

Grants Determination Sub Committee 6th June 2018	 TOWER HAMLETS
Report of: Zena Cooke, Corporate Director Resources	Unrestricted
MSG Project Performance Report – Period 9 (Oct 2017 to Dec 2017)	

Originating Officer(s)	Steve Hill - Head of Benefits Services
Wards affected	All wards
Key Decision	Yes
Community Plan Theme	All

REASONS FOR URGENCY

This report is urgent due to the extension considerations for Mainstream Grants and the decisions required in relation to the extension.

EXECUTIVE SUMMARY

The Mainstream Grant (MSG) 2015/18 Programme was approved by the Commissioners on 29 July 2015 and runs from 1 September 2015 through to 31 August 2018. At the 12th September 2017 Grants Determination Sub-Committee the programme was extended to 31st March 2019.

The Programme was originally made up of five (5) broad Themes covering a range of activities and services. Projects contained within one of these themes, Community Engagement Cohesion and Resilience, concluded at the end of March 2017. The activities and services are being delivered by a portfolio of projects each of which has targeted outcomes to achieve during the course of the programme period.

Projects are classified as Red, Amber or Green within the Council's agreed performance management framework. This report covers Red and Amber rated projects only. Red or Amber performance ratings may be as a consequence of premises issues, debtor issues, performance issues, failure to submit the quarterly monitoring returns or a combination of these factors.

There are currently 112 live projects at present. Project performance for this period (October to December 2017) presently shows there are 6 Red rated projects and 1 Amber rated project. This report details those issues and provides recommendations for the Sub-Committee to consider

A number of organisations whose terms of occupation of Council premises are in urgent need of regularisation are funded through MSG. The extension of MSG funding to 31 March 2019 has resulted in a situation where these organisations are unwilling to agree lease terms offered by the Council where there is a significant (and unfunded) increase in rent. For these organisations, the increase in rent will change the cost

basis on which their funding applications were agreed and, if they agree the proposed terms, there would be a detrimental effect on their ability to deliver the services and activities they are funded to provide. This report recommends that the Grants Determination Sub-Committee agree to subsidise the rent for these organisations between 1st July 2018 and any extension period which is currently to 31st March 2019 and subject to the further extension being agreed, to 30th September 2019.

RECOMMENDATIONS

The Grants Determination Sub Committee are recommended to:

- i) Consider and agree the 9 recommendations relating to the releasing of MSG payments to the projects as set out in section 3.3, 3.5, 3.8, , 3.10 and 3.11 of the report
- ii) Consider and agree recommendation 10, as detailed in 3.23, for awarding rent subsidies to the organisations listed in Table 1 of this report. This would be from the completion of their new lease arrangements with the Council to the end of their MSG funding (30th September 2019)
- iii) Consider and agree recommendations 10 and 11 relating to significant Variation Requests to two projects as set out in 3.24 and 3.25 of the report.

1. REASONS FOR THE DECISIONS

- 1.1 Regular performance updates ensure that the MSG themes and individual projects are on track to achieve the targeted outcomes.
- 1.2 Any issues that raise concerns can be addressed and appropriate remedial actions agreed. Where necessary, this could include the reduction, withdrawal or reallocation of funds to ensure that the overall Programme is making the most effective use of resources and maximising the potential achievement of agreed aims and objectives.
- 1.3 To consider the funding for MSG recipients in line with the July 2015 Commissioners' decision regarding MSG recipients in Council buildings having appropriate property agreements in place.

2. ALTERNATIVE OPTIONS

- 2.1 Information relating to various aspects of project and monitoring activity is contained within the report to provide Grants Determination Sub Committee with an overall understanding of how projects and organisations have performed against the key elements of their Grant Agreements.
- 2.2 Grants Determination Sub Committee could request further information or alter the recommendations.

3. **DETAILS OF REPORT**

Introduction

- 3.1 The MSG Programme currently has 112 live projects.
- 3.2 Performance ratings for the live projects throughout the October to December 2017 period have in some cases, been affected by the premises related issues and by monitoring returns not being submitted. The deadline for returns to be received was 15th January 2018, ten working days after the quarter end.

The Mainstream Grants Spotlight Review Panel took place to review Red and Amber performance rated projects on the 10th May 2018. Updates have been included below together with a theme by theme summary for Red and Amber projects.

3.3 **Theme 1 Summary - Children and young people**

The work of the theme focuses primarily on delivering activities and services aimed at children and young people.

There are 55 live projects within this theme of which 4 are rated Red and 1 is rated Amber.

The Red rated projects are:

- **Tower Hamlets Youth Sports Foundation – *Hub Club Programme* –**

There are currently issues with regards to outstanding monitoring returns and premises issues across this project and also THYSF's other two projects. The Third Sector Team has offered support over a considerable period of time to assist THYSF in remedying the issues. The THCVS has also offered its support to THYSF at Grants Spotlight Review on 10th May 2018. Separately, the Head of Benefits Services has met with THYSF to discuss the issues and the support offer on 11th May 2018. The information required remains outstanding.

- **Tower Hamlets Youth Sports Foundation – *Stepping Stones Programme***

There are currently issues with regards to outstanding monitoring returns and premises issues across this project and also THYSF's other two projects. The Third Sector Team has offered support over a considerable period of time to assist THYSF in remedying the issues. The THCVS has also offered its support to THYSF at Grants Spotlight Review on 10th May 2018. Separately, the Head of Benefits Services has met with THYSF to discuss the issues and the support offer on 11th May 2018. The information required remains outstanding.

- **Teviot British Bangladeshi Association – Opportunity**

The Teviot British Bangladeshi Association project was temporarily closed and tutors withdrawn on 14 December 2017 by the LBTH Community Language Services. Meetings have taken place and classes restarted on 22nd February. An action plan has been drafted to manage missed outputs. Once monitoring has been received it is expected that some funding can be released. There were further developments on 9th May where an official from the organisation wrote in to request that funding is ceased and the organisation will advise if they are able to arrange for a suitable teacher. This request is currently being reviewed.

Recommendation 1 - Teviot British Bangladeshi Association

Payment be suspended to the Teviot British Bangladeshi Association pending the satisfactory clarification of operational arrangements, submission and agreement of an action plan to manage missed targets. Payment be released conditional on receipt of all information, together with confirmation of satisfactory performance. The Corporate Director, Resources in consultation with the Executive Mayor, be given delegated authority to release payments subject to these conditions being met.

- **Community of Refugees from Vietnam - East London - Home-School Liaison Project**

Project reports do not satisfactorily show what has taken place in the last quarter. However, they do demonstrate the project is on track to exceed expected outputs and outcomes in offer letter. A monitoring visit is required to clarify the position however the organisation has not responded to request for meetings. THCVS has offered support to the organisation at the Grants Spotlight Review meeting.

Recommendation 2 - Community of Refugees from Vietnam - East London that payment be suspended until a satisfactory monitoring visit is undertaken to confirm performance. In the event that the visit confirms satisfactory performance, payment be released.

The amber project is detailed below:

- **Wadajir Somali Community Centre- Wadajir Homework Club Two**

The organisation confirmed that the boys' provision was suspended during quarter 3 pending the replacement of the Youth Worker. The regular Youth Worker has been on extended leave in Somali. This has meant that the project has not met its targets and hence is rated Amber for this period. The last monitoring visit to the organisation was on the 26th January 2018. The decision of the 6 February 2018 Grants Determination (Cabinet) Sub-Committee included that whilst negotiations take place between the Trustees of the Teviot Community Hall and the Council, MSG payments to Wadajir continue subject to satisfactory performance.

Recommendation 3 - Wadajir Somali Community Centre

In accordance with MSG procedures for amber related projects, Wadajir Somali Community Centre receive two thirds grant payment due pending a satisfactory monitoring visit to verify that service delivery has resumed in full. Once it is confirmed that satisfactory performance has resumed and performance is back to Green in accordance with the RAG performance rating, grant payments can be released accordingly.

3.4 Theme 2 Summary – Routeways to employment & Welfare Advice Services

The theme is split into two distinct areas of focus; the first being employability skills training which is formally referred to as Routeways to Employment. The other area focuses on delivering a range of social welfare advice services.

There are 20 projects with 0 rated Red and 0 rated Amber.

3.5 Theme 3 Summary – Health and Wellbeing

This theme is entitled prevention, health and wellbeing and is intended to achieve a range of targeted outcomes with a primary focus on what were traditionally referred to as adult services.

This theme is made up of 34 live projects, of which 2 are rated Red and 0 are rated Amber.

The Red rated projects are:

- **Tower Hamlets Youth Sports Foundation – *Active Families* –**

There are currently issues with regards to outstanding monitoring returns and premises issues across this project and also THYSF's other two projects. The Third Sector Team has offered support over a considerable period of time to assist THYSF in remedying the issues. The THCVS has also offered its support to THYSF at Grants Spotlight Review on 10th May 2018. Separately, the Head of Benefits Services has met with THYSF to discuss the issues and the support offer on 11th May 2018.

Recommendation 4 – That in light of significant performance and outstanding premises issues across all three THYSF projects, payments be suspended in light of THYSF Red performance rating. Grants Determination Sub Committee note the support offered to THYSF in resolving these issues and agree that:

For outstanding periods where there are premises issues only, individual payments be released upon satisfactory resolution via delegated authority by the Corporate Director, Resources.

For premises and performance issues combined, payments be released via delegated authority, conditional on receipt of all premises information required, together with confirmation of satisfactory performance for each

payment period, by the Corporate Director, Resources in consultation with the Executive Mayor.

Bethnal Green Weightlifting Club (BGWC) – *Bethnal Green Weightlifting Club*

Following the Grants Spotlight Review meeting a meeting was held with BGWC on 11th January 2018 to address the issues raised. Underperformance against output targets and unclear definitions of output actuals were reported. It was discussed and agreed that a Significant Variation Request was needed and the project was placed on Red RAG performance rating in the interim.

BGWLC subsequently submitted a Significant Variation request and Officers and the BGWLC have worked on an agreed variation request.

**Recommendation 5 – Bethnal Green Weightlifting Club
That payment to the Bethnal Green Weightlifting Club be suspended to the organisation until the Significant Variation request is agreed.**

3.6 Theme 4 Summary – Third Sector Organisational Development

Theme four consists of 3 projects. No projects within this theme have been rated Red or Amber for this reporting period.

One of the projects covers a key “strategic partner” role to the Council and is undertaken by Tower Hamlets Council for Voluntary Services. The other two consortium projects provide organisational development and capacity building support to local voluntary and community sector organisations.

3.7 Theme 5 Summary – Community Engagement, Cohesion and Resilience

This theme focused on community engagement, cohesion and resilience. Projects worked closely with local residents to facilitate the building of a stronger, more cohesive, supportive and stronger community.

The theme was made up of 10 projects which concluded at the end of March 2017. A closure report detailing the outcomes of this theme was considered by the Grants Determination (Cabinet) Sub-Committee at their meeting on the 12th September 2017.

Premises Issues

Monitoring of Mainstream Grants recipients identified the following organisations based in council buildings did not have an appropriate property agreement in place. Background and the current status are detailed for each of these organisations.

3.8 Pollyanna Training Theatre (Wapping TRA/Raine Street)

The Council now has possession of the ground floor of the premises and Heads of Terms were sent to the organisation. Legal have now been instructed to prepare a lease for the Pollyanna Training Theatre.

**Recommendation 7 – Pollyanna Training Theatre
That in recognition of Pollyanna Training Theatre’s willingness to enter into a property agreement with the Council, payment be released to the organisation subject to satisfactory performance.**

3.9 Tower Hamlets Youth Sports Foundation (use of various Schools)

Further to the concerns raised by the organisation in completing the Premises hire booking agreements, as they work from around 30 different venues across the borough, further time was given to the organisation to gather the agreements however after a number of requests the organisation has only provided a limited number of agreements

Recommendation 3 at 3.5 of this report covers both premises and performance recommendations for all three THYSF projects.

3.10 Family Action

The old license for 2014-2017 was completed on the 7th June 2017; this included £15,300 in rent which has now been paid by the organisation. A new licence is currently being completed with the organisation showing a clear willingness to enter into an appropriate agreement. The new agreement is yet to be completed.

**Recommendation 8 - Family Action
That in acknowledgement of Family Action completing their old license, including payment of rent and considering their willingness to enter into an appropriate property agreement, MSG payments be released for this period subject to satisfactory performance.**

3.11 Rent Subsidy to MSG funded organisations in Council buildings

The report presented to Cabinet on 1 December 2015 setting out the principles for future allocation and charging for the VCS use of Council buildings recognised that organisations whose funding was agreed on the basis of existing premises costs should have the cost of their tenancy, ie a new rent and lease terms, reviewed when funding was renewed or re-tendered rather than part way through a contract or funding agreement.

3.12 A number of organisations whose terms of occupation of Council premises are in urgent need of regularisation are funded through Mainstream Grant (MSG). The proposed extension of MSG funding to 30 September 2019 has resulted in a situation where these organisations are unwilling to agree lease terms offered by the Council where there is a significant (and unfunded) increase in rent. For these organisations, the increase in rent will change the cost basis on which their funding applications were agreed and, if they agree the proposed terms,

there would be a detrimental effect on their ability to deliver the services and activities they are funded to provide.

- 3.13 The Council is therefore placed in a position where there is a requirement in the Best Value Plan to complete the regularisation of the use of its premises by VCS organisation as soon as possible, but at the same time a recognition by the Council and the organisations affected that to increase rent payable part way through the period of a contract would affect these organisations' costs and potentially have an impact on service delivery.
- 3.14 In order to satisfy these conflicting demands it is proposed that,
- a) The organisations listed below are offered a lease on standard terms for a short lease with market or community rent as appropriate;
 - b) The organisations listed below are offered a rent subsidy grant up to the end of MSG funding to meet the difference between the current rent and the new rent, and
 - c) Each lease includes a break clause to allow the tenant to surrender the lease without penalty if it is not successful in securing funding from the Council from the end of the MSG extension period..
- 3.15 The cost of each rent subsidy grant will match the anticipated increase in income to the Council. The arrangement will therefore be cost neutral to both tenant and landlord.
- 3.16 There is an argument that where an organisation is only part funded by the Council the interim rent arrangement should be proportionate. However, the additional costs to the organisation could make all services unsustainable, not just those funded. Other funders are unlikely to increase their funding to meet part of an additional cost imposed by the Council. Also, the cost to the Council of assessing reasonable proportionality and financial impact in order to make a decision could be disproportionately high for the limited benefits.
- 3.17 From the need of the MSG extension period the tenant will be expected to pay the rent in full. Those which are mainly (80%+) funded by the Council through Community Commissioning (the successor programme to the current MSG) should include the full cost in their funding bid. If the bid is successful and the rent cost met in full, no further subsidy will be available.
- 3.18 Organisations only partially funded or not funded through Community Commissioning may be eligible for the rent reduction scheme for that element of their work which meets the community benefit criteria. To ensure the rent reduction decision can be made before the end of the rent subsidy grant, the application for rent reduction will need to be made at least 3 months earlier.
- 3.19 The Stifford Centre is different from the other organisations affected by these proposals in that the subsidy relates to a rent review rather than a new lease. The rent review has increased the initial rent by over 300% to reflect current market values. However, the underlying principles are the same. The Council is required to charge an appropriate market rent but the organisation will not

have the opportunity to apply for funds to meet all or part of the very significant rent increase until 2019.

- 3.20 The Council and the Stifford Centre had lengthy discussions about the market level for the rent and has subsequently had further discussions about its lease arrangements which were, in part, dependent on the VCS premises rent reduction arrangements agreed by the Mayor in Cabinet in March of this year. As a consequence of this, the Stifford Centre has paid only the initial rent since the rent review early in 2016.
- 3.21 The proposal for the Stifford Centre is that the subsidy is provided for the difference between the initial rent of £7,500 per annum and the revised annual rent of £24,450. The subsidy would be backdated to the date of the rent review, 1st January 2016, and would amount to £55,090 up to 31 March 2019.
- 3.22 The proposed subsidies are listed in table 1 below. The level of subsidy is shown for illustrative purposes from 1 July 2018 to 30 September 2019. This is the maximum level of subsidy. The actual level of subsidy will be proportionate from the date of completion of each lease or review date for those where a lease exists and the increase is due to a rent review.

Table 1 - Proposed Subsidies

Organisation	Current rent	Proposed rent	Subsidy 1 st July 18 to 30 th Sept 19
Age UK East London	0	£32,000	£40,000
Bethnal Green Weightlifting Club	0	£26,500	£32,500
Black Women's Health and Family Support	0	£34,000	£42,500
Legal Advice Centre (University House)	0	£24,000	£30,000
Our Base Ltd	0	£6,000	£7,500
Stifford Centre	£7,500	£24,450	£63,563
Tower Hamlets Community Transport	£600	£60,000	£75,000

NB The subsidy for Stifford is in respect of the increase in rent from the rent review date (1st January 2016) to 30th September 2019

- 3.23 **Recommendation 9**
That the organisations listed in table 1 are granted a rent subsidy for up to the mentioned amounts, starting for the completion of the relevant lease agreement to the end of the MSG programme (30th September 2019)
- 3.24 Significant Variation Request - Osmani Trust

Osmani Trust have submitted a Significant Variation request which reduces accredited training, work placement and equalities targets (gender and age). The significant variation request was considered at Grants Spotlight Review Panel, with THCVS in attendance and the Grants Spotlight Review Panel recommend approval given there is no adverse impact on achieving agreed project objectives and outcomes.

Recommendation 10 – Osmani Trust

That given Osmani’s Significant Variation request has no adverse impact on achieving agreed project objectives and outcomes; the Significant Variation request is agreed.

3.25 Significant Variation Request – Bethnal Green Weightlifting Club

Reduction in number of Tower Hamlets residents supported and removal of the women only and young lifters sessions, due to lack of demand. The organisation has explored methods of increasing participants in these areas throughout reach but take up is still low. Women and young people can still access the open sessions.

The significant variation is accompanied by a reduction in MSG funding although the proportion of the organisations own funding has increased which now means that more than 50% of the overall project costs is coming from organisations own funds.

Recommendation 11 - Bethnal Green Weightlifting Club

That the significant variation for the Bethnal Green Weightlifting Club be agreed and amendments be made to the organisations offer letter.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 This report provides an update on the Councils MSG programme, budgeted at approximately £3.049m per annum.
- 4.2 There are sufficient resources within directorate budgets to fund the agreed programme over 3 years and the extension period.
- 4.3 The report highlights a number of instances where approved grant awards will not be made, as the organisations are yet to achieve relevant agreed project milestones and on that basis payments are therefore withheld.
- 4.4 The regulation of rents set out between para 3.11 - 3.25 provide short, market and community rental frameworks to community partners who occupy council premises.
- 4.5 Provision of an rent subsidy grant provide additional assurances to aid organisations by fostering greater focus on project delivery and removing any distraction caused by potential rents volatility.

5. LEGAL COMMENTS

- 5.1 The decisions of the Commissioners relating to the Mainstream Grants were made at a time when the Council’s grant function was being carried out by the Commissioners. Therefore, the Council executive should still consider itself to be bound by those decisions.

- 5.2 Therefore, in the event that agreement cannot be reached with any of the organisations who are utilising Council properties without an appropriate occupancy agreement in place then the Council will have no alternative but to discontinue the grant.
- 5.3 Currently agreement has not been reached and therefore the Council is not compliant with the relevant Commissioners' decision. This means that the Council is not obliged to pay the grant. However, the Council must also act reasonably and the Council should allow a reasonable period of time to agree the occupation terms prior to discontinuing the grant. Therefore, the Council may make the interim payments as recommended.
- 5.4 The Council is bound by its Best Value duty to ensure that the grant funds are being used in accordance with the grant terms. Therefore, where the report indicates that an organisation is performing in a manner inconsistent with those terms the Council is entitled to withhold payment and or terminate the grant agreements.
- 5.5 The application of the rent subsidy has been formalised into a Council policy. As such, and also in accordance with the Council's administration law duties the Council must apply the policy equal to all eligible organisations.
- 5.6 Recommendations 10 and 11 represent non-compliance by the organisations with the existing grant terms and the Council is not obligated to make any variation. However, the Council may agree to the variation provided that the Council reasonably believes that the changes would not have resulted in a significantly different outcome to the application process. Also, the Council should carry out an Equalities assessment in respect of each variation to ensure that the Council continues to comply with its legal duties under the Equality Act 2010

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1. The contribution of VCS organisations helping to deliver One Tower Hamlets objectives and priorities are explicitly recognised and articulated within the Council's agreed Voluntary and Community Sector Strategy.
- 6.2 VCS Organisations play a key role in delivering services that address inequality, improve cohesion and increase community leadership. These services are real examples of 'One Tower Hamlets' in practice.
- 6.3 The opportunities offered through the MSG Programme will play a key role in delivering the aims of One Tower Hamlets.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 The level of awards to organisations was determined by the quality of their individual applications as well as the overall demand for the funds available within each Theme.

- 7.2 Additionally, the application appraisal process took into consideration the proposed levels of outputs and outcomes to be delivered as well as the organisation's track record and the bid's overall value for money rating.
- 7.3 There will be ongoing performance management of the approved portfolio of projects to ensure that interventions meet the required standards; that the evidencing of project achievements and expenditure are accurately recorded and reported.
- 7.4 Monitoring and reporting arrangements are in place to ensure that payments to organisations are in line with performance. The agreed Payment By Results process will ensure that grants will not be paid to organisations that either significantly or consistently under-perform, or those that are not able to properly evidence the work/outcomes for which funding has been approved.
- 7.5 Agreement of the proposed rent subsidies will assist the Council in achieving the Best Value action plan in relation to the regularisation of lease arrangements with VCS organisations which occupy our premises.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 The MSG 2015/18 Programme has a broad focus including developing new skills for local people and organisations that are disadvantaged and perhaps facing multiple barriers to achieving a sustainable future.
- 8.2 All programme beneficiaries be they individuals or local organisations will be encouraged to consider taking appropriate steps to minimise negative impact on the environment when taking up the opportunities offered within the programme and on an ongoing basis.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 A number of different risks arise from any funding of external organisations. The key risks are:
- The funding may not be fully utilised i.e. allocations remain unspent and outcomes are not maximised
 - The funding may be used for purposes that have not been agreed e.g. in the case of fraud
 - The organisation may not in the event have the capacity to achieve the contracted outputs/outcomes
- 9.2 The monitoring being undertaken has identified a small number of projects that have been rated either Red or Amber within the Council's RAG performance rating process. In these circumstances either formal project improvement plans or other appropriate arrangements have been put in place to minimise the risk of further/significant underperformance.
- 9.3 As part of the ongoing programme management arrangements, support, advice and guidance will be made available projects to ensure that all performance and other risks are minimised.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 The activities, services and outcomes that are being targeted through the MSG Programme support the objectives of reducing crime and disorder; this is particularly true of the projects delivering under the Community Engagement Cohesion and Resilience Theme.
- 10.2 Throughout the programme as a whole however, those people involved in, or at risk of involvement in the criminal justice system will be targeted for support.

11. SAFEGUARDING IMPLICATIONS

- 11.1 As part of the initial application process organisations were required to provide details of their safeguarding policy if appropriate. The Grant Agreement that funded organisations have entered into includes requirements in relation to safeguarding.
- 11.2 Organisations providing services to children or vulnerable adults and employing staff or volunteers in a position whose duties include caring for, training, supervising or being responsible in some way for them, are required to fully comply with all necessary safeguarding requirements.

Linked Reports, Appendices and Background Documents

Linked Report:

- None

Appendices:

- Appendix 1 – Project Performance July to September 2017
- Appendix 2 – Project Performance by RAG rating
- Appendix 3 – Beneficiary Data
- Appendix 4.1 – Theme 1 Summary
- Appendix 4.2 – Theme 2 Summary
- Appendix 4.3 – Theme 3 Summary
- Appendix 4.4 – Theme 4 Summary

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- None

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