

## **Review of Midlothian Council Grants Process - Recommendations**

### **Report by Eibhlin McHugh, Joint Director, Health & Social Care**

#### **1 Purpose of Report**

This report advises Council of progress in the Review of the Midlothian Council Grants Process, reports on the findings and recommendations of the Review Panel, and recommends the next steps in conducting the Review.

#### **2 Background**

- 2.1** As part of a wider review of the Council's Services to Communities, there has been a review of the processes and procedures for the allocation of grants to community groups. This has focussed on re-examining the priority to be given to certain areas of activity, to align with the Council and partner overall priorities as set out in the Single Midlothian Plan and related documents. The review is also a basis on which to consider the potential for financial efficiencies and savings.
- 2.3** The Project Definition Document for the Review was approved by Corporate Management Team in November 2013. A project team and reference group were assembled. The team researched current grants across the Council, practice in other local authorities and externally available grants.
- 2.4** A Co-Production Panel was set up comprising five voluntary sector representatives, a community planning partner representative (health) and a number of council officers. This best practice approach follows future models principles of engaging with stakeholders in a partnership approach in designing services. The role of the Panel was to review the research and develop proposals for replacement grant streams. The Panel was not required to recommend the level of savings needed. The Panel conducted a stakeholder engagement exercise and has developed a suite of recommendations.
- 2.5** Progress against the Review's 4 objectives is noted below:

	<b>Objective</b>	<b>Update</b>
1	To establish a consistent process for grant allocation and monitoring.	Strategic proposals have been developed and are included in the recommendations. Detailed processes under development.
2	To identify resources and define clear criteria for grant allocation and monitoring aligned with the Single Midlothian Plan priorities and outcomes.	Replacement grant streams proposed, including criteria and resourcing. Alignment with Single Midlothian Plan has been considered. Council to consider savings requirements.
3	To incorporate relevant recommendations arising from the Internal Audit of Following the Public	Incorporated into process proposals.

	<b>Objective</b>	<b>Update</b>
	Pound.	
4	To develop an approach to forming a co-production panel.	Panel approach used successfully. Recommendations include proposal to continue the Panel to develop implementation plan.

- 2.6** The Co-Production Panel has considered the Single Midlothian Plan; equalities impact; engagement results; and risk assessment in refining their proposals. Irrespective of any savings to be garnered, all current grant recipients are potentially affected by the proposals, ranging from simply using a different application form and monitoring process, through to receiving a different amount of funding or no funding going forward. It is not possible to extrapolate from the proposals how each current grant recipient will be affected. Examples of the potential impact on different types of organisation are provided at Appendix 1.

### **3 Findings of the Panel**

- 3.1** The Co-Production Panel met on 7 occasions and has produced a report (copies available in the Members' Library). The report includes the results of research used to inform the Review; the Engagement Programme carried out by the Panel; the impact and risk analysis undertaken; the rationale for the Panel's recommendations; and a comment by the voluntary sector regarding the Review. Appendix 2 summarises the Panel's report.
- 3.2** Key results from the Engagement Programme include a high level of support for the proposed revised grant streams. The Programme findings have been used to inform the Panel's recommendations, such as recommendation 2 to amend the methodology to use co-production funding panels, to move to 3 year funding arrangements, and to allow applications from community planning partners.
- 3.3** The primary recommendations are tabulated below, with more detail provided at Appendix 2. Two particular issues (the extent of potential savings and the timing of implementing the new arrangements) are described in sections 4 and 5 of this report.

#### **Co-Production Panel Recommendations**

1. Create 5 replacement grant streams:
  - i. Poverty
  - ii. Developing Communities
  - iii. Employability, Learning and Training
  - iv. Health and Physical Activity
  - v. Council Building Rent
2. Clear process of grants provision for council building rents.
3. No peppercorn rents should be agreed in future. Organisations currently paying a peppercorn rent should be reviewed for alignment with council policy.

4. Amend the methodology of disbursing grants.
5. Implement the Integrated Package of Support from Community Planning Partners.
6. Note there is a spectrum of views across the Panel regarding the potential for savings from the grants budget, ranging from 0% to 17% savings. See section 4 below.
7. Ensure commissioned services (out of scope of this review) deliver Best Value and contribute savings.
8. Implement all replacement 3 year grant streams simultaneously.
9. Agree implementation timing. See section 5 below.
10. Request the Co-Production Panel to develop and put in place an implementation plan.

## 4 Savings

- 4.1** The grants budget stands at just under £1.5m. This includes some Section 10 grants which would be subsumed in the replacement grant streams. All current grant recipients are potentially affected by the proposals. Appendix 1 provides some fictional examples of this impact. Should Council decide to reduce the overall grants budget, the effects would be felt at the bidding round, where fewer organisations would receive funding (or there would be less funding to all applicants).
- 4.2** The Panel considered the range of savings that may be appropriate from the grants budget, taking the following into account:
- The engagement programme found that 49% of survey respondents, who receive both Midlothian Council funding and other grant funding, rely on their council funding to draw in some or all of their other grant funding.
  - Equalities analysis suggests that the majority impact of current grants is in terms of poverty and age (older or younger people), which could therefore be reduced if less funding is available.
  - The Panel's risk assessment includes identifying risks associated with making savings such as:
    - Reputational risk to the Council due to adverse publicity or challenges over decision-making, resulting in loss of trust of community;
    - Voluntary sector redundancies, resulting in reduced economic growth and negative multiplier; and
    - Increased pressure on third sector staff and volunteers to fund-raise, resulted in efforts diverted from service delivery into fundraising;
    - Loss of leverage of external funding (although future bids for external funding may be more attractive e.g. as a result of clearer alignment with Single Midlothian Plan priorities).

Voluntary sector representatives on the Panel would prefer there to be no reduction in the grants budget, and therefore no financial savings.

- 4.3** Corporate Management Team has developed a proposal of savings over 3 years (6%, 18% and 18%). Should implementation take place immediately (for 2015/16), the savings would apply to the available budget each year, as follows:

	<b>In-year saving (£,000 approx)</b>	<b>Cumulative saving (£,000 approx)</b>
<b>2015/16</b>	50	50
<b>2016/17</b>	250	300
<b>2017/18</b>	200	500
<b>Annually recurring saving thereafter:</b>		500

A smaller saving would be taken in 2015/16 due to current grant commitments in that year (primarily Former Fairer Scotland Fund). From 2017/18 there would be annually recurring savings of £500k. The annual grants budget would be £910k approximately.

Council is requested to consider the level of proposed savings in the grants budget.

## **5 Implementation Plan**

- 5.1** An implementation plan would comprise:

1. Identifying grant stream leads and team members;
2. Staff training;
3. Process and budget changes;
4. Developing revised templates for application form and guidance, scoring, risk assessment and service level agreements;
5. Marketing, advertising and awareness-raising of new grant streams;
6. All actions to support organisations such as training and support about the new process and forms; drafting applications; exploring other income generation; exploring alternative methods of service delivery; developing volunteering; and supporting change through leadership development. There is potential for significant demand for these services;
7. Recruitment and training of Co-production Panels.

- 5.2** The Panel set out 4 options for the timing of implementation. These options are described in Appendix 2, including benefits and risks. The preferred option of the Panel is to delay implementation by 1 year. However, the Review was set up on the premise of delivering a new approach to grants for 2015/16, which would require implementation over the summer/autumn of 2014. Corporate Management Team has considered these issues and proposes immediate implementation.

Council is asked to consider the plan for immediate implementation, enabling the new grant streams to be in place for April 2015.

## **6 Report Implications**

### **6.1 Resource**

There are direct financial and human resource implications arising from

this report. Section 4 and Appendix 1 provide further detail of savings proposals and examples of impact. This review is a work stream within the Services to Communities Review, which has an overall target saving of £0.5m in 2015/16, which is primarily earmarked to come from the grants review. If this saving is delayed or significantly reduced, there will be a need to find alternative savings to meet the shortfall. This report recommends savings in 2015/16 of £50k, rising to a cumulative annual saving of £0.5m by 2017/18. Council is asked to consider the appropriate level of saving.

In terms of human resource implications, a lead officer would need to be identified for each grant stream, together with a supporting staff resource drawn from existing staff: all requiring training.

## **6.2 Risk**

The Co-Production Panel has developed a risk register relating to their recommendations. This is detailed in the Panel's report which is available in the Members' Library. High risks include for example reputational risk; loss of voluntary sector staff; voluntary sector / community organisation closure; increased pressure on staff and volunteers to fund-raise; and loss of leverage of external funding. Mitigating actions include for example providing an integrated package of support to the third sector and considering timing of implementation.

## **6.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- ☒ Community safety
- ☒ Adult health, care and housing
- ☒ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☒ Business transformation and Best Value
- ☐ None of the above

## **6.4 Key Priorities within the Single Midlothian Plan**

A simplistic comparison of current grant allocations compared to the proposed grant streams suggests there would be increased overall alignment with areas of strategic focus in the Plan (Early years; positive destinations; and economic growth); and slightly reduced overall alignment with the 5 Plan themes. The Panel considered this analysis and incorporated various changes in the proposals e.g. applications which relate to older people, young people and early years can be made across all grant streams; and applications which use future models of service delivery are preferred (preventative; locally accessible; co-produced).

## **6.5 Impact on Performance and Outcomes**

The grant proposals set out desired outcomes for each grant stream. The revised process for grants should be reviewed within 12 months of implementation to ensure desired outcomes of the review are being achieved.

## **6.6 Adopting a Preventative Approach**

Future models of service delivery such as prevention are preferred in the application scoring criteria.

### **6.7 Involving Communities and Other Stakeholders**

This review has been conducted using a co-production panel comprising representatives of the voluntary sector as well as community planning partners (health) and council officers. A stakeholder engagement exercise was carried out to inform the review.

### **6.8 Ensuring Equalities**

An equality impact assessment was created at the start of the project and updated periodically. This was also informed by a workshop with the Midlothian People's Equality Group, as part of the engagement programme. Currently the majority impact of the grants budget appears to relate to poverty. There is also significant impact in age (older or young people). Analysis suggests that the proposals in this report would increase the impact of age and reduce for other protected characteristics. There could be a missed opportunity to address positive impact on those groups currently not benefiting from grant funding. A number of actions have been taken to help mitigate negative equalities impact and address potential missed opportunities e.g. the application form and scoring criteria will include looking at how applicants are seeking to widen access to their service.

The Equality Impact Assessment is available at Appendix 3.

### **6.9 Supporting Sustainable Development**

The Panel considered sustainability when developing grant stream proposals. Desired grant stream outcomes include social and economic implications. Environmental implications were also considered with reference to the Elected Members' Environmental Fund.

## **7 Recommendations**

Council is recommended to

1. Note the extent of the Review to date, including the work of the Co-Production Panel and the benefits of that approach;
2. Consider the recommendations of the Panel to modernise the grants process;
3. Consider the proposed savings in the grants budget and the implementation plan.

**12<sup>th</sup> June 2014**

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### **Background Papers:**

- **Appendix 1:** Examples of impact
- **Appendix 2:** Summary of the Review of Council Grants Process - Co-Production Panel Recommendations.
- **Appendix 3:** Equality impact assessment.

- **Review of Council Grants Process – Co-Production Panel Recommendations** - Available in Members' Library and online at <http://www.midlothian.gov.uk/funding>

## **Appendix 1: Examples of impact of the proposed change in operation of the grants process**

Under the new proposals, current and potential grant recipients would competitively apply to one of the new grant streams, using a new application form and criteria. Co-production Panels would be formed as appropriate to assess applications against the grant stream criteria. Final authorisation would come from a director and elected member. Organisations which are currently grant funded and which are unsuccessful in their application would be informed with a minimum 12-week window before current funding ceases. All current grants would cease at the point of implementing the new grant streams (excepting grants already committed).

The following are fictional examples of potential impact on individual organisations which apply for a council grant:

1. A junior football club currently applies for a grant every year and receives £2000. Under the new approach the club applies to the Health and Physical Activity small grants fund. Their application is unsuccessful as there are other clubs which more clearly demonstrate that they meet the desired outcomes of the grant stream and the scoring criteria, such as evidencing need and value for money. The club is supported to identify alternative sources of funding (although with no guarantee of success).
2. An older people's social club currently applies for a grant every year and receives £700. Under the new approach the club applies to the Poverty small grants fund and is awarded the lesser amount of £400. The club is supported to identify alternative sources of funding, if possible.
3. A community council currently applies for a grant every year and receives £500. Under the new approach the council applies to the Developing Communities grant stream and is entitled to receive £300. As part of the council's application, they present a business case for extra funding to develop a website. An extra £200 is awarded for this purpose.
4. A group which began 2 years ago applies for funding for the first time to deliver a new project to improve the experiences of children encountering isolation as a result of poverty. Their application to the Poverty grants stream for £4,000 is successful.
5. A service which supports young people to access employment received £10,000 funding last year. The service applies to the Employability, Learning and Training grant stream for £15,000 to further develop the service. Their application is successful as they are able to competitively demonstrate that they meets the grant streams outcomes and scoring criteria such as alignment with the key priority of positive destinations.
6. A gala day committee applies to the Developing Communities small grants fund for £1100 to support gala day costs such as insurance. The committee is awarded the lesser sum of £500 with support offered to identify alternative sources of funding.

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**Title of Report: Progress in Delivering Future Models Principles**

**Meeting Presented to: Council**

**Author of Report: Jess McBeath**

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- ☒ *All resource implications have been addressed. Any financial and HR implications have been approved by the Head of Finance and Integrated Service Support.*
- ☒ *All risk implications have been addressed.*
- ☒ *All other report implications have been addressed.*
- ☒ *My Director has endorsed the report for submission to the Council Secretariat.*

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