

REPORT FOR: **CABINET**

Date of Meeting:	13 September 2012
Subject:	Voluntary Sector Commissioning: Outcome Based Grants 2013-2016
Key Decision:	Yes
Responsible Officer:	Paul Najsarek, Corporate Director Community, Health and Well-Being
Portfolio Holder:	Councillor David Perry, Portfolio Holder Community and Cultural Services
Exempt:	No
Decision subject to Call-in:	Yes
Enclosures:	Appendix 1a: Outcomes Based Grants draft application form Appendix 1b: Outcomes Based Grants Guidance to applicants Appendix 1c: Outcomes Based Grants draft assessment sheet Appendix 2a: Small Grants draft application form 2013-14 Appendix 2b: Small Grants draft assessment sheet 2013-14 Appendix 3: Equality Impact Assessment

Section 1 – Summary and Recommendations

This report sets out the new application process for the distribution of Council grant funding (previously the Main Grants Programme) to Voluntary Sector

organisations during 2013-14 and future years.

Recommendations:

Cabinet is requested to:

1. Approve the proposed Outcome Based Grant funding principles, application and administration process for 2013-14 and future years as outlined in paragraphs 2.2.1 and 2.2.4 to 2.2.9.
2. Approve the ring-fencing of £75,000 of the grants budget in 2013-14 to support the development of a new infrastructure support service for voluntary organisations as outlined in paragraph 2.2.8.
3. Delegate authority to the Corporate Director Community Health and Well-Being in conjunction with the Portfolio Holder for Community and Cultural Services to administer the process and determine final allocations between the Outcomes Based Grants and Small Grants programmes as outlined above and in paragraph 2.9.2.

Reason: (For recommendation)

To distribute Council grant funding to Voluntary Sector organisations in 2013-14 and future years.

Section 2 – Report

2.1 Introductory paragraph

2.1.1 The decision sought will help the Council achieve its vision and priorities by ensuring that the distribution of Council resources to voluntary sector organisations is aligned to the delivery of its corporate priorities and core outcomes. The distribution of funding to voluntary sector organisations is undertaken with due regard to the Council's equalities duties.

2.1.2 In October 2011 Harrow Council adopted the Third Sector Investment Plan which set out a strategic framework for the distribution of Council support to voluntary organisations. This plan sets out proposals to move from an annual Main Grants Funding programme to a three year outcome based funding process to ensure that funds are more specifically directed towards services that supported the delivery of Council priorities. This report sets out the next steps in delivering these proposals.

2.2 Options considered

2.2.1 During 2011, a consultation was undertaken with the voluntary sector on the future provision of Council support to the sector. The feedback from this consultation has informed the development of new funding

arrangements which includes both a Small Grants Programme and a new process for the distribution of larger grants (Outcomes Based Grants).

The following principles for the funding process have been identified:

- The commissioning of services should be driven by Harrow Council's agreed core outcomes.
- The process is based on engagement with the sector.
- The Main Grants budget should be maintained (within the constraints of the Council's Medium Term Financial Strategy) and used for funding services other than those outcomes to be commissioned by Adults and Children's services directly
- Retain and enhance the small grants budget part of the Main Grants Fund to ensure services are broadly distributed and support smaller organisations.
- Where organisations have more than one source of funding from the Council, review to ensure the Council is achieving good value for money.
- Each organisation to have only one relationship manager in the Council
- To seek to engage partners, .e.g. health, the police etc. in future years to work to the same principles.
- To ensure earlier notification of the outcome of the process to organisations so that they can plan accordingly
- To ensure that organisations are supported through the process with capacity building and help with access to alternative funding.
- To ringfence a proportion of the Main Grants budget for support services for voluntary organisations

2.2.2 The following options for the distribution of large grants have been considered:

Option 1: To use a commissioning model based on the Council's standard procurement processes. This would require voluntary organisations to participate in new administrative processes to secure longer-term funding and would enable the Council to secure specific services aligned to the corporate priorities and core outcomes.

Advantages:

- Procurement processes are standard across the Council and governed by legislation.
- This process enables funding to be awarded on a contractual, longer-term basis to voluntary organisations.
- The process would be openly advertised through a procurement process

Disadvantages:

- Many voluntary sector organisations are not used to working within these processes and feedback during the consultation suggested that many would be unprepared to make applications using this model by 2013-14.

- Using a commissioning model opens up the possibility that organisations from outside of the borough could compete to provide local services. Feedback during the consultation also indicated strong support for ensuring that the application process was restricted to local organisations.
- A procurement process sets up a contractual rather than partnership relationship with the supplier.

Option 2: Maintaining the existing process for the administration of grants. The current process offers an open, annual, competitive process which enables organisations to apply for funding to support their activities.

Advantages:

- Voluntary sector organisations are familiar with the current process.
- The administration of the grants process has improved in recent years enabling a fair and transparent process.
- Improvements to the process have increased voluntary sector confidence in the process.

Disadvantages:

- The current process does not directly ensure the delivery of Council priorities and core outcomes.
- It is an annual process, requiring organisations to invest resources in applying each year.
- The current process does not meet the needs of organisations seeking ongoing funding.

Option 3: Outcome based grants using a hybrid model of grants and commissioning. This model would be based on the current process and enable organisations to apply for grant funding for up to three years. This process would be linked directly to the delivery of corporate priorities and core outcomes to guide the allocation of funds.

Advantages:

- Enables the Council to directly align funding with core outcomes and priorities
- The application process will be similar to the one already used and therefore familiar to applicants.
- Enables the Council to develop a flexible process that suits local needs.
- Enables funding to be allocated for up to three years
- Enables a partnership rather than contractual relationship with organisations.

Disadvantages:

- Organisations will need to understand the new system for 2013-14.
- As the model will be used for the first time in 2013-14 there may be some 'teething' problems in its first year.

2.2.3 There are advantages and disadvantages with all three options. However based on feedback from the voluntary sector, Members and officers this report recommends the adoption of Option three. This option combines the principles of commissioning whilst maintaining the flexibility of a grants process and allows the Council to develop a system that responds to local needs. The application process will be based on the one currently used so will be familiar to applicants and should minimise any 'teething' problems. As in previous years, support to assist applicants in understanding the new system will be offered during the application period.

The proposed process for 2013-14 will divide the current budget between two grant programmes; one for the distribution of small grants and one for the distribution of large grants. The process that has been developed is described below:

2.2.4 (1) **Outcomes Based Grants programme**

This programme will provide large grants for the delivery of services that support the Council's corporate priorities and approved core outcomes. The application form, guidance notes to applicants and application assessment sheet are provided in Appendix 1a, 1b and 1c.

This programme will fund services that support the following corporate priorities and core outcomes selected from those relevant to the voluntary sector. The core outcomes have been developed corporately based on assessment of activity, consultation and needs analyses. The outcomes selected for the Outcome Based Grants process have been consulted on and reflect the types of services that have traditionally been funded through the Main Grants programme and exclude those outcomes which are commissioned by other Council departments eg. Outcomes for children and young people which are funded by the Children's Services Directorate.

Proposed outcomes:

Supporting and protecting people who are most in need

- Outcome 1: Harrow residents are able to lead independent and fulfilling lives.
- Outcome 2: Harrow residents are helped to overcome poverty, worklessness and homelessness.

United and involved communities

- Outcome 3: Diversity is celebrated and people feel they get on well together.
- Outcome 4: Harrow residents participate in art, sport, leisure and cultural activity.
- Outcome 5: A strong and sustainable voluntary and Third Sector able to deliver diverse, efficient and tailored local services.

Keeping neighbourhoods clean, green and safe

Outcome 6: Harrow's streets, public buildings and spaces are kept free of litter, fly-tipping and vandalism.

Supporting our town centre, our local shopping centres and businesses

Outcome 7: Harrow residents and businesses enjoy local economic prosperity.

The distinct features of this programme are;

- The maximum grant award available will be either £75,000 or £25,000 per annum depending on the core outcome against which an application is made.
- Organisations will be able to apply for funding for up to three years.
- Grants awarded on a three year basis will be reduced in years 2 and 3 by 2.5% per annum in order to encourage sustainability for the activity beyond the funding period.
- Partnership or consortia applications will be eligible.
- Individual organisations will be able to submit a maximum of one application in total (against only one of the outcomes).
- In addition, organisations as part of a partnership or consortia will be able to submit a maximum of one application in total (against only one of the outcomes)
- Applicants will have an opportunity to provide 'any other relevant information' as part of their application, in addition to providing responses to the questions on the form.
- Assessment panels will be able to request additional information to clarify any information provided. Applicants will be expected to provide this information within 48 hours of the request being made, if it is not provided it will be recorded as 'unavailable'.

(2) Small Grants programme

This programme will provide small grants to smaller organisations to support the delivery of a range of projects and activities. The application form and assessment sheet is provided in Appendix 2a and 2b. The distinct features of this programme are;

- Applications to this programme will be limited to organisations with an annual income of and up to £50,000 per annum. To ensure that the programme remains responsive to the needs of the sector, this limit will be reviewed on an annual basis.
- The maximum grant available will be £5,000.
- The application form and assessment sheet for 2013-14 have been amended in light of feedback to make it simpler to use.
- The budget allocated for small grants to be increased from last year to encourage more applications from smaller organisations.

2.2.5 Assessment process

In light of feedback on the assessment process in previous years the following amendments are proposed;

Small Grants

The initial assessment panel will consist of two officers. One officer will be from Community Development and one from a relevant service area. Applications will be grouped together according to client group served or activity provided and assessed together. To ensure consistency the lead officer from Community Development will assess all applications and relevant service areas will be asked to nominate one specific officer to assess all applications for that area.

The scoring system will be the same as that used last year; 0 – not met; 1 - barely met; 2 – partially met; 3 – fully met. Any additional relevant information provided by the applicant in question 7e will be used by the panel to award additional scores in any section of the assessment.

Outcomes Based Grants (OBG)

The initial assessment panel for the Outcomes Based Grants programme will consist of three officers: two from Community Development and one from a relevant service area. The one lead officer from Community Development will chair all panels. Applications will be grouped by outcomes and assessed together. Service areas will be asked to nominate one officer to assess all applications relevant to that service area.

The scoring system for the OBG will be the same as that for Small Grants. However, there will be a further weighting applied to question 3d 'How will this project/activity address the core outcome selected?' The panel will assess this question using a scoring range of; 1 - poor; 2 - fair; 3 – good; 4 – very good; 5 – excellent. This is to ensure that applications are assessed specifically in relation to the delivery of the outcomes. As for the Small Grants programme, any additional information provided by the applicant in question 11 will be used by the panel to award additional scores to any section of the assessment where relevant.

To ensure transparency, Voluntary Sector observers who have not themselves made an application to either programme will be invited to observe the panels and give their feedback on the process. The scoring sheets for both programmes are attached at Appendix 1c and 2b.

2.2.6 Appeals process

An appeals process will be retained for both programmes. Applicants will be able to submit an appeal on the grounds that;

Information presented to the Grants Advisory Panel was incorrect or information was omitted and that this had a material effect on the decision.

Applicants will have seven working days within which to submit their appeal. No new information can be submitted at this stage. The

appeals panel consisting of the Portfolio Holder for Community and Cultural Services, Divisional Director Community and Culture and an Independent Adviser from outside of Harrow will consider the appeals.

2.2.7 Other proposed amendments:

The review of current grant-making arrangements has also highlighted the need for a more co-ordinated approach across Council departments, it is therefore also proposed that;

- A review of funding to organisations that receive funding from more than one department in the Council is completed.
- A single Relationship Manager will be assigned to each organisation that receives funding from more than one department so that they have a single point of contact with the Council.

2.2.8 Feedback from the voluntary sector indicates an ongoing need for support with fundraising, capacity building, recruitment of volunteers, etc. An interim support service has been in place since October 2011, whose services have been monitored by an Interim CVS (Council for Voluntary Service) Board. This board consists of both Council and voluntary sector representatives. The board has developed a draft specification for a new, permanent service based on examples from other boroughs including Ealing, Hounslow and Hammersmith and Fulham. To support the development of this new service it is proposed that £75,000 of the budget in 2013-14 is ring-fenced to fund any proposals that are received from local groups wishing to provide this service. In addition the Council will be working separately with the voluntary sector in Harrow to determine the kind of support that is required and the skills that could be developed to deliver this, using local resources.

2.2.9 Timetable

The proposed timetable for the delivery of the Outcome Based Grants and Small Grants programme is;

Date	Activity
13 th September 2012	Cabinet approval of Small Grants and Outcomes Based grants programme
24 th September	Applications open
w/b 1 st October and 8 th October	Information sessions provided
22 nd October	Application deadline
22 nd October – 3 rd December	Administration and assessment process
15 th January 2013	Grant recommendations report to GAP
14 th February	Grant recommendations report to Cabinet
25 th February	Grant applicants notified / appeals process opens
6 th March	Deadline for appeals
w/b 11 th March	Appeals panel meets
w/b 18 th March	Final awards notified

2.3 Background

- 2.3.1 The Council undertook a consultation in 2011 about the future provision of Council support to the Third Sector. This consultation demonstrated support for the commissioning of some services from the voluntary sector (86%), as well as a small grants programme for smaller organisations with 61% agreeing that this should be available to organisations with an income below a certain threshold.
- 2.3.2 Based on this consultation and further workshops in 2011, the Council approved the Third Sector Investment Plan in October 2011. Further workshops were held in 2012 and the feedback from these has helped shape the current proposals.
- 2.3.3 Voluntary sector organisations were invited to give their feedback on the proposed processes for Small Grants and Outcome Based Grants during July and August 2012. The Grants Advisory Panel (GAP) at their meeting of the 30th July 2012 also considered and provided their feedback on the proposed processes for both programmes. The proposed funding arrangements have been based on this feedback.

2.4 Current situation

- 2.4.1 The current Main Grants Programme is an annual funding scheme which offers grants of up to £100,000 in a competitive application and appeals process. In 2012-13, 78 applications were received, of which 48 were for large grants and 30 were for small grants. Following the assessment of applications and completion of the appeals process 20 large and 22 small grant applications were awarded funding.
- 2.4.2 In 2012-13 a proportion of the grants budget was set aside for small grants. The total amount requested by small grant applicants was £130,651 and at the end of the process £79,817 was awarded to small grants.
- 2.4.3 51% of those organisations applying for any grant had an annual income of less than £50,000 per annum. Of those applying for a small grant, 84% had an income of less than £50,000 per annum.

2.5 Why a change is needed

- 2.5.1 While there have been major improvements to the process in recent years, including the invitation of voluntary sector representatives to observe assessments and the appeals process, the current award criteria and application process does not ensure that funding of organisations is aligned directly to the delivery of the Council's priorities and core outcomes. In addition, the current system does not offer any

security to organisations that require ongoing funding, which therefore limits their ability to plan their services for the longer-term to achieve better value from funding. In addition, organisations have felt that notification of final award has not been timely enough for them to plan their activities or address their funding situation.

2.5.2 The Third Sector Investment Plan was developed in response to these issues and set out a strategic framework for the delivery of Council support to the voluntary sector. The delivery of a Small Grants and Outcomes Based Grants programme helps deliver the principles set out in this Plan.

2.5.3 The new process will support the delivery of the Councils' agreed outcomes and assist in achieving better value for money from limited resources. The proposals are in line with the principles of the Harrow Compact and enable the statutory and voluntary sector to work together to address the challenges facing the borough. The new arrangements recognise and support the diversity of the sector by offering longer-term funding for those organisations that need it, as well as opportunities for smaller organisations to access and apply for grant funding. Finally, the current proposed timetable allows for earlier notification to organisations of funding application outcomes.

2.6 Implications of the Recommendation

2.7 Staffing/workforce

2.7.1 The delivery of a Small Grants and an Outcomes Based Grants programme may require some changes to the roles and responsibilities of staff. Any changes will be undertaken with due regard to the organisations Protocol for Managing Change.

2.8 Legal comments

2.8.1 The Council may distribute grants in accordance with its agreed criteria. Due weight must be given in terms of equalities duties, procedural fairness and the statement of intention of the Compact with the voluntary and community sector. Should the Council distribute funds not in accordance with these principles, then it could be at risk of legal challenge.

2.9 Financial Implications

2.9.1 These proposals are based on the assumption that the grants budget will remain at its current level of £669,360 during 2013-14. However, this is dependent on the further development of the Medium Term Financial Strategy (MTFS) for 2013/14 and 2014/15. Service Level Agreements (SLAs) will state that funding in subsequent years is subject to annual Council budget setting processes.

2.9.2 It is proposed that £75,000 is ring-fenced to support the development of a new infrastructure support service. The remaining budget will be

divided between the two grant programmes. Allocations between the OBG and Small Grants will be flexible and may be adjusted as required, depending on the number of applications received for each programme.

2.10 Performance Issues

- 2.10.1 Services funded through the Outcomes Based Grants programme will be subject to mid-year and end of year monitoring, to ensure that the stated outcomes are delivered. Organisations will be expected to submit information on expenditure and provide evidence of the delivery of activities.
- 2.10.2 Projects or activity delivered through the Small Grants programme will be expected to provide an end of year monitoring report, to include a report on activities and expenditure.
- 2.10.3 The monitoring system will be based on the current model which will include a monitoring visit for organisations in receipt of an Outcomes Based Grant. Monitoring reports will be prepared on the basis of information provided by organisations and these will be presented to GAP for their consideration.

2.11 Environmental Impact

- 2.11.1 The process for distributing funding to voluntary sector organisations in 2013-14 has the potential to contribute to tackling fuel poverty under outcome 2: Harrow residents are helped to overcome poverty, worklessness and homelessness.
- 2.11.2 The process also has the potential to improve the quality of open space under outcome 6: Harrow's streets, public buildings and spaces are kept free of litter, fly-tipping and vandalism.

2.12 Risk Management Implications

2.12.1 The risks identified with these proposals are;

- (a) risk that the funding is not used in the way stated by the applicant.*
- (b) risk that the outcomes are not delivered.*
- (c) risk that Council funds are allocated to financially unstable organisations.*

These risks are mitigated by the management of grant funding through a standard SLA that sets out the Councils expectations for financial and management controls to be in place to manage the funds and deliver the agreed outcomes.

The monitoring process described in paragraph 2.10 assesses the extent to which these controls are in place and provides an opportunity to identify any issues regarding the use of grant funding.

The grant application form requests information about an organisations financial position and grant funding is released on receipt of essential policy documents including evidence of financial policies and procedures.

2.13 Equalities implications

2.13.1 The equality impact assessment does not identify any potential for an adverse impact on any of the protected characteristics. The assessment concludes that the likely impact on the protected characteristics is unknown due to the competitive nature of the application process.

The introduction of a specific Small Grants programme however, should have a positive impact on some voluntary groups that have historically applied for small grants as this budget is likely to be increased, this includes for example, organisations serving the needs of race groups. An analysis of grant applications in 2012-13 indicates that these groups are more likely to apply for a small grant. The setting of an income threshold of up to £50,000 per annum will also support smaller organisations. An analysis of applicants in 2012-13 shows that 84% of those applying for a small grant were within this income threshold.

2.14 Corporate Priorities

2.14.1 This report incorporates all of the corporate priorities to which the Council's core outcomes will contribute:

- Keeping neighbourhoods clean, green and safe.
- United and involved communities: A Council that listens and leads.
- Supporting and protecting people who are most in need.
- Supporting our town centre, our local shopping centres and businesses.

Section 3 - Statutory Officer Clearance

Name: Roger Hampson	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 23 August 2012		
Name:	<input type="checkbox"/>	on behalf of the Monitoring Officer

Date:
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Section 4 – Performance Officer Clearance

Name: Martin Randall



on behalf of the
Divisional Director
Partnership,
Development and
Performance

Date: 17 August 2012

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards



Divisional Director
(Environmental
Services)

Date: 16 August 2012

Section 6 - Contact Details and Background Papers

Contact: Kashmir Takhar, Head of Service Community Development, 020 8420 9331

Background Papers:

(1) GAP report 'Update on Commissioning', 30th July 2012

<http://www.harrow.gov.uk/www2/documents/b14449/%20Supplement%201,%20Monday%2030-Jul-2012%2019.30,%20Grants%20Advisory%20Panel.pdf?T=9>

(2) Cabinet report 'Third Sector Investment Plan 2012-15', 18th October 2011
<http://www.harrow.gov.uk/www2/documents/g60641/Public%20reports%20pack,%20Tuesday%2018-Oct-2011%2019.30,%20Cabinet.pdf?T=10>

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call in applies]