

Grants Determination Sub-Committee 7 th November 2018	
Report of: Zena Cooke, Corporate Director Resources	Classification: Unrestricted
Proportionate Monitoring Arrangements	

Lead Member	Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Steve Hill, Head of Benefits Services
Wards affected	All wards
Key Decision?	Yes
Reason for Key Decision	Impact on Wards
Community Plan Theme	All themes

Executive Summary

The Mainstream Grant (MSG) 2015/18 Programme approved by the Commissioners on 29 July 2015, was initially expected to be delivered from 1st September 2015 through to 31st August 2018. At the 12th September 2017 Grants Determination Sub-Committee, the programme was extended to 31st March 2019. A further extension to the programme, to the 30th September 2019, was agreed by the Grants Determination Sub-Committee at its meeting on the 6th June 2018.

The grant monitoring arrangements for the programme were agreed by Commissioners. At a very early stage the Voluntary and Community Sector provided feedback that grants monitoring arrangements are not proportionate, are resource intensive and divert activity from delivery to monitoring administration activities.

The recent LGA peer review acknowledged the issue and recommended that officers, in conjunction with Internal Audit should undertake a review and propose alternative proportionate grant monitoring arrangements.

This report proposes alternative proportionate grant monitoring arrangements for the period September 2018 to September 2019 and provides recommendations for the Grants Determination Sub-Committee.

Recommendations:

The Grants Determination Sub-Committee are recommended to:

1. Consider and agree the proposals outlined to rationalise grant monitoring arrangements making them proportionate to the level of risk.

1. REASONS FOR THE DECISIONS

- 1.1 Regular performance updates through effective grant monitoring arrangements ensure that the MSG themes and individual projects are on track to achieve the targeted outcomes.
- 1.2 The review of the process for grants monitoring has emerged from ongoing representations and concern from the sector, that organisations find the existing grant monitoring arrangements time consuming and excessive in comparison to grant monitoring arrangements of other councils, trusts and organisations.
- 1.3 Proportionate monitoring arrangements will prevent excessive administration, manage risk and not divert resources from delivery they will promote capacity building within the sector and in doing so help in the preparations for community commissioning.
- 1.4 It should be noted that all organisations in receipt of mainstream grants have delivered whilst adhering to the existing intensive monitoring arrangements for the three years of the existing MSG programme; rationalising grant monitoring arrangements while not increasing risk to the council from September 2018 to September 2019 will allow resources to be refocused and support further developments.

2. ALTERNATIVE OPTIONS

- 2.1 The existing grant monitoring arrangements could continue to apply to the end of the current programme, which has been extended to September 2019.
- 2.2 Grants Determination Sub-Committee could decide to alter the proportionate monitoring proposals contained within this report.

3. DETAILS OF THE REPORT

- 3.1 This report proposes the introduction of new proportionate monitoring arrangements for the monitoring of grants. The Mayor and Members should be assured that whilst new proportionate monitoring arrangements are proposed, they will not increase the risk of fraud, error or failure by organisations to deliver outcomes and value for money. The purpose is to adopt a more proportionate, robust approach to monitoring. The Council's Chief Internal Auditor is cognisant of this view.
- 3.2 Existing grants monitoring arrangements were agreed by Commissioners in 2015.
- 3.3 The measures put into place in 2015 were reflective of the need identified at the time. However improving practice introduced over the intervening years has led to recognition that existing grant monitoring arrangements are high cost, labour intensive, considered excessive and counterproductive.

- 3.4 All organisations within the mainstream grants programme have met existing grants monitoring arrangements for the last three years and this provides substantial assurance given they have met all monitoring requirements.
- 3.5 Almost immediately, upon adoption of the monitoring arrangements in 2015, the council received representations from the voluntary and community sector for a more proportionate approach to grants monitoring arrangements. The sector met with officers and provided feedback. The council was in a different place at this time and consequently changes to monitoring arrangements were not considered appropriate.

3.6 **Summary of existing grants monitoring arrangements**

- 3.7 The current grants monitoring arrangements have been amended via Commissioners decisions and are based on the procedures set out in the Grant Officers Manual.

The following classification of grants has been used:

Small Grants – up to £5,000 per annum

Medium Grants - £5,001 to £30,000 per annum

Large Grants – over £30,000 per annum

- 3.8 Under current monitoring arrangements, the level of grant determines the minimum number of monitoring visits each year:
- Small Grants – 1 visit per year
Medium Grants – 2 visits per year
Large Grants – 4 visits per year

Monitoring visits involve verification of spend and activity reported on a quarterly basis and additional visits may be required to see and verify activity is taking place as scheduled.

- 3.9 However, existing reporting arrangements for grants are such that regardless of the amount of grant being paid, every organisation must complete an online monitoring report for each quarter for each project. This means regardless of the amount of grant funding awarded, organisations are required to submit four written monitoring reports per year.

In addition to completing the online monitoring form a list of financial transactions and a list of beneficiaries must be supplied with each monitoring return.

For some projects case studies are also required to be submitted.

- 3.10 The monitoring arrangements were considered as part of the recent LGA Peer Review, which included meetings with the voluntary and community sector. The review recommended that proportionate monitoring arrangements be considered and that officers should work with Internal Audit on the proposals.

3.11 In considering alternative grants monitoring arrangements, careful consideration has been given to ensuring:

- That the risk of fraud or misappropriation is minimised
- That the monitoring process is proportionate to funding
- Ensure that grant funding is spent on the purpose of the award
- That achievements can be monitored

3.12 A more proportionate monitoring approach is proposed. Within this projects will still be classified as Red, Amber or Green within the Council's agreed performance management framework. Issues that raise concerns will be addressed and appropriate remedial actions agreed. Where necessary, this could include withholding grant funding until performance issues are resolved or in extreme cases, a recommendation for withdrawal of funds.

**Proposed proportionate monitoring arrangements for grants
September 2018 to September 2019**

Grant Size	Proposed Inspection Frequency/Method	Qualifying Criteria	Additional Measures	Triggers for Additional Monitoring/ Inspection
Up to £5,000	One monitoring report submitted per year. Random selection (3%) of unannounced cohort visits.	Quarterly Green performance ratings over the previous year	Mystery Shopper Social media monitoring	Complaints to Members or Officers Loss of key staff Community Reports from service users and/or other organisations
£5,000 to 30,000	Two monitoring reports submitted per year. Minimum of one visit per year.	Quarterly Green performance ratings over the previous two years	Mystery Shopper Social media monitoring Combination of unannounced visit and short notice visits (3% of cohort)	Complaints to Members or Officers Loss of key staff Community Reports from service users and/or other organisations
£30,000 or more	Three monitoring reports submitted per year. Minimum of Two visits per year.	Quarterly Green performance ratings over the previous three years	Mystery Shopper Social media monitoring Combination of unannounced and short notice visits (3% of cohort)	Complaints to Members or Officers Loss of key staff Community Reports from service users and or other organisations

- 3.13 Currently, the vast majority of grant recipients would meet the qualifying criteria above. For those organisations that fail to meet these requirements bespoke remedial and inspection programmes will be developed on a case by case basis.
- 3.14 As part of the new monitoring arrangements, a review of the volume and relevance of the data currently collected by voluntary and community organisations will be undertaken to ensure a more proportionate and relevant approach is adopted.
- 3.15 The greatest benefit of the proportionate monitoring approach would be a reduction in time and resources required for monitoring purposes for organisations in receipt of MSG. This will provide organisations more time to spend on delivery while at the same time; the proposed changes will allow grants monitoring officers to adopt a more risk based approach to analysis and monitoring as well as providing monitoring officers with time to discuss change, improvement and capacity building with the organisations they are working with.
- 3.16 If agreed, the proportionate monitoring approach will mean that going forward, organisations will need to be prepared for unannounced random monitoring visits at all times; in essence rather than requesting information from groups in accordance with the current monitoring process, organisations will be expected to maintain up to date information at all times, ready for inspection. In turn, this approach will prepare organisations for community commissioning and other funding opportunities.
- 3.17 If the proposed proportionate monitoring arrangements are agreed, organisations in receipt of mainstream grants will be written to, advising them of the new arrangements and monitoring expectations going forward.

4. EQUALITIES IMPLICATIONS

- 4.1 A strategic assessment was undertaken of the proposed MSG programme in April 2015. It focused on identified need (or beneficiaries) and the difference between the MSG Programme 2013-15 and the proposed programme. Looking in particular at the potential impact of;
- Reduction in overall funding;
 - Rationalisation of themes; and
 - Introduction of locality boundaries
- 4.2 The programme continues to deliver against the themes developed to address the identified need.

5. OTHER STATUTORY IMPLICATIONS

One Tower Hamlets Considerations

- 5.1 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.

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.

The opportunities offered through the MSG Programme will play a key role in delivering the aims of One Tower Hamlets.

Best Value (BV) Implications

- 5.2 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.

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.

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.

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.

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.

Sustainable Action for a Greener Environment

- 5.3 The MSG 2015/18 Programme (now extended to September 2019) 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.

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.

Risk Management Implications

- 5.4 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

The proposed monitoring arrangements have been developed in conjunction with the council's Internal Audit department.

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.

Crime and Disorder Reduction Implications

- 5.5 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.

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.

Safeguarding Implications

- 5.6 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.

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.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 The Main Stream Grant (MSG) Programme was approved by the Commissioners on the 29 July 2015 and initially covered the period between, 1st September 2015 through to 31st August 2018. However subsequent Grants Determination Committees (GDC) revised the date which led most recently to the current programme end date of 30th September 2019 this was decided at a GDC meeting held on the 6th June 2018.
- 6.2 Following the recent LGA Peer Review and input from voluntary and community sector (VCS). It was recommended that a more proportionate approach to risk be adopted which was not overburdening but ensured the

monitoring procedures that were adopted were in line with the level of funding the VCS received. These changes in procedures would be implemented following work with Internal Audit to verify the integrity of the new proposals. This would allow for a risk based approach which would be more targeted/efficient and offer better value for money, as greater emphasis would be placed on maximising successful project outcomes within the local community.

- 6.3 This report provides the Council an opportunity to continually improve the quality of grant processes and procedures without increasing risk of fraud and misappropriation. Improvements of this nature will provide a robust foundation for the introduction of MSG under the future commissioning regime.
- 6.4 There will be no financial impact as the suggested improvements place no additional burden on the relevant General Fund budgets.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Council has a legal duty both in terms of Best Value and under administration law to operate a fair and open application procedure to the allocation of grant monies.
- 7.2 The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This is referred to as the Council's best value duty. Best Value considerations have also been addressed in paragraph 5 of this report.
- 7.3 Applying this duty to grants, the Council must operate a fair and open application procedure to process a request to obtain funding. Requests for grant funding should ordinarily be measured against a predetermined set of criteria and the criteria themselves must be fair and transparent. The grant agreement should include a clear monitoring process against defined parameters in order for the Council to demonstrate either: that delivery is in line with the application and, therefore, the grant achieved its purpose; or provide clear delineation where outcomes were not achieved and the reasons for such failure are apparent. Monitoring should therefore include measuring performance against the expected outcomes.
- 7.4 This report provides a new monitoring arrangement to ensure a more proportionate and relevant approach is adopted. This new approach would result in a reduction in time and resources required to monitor organisations in receipt of MSG. This would benefit both the organisations', who can spend more time on delivery and the Council, where officers can spend time dealing with change, improvement and capacity building with the organisations they are working with. This meets the Council's duties mentioned in paragraph 7.1 and 7.2.

- 7.5 When making decisions, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty). A proportionate level of equality analysis is required to discharge the duty and information relevant to this is contained in the One Tower Hamlets section of the report.
-

Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

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

- None

Officer contact details for documents:

Steve Hill, Head of Benefits Services

Phone: 020 7364 7252 **Email:** steve.hill@towerhamlets.gov.uk