

# Review of Glass Park Projects - Corporate Issues

## Doncaster Metropolitan Borough Council

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<b>Reference:</b>	DO003 Review of Glass Park Projects – Corporate Issues
<b>Date:</b>	June 2005

## Introduction

This review has been carried out following concerns raised by electors in respect of grant funding of Glass Park projects. The allocation of grant funding has mainly been managed by the Strategic Programmes Unit of the Chief Executive's Directorate (SPU). In addition, funds have been allocated to Glass Park projects from balances deposited by developers as a result of planning obligations under Section 106 Planning agreements, and these funds have been supported by the Greenspace Group (GGT).

## Background

The last seven years have seen a large growth in the number of grants to community organisations. Government policy has been aimed at regenerating communities, and growing their capacity to manage initiatives. During 2003/04 the Council made grants to voluntary bodies totalling £3.3 million. The Council also acts as accountable body for various grant regimes where funding is provided to external/community organisations. In 2003/04 this funding amounted to £7.5 million. In addition to the above the Council also awards grants to community organisations from its section 106 funds. In 2003/04 these funds totalled £6.1 million. More detail of these funds is given in Appendix 1.

If the citizens of Doncaster are to see tangible benefits from this expenditure, then it is important that community groups are able to manage grant funded projects effectively. In practice their ability to do this varies widely from group to group. Officers have commented that some groups deliver needed developments for their communities, whilst others go through long rounds of consultation and planning whilst struggling to produce tangible outputs. Officers recognise that it is important that the Council directs resources towards those groups with a tangible track record of achievement, whilst placing much stricter controls and monitoring over grants to those groups with a poor track record.

## Audit approach

We have selected a sample of four Glass Park projects and reviewed the arrangements in place. The projects examined were:

- Glass Park Phase 4 – Grove Farm Community Business Centre – Business Plan (RDC funded but supported by the Council);
- Grove Farm Community Enterprise Grant (SRB/ERDF funded);
- Glass Park DoLFN project (SRB funded); and
- Glass Park Flipside Project (Section 106 project).

We have used these detailed investigations to identify a number of improvements that we believe can be made in the management of grants across the Council. Some of these improvements have already been implemented (either in part or in some departments of the Council) as a result of the experiences gained by officers since the Glass Park grants we reviewed (these grants started in 1998).

We interviewed the relevant officers in the SPU and the GGT, and reviewed the documentation that they provided.

This report considers corporate issues identified during the review of the individual projects. The Main findings section summarises our conclusions, with supporting detail and recommendations given in the table in the detailed report.

## Main findings

Written procedure notes documenting the processes departments must undertake as part of approving grant applications do not exist for all departments (see recommendation 1).

There is no Council-wide requirement that approval procedures should include a formal documented assessment of the applicant's governance framework and track record at successfully delivering previous grant programmes. The assessment should include the track record of grant funded organisations with similar membership to the applicant, as community organisations often found separate sub-organisations to run specific projects with similar membership and levels of governance as the parent organisations (see recommendation 2).

Details of grant funding from the various sources and from different directorates is not collated for the Council as a whole or reported to members. There is no central data base showing which organisations are funded each year and by how much. The assessments recommended in R2 above could form the basis of this database (see recommendation 3).

We found that the Council had not ensured that it documented its challenge of the expected outputs from schemes, so it was difficult to see how efficiently it was fulfilling this role. In addition the Council has not set indicative limits on the proportion of administration costs it believes is reasonable within schemes, and does not challenge schemes where it believes that administration costs are unjustifiably high (see recommendations 4 and 5).

Where community organisations support grant applications to the Council by stating that they intend to obtain match funding for the schemes, we found that the Council did not obtain documentary evidence from the applicant to support this statement. If a scheme is approved subject to match funding being obtained, then we would expect that there should be regular review dates set to review whether this funding has been obtained, but no such dates were set on the schemes that we reviewed. The Council also did not make some or all of the grant that it was managing repayable if match funding is not obtained (see recommendations 6, 7 and 8).

On none of the schemes that we reviewed did Council officers obtain the formal results of community consultation. The relevant community organisations had stated that they had consulted the community over their proposals, but these organisations were not required to produce a written summary of this consultation for officers to review (see recommendation 9).

Currently Council officers monitor expenditure on claims at a summary level, and scan individual items for reasonableness. However there is no check that detailed heads of expenditure are not overspent, nor is there any control or monitoring over virement between expenditure heads. In addition the Council does not monitor that grant bodies comply with Inland Revenue requirements relating to the payment of tax and NI (see recommendations 10 and 11).

Currently there is no requirement that where grant funded schemes are altered substantially after approval, then these schemes should be re-submitted to the Partnership Board or other authorising body for re-approval. In addition we found that Council officers appeared reluctant to use the Council's veto over applications even when they had expressed significant reservations about a scheme (see recommendations 12 and 13).

We found weaknesses in the registration of members' interests in schemes that are Council grant funded. It is important in order to demonstrate transparency in grant-funded transactions and to demonstrate sound corporate governance that all appropriate interests are declared and registered. It is pleasing to note that the Council has now considerably strengthened its arrangements to include the following.

- A dedicated Member Support Team operating which operates more robust procedures for ensuring that register of interests are kept up to date.
- The ongoing provision of detailed training and guidance to members on:
  - making written registration of interests; and
  - the circumstances where it would be necessary to declare interests at meetings.

We found that there were weaknesses in the arrangements for the recovery and reallocation of expensive items of equipment purchased with grant monies. Items such as an expensive digital camera and IT equipment (total cost over £5,300) appeared to be left in the possession of person involved in the project. There appeared to be no arrangements for the recovery and reallocation of such equipment to ensure best use is made of these assets (see recommendation 14).

## The way forward

The recommendations contained in the detailed findings section of this report, and the action plan, are designed to improve the Council arrangements by ensuring that applications are subject to effective evaluation and monitoring.

## Status of our reports to the Trust/Council

*Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to non-Executive Directors/Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Director/Member or officer in their individual capacity, or to any third party.*

## SECTION 1

## Detailed findings

Comments	Recommendations
SPU have formally documented procedures for approving grant applications from community groups but GGL do not. The SPU has since introduced formally documented procedures for the risk assessment and approval of grant applications from community groups. Formal procedures have not yet been documented at the Greenspace Group	R1 All departments should have written procedure notes documenting the processes that they must undertake as part of approving grant applications.
<p>Officers accept that some community organisations are much better than others at delivering tangible improvements for the communities that they represent. In response to this issue, SPU have already introduced a classification system for all applicants. However SPU's classifications are not shared with other Council departments, nor do SPU's classifications take account of the experience of other departments. We therefore believe that this system should be extended across all grant-paying departments.</p> <p>These assessments should include the track record of grant funded organisations with similar membership to the applicant, as community organisations often found separate sub-organisations to run specific projects with similar membership and levels of governance as the parent organisations.</p>	R2 Approval procedures should include a formal documented assessment of the applicant's (and linked organisations') governance framework and track record at successfully delivering previous grant-aided schemes.
<p>The Council does not have a central data base that shows for each organisation receiving grant support:</p> <ul style="list-style-type: none"> <li>the details of grant support provided; and</li> <li>broad details of the success of projects in terms of outputs achieved and verified.</li> </ul> <p>This database would allow decisions to be taken on whether to support grant applications in the context of the grants already provided and the outputs achieved by those grants. The assessments recommended in R2 above could form the basis of this database.</p>	R3 The Council should develop arrangements relating to community funding to ensure that decisions on supporting grant application are taken in the light of all relevant information.

Comments	Recommendations
<p>We found on the schemes we reviewed that a number of the suggested benefits and outputs looked both impractical and insufficient given the costs involved. Although officers had (rightly) assessed that the schemes' overall aims were in accordance with Council policy, there was no documented assessment of the detailed proposals in the schemes. A number of these proposals proved to be impractical, causing the schemes to fail, and the costs associated with others looked high in relation to the outputs.</p> <p>In addition the proportion of administrative costs on all of the schemes we reviewed was in our view excessive. High administration costs reduce the amount of funding that actually provides tangible benefits for the community.</p>	<p>R4 The Council needs to ensure that it documents its challenge of the expected outputs from schemes prior to approval of applications. In particular, factors critical to the project's success such as planning consents and permission of land owners should be identified and assessed as part of project appraisal.</p> <p>R5 The Council should set indicative limits on the proportion of administration costs it believes is reasonable within individual projects to facilitate effective project monitoring.</p>
<p>The grant applicants stated that they intended to, and sometimes had, obtained match funding on three out of the four schemes that we reviewed. However officers did not ask to see any documentation supporting these statements. Much of this match funding was not in practice obtained. The absence of the match funding was a major contributor to the subsequent difficulties that these schemes encountered.</p> <p>For one scheme we reviewed, the memorandum of understanding required confirmation of match funding as part of the annual review process. However by the date of the annual review, when it became apparent that match funding had not been obtained, considerable other expenditure had already been incurred, making aborting the scheme problematic.</p> <p>Neither of the two schemes where match funding was required but not obtained was terminated. In both cases the Council continued to support the schemes.</p>	<p>R6 Where community organisations support grant applications to the Council by stating that they have secured match funding for the schemes they should be required to include documentary evidence with their applications to confirm their statements.</p> <p>R7 If a scheme is approved subject to match funding being obtained, then the Council should set regular and timely review dates to review whether this funding has been obtained.</p> <p>R8 The Council should consider on a scheme by scheme basis making some or the entire grant repayable if match funding is not obtained.</p>
<p>Most community schemes are promulgated to meet the needs of the local community. As part of the approval process, applicants often claim to have carried out consultation with the local community. However there is currently no requirement within Council approval procedures for evidence of the results (or even format) of community consultation to be provided to the Council. Scrutinising the consultation process can help to provide assurance that a scheme genuinely does reflect the needs of the community.</p>	<p>R9 Where community organisations state that they have consulted the community over their proposals, then the Council should obtain the results of this consultation, and review it as necessary.</p>

Comments	Recommendations
<p>There were significant overspends on administration costs compared to the amounts approved on the schemes that we reviewed. Officers explained that the Council's monitoring provides assurance that the total approval level for expenditure is not breached, and that individual expenditure items appear reasonable, but that it does not monitor against individual expenditure heads. This approach is on the basis that variances between budgets is allowed as long as the project remains within its original ethos and the required outputs are delivered.</p> <p>Whilst we understand the Council's reluctance to micro-manage schemes, we suggest that the Council should as a minimum monitor the expenditure on administration, as community groups' ability to control their administration costs, to ensure that funding is directed towards tangible improvements for their communities, is a key factor in the success of grant funded schemes.</p> <p>We have recommended that the Council should review its approach to financial monitoring of expenditure against budgets following our recent audit of the SRB 2003/04 Grant Claim. As part of this review Economy and Investment Programmes should agree improved levels of financial monitoring with Financial Services.</p>	<p>R10 The Economy and Investment Programmes Manager should agree an improved approach to financial monitoring with Financial Services which ensures that significant overspendings on administration are highlighted and challenged before grant money is released.</p>
<p>Our reviews of schemes found a number of potential weaknesses in community groups' compliance with Inland Revenue requirements on the payment of tax and NI. Currently Council monitoring of schemes does not consider this area. However if community groups fail to comply with Inland Revenue (IR) requirements, these groups could be faced with large bills and penalties. In addition if IR cannot recover amounts from the individuals or community groups concerned, then they could pursue recovery from the Council's own funds.</p>	<p>R11 The Council should introduce monitoring of grant bodies' compliance with Inland Revenue requirements on the payment of tax and NI.</p>
<p>SRB schemes are subject to approval from the SRB Partnership Board, consisting of Council, other public sector, and community representatives. The Chair and Vice Chair of this Board have delegated powers to re-approve schemes where substantial (greater than 10% of spend) alterations are made. Whilst we understand the desire not to clog up this Board's working with large numbers of minor amendments to schemes, we believe that this degree of delegation is unacceptable lax. We reviewed one scheme which was reduced from £120,000 to £62,000, whilst its SRB funding remained at £55,000. We suggest that changes to schemes of this magnitude should be required to be re-approved by the full Board.</p>	<p>R12 Where grant funded schemes are altered substantially after approval then these schemes should be re-submitted to the Partnership Board or other authorising body for re-approval.</p>

Comments	Recommendations
<p>On the above scheme, Council officers had recommended to the Partnership Board that SRB funding be conditional upon match funding being obtained, as failure to secure match funding was a risk to the project. However the Board decided to disregard this recommendation, instead requiring an annual review of the match funding. When match funding was not obtained, the scheme had to be substantially reworked, and delivered, in our view, insufficient benefits for the funding expended (for example 67% of all funding was spent on administration). We understand that the Council has the right to veto the Board's decisions, as the Council is the accountable body for the SRB monies. Given the clear and identified nature of this risk we suggest that the Council officers should have done so in this case.</p>	<p>R13 If Council officers are unhappy with the approval or re-approval of a scheme then the Council should be prepared to use its right of veto to refuse approval.</p>
<p>At the end of grant funded projects significant items of equipment such as a digital camera (cost £2,857) and IT equipment (a printer costing £2,500) appeared to be left in the possession of person formerly involved in the project. In some cases equipment is retained in their private homes. There appears to be no arrangements for the recovery and reallocation of such equipment to ensure best use is made of these assets.</p>	<p>R14 The Council should establish arrangements for identifying significant items of project equipment that remain in good working order at the end of projects and for ensuring that appropriate use is made of such equipment.</p>



## Grant made in 2003/04

During 2003/04 the Council made the following grants to voluntary bodies:

Grants to voluntary organisations	
Council Directorate	£000
Social Services	1,776
Borough Strategy and Development	893
Neighbourhood Services (Leisure)	500
Neighbourhood Services (Housing)	15
Education and culture	114
<b>Total</b>	<b>3,298</b>

The Council also acts as the accountable body for the following grant regimes where funding is provided to external/community organisations:

External grant funding source	£000
New Deal For Communities	3,517
SRB3	957
SRB5	899
SRB6	2,094
<b>Total</b>	<b>7,467</b>

In addition to the above the Council also awards grants to community organisations from its Section 106 funds. The amounts granted for 2003/04 were:

Directorate	£000
Borough Strategy & Development	3,511
Neighbourhood Services	2,636
<b>Total</b>	<b>6,147</b>

## Action plan

Page	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R1 All departments should have written procedure notes documenting the processes that they must undertake as part of approving grant applications.	3	Programmes Manager	Agreed	<p>The Programmes Team has now developed documented protocols and procedures specific to the actual funding programmes. These documents are regarded as best practice guidance on the risk assessment and approval of grant applications. Opportunities for sharing this best practice now exist via the newly established Borough Investment Group (BIG), which brings together officers who deal with external funding across the Council.</p> <p>The Programmes Manager will take proposals to the BIG with a view to ensuring that:</p> <ul style="list-style-type: none"> <li>all protocols relating to grant approval are rolled out across the Council, and amended (as appropriate) to meet the specific requirements of the different funding regimes;</li> <li>the risk assessment criteria, currently adopted by the Programmes Team, is also rolled out across the Council; and</li> <li>arrangements are made through the BIG to monitor the implementation of appropriate protocols and risk assessment methodologies to ensure that approved documented procedures are in place across the Council by the end of 2005/06.</li> </ul>	End of December 2005

Page	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R2 Approval procedures should include a formal documented assessment of the applicant's (and linked organisations') governance framework and track record at successfully delivering previous grant-aided schemes.	3	Programmes Manager	Agreed	See above	End of December 2005
5	R3 The Council should develop arrangements relating to community funding to ensure that decisions on supporting grant application are taken in the light of all relevant information.	3	Programmes Manager	Agreed	The Programmes Manager is to take proposals to the BIG whereby the group will disseminate current risk assessment categorisations, and also update members of all those assessments undertaken within the period since its last meeting.	End of December 2005
6	R4 The Council needs to ensure that it documents its challenge of the expected outputs from schemes prior to approval of applications. In particular, factors critical to the project's success such as planning consents and permission of land owners should be identified and assessed as part of project appraisal.	3	Programmes Manager	Agreed	The Programmes Manager will take proposals to the BIG for providing guidance on good practice in the appraisal of grant applications and the challenge of assertions in applications which are critical to the success of the projects.	End of December 2005

Page	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R5 The Council should set indicative limits on the proportion of administration costs it believes is reasonable within individual projects to facilitate effective project monitoring.	3	Programmes Manager	Agreed	The Programmes Manager is to take proposals to the BIG for setting indicative budgets for administration costs on a project by project basis to facilitate effective project monitoring.	End of December 2005
6	R6 Where community organisations support grant applications to the Council by stating that they have secured match funding for the schemes they should be required to include documentary evidence with their applications to confirm their statements.	3	Programmes Manager	Agreed	It is now standard SRB procedure for applicants to be required to produce evidence of match funding secured/applied for/failed. The Programmes Manager will take proposals to the BIG for ensuring that evidence of the status of match funding is made a standard requirement to support all grant applications.	End of December 2005
6	R7 If a scheme is approved subject to match funding being obtained, then the Council should set regular and timely review dates to review whether this funding has been obtained.	3	Programmes Manager	Agreed	This is now a standard element of SRB monitoring. In addition, a standard condition of grant on all new approvals states that no SRB grant will be released until evidence of match funding is received. The Programmes Manager will take proposals to the BIG for ensuring that this good practice is rolled out across the Council.	End of December 2005

Page	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R8 The Council should consider on a scheme by scheme basis making some or all of the grant repayable if match funding is not obtained.	3	Programmes Manager	Agreed	<p>The SRB team currently have approval to reduce future payments to projects in proportion to any reductions in match funding being drawn down against the approved memorandum of understanding, where this variation is 10% or more and deemed appropriate by the SRB Co-ordinator and Accountant..</p> <p>The Programmes Manager will take proposals to the BIG for ensuring that a similar approach is operated across the Council dependent upon the specific requirements/intervention rates of the funding regimes.</p>	End of December 2005
6	R9 Where community organisations state that they have consulted the community over their proposals, then the Council should obtain the results of this consultation, and review it as necessary.	3	Programmes Manager	Agreed	<p>Processes have evolved and all community projects are now put forward via a Local Action Plan, which has been developed as a result of extensive consultation within the community to ascertain its needs and requirements. Hence, the existence of the Action Plan provides the evidence of community consultation.</p> <p>In addition, Programmes Team ensure that any person/group named in applications as supporting the bid, actually provide a letter of support to this effect, prior to the first payment made to the organisation. The Programmes Manager will take proposals to the BIG for ensuring that a similar approach is operated across the Council.</p>	End of December 2005
7	R10 The Council should clarify and improve the monitoring of expenditure on claims.	3	Programmes Manager	Agreed	Economy and Investment to agree improved arrangements for financial monitoring, with Financial Services, which will include the monitoring of spending on administration costs against indicative limits.	August 2005

Page	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R11 The Council should introduce monitoring of grant bodies' compliance with Inland Revenue requirements on the payment of tax and NI.	3	External Funding and Lotteries Officer and Programmes Manager	Agreed	<p>The current SRB monitoring form has been adapted to include a specific question in relation to evidence of proper treatment of taxation and national insurance. If evidence is not available, then a recommendation will be made for the project sponsor to speak directly with the relevant agencies to rectify the matter. The action taken will then be reviewed at the next scheduled monitoring visit.</p> <p>The Programmes Manager will take proposals to the BIG with a view to ensuring that a similar approach to monitoring the proper treatment of tax and NI is operated across the Council.</p>	<p>February 2005</p> <p>End of December 2005</p>
7	R12 Where grant funded schemes are altered substantially after approval then these schemes should be re-submitted to the Partnership Board or other authorising body for re-approval.	N/A	N/A	Agreed and already in place.	<p>Officers believe that processes and procedures have significantly developed/ improved over the last 5 years to satisfactorily address this recommendation. Examples of such developments include the following.</p> <ul style="list-style-type: none"> <li>Current processes state that a variance over 10 per cent is referred back to the Funding Coordination Group (FCG), chair and/or vice chair. The decision to give the chair and/or vice chair the delegated authority to approve variations to projects, greater than 10 per cent was taken and approved by FCG on 15th April 2003.</li> <li>Any actions taken by the Chair and Vice Chair outside of the normal scheduled meetings are then reported back to the full Group at the next meeting.</li> </ul>	Already actioned

Page	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R13 If Council officers are unhappy with the approval or re-approval of a SRB scheme then the Council should be prepared to use its right of veto to refuse approval, particularly in cases where recommendations made as part of project appraisal have not been adopted.	3	Programmes Manager	Agreed	<p>Officers believe that processes and procedures have significantly developed/improved over the last five years. The key development in this area is the establishment of the Funding Coordination Group (FCG). This is now closely aligned to the Local Strategic Partnership, and its membership consists of representatives from all Key Strategic Partnerships.</p> <p>This provides for a more strategic management group, who are aligned by the delivery of the Borough Strategy. However, it is accepted the arrangements would benefit from the establishment of guidelines on the circumstances where it would be appropriate for the Council to veto approval of schemes on the basis of issues identified during project appraisal.</p> <p>The Programmes Manager will take proposals to the BIG for establishing guidance on the circumstances where it would be appropriate for the Council to veto the approval of schemes.</p>	End of December 2005

Page	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R14 The Council should establish arrangements for identifying significant items of project equipment that remain in good working order at the end of projects and for ensuring that appropriate use is made of such equipment.	3	Programmes Manager	Agreed	<p>Arrangements are already in place to deal with the disposal/or otherwise of assets.</p> <ul style="list-style-type: none"> <li>Assets of £2,500 and over are included on the asset register held by the Programmes Team.</li> <li>If a project ceases, then an attempt to 're-invest' the assets within that community is undertaken.</li> <li>If a project continues post SRB in the same ethos as it was funded by SRB, then the project will be allowed to retain its assets.</li> <li>All project assets are reviewed annually until they have depreciated below the £2,500 threshold.</li> </ul> <p>SRB guidance only requests that assets of over £2,500 be recorded by the Programmes team. Assets over £50 but under £2,500 are recorded on an inventory held centrally by the project.</p> <p>The above is in line with SRB National Guidance, and will be disseminated across the Council through the BIG. In addition, proposals will be taken to the BIG for ensuring that significant assets below £2,500 in value are also identified, as part of project close down procedures, with a view to re-investing these assets where possible.</p> <p>These issues can be included within the close down of the SRB6 scheme, for when the preparation is just beginning.</p>	<p>End of December 2005</p> <p>End of March 2006</p>