

THE GRANTS PROCESS AND RELATED COMMUNITY BENEFITS

Overview and Scrutiny Committee
Task and Finish Group Report

7 February 2013

Cllr Julian Cunningham (Chairman)
Cllr Jane Gray
Cllr Ian Mantle
Cllr Lawrence Oliver
Cllr Mike Rice

1. BACKGROUND

1.1 This task and finish group reviewed the effectiveness of the Council's grants process and suggested how it might be improved; and sought to understand the scope of other kinds of financial aid to voluntary and community organisations. The scope of the review is attached at Annex 1.

2. CONCLUSIONS AND RECOMMENDATIONS

2.1 The Council gives a great deal of support to community and voluntary groups through grant aid worth £587,470 in 2012/13. This figure represents a significant part of the Council's discretionary spending. Alongside this formal grant aid, the community benefits from officer advice and other benefits in kind which are harder to quantify but valuable nevertheless.

2.2 The group felt strongly that the current process had worked effectively and that the District received very considerable benefit from the efforts of the Community Development Team in providing crucially needed support to community groups both informally and through the provision of grants. They have put in place a robust and efficient grants system supported by a bespoke grants database which they have designed and maintained themselves at no additional cost to the council. The group would like to make special mention of the support provided and to commend the efforts of the entire team.

2.3 The group were however concerned, given the background of diminishing funds available for investment, whether the Council was achieving the maximum leverage from this substantial involvement with the community. In particular the group felt that the link between the council's priorities and objectives on one hand and the activities of grant recipients on the other hand was sometimes unclear. The group accepted that this is because the Council's priorities are general principles which inform the Council's approach to a variety of situations. The disadvantage is that some priorities, such as working with local communities, are so general that almost anyone could meet them and they give officers insufficient guidance. Officers indicated that very few applications failed on these terms. The group felt strongly that greater clarity on how grant applications should be considered would enhance the community value that accrued from grant awards made.

Recommendation 1 - The Council (or its area committees) should consider giving more direction on the priorities for grants, perhaps by setting clearer priorities and reviewing these regularly.

2.4 Each area committee manages its grant awards differently in the way that works best for the local circumstances of the area. The group felt strongly that this was the most appropriate way of dealing with this matter. There is no need or desire for a one size fits all approach which would run contrary to the localism agenda. Officers assess eligibility for area committee grants against detailed criteria which are summarised in the document *Grants from North Hertfordshire District Council* which is available on the Council's website. The group was unfamiliar with the document, and considered it would be helpful

for area committees to have access to it when making their decisions; and suggested it should be reviewed with area committee input to ensure that it was fit for purpose and user friendly.

Recommendation 2 - The Council should review its grants guidance notes to make sure they are fit for purpose and user friendly.

Recommendation 3 - Officers should make clear reference to the appropriate guidance note when making recommendations to area committees when they are considering grant applications.

2.5 The Community Development Team monitors the outcome of grants awarded by commissioning reports, attending events and meeting applicants face to face. The group considered that this worked well. It was less clear however whether there was sufficient member oversight of the outcomes. However there was a concern that, given the small size of some grants, the Council must avoid becoming overly bureaucratic. There is scope for the outcomes of projects to be reported back to area committees more systematically, for instance through an annual report to the area committee (or an event) so they can be assured objectives have been achieved and value for money obtained.

Recommendation 4 - Area committees should check whether grants have achieved the objective for which they were originally intended by receiving a formal annual report or similar from the CDO on the outcome of projects.

2.6 Grants totalling £307,000 were awarded to certain major organisations for longer periods, where particular groups provide district wide services and need certainty about continuity of funding. Such grants were made directly by Cabinet on a three year cycle. The group felt strongly that the certainty given by Memoranda of Understanding (MoUs) was important to these groups and should continue. Groups like the Citizen's Advice Bureau (CAB) do sterling work for the community which would otherwise have to be picked up by the council direct, and CAB provides a good deal of data to demonstrate this. There is formal monitoring of other major MoUs by officers at 6 and 12 months, backed up by reports from individual service areas and less formal monitoring in between, although there is little member oversight of either the awarding or monitoring of grants covered by major MoUs.

Recommendation 5 - Cabinet (or a relevant portfolio holder) should monitor whether recipients of grants covered by major MoUs have achieved their objectives and consider whether there should be closer member oversight through the Overview and Scrutiny Committee and/or a member working group.

2.7 Some of these district wide grants are awarded to bodies like the Arts Council which is itself a grant awarding body. It is sensible to use specialist expertise in a specialist area, although it is inevitable that the Council will have less influence on such a body's objectives and how it award grants. NHDC has appointed representatives to these bodies. The group saw no

evidence however that the role and its importance in articulating the Council's priorities were fully understood by these appointees. Further there may be scope for them to have a more prominent role in reporting back to the Council on the performance of major grant recipients. The group was pleased to hear that a review of the role of Council representatives on outside bodies will take place in the near future.

Recommendation 6 – The role of NHDC appointees should be made clearer by means of a formal briefing note to such individuals and they should have a more prominent role in reporting back to the Council on the performance of major grant recipients. The mechanism for them doing so should be clearer.

2.8 Whilst the group heard no evidence that the system of awarding major MoUs was not meeting its objectives there was concern that the current organisation of budgets means it is difficult to fund new district-wide activities: applicants have to approach several area committees simultaneously as local area budgets are ring-fenced. The alternative, funding through the district-wide MoU budgets is not an option since these budgets are fully committed for significant periods. Officers said that in order to fund new groups through the MoU budgets, the authority would have to look at its overall priorities when its existing agreements expired, and consider whether to withdraw grant from one group to fund another one. As funding diminishes, it will be difficult for the Council to keep such a static approach towards so many recipients covered by MoU funding, particularly where the applicants could provide a service to the council and or its work more is aligned with the council's objectives than existing recipients. In the meantime, the group considered there should be provision to award a discrete district-wide grant which was funded by taking the equivalent amount from area committee budgets.

Recommendation 7 - There should be provision to award a new district-wide grant, funded by taking the equivalent amount from area committee budgets.

2.9 Like major MoUs there is a system of minor MoUs in place funded by a first charge on local area grant funds. Like major MoUs, recipients of grants covered by minor MoUs rarely changed. The grants were renewed every three years and were monitored formally through a six-monthly review. This arrangement was understandable for some recipients who needed certainty of funding for important community services like Howard Gardens Social Club or where projects were ongoing like town twinning, and it could prevent smaller organisations having to spend time chasing funding. That said, routine renewal of longer term grants for existing recipients could potentially prevent more worthy ones from receiving medium term funding. The group felt that it was important that minor MoUs were considered within the scope of other recommendations made in this report.

2.10 There appeared to be some inconsistencies about the definition of major and minor MoUs: for example support for both the arts and for North Herts CVS was covered by both major and minor MoUs even though these

grants supported essentially district wide services. It would be useful for the Council to reconsider whether its MoUs were correctly designated. Once this exercise was complete it would be a good time to review the allocation of grants to area committees as well to ensure they reflect the latest census data.

Recommendation 8 – Minor MoUs should be reviewed within the scope of the other recommendations made in this report.

Recommendation 9 - The Council should review the designation of district wide and committee specific grants governed by MoUs to ensure they are correctly allocated.

Recommendation 10 - The allocation of grants to area committees should be updated to reflect the latest census data.

2.11 The predecessor of the Rural Grants Fund was introduced around the same time as the loss of special expenses in rural areas. It is expected to be oversubscribed in future. Its budget is structured flexibly to allow the Council to react to different types of application, although some of it covers the costs of routine environmental maintenance which parish councils could cover by raising their precepts. The group considered whether the fund could provide a better targeted result by reminding parishes of their precept raising abilities.

2.12 The fund is awarded annually by a member panel. It could be more efficient to combine the fund with those area committee which had rural budgets, although this might remove the option of funding larger projects in areas outside southern rural.

Recommendation 11 – Cabinet should consider the terms of reference of the Rural Grants Fund to take into account the ability of parishes to raise more funds through their local precept.

Recommendation 12 - The Overview and Scrutiny Committee should consider whether the Rural Grants Fund should be re-distributed into the relevant area committee budgets taking into account the views of members, and advise Cabinet accordingly.

2.13 In addition to grants, organisations receive a number of other benefits and assistance from the council. The Community Development Team devotes a substantial amount of time to helping community groups develop their expertise and apply for funding. Many community organisations also benefit from reduced and peppercorn rents, favourable leasing arrangements, discretionary rate relief and more. In most circumstances it may be unrealistic to realise notional income from favourable leasing arrangements, but the group was pleased to see that officers are mindful of the possibility of reducing costs to the council when leases are due for renewal. When organisations apply for grants, information about these benefits in kind should be available to decision makers so both the Council and the applicants can see the full extent of the Council's assistance.

2.14 The group were also made aware that it was common practice for groups to make simultaneous applications to other grant awarding bodies

(Hertfordshire County Council, the Letchworth Garden City Heritage Foundation etc.) at the same time as applying to the NHDC. They felt that it was important that area committees were made aware of all such applications as this may influence their deliberations.

Recommendation 13 - The Council should calculate the actual and notional benefits which are given to community groups in addition to grant aid; and these figures should be made available to councillors when organisations apply for assistance from the council.

Recommendation 14 – Wherever possible area committees should be made aware of contemporaneous applications to other grant awarding bodies when considering applications. The application form should ensure this aspect is covered.

2.15 S106 monies and unilateral undertakings are a potential source of considerable extra local funds. The group was pleased to hear that the community development team has been working closely with colleagues in the planning department to help release section 106 monies. The group noted the importance of correctly interpreting the section 106 agreement to ensure the funds were spent on the intended projects. That said, the group could see no particular need for the agreement to be interpreted by the Council's planning department. Area committees with their strong knowledge of local conditions and priorities, supported by the Community Development team, might be better placed to identify suitable projects to release funds from s106 monies and unilateral undertakings.

Recommendation 15 - Cabinet should consider whether area committees, with the support of the Community Development Team, might be better placed to identify projects which could be funded by section 106 monies and unilateral undertakings.

Summary of Recommendations

1. The Council (or its area committees) should consider giving more direction on the priorities for grants, perhaps by setting clearer priorities and reviewing these regularly.
2. The Council should review its grants guidance notes to make sure they are fit for purpose and user friendly.
3. Officers should make clear reference to the appropriate guidance note when making recommendations to area committees when they are considering grant applications.
4. Area committees should check whether grants have achieved the objective for which they were originally intended by receiving a formal annual report or similar from the CDO on the outcome of projects.
5. Cabinet (or a relevant portfolio holder) should monitor whether recipients of grants covered by major MoUs have achieved their objectives and consider

whether there should be closer member oversight through the Overview and Scrutiny Committee and/or a member working group.

6. The role of NHDC appointees should be made clearer by means of a formal briefing note to such individuals and they should have a more prominent role in reporting back to the Council on the performance of major grant recipients. The mechanism for them doing so should be clearer.

7. There should be provision to award a new district-wide grant, funded by taking the equivalent amount from area committee budgets.

8. Minor MoUs should be reviewed within the scope of the other recommendations made in this report.

9. The Council should review the designation of district wide and committee specific grants governed by MoUs to ensure they are correctly allocated.

10. The allocation of grants to area committees should be updated to reflect the latest census data.

11. Cabinet should consider the terms of reference of the Rural Grants Fund to take into account the ability of parishes to raise more funds through their local precept.

12. The Overview and Scrutiny Committee should consider whether the Rural Grants Fund should be re-distributed into the relevant area committee budgets taking into account the views of members, and advise Cabinet accordingly.

13. The Council should calculate the actual and notional benefits which are given to community groups in addition to grant aid; and these figures should be made available to councillors when organisations apply for assistance from the council.

14. Wherever possible area committees should be made aware of contemporaneous applications to other grant awarding bodies when considering applications. The application form should ensure this aspect is covered.

15. Cabinet should consider whether area committees, with the support of the Community Development Team, might be better placed to identify projects which could be funded by section 106 monies and unilateral undertakings.

3. SUMMARY OF EVIDENCE

3.1 Overview of Grant & Financial Aid to Community Groups & Organisations

3.1.1 Stuart Izzard, Community Development Manager at North Herts District Council, explained that the Council was able to give financial assistance to local community organisations and voluntary groups through a number of channels. Direct grants for 2013/14 were:

- Annual grants for 3 years covered by MoUs - £285,290
- Area Committee based grants - £169,930
- Rural based grants - £35,370
- Town centre grants - £51,810
- **Proposed Budgets 2013/14 - £542,400**
2014/15 - £499,970
2015/16 - £489,650

3.1.2 The breakdown of grant assistance is summarised in Annex 2. As well as grants, community and voluntary groups received other forms of financial assistance too. In some cases it is possible for an organisation or group to benefit from a number of the financial support channels listed below:

- **Subsidised Premises** – through peppercorn leases and rents on NHDC buildings, and provision of subsidised accommodation.
- **Business Rates Relief** – a percentage reduction at source, a proportion of which can be claimed back from Central Government.
- **Lower Utility Supply Costs** – a percentage reduction in the supply costs of utilities as the building may be part of NHDC group tariff concessions.
- **Other ‘in kind’ support** – Officer time concerned with capacity building and funding advice, printing and publicity through Council’s own publications, use of public meeting rooms, loan of equipment etc.
- **Funding via the Planning Process** – funds gained from developers by way of section 106/Unilateral Undertakings invested in projects and facilities that support or provide services to community groups and organisations.

3.1.3 Provision for district-wide organisations had originally been covered by service level agreements (SLAs) but these had been replaced by MoUs which were thought to be more flexible for both parties. MoU recipients had been subject to a cut of 28.4% spread equally over 4 years. Grants to town centres – formerly a strategic priority of the Council – were tapering off. The Council was the only one in the county to have town centre managers in all the major towns, and the only one in the country to have two business improvement districts (BIDs). For next year it was intended that the town centre managers would receive approximately £9,000 in Baldock, £13,500 in Hitchin, £13,500 in Royston and £27,500 in Letchworth (which received a higher amount as its town centre manager had been appointed later than Hitchin’s). These payments were covered by MoUs which were staggered to finish at different times.

3.1.4 There were a number of indirect grants and other financial assistance. For example £100,000 had been paid to Stevenage Leisure but this funding was now outwith the grant process. Council officers were trying to rationalise the Council's various leasing agreements, and considering the circumstances in which tenants should take on a full repairing lease. Some groups benefited from reduced utilities costs, and there were differences in how similar clubs were treated, often for historical reasons. The community development team was working closely with colleagues in the planning department to help release s106 monies. The group noted importance of correct interpretation of legal documents to ensure that section 106 monies were spent on the right projects, but noted that the legal documents relating to s106 monies could be interpreted away from the planning department: there was no particular need for the planning department to handle the arrangements for releasing s106 monies and area committees, with the support of the community development team, might be better placed to do so.

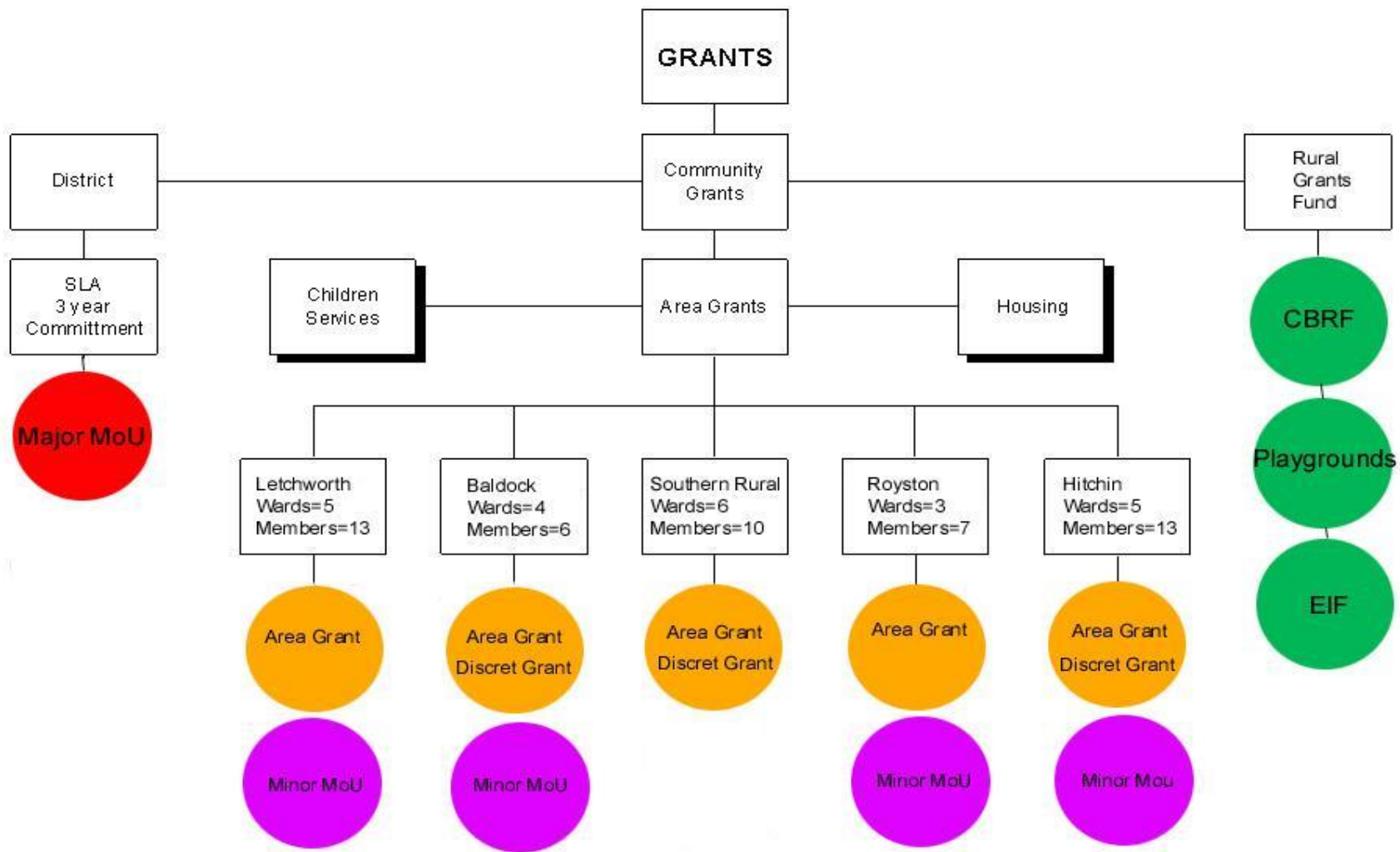
Types of Grant

3.1.5 Stuart explained that aside from the major MoUs, the grants were split into discrete areas. These are illustrated in the diagram overleaf.

3.1.6 The **Rural Grants Fund** (RGF) had formerly been the Parish Challenge Fund and had been brought in to soften the blow of the loss of special expenses. It is launched in May each year and £35,370 has been set aside for 2013/14. £45,000 – 48,000 has been allocated in previous years and the fund had not been oversubscribed but with the reduction in budgets planned for next year it is expected to be oversubscribed in future. Of its component parts the Playgrounds Fund and the Community Building Refurbishment Fund (CBRF) are budgeted together to give the Council flexibility to react to different types of application. Grants are awarded on officer recommendations which are then considered by a member panel which has no rural members on it. Successful applicants have two years in which to use the funds.

3.1.7 The other element of the RGF was the Environmental Improvement Fund (EIF). Parishes applied for a whole range of environmental improvement and maintenance activities including hedge cutting, tree lopping and similar activities. Applications could be made for the EIF every year and for the CBRF and Playgrounds Fund every two years. Officers e-mailed the chairman and clerk of each parish council and sent reminders to village halls, some of which were run by trusts. Only one application was allowed per village.

3.1.8 The group noted that some of the environmental grants covered the costs of routine maintenance, and noted that parish councils were able to raise their precepts to cover such routine costs. The idea had been considered by NHDC a couple of years previously but had not proceeded. The group heard that the previous parish clerk at Barkway had persuaded the village to pay a higher precept to cover a distinct, time-limited project.



3.1.10 As for **area grants**, Stuart explained that most of these went to area committees. The other area grants – to children’s services and housing – were relatively small. Each area committee operated differently, often for traditional or pragmatic reasons. Letchworth and Royston Area Committees had a single budget administered by the whole committee; Baldock Area Committee split its grants between its four wards; and Hitchin and Southern Rural Area Committees had a mixed arrangement – a single pot administered by the whole committee supplemented by individual sums to be used at a member’s discretion. The group heard that in the past Letchworth Area Committee had operated member budgets but the practice had been discontinued because applications were often town-wide or multi-ward and having a single budget made more sense administratively.

3.1.11 Area committee budgets were a mixture of general funds which were available to all applicants; and minor MoUs of varying amounts which were committed to particular groups. Awards could be made by the area committee on the basis of officer recommendations using the guidelines which were summarised in the document *Grants from North Hertfordshire District Council* which had been revised in April 2012 and which summarised the detailed rules on grants. Members were not aware of the existence of the document or had not seen it before, and considered it would be helpful if area committees could have sight of, or access to the summary guidelines when making their decisions. They considered that it would be useful to look again at how it was drafted to ensure that it was fit for purpose and user friendly. As well as awards made by the committee, some awards could be fast tracked using interregnum powers and being signed off by the area committee chairman and head of service without having to be considered by the full committee.

3.2 User’s View of the Process: Recent Grant Recipient

3.2.1 Sheila Barden of K Entertainment, a group which provides transport and entertainment for elderly people who are immobile and in care homes described the grant process from her perspective. The grant enabled K Entertainment to put on shows and lunches, and arrange transport for elderly people to get them there and back. K Entertainment had applied for the grant a couple of years before and would be applying again.

3.2.2 Initially the paperwork had been daunting but she had received a good deal of help and advice from the community development team. The form had improved since their first application, when some questions had been repetitious. She still needed help with some aspects of the form, such as the sections on what items (like transport) would cost, which were very difficult to predict due to varying fuel prices. Due to the district wide nature of the activities, the group had to fill in two separate forms and apply to two area committees. Sheila confirmed that she received a good deal of support and help from the community development team before the meetings which had enabled her to be well prepared.

3.2.3 Members heard that although details of grants were available on the Council's website, there was no specific advertising campaign. K Entertainment had been unaware of the availability of the grant but had learned about it at Stotfold library where the librarian had encouraged her to apply. She was not initially aware of the criteria but the form and guidance notes had been helpful. K Entertainment would like to apply every year but they wanted to give other applicants an opportunity to get a grant from the Council. She would consider making an application again in future. As for monitoring, two members of the community development team had attended events to see the events at first hand. She had also filled in a short satisfaction survey which was standard for all grant recipients. Sheila thanked the Council for the grant which enabled the organisation to do a lot of good work for the elderly in North Hertfordshire.

3.3 Locality Budgets

3.3.1 Cllr Terry Hone explained that Hertfordshire County Council (Herts CC) grant funding for community groups was administered by councillors through locality budgets. Totalling £770,000 in all and split equally between the 77 county councillors in Hertfordshire, each councillor had a locality budget of £10,000 to be spent in his or her area, a total of £90,000 for North Herts as a whole. The process itself was largely electronic, including the final approval. The applicant is directed to the website and fills the form in electronically, then submits it to the grants officer who assesses its eligibility. The grants officer e mails the councillor with a recommendation to approve (or not), it is scanned by legal officers and then the councillor approves it electronically. The applicant is informed and there is a accompanying press release. The electronic application process meant the approval process was less of an ordeal for applicants. Members considered it was very useful that NHDC officers were able to view HCC's grant spending in North Hertfordshire by accessing the locality budgets of each County Councillor on HCC's website.

3.3.2 Normally grants were given to a number of projects although in theory it would be possible to spend the entire budget on one project. Grants normally total at least £500. The process usually starts with a phone call or an e mail to the local councillor. He or she usually followed this up by getting details of what the grant is for, along with any other sources of funding. As for NHDC's grants system, Cllr Hone said he was keen for area committees to take as many decisions as possible on funding choices.

3.4 Major MoUs – Background and the Citizen's Advice Bureau

3.4.1 The group heard that funding for grants to major MoU recipients was being reduced by 28.4% over four years, 7.1% per annum. The groups had preferred a phased reduction over 4 years to a single cut of 28.4% at once. The three year major MoUs were due for renewal in 2014/15. The grant to the District Children's Trust Partnership was due to end this year following the County Council's decision to discontinue the partnerships throughout Hertfordshire.

3.4.2 Liz Green explained that service level agreements (SLAs) had been discontinued in 2008 as they were thought to be too onerous. There had been discussions with legal and the shift to MoUs was understood to have removed the formal contractual arrangement which an SLA had constituted; and gave more flexibility on what was delivered for the grant awarded. The group considered that the wording of the MoU would be the key feature of the agreement rather than its title since this would determine whether it constituted a contract or not.

3.4.3 Liz confirmed that funding could be taken back or withheld if an organisation did not deliver on its project as agreed at the time of the award. The Council had link officers in relevant service areas – for example the grounds maintenance team for the Countryside Management Service, the museums service for the Arts Council – which set the activities required and monitored how the MoU was delivered. The criteria for doing so were included as an appendix to the MoU. There was formal monitoring at 6 and 12 months, along with less formal monitoring in between. Service areas sent reports to Liz and both the cost of administering the MoUs and the awards themselves was charged to Liz's budget. As well as the formal reports, there were frequent informal discussions with recipients such as CAB which also sent statistics to the Council on its activity and performance. Relate sent the council minutes of their organisational meetings.

3.4.4 Sally Salisbury, Bureau Manager at North Hertfordshire CAB said that CAB received 48% of its funding from the district council which was used to fund its operational costs. CAB also worked closely with the Council's homelessness department, the Department of Work and Pensions and 16 other partners on a variety of topics. It had 70 volunteers and dealt with 30,000 issues over the course of the year. The group noted the valuable work carried out by CAB which reduced the impact of inquiries on the council and its officers.

3.4.5 Sally explained that the CAB had different arrangements with different councils. For example it had an SLA with South Cambridgeshire, but there was no practical difference from CAB's point of view: it still had to meet the criteria in its agreement. North Herts CAB also provided some limited services for Stevenage and Central Bedfordshire Councils. The funding levels were very different and there was no formal agreement covering the provision of those services. Central Beds paid £5,000 for a number of restricted projects concerned with people who were threatened with homelessness, and this service was covered by a statement of intent. In terms of monitoring, Central Bedfordshire Council carried out very few checks on the outcome of CAB's funding.

3.4.6 The group noted that CAB's work was demand driven and asked what would happen if funding from NHDC was reduced. Sally said that she recognised that the council had a limited pot of funding. If funding was reduced, then CAB would either have to bring in other funding from elsewhere or reduce the level of service. Some time ago, calls from Central Beds Council

constituted some 9% of North Herts CAB's cases. Now, because of the limited funding from Central Beds Council, calls from this district are referred to the Central Beds CAB offices.

3.4.7 Sally said that the process for CAB was challenging, with strict guidelines and targets set by the council which CAB had to adhere to. The three year funding commitment was important for CAB as it allowed them to plan ahead, and avoided the need to make staff formally redundant 10 months into each financial year. She had a very good relationship with the Council's officers and there was a good deal of contact between them outside the formal monitoring process.

3.4.8 The group noted that the council also funded a number some bodies - the Arts Council and Sports North Herts - which gave grants to other organisations, and asked how the Council could assure that its money was spent in accordance with the council's objectives. Liz explained that Sports North Herts got funding from other sources, and the grant from North Herts could both attract and trigger that other funding. The Council had a representative on the management board of both organisations and had an input into the criteria which those bodies used to award grants, and if necessary could question those criteria. Representation on these bodies was sometimes by officers rather than members or portfolio holders for historical reasons, but the issue of representation on outside bodies was constantly under review.

3.4.9 The group asked how the council decided on medium term grant allocations to recipients governed by MoUs. Liz said that some of this was historical and had taken into account the recipient's overall circumstances and the effect that giving or removing funding might also have. The Ethnic Minority Forum, for example, had lost some of its funding from other sources; and the Hitchin British Schools Trust was making a bid for National Lottery funding; withdrawing funding from the latter, or the timing of any withdrawal, might hamper its bid.

3.4.10 Oversight of the process was through the portfolio holder in the relevant service area, and the process and outcomes were further scrutinised by the Council's auditors. Sally said that recipients such as CAB were obliged to demonstrate how it had met the council's strategic objectives.

3.4.11 The group noted that the arts received a good deal of funding by way of both major (£11,830 allocated to the Arts Council for 2013/14) and minor (£10,130 for the Letchworth Arts Centre) MoUs. They considered that some of this money could in principle be given instead to an organisation which provided a service to the council; and wondered how a new recipient, perhaps more needy, more deserving or more aligned with the council's objectives could be funded. With funds diminishing the group thought it was difficult to justify a static approach towards MoU funding; and the council's objectives were quite vague – eg working with local communities – which meant that almost anyone could meet them and they gave officers insufficient guidance. Liz said that in order to fund new groups, the authority would have

to look at its overall priorities at the time when agreements came to an end, look to target resources at the most appropriate projects and look at which groups to potentially withdraw funds from against the claims of other applicants.

3.5 Major MoUs – Groundwork

3.5.1 Gill Taylor, Operations Director for Groundwork Hertfordshire explained that Groundwork was an environmental charity and public limited company focusing on urban areas in Hertfordshire, Bedfordshire and Luton. It had 40 staff and its focus was on young people, education, training, community engagement and environmental improvement. It advised people on the process of planning environmental improvements, fundraising and implementing projects. It had a turnover of £2.4 million, and generated some of its own income by charging for some of its services. It received funding from one other council in Hertfordshire apart from NHDC and was active in eight of its ten districts.

3.5.2 Groundwork received £17,440 in core funding from NHDC and on the back of that had brought in £280,000 from various other sources. It also received bespoke NHDC funding for individual projects: £120,000 of direct core funding with the remainder raised on a project by project basis. It had done a good deal of work on Howard Park and Gardens, and taken the vision for a new park in Baldock through to completion. There was also a smaller rural dimension with projects like the improvements to Wymondley village green and the building of skate parks and play areas.

3.5.3 In terms of the MoU process, the MoU itself was drawn up with Liz Green's team, and the detailed objectives were in the MoU's annex. As well as the formal 6 monthly monitoring report which set out what has been achieved for the Council's grant, Gill had regular meetings with Steve Geach's Parks and Open Spaces Team where objectives could be adjusted according to need. At present, Groundwork's systems did not separate its work in Hertfordshire into individual districts but it was looking to provide more information along these lines in future. It had a good many testimonials from its customers, and it also issued and collected a good many feedback forms too.

3.5.4 In terms of value, Groundwork had made real progress in tackling youth unemployment, including hard to reach young people. The funding for the Howard Park and Gardens project had enabled Groundworks to provide an eight week short-term training scheme for young people which gave them some practical skills, team working skills, a health and safety certificate and help with writing a CV with a view to getting them into full time employment. Groundwork also had a team of youths not in education, employment or training (NEETs) working on green projects which was funded by North Hertfordshire Homes and other registered providers of social housing. The work they completed led to a level 1 NVQ. Groundwork had a success rate of 80% at getting NEETs in jobs, around 60 young people a year.

3.5.5 In terms of changes, Groundworks explained that they were a small charity which operated in a very reactive and flexible way. In an ideal world it would have liked slightly quicker decision making from the council but it recognised the constraints of working in a bureaucracy.

3.5.6 The group was surprised that Groundworks received funding both for specific projects and as a separate grant covered by a major MoU, and wondered how strong the auditing of this expenditure was and whether the Council was getting the best value for money that it could. Liz explained that the grant did cover an agreed schedule of works and it was not paid as a retainer. Stuart said that Groundwork was a very flexible, high performing agency which went onto problem hotspots, brought in additional outside money and was challenging Youth Connexions on the provision of youth services in Hertfordshire and elsewhere, and he was certain that the council got full value for money for its grant.

3.6 Other Kinds of Financial Assistance - Leases

3.6.1 Andy Cavanagh, Head of Finance, Performance and Asset Management explained that there were a number of different leasing arrangements as a result of them being signed at different times over a period of decades. The length of outstanding leases varied from two years to 99 years. There were break clauses in some leases which could enable the terms of the lease to be changed, but not in all. For leases to community groups running community centres the rent currently was typically £1 or nothing at all, with the council also responsible for all of a premises' liabilities including repair and maintenance.

3.6.2 At a minimum, new lessees were entitled to a maximum lease of 15 years under the Landlord and Tenant Act, although this could be increased by negotiation and often was. Setting the terms of a new lease was not purely a financial exercise but took into account a number of factors including what the community or voluntary group needed and what they could afford. As many lessees were registered charities it was possible to review their annual accounts to establish their liquidity.

3.6.3 The cost to the Council – in terms of lost income or costs incurred – had not been quantified. A couple of recent renewals had seen rents rise from zero to £100 a year, generating a small amount of extra income. That said, much of the notional uncollected income could not, in practice, be realised as many lessees had little money and would be unable to pay more so it would be impossible to charge full commercial rents; and often the type of property available was of interest only to a small group of potential hirers.

3.6.4 The prospect of reducing liabilities held more possibilities. It might be feasible for some groups which generated income from their facilities - through a licensed bar or sub-letting their premises for events for example - to pay more in rent or to take on a full repair lease. Some community groups had tradesmen who might be able to maintain the property. This could be considered as individual leases came up for renewal.

3.6.5 The group agreed that the possibility of reducing liabilities was more realistic than raising rents in the majority of cases. That said, leasing arrangements at peppercorn rents which required the Council to repair and maintain the building was both a notional loss of income and an actual cost to the Council's budget, and the group considered that such assistance should be quantified. Doing so would allow both the council and the community group to understand the scale of assistance the applicant received. Andy said there had been some progress with this already. Letters had recently been sent to some lessees approaching lease renewal which set out their actual rent alongside the value of a potential full commercial rent for their premises.

3.7 Other Kinds of Financial Assistance – Discretionary Rate Relief (DRR)

3.7.1 Howard Crompton, Head of Revenues, Benefits and IT explained that charities are eligible for 80% mandatory rate relief on non-domestic premises, and this was wholly funded by central government. This relief can be topped up to 100% at the discretion of the local authority. 25% of the discretionary top-up is centrally funded, with the Council picking up the remaining 75%. Top-up DRR in North Herts amounted to £190,000 and the council was liable for £142,500 of this.

3.7.2 Where the property does not qualify for mandatory relief, local authorities can still award DRR of up to 100% to certain non-profit making bodies. 75% of the cost of this kind of discretionary relief is met centrally, with the local authority picking up the remaining 25%. Some £96,000 of this kind of DRR is paid in North Hertfordshire, which gave the council a liability of £24,000.

3.7.3 The Council's total liability for DRR was therefore £166,500.

3.7.4 Changes to the rules on National Non-domestic Rates (NNDR) and the funding of DRR were due early in the next financial year. Existing DRR would be built into local authorities' baselines; but any new DRR which councils chose to grant would have to be funded 50% each from central government and the responsible local authority. Of the 50% attributable to the local authority, in two tier councils this is split 80% to the district council and 20% to the county council.

3.7.5 The group heard that the level of DRR was set according to a policy which had been agreed by Cabinet and which was assessed against a range of criteria including *inter alia*: whether the applicant was a community based organisation and its activities were open to all in the community; the costs; the level of the applicant's reserves and whether profits were reinvested in the organisation; whether the project might fail without DRR; and equalities considerations. Some applicants were ineligible, such as national charity shops, applicants with national accounts, applicants with more than £10,000 in the bank or those with restricted membership.

3.7.6 Applicants applied every three years. Howard said this was a robust and efficient system. Previously applications for DRR had all been considered by a Council committee. The system is reviewed every three years and was due for review again this year. Approval for DRR was consistent with the Council's priorities and was consistent with the kinds of projects and organisations the Council would want to support.

3.7.7 There were two other types of rate relief. **Rural rate relief** was a discretionary rate relief where the applicant had to show benefit to the community but not be a profit making organisation e.g. a post office. The council paid about £3,000 a year for this. Village Shop Relief, attracts - for qualifying businesses - a 50% mandatory rate relief and is wholly funded by the government. It is intended to help certain type of businesses in rural areas which are of benefit to the community e.g. a village pub. An additional 50% discretionary rate relief can be granted by the council of which the local authority contributes 75% of the cost of any relief granted. There were straightforward application forms for both types.

3.7.8 As with leasing arrangements, the group considered that area committees should be aware whether DRR has been granted or not when considering applications for grant funding. Doing so would allow both the council and the community group to understand the scale of assistance the applicant received.

4. ACKNOWLEDGEMENTS

4.1 The group would like to thank those who contributed to the task and finish group.

Stuart Izzard, Community Development Manager, NHDC

Alan Fleck, Community Development Officer for Royston, NHDC

Sheila Barden, K Entertainment

Cllr Terry Hone, Deputy Leader of the Council and Portfolio Holder for Finance and IT

Sally Salisbury, Bureau Manager, North Hertfordshire Citizen's Advice Bureau

Gill Taylor, Operations Director for Groundwork Hertfordshire

Andy Cavanagh, Head of Finance, Performance and Asset Management, NHDC

Liz Green, Head of Policy and Community Services, NHDC

Howard Crompton, Head of Revenues, Benefits and IT, NHDC

Mark Scanes, Systems and Technical Manager, NHDC

Overview and Scrutiny Task and Finish Group
Scrutiny of the Grants Process
SCOPE

Terms of reference

To review the process for allocating grants and monitoring the outcomes of funded activities, and suggest ways the system might be improved.

Expected Outcomes

A thorough health check of the process for allocating grants and monitoring projects
 A more effective use of available, and reducing, funds.

Timeframe

One day, January/February 2013

Link with Council Priorities

Working with local communities
 Living within our means
 Protecting our environment

Potential witnesses and Community Engagement

Community Development Manager

Head of Policy and Community Services

Sample of grant recipients – including two minimum from each of the following

- Grant recipient covered by Memorandum of Understanding (MoU)
- Area Committee grant recipient

Key Questions

Is the process of allocating grants fair, robust and transparent?

Is the process efficient and effective?

What are the administrative costs to the council?

Are funded projects consistent with the Council's aims?

Are outcomes monitored effectively?

What can be done about unspent and unallocated grants?

What is the extent of double funding of projects?

Is the process of medium term funding of major beneficiaries effective?

Information documents

Decision on allocation of grants

Lists of grants recipients and details of awards

Latest audit of NHDC grants system

Example MoU document with six monthly analysis of spend/impact

Grant application forms

Membership

Cllr Julian Cunningham (Chair)

Cllr Jane Gray

Cllr Ian Mantle

Cllr Lawrence Oliver

Cllr Mike Rice

Portfolio Holders: Cllrs Tricia Cowley & Terry Hone

Lead Officer: Stuart Izzard, Community Development Manager

Support Officer: Brendan Sullivan, Scrutiny Officer