


<p style="text-align: center;">Cabinet</p> <p style="text-align: center;">20 March 2018</p>	
Report of: Zena Cooke Corporate Director, Resources	Classification: Unrestricted
Corporate Voluntary and Community Sector Grants Policy	

Lead Member	Mayor John Biggs
Originating Officer(s)	Emily Fieran-Reed, Service Manager, Community Cohesion, Engagement and Commissioning David Freeman, VCS Strategy Manager
Wards affected	All
Key Decision?	Yes
Community Plan Theme	One Tower Hamlets

Executive Summary

The Voluntary and Community Sector (VCS) Strategy agreed in 2016 sets out the Council's approach to working with the VCS. The strategy sets out an approach to funding the VCS which is principally through commissioned services funded through contracts. However, the strategy also includes a commitment to maintain a limited grants programme so that the Council can retain the ability to fund VCS organisations through a grant in specific circumstances where it can be shown this is a more effective way to support community activity than through a contract.

The Corporate Grants Programme is being developed in two phases through a process of co-production with the VCS. This paper presents the outcome of the first phase, a policy framework for a corporate approach to grants. This policy framework will underpin the second phase, developing the detail of the individual grant themes within the corporate programme and appropriate processes and procedures to administer the programme. This work is being taken forward through a second round of co-production with the VCS and it is anticipated the final programme will be brought back to Cabinet and launched in the summer.

Recommendations:

The Mayor in Cabinet is recommended to:

1. To agree the attached policy framework for a corporate grants policy, and
2. To instruct officers to develop proposals for a detailed grants programme to be launched in the summer of 2018.

1. REASONS FOR THE DECISIONS

- 1.1 The Voluntary and Community Sector (VCS) Strategy agreed in 2016 commits the Council to a new approach to supporting the VCS. The Strategy sets out an approach which is based on the co-production of services commissioned from the VCS rather than traditional grants programmes. Proposals are currently being developed for a programme of Community Commissioning which will take forward this new approach.
- 1.2 The VCS Strategy acknowledges there remains a role for grants and makes a commitment to continue to provide grants in limited and very specific circumstances. This report brings forward proposals for a policy framework for grants which would help achieve this commitment.

2. ALTERNATIVE OPTIONS

- 2.1 The Council could do nothing but in doing so, it would then be failing to meet a commitment from the VCS Strategy.

3. DETAILS OF REPORT

Background

- 3.1 The proposal to set up a new corporate policy for grants comes from the VCS Strategy. The specific actions from the VCS Strategy are:
 - Determine future funding priorities and models;
 - Review existing spend and identify the most appropriate funding approach;
 - Streamline grants into a single process and develop:
 - Management arrangements;
 - Methods of measuring impact;
 - Cross-party decision making process - consider involving the VCS in this process, and
 - Publish details of grants made.
- 3.2 The VCS Strategy also suggests areas which might be included in the new policy:
 - One-off pump-priming/seed-corn funding to encourage innovation or pilot something new, especially where there is a current gap;
 - Capacity building to enable smaller organisations to participate in commissioning;
 - Small, flexible, grants to encourage community cohesion, resilience and local action;
 - Reducing social isolation and providing events and cultural opportunities;

- Where delivery needs to be from the VCS specifically.

This is not an exhaustive list but is indicative of what might be included.

- 3.3 The Grants Determination Sub-Committee agreed proposals to take this work forward in July 2017. Since then work has progressed on analysing existing grants provision to determine what should be incorporated into the new policy, setting up a joint VCS/Council reference group to oversee the process and developing the co-production model for the policy with TH Council for Voluntary Service (THCVS).
- 3.4 The recommendations of this report have been assessed against the principles and undertakings set out in the Compact between the Council and VCS organisations set out elsewhere on this agenda. The recommendations specifically support undertakings 2.3, design through co-production, 2.6, impact on small organisations, and 3.2, a wide range of funding opportunities. The second phase of the development of the grants programme will also pay due consideration to the Compact to ensure proposals are Compact compliant.
- 3.5 A report setting out a proposed framework for community commissioning is also elsewhere on this agenda. The proposals in that report and those contained in this report are complementary approaches to supporting the voluntary and community sector after the current Mainstream Grants programme ends in March 2019.

Key messages

- 3.6 At the launch of the process in October it was stated the key principles in the co-production of the grants programme are:
 - Grants will continue to have a role in supporting local community action to meet the needs articulated in the Community Plan and the Strategic Plan;
 - The circumstances where grants are more appropriate than commissioning will be clear and consistent;
 - The policy will apply to all grants made by the Council to VCS organisations and, as far as possible, they will form part of one corporate programme;
 - The grants process will be transparent and fair;
 - The new grants policy will complement the replacement for MSG, Community Commissioning. The grants policy is intended to stimulate greater and more effective support for the VCS, not reduce it. This principle will inform the determination of the grants budget;
 - The Council is committed to developing the grants policy and subsequent work to develop this into a new programme through co-production with the voluntary and community sector;
 - Organisations will be able to participate in ways which suit their circumstances and preferences through open meetings, engagement via their own meetings, engagement with community researchers and an open on line survey;

- All organisations are encouraged to participate in the process but the Council is particularly keen to engage with smaller community groups and groups representing people with protected equalities characteristics.

Grants are also an important mechanism for facilitating activity which may provide an evidence base for or otherwise inform future commissioning of services.

Policy Framework

- 3.7 The draft policy framework is attached at appendix A.
- 3.8 The VCS Strategy clearly sets out the way forward for supporting the VCS being principally through commissioned contracted services. However, the Strategy there remains a legitimate if limited role for grants in the overall funding regime. The Grants Policy Framework sets out a rationale for grants, highlighting the distinct characteristics which need to be considered when deciding whether a grant is the most appropriate fund mechanism.

- 3.9 From this a number of themes were developed through the co-production process where a grant process would be more appropriate and achieve better outcomes than a commissioning programme. These are:

Innovation	to encourage innovation or pilot something new, especially where there is a gap
Prevention	to promote grass roots activity to reduce the need for statutory services
Neighbourhood action	to promote local neighbourhood initiatives
Community cohesion	to develop community resilience, promote cultural opportunities and reduce social isolation
Capacity building	to enable smaller organisations to become more sustainable, where appropriate providing core funding to lever in other resources, and to support the work of infrastructure organisations
Partnership working	making the sector more effective through closer partnership working within the sector and across sectors

- 3.10 In addition, it is suggested there are two cross cutting themes which all projects funded through the corporate grants programme will be assessed against. These are:

- Community cohesion developing community resilience, promoting cultural opportunities and reducing social isolation in the context of the theme, and
- Equality and diversity demonstrating how people with protected equalities characteristics will be included

- 3.11 New themes may be developed in the future as needs and priorities change. It would also be possible to develop a new theme specifically to manage a funding stream which becomes available for a very specific purpose.
- 3.12 The policy framework provides a template where the detailed scheme for each theme can be developed setting out the rationale for using grant as the funding mechanism, priorities and outcomes, examples of projects and activities, the overall budget and how much individual grants may be, the application process and deadlines and the monitoring arrangements. The scheme for each of the themes set out in the policy framework will be co-produced with the VCS.
- 3.13 The policy framework also sets out the overall principles of the grants programme in relation to eligibility and funding.
- 3.14 The VCS Strategy sets out which types of organisation should be considered to be not for profit and part of the wider definition of the voluntary and community sector. The co-production process confirmed this should be the basis of eligibility for grant funding and that only groups, not individuals, should be eligible.
- 3.15 While there was a general consensus the grants programme should focus on supporting local groups and organisations, it was also felt there was a risk of losing valuable services if this focus was too prescriptive. The definition of locally based therefore allows for a local connection rather than necessarily being locally based.
- 3.16 Good governance is an essential requirement but should also be proportionate to the size of organisation and type of activity. The position of groups which are not formally constituted was extensively discussed in the co-production process. These are groups which can often use small amounts of funding very effectively and there was concern that the requirement for appropriate governance should not become a barrier. There was strong support for developing processes where un-constituted groups could put forward funding proposals with another VCS organisation acting as an 'accountable body'.
- 3.17 Placing size restrictions for eligible organisations was not felt to be appropriate for the grants programme as a whole but some grant themes might give priority to smaller organisations which would be reflected in the individual theme schemes.
- 3.18 The second set of principles set out in the policy framework relates to funding. There was a widely supported view in the co-production process that the corporate grants programme should not be limited to small grants as is the case in a number of other boroughs. The principle underpinning any maximum level for an individual grant should relate to the activity and whether a grant is the most appropriate funding mechanism not that there is a threshold above which funding through grants ceases to be appropriate. It was accepted that a maximum limit gives an indication of the size project a grant theme might be targeting and that it might be appropriate both for this reason and to ensure a spread of the available budget to apply a limit to some grant themes.
- 3.19 The grants programme should provide both one off project funding and revenue funding for a specified period. Each grant theme will state whether it will provide

one or the other or both. This will be reflected in the monitoring arrangements. Where revenue funding is provided it may be for up to two years subject to review at the end of year one.

- 3.20 One of the principal characteristics of grants is that they can unlock other resources either in cash or in kind. All grants themes will therefore require that a quantifiable contribution is made to the proposed activity either in cash or in kind from other sources. However, the consensus view from the co-production process was that match funding can act as a barrier to smaller groups and, while it is reasonable to expect groups to lever in other resources, there should not be prescribed levels of match funding.
- 3.21 The grants programme will not exclude organisations which already receive support from the Council or other public bodies. However, where appropriate, some grants themes, such as Innovation, may give priority to groups which are not already funded.
- 3.22 The policy framework also addresses the issue of decision making. There is an inevitable tension between having a process which is sufficiently responsive to make decisions within a reasonable time frame to avoid the loss of momentum in a new project and the need for transparency and accountability. Policy framework therefore proposes that the Council will establish robust processes to ensure that decision making is proportionate and appropriate to the levels of funding and type of activity to be funded. Powers delegated to officers will be used as far as possible to determine individual grants and requests to vary the agreed use of grants with regular reports to the Council's Grants Determination Sub-Committee (or any successor body) to ensure transparency and Member level scrutiny.

Work programme

- 3.23 The overall grants programme is being taken forward in two overlapping phases, developing first the policy framework, which is the focus of this report, and then shaping the scheme and processes which will support it.
- 3.24 Policy development – focus on defining what is most appropriately funded through grants, strategic priorities and outcomes, eligibility criteria, limits – time period, size, frequency etc.
- 3.25 Scheme and process – more detailed discussion of priorities and outcomes, application and decision making process, monitoring and impact assessment
- 3.26 The timetable is linked to the parallel but separate development of the Community Commissioning programme to replace MSG, proposals for a new corporate commissioning framework, enhancing social value from Council contracts and the Community Plan refresh. The attached chart (appendix B) shows the linkages between the new small grant policy, the commissioning framework and Community Commissioning.
- 3.27 The first round of the new grants programme has a longer timescale than subsequent rounds to allow time for additional training and development within the

VCS, and also to accommodate any unforeseen issues. The first grant payments should coincide with the first payments in the programme to replace MSG.

Timetable

2017	October to December	Co-production engagement with VCS and other stakeholders on policy framework
2018	January to March	Internal discussion and process for decision on policy framework by Cabinet in March
		Begin co-production of second stage
	April to June	Finalise second stage
	July	Launch new scheme – first round of applications
	September	Grant for infrastructure support made available
	December	Decisions made on first round
2019	April	First payments

Co-production Process

3.28 The co-production programme for the first phase, developing the policy framework, included:

- Open meetings including an introductory meeting, workshop sessions and an open feedback meeting at the end of the process;
- Outreach sessions/focus groups with particular focus on groups representing people with protected equalities characteristics;
- Community research to engage with local people, particularly those unable or uncomfortable with participating in open meetings;
- Open survey for individuals and organisations to record their own views and observations.

3.29 Tower Hamlets CVS co-ordinated the engagement with the VCS and other stakeholders from the community.

3.30 Over 70 organisations engaged in the open sessions, five focus groups and a number of individual conversations.

3.31 The engagement was very positive, building on the discussions which took place in developing the VCS Strategy and developing some new ideas. The policy framework document brings together the outcome of that engagement and reflects the general consensus of what the shape of future grant making in the Council should look like.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 The report sets out the VCS policy framework for a corporate grants policy that will support future grants programmes, and is expected to be launched in the summer of 2018.

- 4.2 The actions are expected to be delivered within existing budgeted resources and officers will therefore be obliged to obtain appropriate financial approval for any potential spend that exceed the current envelope. However current expectations are that existing funding will be sufficient to contain the proposed VCS grants framework and not result in any additional financial impact.

5. LEGAL COMMENTS

- 5.1 This report advises of a proposal to set up a new corporate policy for grants arising out of the Council's Voluntary and Community Sector Strategy and seeks approval of the policy framework for a corporate grants policy.
- 5.2 Whilst there is no strict legal definition of grant, a grant is in the nature of a gift and is based in trust law as opposed to the law of contracts. However, grants are often given for a purpose so it is sometimes unclear whether a grant has been made or the arrangement is a contract for services.
- 5.3 Grants are exempt under the law from a tendering process. However, the Council must ensure that the public has a fair and even opportunity to benefit from the Council's resources. Therefore, any grants made under this policy must be subject to an open application procedure where the evaluation criteria for winning a grant are published in advance. The Council must also be able to demonstrate a clear rationale for awarding a grant.
- 5.4 There will be many grants which are made by the Council for the purpose of discharging one of its statutory duties. However, all of the grants will be subject to the Council's Best Value duty in accordance with Section 3 of the Local Government Act 1999. Therefore, the Council must ensure that the grant terms provide for a clear methodology for monitoring the use of the grant, clear objectives to be achieved with the grant and sufficient rights of reclamation of the money in the event of the misuse of the grant. The Council must also resource the efficient monitoring of the grants.
- 5.5 To give a grant, the payment must be supported under a statutory power, depending upon the outcomes achieved and the activities supported. In that regard, section 111 of the Local Government Act 1972 gives the Council has power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. This may involve expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights. Further, 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. This general power of competence may also support the payment of grants. However, each grant or area of grants must be clearly linked to the discharge of a particular function of the Council.
- 5.6 The policy framework provides a template under which detailed schemes for each theme can be developed setting out the rationale for using grant as the funding mechanism, priorities and outcomes, examples of projects and activities, the overall

budget and how much individual grants may be, the application process and deadlines and the monitoring arrangements. This demonstrates compliance with the Council's Best Value Duty.

- 5.7 In considering the recommendations in this report, 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. Also, when determining how the overall budget for the grants is divided and for the award of grants in each area the Council must ensure that the equality analysis is revisited throughout the process to ensure that the Equality Act Duty is adhered to throughout the whole decision making process.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 It is important in respect of the Council's equalities duties to ensure there are appropriate funding arrangements in place to avoid a disproportionate impact on people with protected characteristics and organisations which represent them. These organisations are often small and do not necessarily feel equipped to compete for funding through formal tendering. The new grants arrangements will help ensure that the Council's funding arrangements do meet equalities duties. A full equality analysis will be carried out as detailed proposals for the grants programme are developed.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 Recent legislation, particularly the Localism Act 2010, has emphasised the role of communities working in partnership with local authorities to help achieve more effective and less costly services to local people. The process of co-production of services delivered by local voluntary and community organisations is a tool now widely recognised as a means to achieving this outcome.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 There are no specific implications with regard to sustainability arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 There are no specific implications with regard to risk arising from this report. The next stage of the development of the grants programme will include governance requirements and other measures to manage risk which may arise.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 There are no specific implications for crime and disorder reduction arising from this report. However, it is anticipated that there may be organisations supported by the Council through the new funding programmes whose activities will contribute towards crime and disorder reduction.

11. SAFEGUARDING IMPLICATIONS

- 11.1 There are no specific safeguarding implications arising from this report. However, ensuring appropriate consideration is given to safeguarding will be addressed in the development of the grants programme.
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Linked Reports, Appendices and Background Documents

Linked Report

- NONE.

Appendices

- Appendix 1 - Draft Grants Policy Framework

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

- None.

Officer contact details for documents:

N/A

London Borough of Tower Hamlets

Grants Policy Framework 2018-22

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Introduction

The VCS Strategy agreed by the Council in 2016 sets out the unique strengths of the VCS and the need for the Council to continue to support, empower and build the future capacity of the VCS for the sector to be able to continue respond to complex issues spanning a range of areas including welfare, unemployment and housing.

While the future direction for supporting VCS activities will be through co-produced, commissioned services funded through contracts, the Strategy states there continues to be a role for supporting the VCS through grants in limited and specific circumstances. The purpose of this policy framework document is to set out the circumstances where the Council will consider support for VCS activity through grants and underpins the development of a new corporate VCS grants programme.

This policy framework has been co-produced with the VCS and represents a shared vision of the future of grants from the Council. This document states what the Council and the VCS are seeking to achieve through the corporate grants programme, the initial grant themes, principles of eligibility and funding, decision making and accountability. The more detailed scheme and outcomes for each grant theme together with the processes and procedures for the grants programme will be developed through a further co-production process with the VCS.

Objectives

The Council's principal objective in developing a new corporate grants programme is to harness the distinctive characteristics of grants to promote sustainable and resilient communities and help enable the VCS continue to make its unique contribution towards achieving the outcomes for the community set out in the Tower Hamlets Community Plan.

The Council will assess to what extent it is achieving the objective of the corporate grants programme through an annual appraisal, drawing on the monitoring and evaluation of individual projects, which will be made public, and a full review and refresh in four years' time.

Characteristics of Grants

Grants are essentially responsive, dependent on the community generating and bringing forward ideas and proposals for activities to achieve positive outcomes rather than responding to a more prescriptive tendering process. It is the responsive nature of grants which sets it apart as the most appropriate mechanism for funding some types of activity. The Council is committed to a process of co-production for services delivered by the VCS whether funded through grants or contracts. The increasing involvement of the sector and service users in the design and delivery of services to some extent blurs what was the clear distinction between grants and contracts. However, the Council accepts an important distinction remains.

Supporting VCS activity through grants has a number of other characteristics which distinguish it from contractual funding mechanisms. These can be summarised as:

- **Empowerment** provides the financial means for communities to do things for themselves
- **Innovation** responsive to new and emerging needs
- **Flexibility** can adjust to meet changing needs
- **Reach** can be accessible to groups which would not otherwise be able to get funding through contractual arrangements
- **Risk** shares the risk of new innovation between the provider and the funder
- **Cost effective** can lever in other resources to support community activity

In deciding whether a grant or a contract is the most appropriate method of supporting an area of VCS activity, the Council must decide how important the distinct characteristics of grants are to the successful achievement of the desired outcomes.

Grant themes

The grants programme will be delivered through a number of different grant themes. The VCS Strategy and the co-production work which has developed this policy framework have determined an initial set of grant themes set out below where the distinct characteristics of grants are important to achieving the desired outcomes. However, the purpose of this programme is to facilitate all grant making from the Council to the VCS. Where new grant themes are set up, including those where the Council is acting as an agent for external funds from, for instance, national government, it is intended that they will be administered through the corporate grants programme.

The initial grant themes are:

- **Innovation** to encourage innovation or pilot something new, especially where there is a gap;
- **Prevention** to promote grass roots activity to reduce the need for statutory services;
- **Neighbourhood action** to promote local neighbourhood initiatives
- **Community cohesion** to develop community resilience, promote cultural opportunities and reduce social isolation;
- **Capacity building** to enable smaller organisations to become more sustainable, where appropriate providing core funding to lever in other resources, and to support infrastructure organisations, and

- **Partnership working** making the sector more effective through closer partnership working within the sector and across sectors.

In addition, there will be two cross cutting themes which all projects funded through the corporate grants programme will be assessed against. These are:

- **Community cohesion** developing community resilience, promoting cultural opportunities and reducing social isolation in the context of the theme, and
- **Equality and diversity** demonstrating how people with protected equalities characteristics will be included

The pro forma scheme to set out the detail for individual grant themes is attached at appendix A

Principles - Eligibility

The programme has common eligibility criteria for all grant themes. Some grant themes may need to include additional criteria

Not for Profit	The grants programme will only support activities run by groups which can demonstrate they are set up as not for profit groups. The types of organisation which the Council considers to be not for profit is set out in the VCS Strategy and included in this policy framework at appendix B. Individuals will not be eligible.
Locally based	The grants programme is intended to support the local VCS and community activity. The eligibility criteria for all grant themes reflect this principle. Organisations based outside the borough are not excluded from eligibility but they must show very clear connections to Tower Hamlets either through existing activity or local leadership of the proposed project. Applications will be encouraged from organisations based across the borough.
Good governance	Organisations will be expected to achieve an acceptable level of governance with appropriate policies for the activities they propose to undertake. The acceptable level will be proportionate to the size of organisation and type of activity. The Council will accept applications from organisations in the process of developing appropriate policies but funding will not be paid until they are in place. Proposals from un-constituted groups will be accepted but these should be supported by an organisation with appropriate levels of governance which will act as the 'accountable body' for any funds awarded.

Size Some grant themes may give priority to smaller groups but the programme will be open to all not for profit organisations

Principles – Funding

Individual limits The programme will not prescribe a limit to individual grants subject to the budget available. However, it may be appropriate because of the nature of the grant theme or external funder requirements to limit the maximum level of individual grants in some themes. In the initial grant themes the maximum individual award will be £xx,xxx for all funds except capacity building and core funding.

Funding period The programme may provide grants which are one off project funding or revenue funding for a stated period subject to annual review if more than a year. The normal period for revenue funding would be a maximum of two years. Each grant theme will define an appropriate funding period for the type of activity it is supporting.

Other resources One of the principal characteristics of grants is that they unlock other resources either in cash or in kind. All grants themes will therefore require that a quantifiable contribution is made to the proposed activity either in cash or in kind. However, prescribed levels of match funding will not be required.

Other funding The grants programme will not exclude organisations which already receive support from the Council or other public bodies. However, where appropriate, some grants themes, such as Innovation, may give priority to groups which are not already funded.

Decision Making and Accountability

The distinctive characteristics of grants include being responsive and flexible. In order to achieve this, the Council will establish robust processes to ensure that decision making is proportionate and appropriate to the levels of funding and type of activity to be funded.

Powers delegated to officers will be used as far as possible to determine individual grants and requests to vary the agreed use of grants with regular reports to the Council's Grants Determination Sub-Committee (or any successor body) to ensure transparency and Member level scrutiny.

Scheme template for each Grant Theme

Grant Theme		
Rationale for grant funding		
Community Plan Priorities & Outcomes		
1.		
2.		
3.		
Scheme outcomes and description		
Examples of projects and activities		
<ul style="list-style-type: none"> • . 		
Levels of Funding Available		
Application process		
Deadlines		
Monitoring arrangements		
Contact details for further information		

Voluntary and Community Sector organisations as defined by the VCS Strategy 2016-19 are

- Registered charities
- Community groups
- Community associations
- Tenants and residents groups
- Green Spaces Friends Groups
- Co-operatives and social enterprises
- School/parent groups
- Faith organisations
- Sports, environmental, arts and heritage organisations
- Grant making trusts
- Housing associations
- Non-constituted groups of residents working together to make a difference in their local communities

