and the Council will be prepared to consider applications before a full funding package is in place.

A minimum size of award is determined to meet the classification of expenditure on an asset. Any smaller amount would not be material in this context. There may be occasions when the offer of grant from the Council may help a group access funding from other sources. Any offer of Council grant will be conditional until evidence of full funding for the project is received by the Council.

- 3.2 By applying the principle to support the Third Sector or Community Groups the Council will support the principles of community empowerment and community enablement. There will therefore be a social element to each application and evidence of community benefit. By default the Council will not support funding to party political organisations or to groups for specific religious purposes.
- 3.3 The Council's Programme sets out the key priorities for the Administration of the Council. All grant applications should consider how their proposals meet the Council priorities. The Council expects that applications will evidence value for money and assist in the delivery and achievement of key outcomes for the Council.
- 3.4 As outlined at 1.3 the Council has dispensation to award capital grants to outside bodies provided the expenditure fits the definition of capital expenditure. This therefore requires the application to evidence that the proposed expenditure either creates, or enhances to a significant degree, a fixed asset in terms of land, property or equipment.
- 3.5 Using a standard application form will ensure consistency in the way in which the application is considered. It is anticipated that the local Ward Manager will be the main point of contact for groups seeking Council funding, and will provide advice and support for any application with support from appropriate officers within the Council.
- 3.6 By placing a time restriction on further bids, this will seek to ensure equality of

funding allocations across the Highland area.

- 3.7 There have been occasions when the Council has awarded funding and the money has not been drawn down. There can be several reasons for this, for example failure to attract full funding, changes to project design. However the award of grant makes a commitment against the Capital Discretionary Fund and prevents the funding being available for other groups. Placing a time limit of three years provides a reasonable period for which the funding is drawn, without compromising other potential applications.
- 3.8 All applications will be assessed by officers in accordance with the principles outlined in Section 2 and a report prepared for Resources Committee on that basis. Any financial or other risks to the Council will be highlighted in the Committee report.

4. Implications

- 4.1 Resource – Capital Discretionary Funding does carry a cost to the Council. The expenditure is treated as capital expenditure and therefore needs to be financed from borrowing. The cost of borrowing per annum, taking in to account both principal repayments and interest, equates to almost 10% of the value of the grant award. This cost is met from the Loan Charges section of the Revenue Budget. The award of grants therefore means that there is less funding available for other capital projects, or means that the Council incurs additional revenue costs to meet the borrowing associated with this expenditure.

The current approved Capital Plan contains provision for the Capital Discretionary Fund to be “topped up” annually by £0.25m and £0.5m in each alternative financial year, and this is currently fully provided for within the Revenue Budget. This level of funding will require to be reviewed on a regular basis in conjunction with consideration of adjustments to both Revenue and Capital budgets

- 4.2 Legal – all projects will meet the definition of Capital Expenditure as outlined in Scottish Government regulations.
- 4.3 Equalities – there are no specific issues to highlight, although individual projects are asked to detail the impact upon different groups within their community.
- 4.4 Climate Change/Carbon Clever – there are no specific issues to highlight although many of the applications will have positive outcomes through more efficient use of assets, and health benefits.
- 4.5 Risk and Gaelic – there are no specific issues arising. Any financial risks can be managed through ensuring that full funding packages are in place, and work undertaken, before any financial contribution is paid by the Council.
- 4.6 Rural – the range of applications cover a large area of the Highlands.

Recommendation

The Committee is asked to consider and agree the key principles as outlined in Section 2 of the report.

Designation: Director of Finance

Date: 12 May 2016

Author: Derek Yule