

**July 2011**

**Overview and Scrutiny Committee**

Implications of HAVS Investigation  
Report from the Challenge Panel

**Members of the Challenge Panel**

Councillor Nana Asante (Chairman)

Councillor Susan Anderson

Councillor Kam Chana

Councillor Paul Osborn

Councillor Sachin Shah

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# **1. Chairman's Introduction & Acknowledgements**

This is the report from the Implications of the HAVS Investigation Challenge Panel which took place on 22 March and 29 March 2011 and 31<sup>st</sup> May. The Overview and Scrutiny committee commissioned the Challenge Panel to consider the longer term implications for the Council of the issues which occurred at Harrow Association of Voluntary Services (HAVS).

The panel comprised of:

Councillor Nana Asante (Chairman)  
Councillor Sue Anderson  
Councillor Kam Chana  
Councillor Paul Osborn  
Councillor Sachin Shah

We received evidence from Cllr Rekha Shah, Community and Cultural Services Portfolio Holder, 2010 – 11 and her successor Cllr David Perry, who very kindly attended a meeting and provided invaluable feedback. We would also like to thank officers from the Council's Legal Department, the Audit Section and the Communities and Cultural Services Department, who helped us understand the impact of the proposals on the Council.

We are also grateful to the witnesses named in the report for attending the panel and contributing to our investigation.

We are grateful too for the written submissions we received. They have highlighted the importance of properly naming our reviews in future as the submissions, although interesting did not relate to the subject of our enquiry. As a Challenge Panel, we would urge that greater care is taken in naming reviews in future to avoid misunderstandings.

We feel that the challenge panel has been able to make a number of helpful observations and on behalf of all the Members involved, I commend this report.

**Councillor Nana Asante  
Chairman of the Challenge Panel**

## 2. Background

The Harrow Association of Voluntary Services (HAVS) was a second tier, umbrella organisation for the voluntary and community sector in Harrow. It operated in the borough for many years and provided support to voluntary organisations through a range of services, including capacity building support to small groups, fund raising advice, Criminal Records Bureau checks, recruitment and support with management of volunteers and facilitating representation of the views of the voluntary sector to statutory agencies.

HAVS also played a key role in the Harrow Strategic Partnership including organising the voluntary and community sector forum; representing the views of the sector at meetings of the Harrow Chief Executives, the management committee of the Harrow Strategic Partnership and Harrow Strategic Partnership Board.

Most boroughs have an organisation like HAVS delivering the services of a Council for voluntary services. In June 2010 Harrow Council engaged PricewaterhouseCoopers (PWC) to undertake an investigation into HAVS following concerns raised by the HAVS auditor during the audit of the 2008/9 financial records.

The scope agreed by Overview & Scrutiny for this project was such that the challenge panel did not concern itself with the specifics of HAVS and the PWC investigation, but with the underlying issues, the lessons to be learned as far as the Council was concerned and in particular

- The mechanisms that the Council has in place to monitor the use of public funds within voluntary sector organisations in order to ensure that there is sufficient transparency, probity, organisational accountability and quality assurance;
- The role of the Council in ensuring that organisations entrusted with public funds have good governance arrangements;
- The extent to which the Council should support the voluntary sector in accessing support in the area of governance; and
- Evaluating the Council's responsibility in supporting local infrastructure bodies in Harrow.

The challenge panel also considered whether voluntary sector groups should have an explicit whistle blowing policy for the voluntary sector.

Excluded from consideration were:-

- The role of the Council as charitable trustee
- Going over old ground in terms of undertaking further work in areas already reviewed by scrutiny or others
- Specifics of the HAVS investigation
- Specifics of grants awarded by the Council in the past

In order to assist and inform the work of the Challenge Panel, the following individuals were invited to attend as witnesses:

- **Councillor Rekha Shah**, Portfolio holder , Community & Cultural Services
- **Susan Dixson**, Service Manager, Internal Audit
- **Mike Howes**, Service Manager, Policy & Partnerships
- **Jessica Farmer**, Head of Legal Practice
- **Marianne Locke**, Divisional Director, Community & Culture
- **Kashmir Takhar**, Head of Service, Community Development

The Panel also interviewed the following as witnesses representing the voluntary sector:-

- **Alex da Costa**, Angola Civic Communities Alliance **and Harrow Refugee Forum**
- **Jill Harrison**, **Citizens Advice Bureau (CAB )**

The Panel received written submissions from

- **Councillor Bill Phillips**, Harrow Council Representative, HAVS
- **Russian Immigrants Association**

Whilst the Panel welcomed the interest in the review, it noted that the written submissions did not relate to the scope of our enquiry.

An internal audit review was requested by the Overview and Scrutiny Committee to consider the way in which the Council's Grants Programme operates, in particular in relation to the grants round that ended with awards made in April 2010, and this was agreed by Internal Audit for inclusion in the 2010/11 Internal Audit Plan as an emerging risk. The report produced as a result of the Internal Audit review was given a red assurance rating indicating the grants system represents a high risk to the authority and needs immediate attention to improve the control environment. Overall 36% of the expected controls were found to be in place and operating effectively, 5% were substantially operating, 43% were partially in place with a further 16% were not operating. No impropriety was identified however a number of governance issues were identified in the systems in place highlighting a requirement for more transparency within the processes operated. 34 recommendations were made to address the weaknesses identified, 33 of which have been agreed by management and the GAP Panel for implementation. Internal Audit will follow-up the implementation of the recommendations in due course. This report is a substantial part of our evidence and we commend its recommendations.

The review took the form of three question and answer sessions, one for internal and one for external witnesses and one with the current and previous portfolio holders, during which Members questioned witnesses on the potential impact of the investigation on their organisation or service. Based upon these discussions and written evidence submitted, members of the Challenge Panel have made a number of observations which are detailed in the next section.

### **3. Observations**

In summary, our observations are as follows:-

There appears to be a lack of clear direction within the Council as regards the assessment and payment of grants and there is a lack of transparency. The officers who administer this process have inadequate training on the monitoring of grants and do not appear to have awareness of the rules regarding personal and prejudicial interests. However the panel notes the commitment of the Divisional Director to address shortcomings in this area and looks forward to an improved service. There is insufficient awareness among Council officers and members of what the Voluntary Sector Compact is. During the course of the review, the panel was made aware of a challenge undertaken under the terms of Compact documentation which means that there is now legal status to the Compact. In these circumstances we suggest further review of the Harrow Compact is undertaken to ensure its currency. We would similarly urge that the significant implications of the Judicial Review of Birmingham City Council's decision to change FACS criteria are considered by the Council. We recommend that training on the Compact and on the implications of these rulings is provided for all Councillors and Officers. Our review revealed that not all panel members assessing the recent grant applications had been trained on the Compact.

There is an unco-ordinated approach to the award of grants, which are given by different arms of the Council according to differing processes and rules, with little awareness of what other areas of the Council are doing, which may even lead to duplication of payments in some cases. Some of these processes go before members, some, including very large awards are made by officers with no reference to any members. This is undemocratic and not transparent, it is our view that members should be involved in every case where a grant is awarded.

We were advised of a lack of resources to support the monitoring of grants made. We acknowledge this is a difficulty for the organisation and we would welcome officers' and the portfolio holder's opinion on how to:

- a) streamline the support given to local organisations by different parts the Council
- b) consolidate the processes of awarding this support perhaps through the institution of a commissioning regime.

This we feel could maximise and make best use of resources available to support the sector at the same time as ensuring a more co-ordinated and transparent approach to providing financial support. The Panel hopes that in introducing change, care will be taken to bring the voluntary and community sector along.

In this context we were pleased to hear from the portfolio holder of the establishment of the register of awards which will hopefully mean that in future there is greater clarity with regard to the support being offered to individual groups from different parts of the Council. We would however, seek assurance that this register is effectively monitored and owned at both a political and managerial level

We feel that a more proportionate approach to the monitoring process might also be appropriate. Identifying the growing risk at an early stage through a 'traffic light' system with appropriate and associated levels of monitoring would mean that at an early stage, concerns could be flagged up and monitoring could be set at an appropriate level. We are also of the opinion that monitoring of high risk investments and Service Level Agreements in the voluntary sector via the improvement board process could be helpful. The Council has been offered an opportunity to tailor how it manages its own

performance with the abolition of Comprehensive Area Assessment and the National Indicator Set. Identification of high risk, or potentially poor performing but high profile projects and monitoring them at the highest possible level of the organisation may safeguard the organisation from future failures, similar to those which occurred at HAVS. We suggest that the findings of the scrutiny review of performance management are considered in this context.

The perception by the voluntary sector of the Council is not good. Organisations are not clear about how the Council operates, to some it is simply a question of submitting an application form, hope for the best and await 'smoke signals' from the Civic Centre. Furthermore the Voluntary and Community Sector believes that some groups are favoured over others, often for political reasons, regardless of which party is in power.

There appears to be little correlation between the award of grant and the degree to which the grant provides value for money. There is little monitoring of the performance of voluntary organisations. By the time previous years' accounts are submitted (if they are submitted) it is too late to rectify any problems. There does need to be some in year monitoring by the Council; this in our view can be carried out relatively easily, by obtaining a simple mid-year statement, this is especially true of larger organisations who generally receive the largest grants. This is especially true in the current financial climate of public sector financial cutbacks, which are set to continue during the next 3-4 years.

It is the view of the panel that every voluntary organisation should have its own whistle-blowing policy or that the Council's own whistle-blowing policy should be strengthened to make it explicit that, where public money is concerned, the policy does also cover employees of voluntary sector organisations.

The Council should encourage enhanced standards of governance within voluntary organisations, whether by providing training directly or by encouraging /facilitating others. There is an independent voluntary sector management tool especially produced for the voluntary sector known as PQASSO which should be utilised more. We would suggest that the appropriate level of PQASSO accreditation should be a prerequisite to the award of grant (or contract in a commissioning context).

In our view, there are certain governance issues within the Council that need to be addressed. Committee and panel chairs do not always appear to be adequately briefed on their agendas before these are dispatched. It is also our view that there is some confusion surrounding Council nominations and appointments to outside bodies. These governance issues need to be tightened up, in the interests of enhanced performance. Trustees appointed by the Council do not always appear to be aware of their powers and duties, perhaps because of a lack of training by the Council.

There are occasions when a grant application recommended for approval by the officers is refused by members, sometimes the opposite happens. Where such a decision is made, it is the view of the panel that the reasons for this ought to be explicit in the minutes, as they are in the case of a planning application, in the interests of transparency and accountability. The panel observed that the difficulties which are experienced in this context are not reflected in the relationship between other advisory panels and the relevant portfolio holder. The reasons for this are not clear and do not relate to any specific political administration. Experience from this year's Edward Harvist Trust awards would suggest that where there is clarity and cross party agreement with regard to the principles upon which award decisions are made, there is

a much more effective award making process. Where there is scope for interpretation there is also scope for disagreement. We therefore hope that the experience with regard to the Edward Harvist Trust awards can in future be replicated.

We also hope that a constructive relationship can be developed between the current and future portfolio holders in order that honest dialogue can avoid difficult disagreements going forward. We appreciate that the panels are 'advisory' and as such the portfolio holder may need to be at arms length from the panel's deliberations but we hope that a flexible and productive relationship is not constrained by rules and regulations and that this key relationship can become more effective,

In the panel's consideration of how the Council might provide support for the voluntary sector going forward, we were made aware of the 'One 4 One' scheme which allows officers with technical skills which could be of benefit to the voluntary sector to make their skills available. For every hour of their own time given to the voluntary sector, the Council will allow officers to give an additional hour of their working time to the sector. We commend this scheme in principle and would urge that an evaluation be undertaken so an effective scheme and other innovative means of supporting local organisations, are promoted by the Council.

Much work has been done in the past to try to improve the Council's relationship with our voluntary sector partners. The panel acknowledges that this work is now being consolidated and we look forward to hearing from officers about their strategic proposals for revitalising our relationship with the sector. In this context, we would observe that there is now significant evidence available upon which to build this longer term strategic relationship and we would urge colleagues to consider the work which has been undertaken previously, in particular the scrutiny review 'Delivering a Strengthened Voluntary and Community Sector for Harrow'. We would also urge that future strategy reflects the performance of 'class leaders' in order that innovative solutions operated by other boroughs can be reflected in our own practice.



## 4. Recommendations

We would like to make the following recommendations

1. *Cabinet should consider the Grants Advisory Panel and other advisory panels terms of reference in greater detail.*
2. *There should be greater internal checks made by officers during the grants process.*
3. *The Harrow Compact should be reviewed in order to ensure that it reflects recent judicial rulings and events locally.*
4. *Training on the Compact and the implications of the recent rulings should be made available to Councillors and Officers.*
5. *Care should be taken to communicate with the Voluntary and Community Sector so they fully understand the Council's decision-making process and the mechanism for communicating concerns they may have.*
6. *Voluntary sector groups, when applying for grant, should be asked what they would do with part award of grant, e.g. if they applied for £500 and were awarded £250, what would they do with it? Would it be any use? 50% and 75% could be possible benchmarks to use.*
7. *Members should be involved in every grant award.*
8. *Chairmen of all committees and panels should be properly briefed and consulted on every agenda.*
9. *The long term aim of a grant should be to make the voluntary organisation sustainable in the long term. The Council should agree a policy on this and communicate it.*
10. *There should be monitoring of voluntary organisations throughout the year. A mid year extract from management accounts should enable the Council to make a financial health check on each organisation and avoid any future problems (such as occurred at HAVS). Monitoring should however be proportionate and sector independence needs to be respected.*
11. *Consideration should be given to the development of a 'traffic light' system to facilitate a proportionate approach to monitoring and further consideration should be given to incorporating the monitoring of high risk projects and Service Level Agreements into the improvement board process.*
12. *Monitoring information should be reviewed by those with an understanding of the information presented.*
13. *There should be a general re-examination of all Council external appointments to ensure these are fit for purpose and are still needed.*
14. *The Council should agree what governance standard is required for each grant or contract e.g. PQASSO level 1 for small grant awards or contracts, level 3 for medium grant awards or contracts level 5 for large grants or contracts*

15. *All organisations in receipt of grant monies from the Council should have their own whistle-blowing policy*
16. *The grants process should be non political and be seen to be as such. The development and agreement of clear principles for the payment of grant will support this. A constructive dialogue between the Grants Advisory Panel and Community and Cultural Services portfolio holder and Cabinet should be fostered to ensure that this key relationship can flourish and ensure that difficulties between parties are fully understood.*
17. *Appeals should be held before any grants are finalised*
18. *The grants process should be timed so that voluntary organisations know their financial status before the financial year commences*
19. *Voluntary organisations could be offered specialist support from within Council resources, such as legal, financial or IT help, as an add on extra, always recognising that many organisations needed a core grant to be able to function. The 'One 4 One' scheme and other innovative approaches to supporting the sector should be evaluated and promoted by the Council if they are seen to offer a credible alternative support.*
20. *In consolidating the work previously undertaken and developing a longer-term strategic approach to partnering with the voluntary sector, the Council should ensure that it reflects the learning from other, best practice boroughs and the findings of other internal reviews which have been undertaken including the scrutiny review 'Delivering a Strengthened Voluntary and Community Sector for Harrow', 2008*
21. *Members and Officers need to be clearer about declaring interests and withdrawing from meetings or decisions where the interest may be prejudicial. Additional training should be given to Members and officers involved in the Grants process including real world examples.*
22. *That Internal Audit keep the Overview & Scrutiny committee informed on the progress of the implementation of their recommendations in the Grants to Voluntary Organisations report.*

## **5. Conclusion**

The experiences of the events at HAVS have been difficult for the Council. They have shone a light, yet again on the Council's grant making process and shown the need for improvement. They have also offered us another opportunity to address our weaknesses and to develop the kind of long-term relationship we need to have with our partners in the Voluntary and Community sector, a relationship based on principles, transparency and respect. We hope that this report will go some way to supporting the development of this relationship.

**Councillor Nana Asante (Chairman)**

**Councillor Susan Anderson**

**Councillor Kam Chana**

**Councillor Paul Osborn**

**Councillor Sachin Shah**

# **APPENDIX ONE:**

## **IMPLICATIONS OF HAVS INVESTIGATION – CHALLENGE PANEL SCOPE**

1	<b>SUBJECT</b>	Implications of HAVS Investigation – Challenge Panel
2	<b>COMMITTEE</b>	Overview and Scrutiny Committee
3	<b>REVIEW GROUP</b>	Cllr Nana Asante Cllr Christine Bednell Cllr Kam Chana Cllr Barry Macleod-Cullinane Cllr Susan Anderson Cllr Paul Osborn Cllr Sachin Shah
4	<b>AIMS/ OBJECTIVES/ OUTCOMES</b>	The aim of the review is to make recommendations in respect of: <ul style="list-style-type: none"> <li>• The mechanisms that the Council has in place to monitor the use of public funds within voluntary sector organisations, in order to ensure that there is sufficient transparency, probity, organisational accountability and quality assurance</li> <li>• The role of the Council in ensuring that organisations entrusted with public funds have good governance arrangements. For example ensuring that Councillors nominated as trustees or acting in an ‘ex officio’ capacity are properly equipped to fulfil the role and understand the nature of potential conflicts of interest that could arise.</li> <li>• The extent to which the Council should support the sector in accessing support in the area of governance, for example best practice, while respecting the independence of the sector and having regard to Compact principles</li> <li>• Evaluating the Council’s responsibilities in supporting local infrastructure bodies in Harrow</li> </ul>
5	<b>MEASURES OF SUCCESS OF REVIEW</b>	<ul style="list-style-type: none"> <li>• Project assists the Council in responding to any risks highlighted by the internal audit review.</li> <li>• Project group makes recommendations with regard to Council mechanisms that enable the sector to demonstrate fitness for purpose.</li> <li>• Project informs Better Deal for Residents programme – specifically projects consulting on and reviewing future levels of support to the voluntary and community sector from across the Council.</li> </ul>
6	<b>SCOPE</b>	<ul style="list-style-type: none"> <li>• Audit review – in particular monitoring processes, by examining the results of the review by internal audit</li> <li>• Training for Councillors acting as charitable trustees, including accountability of trustees</li> <li>• Consideration of the future for sector-wide infrastructure support, for later discussion with the sector, with specific emphasis on what the Council’s role should be with regard to</li> </ul>

		<p>determining infrastructure available to the sector and how it is provided.</p> <ul style="list-style-type: none"> <li>The Council's relationship with the sector in respect of governance – including the Council's role with regard to governance, financial control, best practice and advice and support.</li> </ul>
7	<b>SERVICE PRIORITIES (Corporate/Dept)</b>	Draft corporate priority: United and involved communities – a Council that listens and leads
8	<b>REVIEW SPONSOR</b>	Brendon Hills, Corporate Director, Community and Environment
9	<b>ACCOUNTABLE MANAGER</b>	<p>Management of review – Lynne Margetts, Service Manager Scrutiny</p> <p>Management of service – Marianne Locke, Divisional Director Community and Cultural Services</p>
10	<b>SUPPORT OFFICER</b>	Heather Smith, Scrutiny Officer
11	<b>ADMINISTRATIVE SUPPORT</b>	Heather Smith, Scrutiny Officer
12	<b>EXTERNAL INPUT</b>	<p><b>Stakeholders</b></p> <ul style="list-style-type: none"> <li>Relevant Director</li> <li>Relevant Portfolio Holder</li> <li>Internal Audit</li> <li>Legal and Governance</li> <li>Policy and Partnerships</li> </ul> <p><b>Experts/Advisors</b></p> <ul style="list-style-type: none"> <li>Charity Commission – policy evidence</li> <li>NAVCA – policy evidence</li> <li>Local Government Improvement and Development – best practice</li> </ul>
13	<b>METHODOLOGY</b>	<p>Proposed stages for the review</p> <p>Stage 1 – Scoping meeting</p> <p>Stage 2 – Review of evidence</p> <ul style="list-style-type: none"> <li>Findings of audit review</li> <li>Best practice with regarding good governance arrangements and commissioning of infrastructure groups</li> </ul> <p>Stage 3 – Challenge panel meeting</p> <p>Stage 4 – Formulation of report and recommendations</p>
14	<b>EQUALITY IMPLICATIONS</b>	The challenge panel should consider how equality implications have been taken into consideration in current policy and practice and consider the implications of any recommended changes.
15	<b>ASSUMPTIONS/ CONSTRAINTS</b>	<p>To include:</p> <ul style="list-style-type: none"> <li>The way in which funding policy impacts on approaches to monitoring and the proportionality of monitoring arrangements.</li> </ul>

		<ul style="list-style-type: none"> <li>• The role of Councillors as trustees</li> <li>• Future of infrastructure support to the sector</li> <li>• Whistle-blowing arrangements for groups to report concerns about use of Council funds</li> </ul> <p>To exclude:</p> <ul style="list-style-type: none"> <li>• The role of the <u>Council</u> as a charitable trustee</li> <li>• Going over old ground in terms of undertaking further work in areas already reviewed by scrutiny or by others</li> <li>• Specifics of the HAVS investigation</li> <li>• Specifics of Grants awarded by the Council in the past</li> </ul>
16	<b>SECTION 17 IMPLICATIONS</b>	The challenge panel will need to have regard to any possible community safety implications arising from any recommendations.
17	<b>TIMESCALE</b>	<p>For completion by Christmas 2010 and to report to O&amp;S on 27 January 2011.</p> <ul style="list-style-type: none"> <li>• Scoping meeting – 20 October 2010</li> <li>• Review of evidence – after O&amp;S 23 November 2010</li> <li>• Challenge panel – early December 2010</li> <li>• Formulation of report – mid December 2010</li> <li>• [Progress review – Delivering a strengthened voluntary sector – P&amp;F 18 January 2011]</li> <li>• Final report to O&amp;S – 27 January 2011</li> </ul>
18	<b>RESOURCE COMMITMENTS</b>	<ul style="list-style-type: none"> <li>• Scrutiny Officer – policy support, research, administration, report writing</li> <li>• Internal Audit – carrying out audit review</li> <li>• Community Development– evidence</li> <li>• Legal and Governance – evidence</li> <li>• Policy and Partnerships – evidence</li> </ul>
19	<b>REPORT AUTHOR</b>	Heather Smith, Scrutiny Officer
20	<b>REPORTING ARRANGEMENTS</b>	<p>Outline of formal reporting process:</p> <p>To Service Director           [ x ]   December 2010  To Portfolio Holder           [ x ]   December 2010  To O&amp;S                            [ x ]   27 January 2011  To Cabinet                        [ x ]   10 February 2011</p>
21	<b>FOLLOW UP ARRANGEMENTS (proposals)</b>	Monitoring by Performance and Finance scrutiny sub-committee after 6 months and then on a 6 monthly basis by exception.