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| Commissioner Decision Report 11 March 2015 |  |
| Report of: Acting Corporate Director, Resources | Classification: Unrestricted |
| Main Stream Grants 2012/15 – Programme Extension | |

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| Originating Officer(s) | |
| Wards affected | All |
| Key Decision? | Yes |
| Community Plan Theme | All |

1. **EXECUTIVE SUMMARY**

- 1.1 The Council's Main Stream Grants (MSG) Programme has been a key funding source for third sector organisations within the borough for many years. The current programme is made up of 327 projects operating across 11 different funding streams. Projects are delivering a diverse range of community activities and services: these include supporting vulnerable residents impacted by welfare reform and upskilling young people to enable them to take advantage of emerging employment opportunities.
- 1.2 The current programme (2012/15) is scheduled to end on 31 March 2015 and it is custom and practice that the new programme would commence on 1 April, thereby ensuring continuity of service provision for local residents.
- 1.3 Due to a number of factors however, the council has been unable to launch the new (2015/18) MSG programme in time for the 1 April start date. We therefore need to consider an extension of the current programme. This will enable the required new programme consultation and planning to be completed whilst continuing to deliver ongoing services of the current programme.
- 1.4 On the 17th December 2014 the Secretary of State for Communities and Local Government issued a series of directions, under sections 15(5) and (6) of the Local Government Act 1999 to the Council to secure compliance with its best value duty. Those directions included the transfer of all functions exercised by the Authority relating to the making of grants under any statutory power or duty, excepting Disabled Facilities Grants.
- 1.5 Officers have been liaising with the Commissioners, since January, to facilitate service continuation, pending development of the new programme, and they have stated they were minded to agree a five month extension. However that would be subject to a project by project review, assessing

performance over a year, and furthermore subject to projects meeting the minimum eligibility criteria and quality threshold set out in the original published programme documentation.

2. RECOMMENDATIONS

The Commissioners are recommended to:

- 2.1 Consider the project assessments set out in Appendices 1 to 5 and determine which projects be allowed to continue from 1st April 2015, and for what period, in accordance with the criteria set out in paragraph 5.12 of the report.
- 2.2 Agree the timetable for development and implementation of the new mainstream grants programme 2015 to 2018, as set out in paragraph 5.9 of the report.
- 2.3 Note the equalities assessments of the existing programme as set out in Appendix 6 of the report.

3. REASONS FOR DECISION

- 3.1 The decisions are required in order that the Council is able to properly manage current agreements with existing service providers; advise all projects/organisations of the outcome of decisions, relating to extensions of existing contracts, ensuring compliance with both the Tower Hamlets Compact and our Public Sector Equalities Duties; develop and implement the new MSG programme, with new providers in an efficient manner.

4. ALTERNATIVE OPTIONS

If the extensions are not agreed, other options for managing the current situation are outlined below.

- a) To allow all current grant agreements to end as of 31 March with the view to launching a new programme at a future date to be determined.

This will have a serious detrimental impact on vulnerable residents currently accessing advice services, employment support, youth projects and luncheon clubs etc. It is likely that organisation will be unable to continue to deliver the services.

- b) To consider 9 months extension of all grant agreements deemed to have performed to satisfactory levels.

This will provide ample time to allow for thorough consideration of

funding recommendations; however, it has the potential to disadvantage possible new service providers.

5. DETAILS OF REPORT

Background

- 5.1 The current MSG Programme was approved by Individual Mayoral Decision on 30 November 2012. The Programme was made up of 327 projects operating within 11 funding streams and was scheduled to run from 1 January 2013 through to end of March 2015 – a period of 27 months.
- 5.2 As the programme period progressed, a number of factors began to have a major impact on the original timeline (of having the new programme in place to commence as of 1 April 2015). These factors included:
- **Mayoral & Local Elections:** the need to enable the Council's incoming 'new leadership' to be involved in the planning process
 - **Third Sector Review:** the roles and responsibilities of grant officers were to be reviewed which could have significantly changed the relationship between the Directorates and a potential central programme management team
 - **PwC Investigation:** time to enable the council to take on board any recommendations/lessons to be learned from the PwC Report
- 5.3 The cumulative impact of these and other factors meant that a variation from the original timetable of having the new programme in place for a 1 April 2015 start was inevitable. Although officers had set out a timetable which could have delivered the new programme on time, this was overtaken by events and it became apparent that the best course of action would be to seek an extension to the current programme.
- 5.4 On the 17th December 2014 the Secretary of State for Communities and Local Government issued a series of directions, under sections 15(5) and (6) of the Local Government Act 1999 to the Council to secure compliance with its best value duty. Those directions included the transfer of all functions exercised by the Authority relating to the making of grants under any statutory power or duty, excepting Disabled Facilities Grants.
- ### **The New Programme 2015 to 2018**
- 5.5 The need to extend the existing programme is to enable the new programme to be developed and implemented in an efficient and effective manner. There are a number of associated complexities in this process. A very important aspect of the timetable for the new programme was the time to evaluate the 'existing programme' and ensure that lessons learned were considered in detail when developing new programme proposals.

- 5.6 Irrespective on how the MSG programme is packaged, the purpose and objective of Main Stream Grants is likely to remain the same: to fund activities to meet Community Plan Priorities, which the Third Sector is best placed to deliver.
- 5.7 Directorate officers have been undertaking a review of the current MSG programme in order to develop proposals for the new (2015/18) programme. The review included an initial consultation workshop involving a large number of local Third Sector Organisations, which took place in October 2013. There has also been involvement of key Third Sector partners in the ongoing 'review process' to develop the new MSG Programme.
- 5.8 Proposals for the new programme include reconfiguring the 11 Funding Stream structure of the current MSG programme, into 5 broader themes going forward, to facilitate the development of innovative and holistic approaches. These proposals alongside other key changes to the governance arrangements and structure of the 2015/18 Main Stream Grants Programme are designed to ensure that the Council's Main Stream Grants Programme remains at the forefront of local initiatives designed to meet expressed corporate goals.
- 5.9 The proposed 2015/18 commissioning timeline is outlined in the following table. The Commissioners are keen to ensure there is cross party Member input, both with regard to development of the new programme and prior to determination of grant awards. That part of the consultation will be factored in at appropriate times in the process.

Timeline

| Activity | Date |
|--|---|
| Consultation starts | 9th March (4 weeks) |
| Consultation ends | 3rd April |
| Programme agreed | 7th April to 24 th April (3 weeks) |
| Programme opens | 27th April (5 weeks) |
| Deadline for submission of applications | 29th May |
| Applications assessed | 1st June to 26th June (4 weeks) |
| Decision period | 29th June to 10th July (2 weeks) |
| Commissioners decision in public | 8th July |
| Applicants notified | 13th July |
| Appeals process | 13th July to 17th July (1 week) |
| Appeals decision | 29th July |
| Service Agreements & delivery negotiations | 20th July to 28th August (6 weeks) |
| Service delivery commences | 1st September |

MSG Rollover

- 5.10 A 'position statement' report was presented to Commissioners on 28 January 2015. As part of this report the factors which had a major determining influence on the original timeline, of not being able to have the new

programme in place to commence as of 1 April 2015 were fully explained. This report provided a range of options for rolling over the MSG programme and for each option, the associated risks and issues.

5.11 The criteria to be used to inform project rollover has been a major consideration for the commissioners. The standard criteria for extension “that the projects must be performing satisfactorily” would be applied, but there are also other factors which they have determined will form the basis of their decision-making criteria including:

- Whether or not the organisation met eligibility and assessment criteria at the time of application and assessment;
- Whether the organisation met the minimum score threshold at the time of application and assessment;
- RAG status based on quarterly performance monitoring information; and;
- Risk assessment based on the consequences of ending the funding – organisations have been scored out of 25 (5 (likelihood) x 1-5 (impact)) of the risks of closure

5.12 The Commissioners have agreed in principle to the extension of existing projects based on the following performance criteria within the Council’s RAG Performance Monitoring system as at the end of December 2014. These will be subject to contract renegotiations.

5.12.1 Those projects rated GREEN - to be extended for 5 months to the end of August.

5.12.2 Those projects rated AMBER - to be extended initially for 3 months with the possibility of a further 2 months depending on their performance during the January to March 2015 quarter. These projects would be the subject of a performance monitoring exercise.

5.12.3 Those projects rated RED - will not be extended

5.12.4 Within the programme there are a number of projects which have ceased delivery and are therefore regarded as ‘closed projects’ - these projects will not continue and each is subject to a closure audit.

5.12.5 As part of the original approval a number of projects (now 26 as 4 have closed) which had scored below the threshold of 40 points, within the assessment process, were awarded funding. It was agreed that these projects would need to be reassessed (and must score 40 or more, in order to determine whether they can be extended. Those that score 40 or more will then be considered in line with paragraphs 5.12.1 to 5.12.3 above.

Council's Grant Management Process

5.13 The Council's grant management process requires the assessment of funded projects through agreed monitoring arrangements on a quarterly basis. All MSG projects have a Grant Offer Letter which clarifies their quarterly targets in terms of outputs/outcomes and also sets out the quarterly reporting and evidencing requirements. Following the monitoring process projects are rated Red, Amber or Green based on 'project reporting' and 'project performance' as set out below.

5.13.1 Project Reporting:

- Rated as GREEN if reports are received within 10 working days of the end of the quarter
- Rated as AMBER where reports are received between 11 and 15 working days following the end of the quarter
- Rated as RED where reports are received later than 15 working days following the end of the quarter

5.13.2 Project Performance:

Rated as GREEN where:

- Output targets have been achieved/exceeded for the quarter in question or any under achievement is within 10%; or where
- The cumulative outputs achieved to date is not showing an under achievement of more than 10% below target; and where
- The quality of both 'the outputs' and 'the evidencing' of the outputs is clear and there are no issues
- There are no concerns regarding the proper use of the grant

Rated as AMBER where:

- Output targets for the quarter in question is showing under achievement of between 11-20%; or where
- The cumulative outputs to date is showing an under achievement of more than 15% below target; and where
- There may be **minor issues or concerns** regarding either the 'quality of the outputs' or 'the evidencing' of the outputs
- There may be concerns regarding the proper use of the grant

Rated as RED where:

- Output targets for the quarter in question is showing an under achievement greater than 20%; or where
- The cumulative outputs to date is not showing an under achievement of more than 15% below target; and where
- There are **significant issues or concerns** regarding either 'the quality of the outputs' or 'the evidencing' of the outputs
- There may be concerns regarding the proper use of the grant

Rollover Budget

- 5.14 The total programme budget available to fund the MSG programme in 2015/16 is £3.087m. This includes £211k funding from Dedicated Schools Grant for Early Years projects. It is unlikely these will form part of the MSG programme moving forward.
- 5.15 If a decision is taken to rollover the programme based on the outcome of the quarter 3 monitoring, the total budget required is up to a maximum of £1.37m. This allows funding of projects ragged green for 5 months (£1.25m) and projects ragged amber for a maximum of 5 months (£117k). The table below shows the budget by funding streams for a 5-month and 3-month rollover.

| Directorate | Funding Stream | Total Budget Allocation schemes Ragged Green £000 | Total Budget Allocation schemes Ragged Amber £000 | Total Budget Allocation £000 |
|-----------------------------------|---|--|--|---------------------------------|
| Adults Health & Wellbeing | Older People Lunch Club Services | 78.9 | 21.0 | 99.9 |
| Children Schools and Families | Children and Families Services | 79.4 | 9.7 | 89.1 |
| Children Schools and Families | Early Years Services (<i>Dedicated Schools Grant</i>) | 184.4 | 16.0 | 200.4 |
| Children Schools and Families | Study Support Services | 33.6 | 0.8 | 34.4 |
| Communities, Localities & Culture | Community Language Services | 99.5 | 4.0 | 103.5 |
| Communities, Localities & Culture | Youth and Connexions Services | 45.6 | 4.6 | 50.2 |
| Communities, Localities & Culture | Arts, Sports and Environment Services | 143.1 | 7.6 | 150.7 |
| Communities, Localities & Culture | Lifelong Learning Services | 28.2 | 0 | 28.2 |
| Development & Renewal | Community & Economic Engagement | 213.6 | 3.4 | 217.0 |
| Development & Renewal | Social Welfare Advice Services | 311.6 | 3.1 | 314.7 |

| Directorate | Funding Stream | Total Budget Allocation schemes Ragged Green £000 | Total Budget Allocation schemes Ragged Amber £000 | Total Budget Allocation £000 |
|-----------------------|-------------------------------------|---|---|------------------------------|
| Development & Renewal | Third Sector Infrastructure Support | 34.6 | 0 | 34.6 |
| Total | | 1,252.5 | 70.2 | 1,322.7 |

Quarter 3 Performance Monitoring

5.16 The assessments of quarter 3 monitoring reports have now been completed by respective directorate officers; a detailed summary is attached as **Appendix 7**. Those projects which scored 'below the threshold' have also been reassessed. A detailed review was undertaken for each of these projects using the appropriate assessment criteria. The Red, Amber and Green (RAG) assessment of projects is set out below.

5.16.1 From the total programme portfolio, 255 projects are rated as GREEN and can therefore be considered for an extension for 5 months.

The total value of project funding for the period would be £1,252,541

Full details of the GREEN rated projects are set out in **Appendix 1** attached.

5.16.2 From the total programme portfolio, 28 projects are rated as AMBER and can therefore be considered for an extension, initially for 3 months, but could, depending on performance (paragraph 5.12.2 above), be extended for the full 5 Months extension period.

The total value of project funding for 3 months would be £70k and for the full 5 months this would increase to £117k

Full details of the AMBER rated projects are set out in **Appendix 2** attached.

5.16.3 From the total programme portfolio, 18 projects are rated as RED. Details of these projects are set out in **Appendix 3** attached.

5.16.4 From the total programme portfolio, 19 projects have closed. Details of these projects are set out in **Appendix 4** attached.

5.16.5 From the total programme portfolio, 30 projects which scored below the quality threshold of 40 points were awarded funding. Of these, 3 were RED and 4 were 'closed' and were not reassessed.

The remainder (23) were rated either GREEN or AMBER but needed to be reassessed to see if they could now achieve a score above the threshold to determine whether they were eligible to be extended.

Following the reassessment, 7 projects remain below the threshold. Details of these projects are set out in **Appendix 5** attached.

Equalities

- 5.17 Equalities considerations are an integral part of the decision making process and due consideration is therefore given to all project beneficiaries the fall within the 9 protected characteristics as defined by the Equalities Act. In this regard an Equalities Assessment (EA) has been undertaken for each funding stream within the MSG programme. The EA's for each of the 11 funding streams are included in **Appendix 6.1 to 6.11**.
- 5.18 The overall conclusion is that the proposals within this report do not adversely impact on any particular group in relation to the protected characteristics. The Old Peoples Luncheon Club EA highlights an immediate impact that can be mitigated in the short term.
- 5.19 The equalities assessment considered the impact of the proposals in comparison to the funding provision as approved for the period 2012-2015. The quarter 3 2014/15 performance monitoring data was used as the basis of the assessment.
- 5.20 The summary at Appendix 6 shows the results of that evaluation and the impact assessments consider the impact of not extending funding to certain groups, as a result of that assessment.
- 5.21 The general picture is that the majority of Individual assessments have not identified any significant equalities impact on the various groups with protected characteristics. Where projects have not been proposed for consideration, this primarily due to the failure of these projects to achieve the required funding targets, in some cases also due to significant alternate provision available via the MSG programme.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 The report seeks Commissioners determination of project by project rollover of mainstream grants following performance assessments set out in the appendices to this report, and review of the eligibility criteria and methodology thresholds where appropriate. Subject to this agreement the report also seeks agreement as to the timing of the project continuation – be that 5 months or initially 3 months.

- 6.2 The Council will determine its budget on the 5th March. Subject to its agreement, the budget for mainstream grants across the three directorates of ESCW, CLC and D&R is £2.88m, excluding those projects funded through Dedicated Schools Grant. The risk assessments, which have followed the criteria determined by the Commissioners, set out in this report would indicate, subject to final determination, a rollover of up to £1.15m, which represents 40% of the budget. There is a further (up to) £211k of DSG funded Early Years projects for up to 5 months.
- 6.3 The report also provides an indicative timetable, for Commissioners to agree, for the development and implementation of the 2015-18 MSG programme so that the Council continues to comply with its Compact requirements. Development of a new 3 year programme must be seen in the context of the financial challenge facing the Council, as set out in its Medium Term Financial Plan, with a further anticipated savings requirement of some £40million for the two years 2016-18.

7. LEGAL COMMENTS

- 7.1 The Council has an obligation under section 3 of the Local Government Act 1999 to ensure to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 7.2 This is the Council's Best Value obligation. When considering whether to issue the grant extensions the Council should consider whether the grants themselves offer Best Value to the Council.
- 7.3 When considering which grants to extend the Council should take into account the economy efficiency and effectiveness of the grants thus far when measured against the reasons for which the grants were given. This may include whether performance targets have been met, whether the activities show signs of continual improvement and whether appropriate performance measures and monitoring are in place to ensure that continuous improvement will occur over any extension period.
- 7.4 Under section 1 of the Localism Act 2011 the Council has the general power of competence. This means that the Council has the power to do anything to do what an ordinary human being could do, unless statute specifically restricts the Council for acting in the way it wishes. Therefore, in the absence of specific legislation to the contrary it would appear to be within the Council's power to issue these grants, subject always to the directions of the Secretary of State for Communities and Local Government.
- 7.5 The Council is obligated by the Equalities Act 2010 to ensure that it prevents discrimination between people who have a protected characteristic and those who do not and to promote equality between those people who have a protected characteristic and those who do not. The Council needs to ensure that the issuing of grants complies with this statutory obligation.

- 7.6 The Council must ensure that no part of the funds issued represents a profit element to any of the recipients. The inclusion of profit may indicate that the grant is really procurement activity and would otherwise be subject to the Council's Procurement Procedures and other appropriate domestic and European law.
- 7.7 All the proposed grants appear to fall under the de minimis threshold for the purposes of European State Aid.

8. ONE TOWER HAMLETS CONSIDERATIONS

- 8.1 The contribution of Third Sector organisations to delivering One Tower Hamlets objectives and priorities are explicitly recognised in the Council's Third Sector Strategy. Organisations play a key role in delivering services that address inequality, improve cohesion and increase community leadership: the deliveries of these services are real examples of 'One Tower Hamlets' in practice.
- 8.2 The opportunities offered through the Main Stream Grants programme will play a key role in delivering the aims of One Tower Hamlets.
- 8.3 It should be understood that the primary purpose of the Main Stream Grants programme is to 'provide services for local residents': services include specialist legal advice, employment skills development and supporting elders to deal with mental and physical health issues. These services are provided by Third Sector Organisations. Additionally however, some funding is also utilised to help capacity build these organisations in an effort to (a) improve their ability to deliver quality services; and, (b) improve their overall effectiveness and sustainability.
- 8.4 It is proposed that the current Main Stream Grant programme be extended for a further 5 months to 31 August 2015. This means that the new (2015/18) programme will commence from 1 September.
- 8.5 The following are among the potential negative impacts of not approving the extension (this will mean that there is no authority to continue funding current projects and no authority to fund new projects).
- 1) Some provided services may no longer be available for local people or be available at a much reduced level
 - 2) Current service providers are likely to reduce or lose staff
 - 3) Both the Council and partner/delivery organisations will suffer reputational damage

9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 9.1 The funding priorities within the MSG Programme support the spirit of SAGE. The Council, as a funder of third sector proposals that meet these priorities assists in the implementation of the strategic aims of SAGE.

10. RISK MANAGEMENT IMPLICATIONS

- 10.1 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 organisations may not be able to secure additional funding necessary to deliver the agreed activities
 - The organisation may not in the event have the capacity to achieve the contracted outputs/outcomes
- 10.2 To ensure that risks are minimised, each project/organisation will be required to comply with the standard Grant Agreement terms. There will also be appropriate renegotiated performance targets to be met and the evidence required. All extended projects will continue to be strictly monitored to ensure compliance.
- 10.3 Those projects assessed to be amber will initially be rolled over for 3 months, subject to Commissioners' agreement. To mitigate risks associated with these projects, further performance monitoring will be undertaken prior to further extension.

11. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 11.1 The services that will be provided through the MSG programme cover a broad spectrum of activities some of which are key drivers in contributing to the reduction in crime and disorder; these include:
- Improving community cohesion
 - Getting people into employment
 - Providing timely advice and advocacy
 - Supporting 'at risk' individuals

12. EFFICIENCY STATEMENT

- 12.1 The commissioning framework for the 2012/15 MSG Programme provided transparency and clarity in the delivery of desired outcomes along with cost of providing those outcomes to facilitate more efficient alignment of funding allocations.

The funding priorities which are were set out within Grant Specifications clearly linked to delivering outcomes as set out in the Strategic Plan and Community Plan as a mechanism to deliver better outcomes for local people within available resources. Through for example giving priority to projects that promote social inclusion; and, supporting service providers who deliver cost effective services that focus on benefit the local community and meeting the expressed needs of local people.

13. SAFEGUARDING IMPLICATIONS

13.1 [Authors should identify any safeguarding risks or benefits from the proposals detailed in the report.]

Linked Reports, Appendices and Background Documents

Linked Report

- List any linked reports [if Exempt, Forward Plan entry MUST warn of that]
- State NONE if none.

Appendices

Appendix 1 - Green rated projects

Appendix 2 - Amber rated projects

Appendix 3 - Red rated projects

Appendix 4 - Closed projects

Appendix 5 - Projects that failed to meet threshold

Appendix 6 - Equalities Assessment Summary

Appendix 6.1 EA - Older Peoples Lunchclub Services

6.2 EA - Children and Families Services

6.3 EA - Community Languages Services

6.4 EA - Early Years Services

6.5 EA - Study Support Services

6.6 EA - Youth and Connexions Services

6.7 EA - Arts Sports and Environmental Servicers

6.8 EA - Lifelong Learning Services

6.9 EA - Community and Economic Engagement Services

6.10 EA - Social Welfare Advice Services

6.11 EA - Third Sector Infrastructure Support Services

Appendix 7 – MSG Statistics

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

- List any background documents not already in the public domain including officer contact information.
- These must be sent to Democratic Services with the report
- State NONE if none.

Officer contact details for documents:

- Everett Haughton