

Scrutiny Board (Resources and Council Services) **24th March 2014**

Grants Expenditure with Third Sector Bodies

Background

Members of the Scrutiny Board (Resources and Council Services) in December 2013 received detailed financial information on grants, including a summary of total expenditure and detail of specific expenditure over £10,000, and a schedule of all grants paid in the 2012/13 financial year.

It was agreed that questions around control and value could only be adequately answered by Directorates as each directorate had its own approval and monitoring regimes for grant awards. The Board agreed therefore to invite representatives from City Development, Environment & Housing and Adult Social Care (as high grant givers) to its meeting in February 2014

In brief summary, the main areas of discussion were:

- The criteria used to support individual grant giving and whether it supported the Council's Strategic objectives
- The difference between grants and commissioned services and the processes adopted to decide the most appropriate funding model
- Whether rigorous financial checks are undertaken on organisations receiving grants to assess their solvency
- The performance monitoring arrangements in place
- The governance arrangements for decision making
- The level of information given to elected Members regarding the funding of third sector bodies
- The ability to prevent double funding for the same project/outcome

Members also noted the current Contract and Financial Procedure Rules in relation to grants to external organisations. Members also noted guidance on this matter from the National Audit Office

The observations and recommendations of the Scrutiny Board will be passed to the appropriate Executive Member(s) and officers, including Internal Audit

Comments

The Scrutiny Board acknowledges the drive by Directorates to move away from grants towards commissioned services. This is welcomed.

The Board also recognises that when used appropriately, the use of grants is a proven way to help facilitate the development and nurturing of new organisations within communities in their journey to become new contributors to the third sector economy and eventually fully commissioned service providers.

The Scrutiny Board therefore supports the guidance issued by the National Audit Office in this regard which talks of a considered and transparent balance with an overriding imperative to secure good value for money.

Of prime concern to the Scrutiny Board was;

- The transparency of decision making and the need for consistent procedures to be in place for decisions to be made about whether to offer grants or to commission/contract services
- That opportunities exist for new third sector organisations to participate and get a foothold in service delivery when competing against a significant number of historically given grants
- The robustness of the council's performance monitoring arrangements and the need to ensure outputs and outcomes are achieved
- That checks are undertaken and appropriate data bases are maintained to ensure that an organisation is not already being funded for the same project from elsewhere

Recommendations and observations

The Scrutiny Board would reinforce the need for Directorates to follow Contract Procedure Rules

CPR 1.4 [...] Grant funding arrangements should be considered carefully to decide whether they are in fact a procurement for the purpose of these CPRs.

The final decision made on this should be transparent with an audit trail sufficiently robust to withstand challenge. The Board recommends that each Directorate reviews all existing grants to ascertain whether conditions for grant giving still exist or whether a contract is now appropriate.

The Board would remind Directors of the requirement to follow Contract Procedure Rules in relation to 'grants to external organisations'. These talk of the financial propriety of the receiving body, performance management and successful outcomes. The Board is of the view that following these procedures and the challenge they offer is particularly important in relation to those organisations who have 'historically' received funding and are perhaps less subject to review. Again, an audit trail should exist to show compliance.

The Scrutiny Board also recommends to audit, finance and procurement colleagues that a review of the councils grant data base be undertaken to ensure that the council has the intelligence to identify if an organisation is receiving more than one grant and or contract for the same project.

Officers should also review the options available to inform Elected Members of those organisations within their wards receiving funding (existing and new). The purpose of which is to provide Elected Members with the information they require to avoid duplication in their own grant giving.

Executive and Lead Members should also be informed of grants given to organisations working within their respective portfolios.