

Item No. 17.	Classification: Open	Date: 29 January 2013	Meeting Name: Cabinet
Report title:		New Conditions of Grant Funding (formerly the Conditions of Grant Aid)	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Claire Hickson, Communities and Economic Wellbeing	

FOREWORD – COUNCILLOR CLAIRE HICKSON, CABINET MEMBER FOR COMMUNITIES AND ECONOMIC WELLBEING

The Council's commitment to a strong and sustainable voluntary and community sector (VCS) in the borough is strengthened by the new Conditions of Grant Funding (COGF) which will come into effect in April 2013. They set out the minimum requirements that VCS organisations are required to meet in order to receive grant funding.

The COGF will improve consistency and set minimum standards of performance monitoring within the Council without placing additional burdens on the VCS grant funded organisations.

The VCS is governed by the Charity Commission regulatory framework. The COGF requirements add to this at a local level and support best practice in governance and management which is essential to the sustainability of the sector in the current challenging economic climate of diminishing resources.

RECOMMENDATIONS

1. That the cabinet approves the new Conditions of Grant Funding (COGF), formerly Conditions of Grant Aid (COGA) attached as Appendix 1.
2. That the cabinet agree to periodic reviews of the COGF, delegated to Chief Officer, to take account of changes in legislation and to reflect corporate changes.

BACKGROUND INFORMATION

3. The Council's Conditions of Grant Aid, now Conditions of Grant Funding, were first formally adopted in 1986 and in 2002 a decision was made to review these.
4. The grant aid relationship between funder and funded is one based on trust. No contractual obligations exist and there is no legal relationship, but the Council sets out terms and conditions specifying how the grant is to be used. As a result, grant giving can represent greater risk in comparison to commissioning via contract. Where the terms and conditions are not complied with due to governance or management failure there can be situations where the Council may wish to impose additional conditions on the funded

organisation and to withhold or suspend grant payments.

5. The current conditions of grant aid fail to expressly permit this and in the absence of clearly set out terms, it is possible that the Council could be susceptible to legal challenge and be deemed to have acted unreasonably. The new conditions have been developed to expressly address the weaknesses identified in the audit as well as the need to update and strengthen the clarity and fitness for purpose of grant aid funding conditions.
6. In 2011/12 RSM Tenon carried out an audit of the Council's funding arrangements for voluntary organisations in Southwark. The audit's objectives were to review whether funds provided to voluntary organisations are in line with the terms and conditions of grant awards and to examine the effectiveness of stewardship of those funds.
7. Following the audit RSM Tenon recommended that the Conditions of Grant Aid be revised. These conditions set out the minimum requirements that voluntary sector organisations are required to meet in order to receive funding. All voluntary organisations in receipt of grant aid must formally agree to abide by the Council's conditions and are required to sign a letter of confirmation to that effect. This acceptance commits the organisation to being accountable for proper use of the funding i.e. only used for the purposes for which it was given and to sound financial management and employment practices.
8. Currently the various forms of COGA in use are:
 - COGA for revenue grants over £2000 (attached as Appendix 2)
 - COGA for revenue grants under £2000
 - COGA for one-off grants.

For contracts the terms and conditions required to be met are set out in the service specification and the contract terms and conditions. For contracts up to the value of £173,934 a simplified contract is available for use by commissioners.

KEY ISSUES FOR CONSIDERATION

9. The new COGF explicitly set out the joint requirements and expectations of the council and the voluntary and community sector (VCS) in the grant funding relationship.
10. The conditions are strengthened with the addition of new sections covering:
 - Funding Recipients' Core Obligations
 - Council's Obligations
 - Funding
 - Premises
 - Suspension, Termination and Recovery of Funding
 - Governance and Management
 - Finance
 - Employment Practices
 - Monitoring and Information

11. The new COGF is up-to-date in terms of relevant legislation relating to the voluntary sector. The conditions are set out in plain terms and in plain English. Officers will be meeting with the individual groups to go through the changes.
12. As from April 2013 the new COGF will be used for all grant funding over £2000 and officers will require organisations to sign this. Through monitoring, officers will ensure that organisations understand the funding recipients' core obligations contained in the new COGF. Officers will seek feedback from groups on their effectiveness.
13. There is an expectation that where departments are administering grants they will systematically apply the conditions.

Policy implications

14. Implementing the new COGF will address a number of weaknesses in the Council's grant monitoring processes that were highlighted in the audit. The recommendations for action are as follows:
 - The need to update the council's policy/guidance document covering process requirements for funding voluntary sector organisations
 - The need for consistent evaluation of voluntary organisations' financial sustainability
 - The need to produce service specifications detailing what is required on the part of funded organisations and the obligations of the council in the funding relationship
 - The need for a minimum standard of acceptable performance monitoring promoted across the council
 - The need for agreements between the council and funded organisations detailing circumstances in which the council can recover funds from funded organisations
15. The new COGF specifically sets out the circumstances in which the council can recover funds from funded organisations. It strengthens the policy, guidance and performance monitoring framework for funding voluntary organisations.
16. As part of ongoing efforts to improve the effectiveness of the Council's relationship with the voluntary and community sector regular liaison meetings take place between senior officers and the infrastructure organisations. A sub-group of this in the form of a Task and Finish Group was established to consider VCS commissioning processes and propose improvements. Implementation of the new COGF will form part of this process. Policy targets for the implementation of the Task and Finish Group's recommendations are set out in the Community Engagement section of the Council Plan. These sit within the portfolio of the Cabinet Member for Communities and Economic Development.
17. The new COGF complement the Council's regulatory framework for commissioning external services through contracts which includes the Contract

Standing Orders (CSOs), Best value Statutory Guidance and EU Procurement Legislation.

Community impact statement

18. This report recommends adopting the new COGF as it will underpin future monitoring arrangements and strengthen processes protecting the Council's interests. It will also enhance the capacity and sustainability of the voluntary and community sector by setting out clearly and explicitly the funding recipients' core obligations. By setting out the requirements this will reduce the risk of legal challenge.

Resource implications

19. There are no specific resource implications.

Consultation

20. Community Action Southwark (CAS), as the umbrella body and the voice of the VCS in Southwark, has been consulted during the development of the COGF. Their comments have been taken into consideration. Council officers in particular commissioners have also been consulted and their views have informed the development of the COGF. The new conditions support the Council's policy of streamlining and reducing the burdens on the sector. The conditions will safeguard public money and meet legislative requirements but not result in any additional burdens on the sector.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

21. Conditions of Grant Funding do not create a contract between the Council and the funded organisation and are not legally enforceable. They also fall outside the Council's Contract Standing Orders. However, clear, up-to-date and relevant conditions which identify minimum requirements of service delivery, reporting and governance linked to continued payment should always be in place. These are essential to ensure the proper use of public funds and to protect the reputation of the Council. The contracts team in the Corporate Services section of Legal Services has advised in detail upon the proposed new Conditions of Grant Funding.

Strategic Director of Finance and Corporate Services

22. The revised guidance will not result in any additional costs or savings to the Council, but may result in a more efficient deployment of resources via voluntary sector organisations. It is designed to minimise the risk that the Council's grants to the VCS are misspent.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Conditions of grant for: <ul style="list-style-type: none"> Revenue grants over £2000 Revenue grants under £2000 One-off grants Attached as Appendices 1 and 2.	Commissioning & Voluntary Sector Support, Housing & Community Services	Triumphant Oghre 020 7525 7418

APPENDICES

No.	Title:
Appendix 1	Conditions of Grant Funding
Appendix 2	COGA for revenue grants over £2,000

AUDIT TRAIL

Cabinet Member	Councillor Claire Hickson, Communities and Economic Wellbeing	
Lead Officer	Stephen Douglass, Head of Community Engagement	
Report Author	Triumphant Oghre, Commissioning Officer	
Version	Final	
Dated	14 January 2013	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Corporate Services	Yes	Yes
Director of Legal Services	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Officer	17 January 2013	