

Committee: Overview and Scrutiny	Date: 7 April 2015	Classification: Unrestricted	Report No: 7.2
Report of: Interim Corporate Director Resources Originating officer(s) Dave Clark, Interim Service Head Resources, D&R Everett Haughton Third Sector Programmes Manager		Title: MSG 2015-18 Programme Update To be completed by author Wards Affected: All Wards	

1. **SUMMARY**

- 1.1 The current Main Stream Grants (MSG) Programme, which funds Third Sector community support activity in the borough was due to end on 31 March 2015. In order to prevent a gap in provision while the new 2015-18 programme was developed an extension up to 5 months (to 31 August 2015) was agreed by the Commissioners on 11 March 2015.
- 1.2 The indicative annual General Fund allocation for the 2015-18 programme is £2.836m. This is based on the base budget for the current 11 funding streams excluding the Early Years' Service awards funded from the Dedicated Schools Grant (DSG).
- 1.3 Following a decision by the School Forum the DSG funds which are ring-fenced for educational purposes will no longer be available to fund the MSG programme. The budget will be redirected to fund statutory early years' provision. Services will however continue to be delivered by external providers including third sector organisations.
- 1.4 In addition, a budget of £242,456 currently funds a Prevention Health and Wellbeing stream which is out of sync with the core elements of the MSG programme. However, it is proposed that the stream is brought into line and that the budget is included in the 2015-18 programme making the total proposed annual programme budget £3,078,456
- 1.5 Development of the 2015-18 programme began in 2014 with the MSG review group first meeting in August. This group, made up of Service Managers and representatives from the Third Sector looked at the strengths and weaknesses of the current programme, the Council's strategic aims, emerging social and economic trends, the current legislative and policy environment and the need to ensure equality across the borough.
- 1.6 A consultation event with the Third Sector took place on 13 October 2014 to look at the priorities for the new programme.

- 1.7 Following this event and continued meetings of the MSG review group 5 themes were developed for the new programme.
- 1.8 The 5 theme specifications were developed and a consultation event held on 11 March 2015, gave an opportunity for local third sector organisations to feed into the process. The deadline for further feedback from the sector is 25 March and the final draft specifications are due to be finalised on 30 March.
- 1.9 The decision on the new programme, including the final specifications, the timeline and governance arrangements are due to be taken by the Commissioners (in a public meeting) on the 22 April 2015.

2. RECOMMENDATIONS

The Overview and Scrutiny Committee is recommended to:

- 2.1 Note the contents of this report, the 5 draft theme specifications, also the ongoing development work to the service specifications.

3. BACKGROUND

- 3.1 The 2012-15 MSG programme continued the same funding streams as the previous 2009-12 programme. It was felt that a more in depth development of the new programme was required. A number of issues and weaknesses had been identified across the current 11 funding streams. These included an imbalance in the spread of provision across wards. In some funding streams resources had been spread too thinly across too many projects; this affects their viability and the quality and impacts of services delivered. In many of the funding streams services are fragmented with a lack of integration and cross-referral between projects.
- 3.2 Tower Hamlets has an extensive and diverse Third Sector. It plays a key role in the delivery of the Tower Hamlets Community Plan and in improving the lives of all those living and working in the borough. The sector is diverse with a broad range of organisations types, approaches and skills. Whilst the sector also faces many challenges it can be effectively mobilised to make a significant contribution to the corporate goals of the Council.
- 3.3 Main Stream Grants are a useful funding mechanism for deploying Third Sector organisations to support the delivery of the Council's key priorities. The funding can be effectively targeted toward specialist service providers in order to meet clearly articulated community needs and grant agreements can be negotiated with successful service providers to maximise the potential achievement of targeted outputs and outcomes.
- 3.4 For clarity it should be understood that MSG is a 'commissioned grant' process where desired service outcomes and other requirements are clearly specified within what is effectively a 'tender document'. Grants are treated as 'restricted funds' within an organisation's accounts and can therefore only be spent on the funded activity.

4. **BODY OF REPORT**

- 4.1 The attached draft specifications for the 5 themes (Appendices 1 – 5) contain the in depth detail that is being developed to achieve, the key business drivers and the guiding principles and governance arrangements.
- 4.2 This will be the basis for the report to the Commissioners setting out the new MSG programme. It should be noted that the review of the service specifications by offices and the Third Sector, is not due to end until 30th March, as a result there may be some changes. Any appropriate changes, including any feedback from the cross party member forum, will be incorporated within the final report for Commissioners consideration.

Consultation

- 4.3 The various consultation events and meetings involving representatives from the Third Sector, Senior Management and Members are set out below.

Consultation timetable

Activity	Date
Consultation Event – held at York Hall in conjunction with the consultation on the new Community Plan – look at priorities for the new programme	13 October 2014
MSG Review group meetings – attended by Service Managers and representatives from the Third Sector – to input into programme development	Various – August to December 2014
Consultation Event – held at the Atrium – to look at the draft specifications for the new programme	12 March 2015
Further feedback on the draft specifications to be submitted by email	25 March 2015
Cross Party Member Forum – to look at the draft specifications	1 April 2015
Final Consultation meeting – present the final draft specifications	7 April 2015 (tbc)

2015-18 Programme Themes

- 4.5 A review of the current MSG Programme by Service Managers together with results of initial consultation with Third Sector partners has indicated a requirement for a consolidation of the existing 11 funding streams into 5 broad themes. Through these themes, set out below, the Programme will be able to deliver key outcomes that address priorities and objectives from the Community Plan.
- Theme 1: Children and Young People and Families
 - Including educational attainment and vulnerable children, young people and families priorities
 - Theme 2: Jobs, Skills and Prosperity
 - Including Routeways to Employment and Social Welfare Advice priorities

- Theme 3: Prevention Health and Wellbeing
- Theme 4: Third Sector Organisational Development
- Theme 5: Community Engagement, Cohesion and Resilience

4.6 Draft specifications were prepared and these were discussed at the Consultation meeting on 12 March 2015.

4.7 The draft specifications are attached as **Appendices 1 – 5**.

Programme Budget

4.8 The annual budget for the current 11 funding streams in the MSG 2012-15 programme is £3.534m. For the new programme the Early Years Services funding (£0.698m) is to be taken out of MSG and delivered through a different mechanism.

4.9 In addition the current 'Adult Health and Wellbeing' funding stream which is out of sync with the other 11 streams has a budget of £0.242m.

4.10 This leaves an annual budget for the new 2015-18 programme of £3.078m. This is broken down into the five themes as shown below.

Indicative annual budget allocation 2015/18

Theme	Allocation £m
Children Young People and Families	0.820
Jobs Skills and Prosperity	1.220
Prevention Health and Wellbeing	0.556
	0.242
Third Sector Organisational Development	0.160
Community Engagement Cohesion and Resilience	0.080
Total	3.078

4.11 Additionally, as with the previous MSG Programme, the overall budget will need to be top-sliced in order to provide funding to support Tower Hamlets Council for Voluntary Services (THCVS) and to cater for the continued development and maintenance of the GIFTS grants management system.

Updated Timeline and Process

4.12 The timeline for the decision to approve the new programme is very tight with the key milestones set out below:

- 30 March 2015 – Service Specification Final Meeting Theme leads
- 31 March 2015 – MSG new programme Equality Impact Assessment draft
- 1 April 2015 – Cross Party Member Forum – Draft Specifications
- 7 April 2015 – Draft report for Commissioner's decision prepared
- 10 April 2015 – Financial and Legal comments provided

- 14 April 2015 – Papers for Commissioners Decision Meeting in Public published
- 16 April 2015 – Cross Party Member Forum – MSG New Programme
- 22 April 2015 - Commissioners Decision

4.13 Once the decision has been made the timeline for launch, assessment and grant award decision is also tight. The new programme is due to start delivery 1 September 2015. This is an updated version of the Timeline set out in the CMT report attached as Appendix 6.

Activity	Target Date / Duration	Comments
Programme Launch -	27 April	
Application period -	27 Apr-29 May 5 weeks	
Assessments - Eligibility checks - Scoring - Quality assurance - Equality Analysis - Recommendations - S151 Sign-off - Draft report	1 Jun – 26 June 4 weeks	This is an extremely challenging duration in which to complete the anticipated level of applications in the traditional way - It is therefore suggested that LBTH officers complete the eligibility stage of the process only - External assessors should then be used to undertake the full assessments which will be done online - LBTH officers would 'quality assure' the external assessments (a 10% sample) - Officers to complete EA - Based on the assessment scores and geographical / beneficiary targeting, LBTH officers would make the grant recommendations
Grant decisions - Finalise report - Take report through decision making process - Publish decision -	29 June – 10 July 2 weeks	This is an extremely challenging duration in which to arrive at the decision - There will be a need to ensure fast-tracking at all stages
Notify Organisations	w/c 13 July	
Appeals - Receive and consider appeals - If appeal warranted then application re-scored - Final decisions by the Commissioners - Notification to those that made appeal	13 Jul – 17 Jul 1 week	Appeals are only to be considered if representation is made in writing against the following: <ul style="list-style-type: none"> • There has been bias in the process • The decision made is one no reasonable person could make
Grant Agreement	20 Jul - 31 Aug	This may be an extremely challenging

Activity	Target Date / Duration	Comments
Negotiations - Negotiate and Grant Offer Letter and sign Agreement	6 weeks	duration in which to complete the process - However, the situation can be improved significantly if officers structure Grant Specifications with agreed funding levels (which are adhered to in the decision making process) and clearly defined standardised outputs
New programme starts	1 September	

5. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 5.1 This report updates the Members of the Overview and Scrutiny Committee on the proposed arrangements for the operation of the Mainstream Grants Programme for the 2015-16, 2016-17 and 2017-18 financial years.
- 5.2 An annual budget of £3.078 million has been approved by Council for the Mainstream Grants programme for the 2015-16 financial year. The financing elements are shown in the table in paragraph 4.10. It should be noted that although it is assumed that this level of funding is available for the second and third years of the programme (2016-17 and 2017-18), these resources will need to be made available and allocated as part of the annual budget processes for those years. However a three year indicative programme enables effective targeting of the appropriate funding priorities and allows more timely assessment and approval of funding requests.
- 5.3 In accordance with the directions issued by the Secretary of State on the 17th December 2014, as outlined in the report, the Mainstream Grants process and any grant awards resulting from it will ultimately be subject to approval by the Commissioners.
- 5.4 Following agreement by the Commissioners, the 2012-2015 Mainstream Grants programme was extended to 31 August 2015 to allow time for the initiatives and proposals outlined in this report to be progressed. Commitments entered into during the period to 31 August 2015 will have first call against the 2015-16 budget and must be taken into account when assessing the resources available for the remainder of the programme. The award and release of grant payments will be managed to ensure that resources are not exceeded.

6. COMMENTS OF THE HEAD OF LEGAL SERVICES

- 6.1 The proposed grants may be supported under a variety of the Council's statutory powers, depending upon the services offered by the organisations in question.

- 6.2 Section 1 of the Localism Act 2011 gives the Council a general power of competence to do anything that individuals generally may do, subject to specified restrictions and limitations imposed by other statutes. As individuals may provide financial support to community organisations, the general power may support the giving of grants to those organisations, provided there is a good reason to do so and provided there is no statutory prohibition on doing so (which generally there is not).
- 6.3 There may be a good reason for giving a grant if it is likely to further the Council's sustainable community strategy under section 4 of the Local Government Act 2000. The Council's strategy is set out in the Tower Hamlets Community Plan and the following objectives seem particularly relevant to the proposed mainstream grants themes –
- **A prosperous community.** The Council aims to create a Tower Hamlets in which everyone, regardless of their background and circumstances has the aspiration and opportunity to achieve their full potential. At the heart of this theme is a focus on combating social exclusion, reducing poverty and improving the life chances of the borough's residents.
 - **A healthy and supportive community.** The Council aims to support residents to live healthier, more independent lives and reduce the risk of harm and neglect to vulnerable children and adults.
 - **One Tower Hamlets.** The Council aims to reduce poverty and inequality, bring local communities closer together, and provide strong leadership by involving and empowering people and giving them the tools and support to improve their lives.
 - **Community engagement.** The Council aims to support a powerful public, involving local people in how the Tower Hamlets Partnership works.
 - **Efficiency.** The Council aims to deliver value for money services.
 - **Localisation.** The Council aims to deliver services closer to people.
- 6.4 The grant arrangements may be supportive of the Council's general duties in relation to health and wellbeing, which include the following –
- The Council has a general duty under the National Health Service Act 2006 to take such steps as it consider appropriate for improving the health of the people of Tower Hamlets.
 - The Council has duties to promote the wellbeing of children and vulnerable adults under the Children Act 1989, Children Act 2004 and the Care Act 2014. The Children Act 2004 requires the Council to make arrangements to ensure that its functions are discharged having regard to the need to safeguard and promote the welfare of children. The Care Act 2014 places a general duty on the Council to promote an individual's well-being when exercising a function under that Act.
- 6.5 When considering whether or not to make funds available for the purposes specified, the Council should consider whether or not this will be consistent with its best value arrangements. The Council is obliged as a best value authority under section 3 of 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” (the Best Value Duty).

- 6.6 Part of complying with the Council's Best Value duty is ensuring that the Council obtains value for money. Paragraph 3.4 of the main report refers to commissioning of the grants. For clarity the Council must operate a fair and open application procedure to process requests by groups to obtain funding. Requests should be measured against a predetermined set of criteria and the criteria themselves must be fair and transparent. The predetermined criteria must be the only method which is used to determine who obtains a grant and the level of grant based upon the quantity and quality of delivery. It follows that the grant agreements should include a clear monitoring process against defined parameters in order for the Council to demonstrate either that delivery was in line with the application and therefore, the grant achieved its purpose or to provide clear delineation where outcomes were not achieved and the reasons for such failure are apparent.
- 6.7 The main distinction between a commissioned grant and a procured service is the removal of a profit element. Where a grant purports to include profit then it ceases to be a grant and is seen as procurement activity. In the event that a grant is deemed to be procurement activity then the Council would need to comply with its legal obligations in relation to public procurement. This would include compliance with the Council's Procurement Procedures, as part of discharging its best value duty and complying with the applicable requirements of the Public Contracts Regulations 2015. For these reasons it is important that the mainstream grants process ensures that commissioned grants do not include a profit element. The applications presented by groups should identify the level of grant requested and the specific parts of the project for which funding is being requested (e.g. payment of staff wages, or overheads and utilities etc.) rather than presenting a single request for payment to provide “a service”. This allows the Council to determine that payments are on an “as cost” basis and do not include profit and also to clearly see whether or not there are sums to be reclaimed at the end of the project.
- 6.8 The report refers to the top slicing of the budget in order to pay for the involvement of the CVS. However, it is clear that as a grant this also needs to be subjected to the same application procedure to allow others who could provide similar services the same opportunity to access this part of the funding.
- 6.9 Consideration should also be given to the nature of the services being provided by the CVS and whether or not this is actually a commissioned service. If so then this service should be subjected to an appropriate procurement in accordance with the Procurement Procedures and the law on public procurement, in particular the applicable requirements of the Public Contracts Regulations 2015.
- 6.10 On 17 December 2014, the Secretary of State made directions pursuant to his powers under sections 15(5) and 15(6) of the Local Government Act 1999 (Directions). Paragraph 4(ii) of the Directions stipulates that the Council's functions in relation to grants will be exercised by appointed Commissioners

until 31 March 2017. Therefore, approval of any grant award must be sought from the Commissioners prior to any award being finalised with the applicant.

- 6.11 When determining what support to provide to community organisations, 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 don't (the public sector equality duty). The Council must undertake an equality analysis to determine the effect on persons due to a change in the grant themes and may need to consult such that it obtains a proper understanding of the nature of the needs of those affected by the changes. The report indicates that an equality impact assessment is to be completed by 31 March 2015.
- 6.12 Any consultation carried out for the purposes of assessing the impact of the proposed mainstream grants process should comply with the following criteria: (1) it should be at a time when proposals are still at a formative stage; (2) the Council must give sufficient reasons for any proposal to permit intelligent consideration and response; (3) adequate time must be given for consideration and response; and (4) the product of consultation must be conscientiously taken into account. The duty to act fairly applies and this may require a greater deal of specificity when consulting people who are economically disadvantaged. It may require inviting and considering views about possible alternatives.

7. ONE TOWER HAMLETS CONSIDERATIONS

- 7.1 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.
- 7.2 The opportunities offered through the Main Stream Grants programme will play a key role in delivering the aims of One Tower Hamlets.
- 7.3 It should be understood that the primary purpose of the Main Stream Grants programme is to 'provide services for local residents. These services include specialist legal advice, employment skills development and supporting elders to deal with mental and physical health issues. Services are provided by Third Sector Organisations.
- 7.4 With the current Main Stream Grant programme scheduled to end on 31 August 2015. This means that the new programme will run from 1 September 2015.

8. APPENDICES

- 8.1 The following appendices form part of this report:

Appendix 1: Theme 1 Children, Young People & Families (Draft)

Appendix 2: Theme 2 Jobs, Skills & Prosperity (Draft)
Appendix 3: Theme 3 Prevention Health & Wellbeing (Draft)
Appendix 4: Theme 4 Third Sector Organisation Development (Draft)
Appendix 5: Theme 5 Community Engagement, Cohesion & Resilience (Draft)