

14. STRENGTHENING COMMUNITIES GRANTS PROGRAMME EVALUATION 2008/09

General Manager responsible:	General Manager Community Services, DDI 941 85607
Officer responsible:	Community Development Manager
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PURPOSE OF REPORT

1. The purpose of this report is to report back on the evaluation process and to recommend changes to the Strengthening Communities Grants Funding Programme.

EXECUTIVE SUMMARY

2. The Council adopted the Strengthening Communities Strategy on 12 July 2007. The strategy incorporated the Community Group Grants Review which provided the framework, principles and funding outcomes for the new Strengthening Communities Grants Funding Programme.
3. Implementation of the new grants funding programme commenced in January 2008. In total, Council received 941 applications through the Strengthening Communities and Small Projects Funding schemes.
4. In August 2008, staff were asked by the Council to evaluate the newly implemented Strengthening Communities Grants Funding Programme and to report back findings and recommendations to improve the process.
5. As part of the evaluations process, staff sought and received feedback from a variety of stakeholders, and sent out evaluation forms to all community groups who had applied in the 2008/09 funding round.
6. As a result of feedback from stakeholders some changes to processes and/or policies are recommended for the Council to adopt.
7. A number of other changes, which do not require Council approval, have also been included for Councillors' information and are noted in paragraph 31. A more detailed breakdown of feedback can be seen in **Appendix A**.
8. Changes will be implemented in time for the 2009/10 funding round, they will have no impact on current funding applications or existing arrangements.

FINANCIAL IMPLICATIONS

9. None.

Do the Recommendations of this Report Align with 2006-16 LTCCP budgets?

10. Yes.

LEGAL CONSIDERATIONS

11. Recommendation (d) proposes that Council delegate funding for the Strengthening Communities Fund to Community Boards.

Have you considered the legal implications of the issue under consideration?

12. Yes.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

13. Yes, Community Support.

Do the recommendations of this report support a level of service or project in the 2006-16 LTCCP?

14. Yes, Community Grants.

ALIGNMENT WITH STRATEGIES

15. Strengthening Communities Strategy.

Do the recommendations align with the Council's strategies?

16. Yes, Strengthening Communities Strategy.

CONSULTATION FULFILMENT

17. A formal evaluation process was undertaken by staff to ensure that stakeholders were given the opportunity to have input into the evaluation:

- Evaluation forms were sent out to all Community Groups and Organisations that applied to any of the Council's funding schemes for the 2008/09 year. Over 500 evaluations were sent out, approximately 300 have been returned to date.
- Evaluation forms were sent to all Community Representatives that were part of the Small Projects Fund Assessment Committees.
- Evaluation forms were sent out to all elected members (Councillors and Community Board members).
- Evaluation forms were sent out to all staff involved in the process.
- Community Board Chairs were informed of the evaluation process and encouraged to ask all Board members to provide feedback (this took place at the Board Chairs meeting of Friday 5 September).
- A review of the Metropolitan Small Projects Fund took place on Monday 15 September, all members of the Assessment Committee were invited.
- A combined Community Boards workshop specifically asking for funding feedback took place on 2 October all Board members were invited.
- Preliminary recommendations were presented to Council at a Council workshop on 16 October 2008.

STAFF RECOMMENDATION

It is recommended that the Council:

- (a) Establish a working party, consisting of Councillors and staff, to review criteria for all schemes that make up the Communities Grants Funding Programme.
 - (b) Require all applicants to the Strengthening Communities Fund and Community Organisation Loans Scheme be incorporated under the Incorporated Societies Act 1908 or the Charitable Trusts Act 1957.
 - (c) Require all applicants to the Small Projects Fund (as it is currently known), applying for more than \$2,000, be incorporated under the Incorporated Societies Act 1908 or the Charitable Trusts Act 1957.
 - (d)
 - (i) Amend the Delegations Register under Community Boards Financial by adding the following delegation:

“Authority to approve the local Strengthening Communities Fund allocation of \$280,000 for Metropolitan Community Boards and \$45,000 for the Lyttelton/Mt Herbert Community Board and \$35,000 for the Akaroa/Wairewa Community Board (subject to being consistent with any policies, standards or criteria adopted by the Council.”
 - (ii) Amend the Delegations Register under Community Boards Financial by renaming the “Small Projects Fund Assessment Committee” to the “Small Grants Fund Committee”, subject to the adoption of recommendation (e) below.
 - (e) Rename the Small Project Fund to ‘Small Grants Fund’.
 - (f) Rename Key Local Organisations to Key Local Projects.
 - (g) Amend the criteria of the Strengthening Communities Fund to enable Community Boards to consider applications for capital works or capital items received from the community. Applications for capital works or capital items must not be for projects that fit within the Capital Programme or an internal Council unit budget.
 - (h) Place a funding cap of \$25,000 per application, on all applications to the Strengthening Communities Fund for capital works or capital allocations.
 - (i) Amend the criteria of the (currently named) Small Projects Fund to enable Community Boards to consider applications for capital items from community organisations.
 - (j) Adopt the policy statement that the (currently named) Small Project Fund Assessment Committees do not visit applicants to the Fund as part of the assessment process.
 - (k) Revert back to one loan funding round for the Community Organisation Loans Scheme, with an annual closing date of 31 January.
 - (l) Increase the interest rate of the Community Organisation Loans Scheme from 2 per cent to 4.5 per cent. This rate to be reviewed annually.
 - (m) Review the interest rate applied to all new loans, allocated from the Community Organisation Loans Scheme, on a three-year basis.
 - (n) Require all new applicants to the Community Organisation Loans Scheme to provide security against their loan by way of mortgage/financial instrument. Where a security is not practical, a personal guarantee from the organisation’s management will be considered.
 - (o) Require all successful applicants to the Community Organisation Loans Scheme to make loan repayments on a quarterly basis.
18. The above recommended changes will come into effect for the 2009/10 Funding year, and will have no impact on existing funding arrangements.

BACKGROUND (THE ISSUES)

19. The Council adopted the Strengthening Communities Strategy on 12 July 2007.
20. The strategy incorporated the Community Group Grants Review which provided the framework, principles and funding outcomes for the new Strengthening Communities Grants Funding Programme.
21. The Strengthening Communities Grants Funding Programme comprises four funding schemes. The schemes are:
 - I. Strengthening Communities Fund
 - II. Small Projects Fund
 - III. Discretionary Response Fund
 - IV. Community Organisations Loan Scheme
22. The Council adopted the Strengthening Communities Grants Funding Programme Operational Procedures (2007) on 4 October 2007.
24. The Strengthening Communities Grants Funding Programme Operational Procedures (2007) outlined the processes by which the above schemes would be administered. These are **attached** as Appendices C and D with the marked up changes as recommended in this report.
23. This replaced the Community Funding Policy (1990-2003), Discretionary Funding Policy (1990 and 2000) and the Metropolitan Funding Committee Resolution: Funding of Council Projects (1990).
25. At the Council meeting on 14 August 2008, staff were asked to formally evaluate the Strengthening Communities Grants Funding Programme and report back findings and recommendations to improve the process.
26. Since the implementation of the new grants programme, the Funding Project Team has been documenting issues that have arisen. These issues include a variety of topics raised by Legal Services, Council units, elected members and other Community Funding Bodies.
27. Additionally, a formalised evaluation process was undertaken by staff to ensure that stakeholders were given the opportunity to have input into the evaluation:
 - Evaluation forms were sent out to all Community Groups and Organisations that applied to any of the Council's funding schemes for the 2008/09 year. Over 500 evaluations were sent out, approximately 300 have been returned to date.
 - Evaluation forms were sent to all Community Representatives that were part of the Small Projects Fund Assessment Committees.
 - Evaluation forms were sent out to all elected members (Councillors and Community Board members).
 - Evaluation forms were sent out to all staff involved in the process.
 - Community Board Chairs were informed of the evaluation process and encouraged to ask all Board members to provide feedback (this took place at the Board Chairs meeting of Friday 5 September).
 - A review of the Metropolitan Small Projects Fund took place on Monday 15 September, all members of the Assessment Committee were invited.
 - A combined Community Boards workshop specifically asking for Funding Feedback took place on 2 October, all Board members were invited.
 - Preliminary recommendations were presented to Council at a Council workshop on 16 October 2008.

28. A full report documenting issues and feedback is **attached** as Appendix A.
29. In order to address the issues raised, a number of changes to the Community Grants Funding Programme are necessary. The required changes are presented in this report in two sections:
 - o recommended changes that require Council approval (paragraph 32 onwards), and
 - o changes that can be implemented by staff.
30. The changes that can be implemented by staff are listed below, and are detailed more thoroughly in **Appendix A**.
31. Changes to take place for the 2009/10 funding year:
 - 31.1 Shorten Small Projects Application Form
 - 31.2 Metropolitan meetings to take place first
 - 31.3 KLO process to include Community Board input
 - 31.4 Revised application form for Strengthening Communities Fund
 - 31.5 Additions to the Decision-Matrix
 - 31.6 Seminar comments to be included in final matrix alongside original recommendation
 - 31.6 Explore options and costs for making information available in other languages
 - 31.7 Include Terms and Conditions on application form
 - 31.8 Staff to use discretion when applying judgement to what constitutes a Metropolitan project vs. a local project.

Changes to be considered by Council

32. Staff are recommending the following changes to the Communities Grants programme all of which require Council sign-off:
33. **Recommendation A:**

It is recommended that the Council establish a working party, consisting of Councillors and staff, to review criteria for all schemes that make up the Communities Grants Funding Programme.
34. **Recommendation B.**

It is recommended that the Council require all applicants to the Strengthening Communities Fund and Community Organisation Loans Scheme be incorporated under the Incorporated Societies Act 1908 or the Charitable Trusts Act 1957.
35. Currently the Council requires applicants to be a 'legal entity'. However it does not define legal entity. This recommendation puts a definition on legal entity.
36. **Recommendation C.**

It is recommended that the Council require all applicants to the Small Projects Fund (as it is currently known), applying for more than \$2,000, be incorporated under the Incorporated Societies Act 1908 or the Charitable Trusts Act 1957.
37. Applicants to the Small Projects Fund requesting \$2,000 or less will not be required to be a 'legal entity'.
38. **Recommendation D.**

It is recommended that the Council give full delegation to Community Boards for the allocation of the local Strengthening Communities Fund in accordance to the policies or standards set by the Council.

39. Feedback from staff and community groups has been that the time taken from the closing date of the Strengthening Communities Fund in April, through to grants being released in September, is too long.
40. Delegating authority to Community Boards is a straightforward way to shorten the process, potentially removing a month from the current process.
41. The current process includes:
 - Assessing applications;
 - Process around identifying Key Local Organisations;
 - Staff collaboration meetings;
 - Matrix production;
 - Information seminars;
 - Time taken for groups to return their signed letter of offer.
42. Delegated authority would mean that funding decisions made by Community Boards would be reported to the Council through Community Board minutes and that grant payments could be actioned immediately after local decision meetings.
43. In the 2008/09 funding round no decision made by Community Boards was overturned by the Council.
44. Community Boards currently have delegated authority for the Discretionary Response Fund, and the Small Projects Funding Assessment Committee have delegated authority for the Small Projects Fund.
45. The Local Government Act 2002 provides that the Council "... for the purposes of efficiency and effectiveness in the conduct of the (Council's) business ..." can delegate to the Community Boards almost all of its responsibilities, duties or powers. The Council is also able to impose any conditions, limitations or prohibitions on any delegations it may make.
46. The Local Government Act also provides that whereby the Council has a legal duty to "consider whether or not to delegate to a Community Board if the delegation would enable the Community Board to best achieve its role".
47. The Act provides that once delegation has been made by the Council to a Community Board then that Board is legally able to make a decision within the delegation as if it were the Council itself. This means that decisions made by a Community Board within the delegations legally bind the Council. If a matter or issue does not fall within these delegations, as a default position, a decision on that matter or issue is one for Council itself.
48. It is also noted that it has been the Council's procedure for many years that any exercise of delegated authority by the Boards must be within any policies or standards set by the Council, in this case Community Boards would have to make decisions in accordance with the Strengthening Communities Strategy and policies and criteria of the Community Grants Funding Programme. So if the Council has resolved a particular position then it is not open to a Community Board to make a decision which conflicts with that Council position.
49. The Act provides that the Council itself cannot rescind or amend a decision made by a Community Board made under delegated authority. The Council can at any time amend or revoke a delegation so as to apply any future decisions.
50. **Recommendation E.**

It is recommended that the Council rename the Small Project Fund to 'Small Grants Fund'.
51. Changing the name of the Fund clarifies the purpose and it better reflects the nature of applications. Applications to the Fund must still be project-based. However they must be seeking assistance for a small grant (\$5,000 or under) towards the cost of the project.

52. **Recommendation F.**

It is recommended that the Council rename Key Local Organisations to Key Local Projects.

53. Applications to all of the funding schemes making up the Communities Grants Funding Programmes are assessed on a project basis, the change in name better reflects this emphasis.

54. **Recommendation G.**

It is recommended that the Council amend the criteria of the Strengthening Communities Fund to enable Community Boards to consider applications for capital works or capital items received from the community. Applications for capital works or capital items must not be for projects that fit within the Capital Programme or an internal Council Unit budget.

55. All capital items and works were ineligible for the 2008/09 funding year, inadvertently this excluded Community Boards from funding local heritage and artwork projects.

56. **Recommendation H.**

It is recommended that the Council place a funding cap of \$25,000 per application, on all applications to the Strengthening Communities Fund for capital works or capital allocations.

57. Placing a cap will ensure that the Strengthening Communities Fund will not be used for the purpose of funding major capital items or works that would be better funded from other more appropriate sources. (As recommended at the Council workshop of 16 October 2008).

58. **Recommendation I.**

It is recommended that the Council amend the criteria of the (currently named) Small Projects Fund to enable Community Boards to consider applications for capital items from community organisations.

59. **Recommendation J.**

It is recommended that the Council adopt the policy statement that the (currently named) Small Project Fund Assessment Committees do not visit applicants to the Fund as part of the assessment process.

60. Funding processes have a high public profile. It is essential that Council processes are **seen** as fair and transparent.

61. A report from the Auditor General states that funding from public entities needs to be based on fairness. ***“Public entities have a general public law obligation to act fairly and reasonably. Public entities must be, and must be seen to be, impartial in their decision-making”.***

62. Visits to applicants by elected members do not take place for other Council funding schemes as part of the assessment process. Adopting the above policy statement will ensure consistency across all the Council's Strengthening Communities Grants Funding Programme.

63. Current processes around visits to applicants by members of decision-making Committee are inconsistent ie not all applicants are visited, inconsistent questions are asked and visits are made by different Committee members.

64. This process creates a number of potential risks for the Council, including:

- That the process is seen to be unfair, that one group get favourable treatment over another.
- That advice tabled after visits could be inconsistent and of varying quality.
- That applicants may challenge funding decisions due to perceived unfairness.

65. Advice from Legal Services is that it is best practice not to visit applicants, unless it is indicated in the funding application form that an applicant will be visited. This is currently not the case.
66. Advice from Legal Services states that a decision should be made on the information provided to the Committee, together with any additional reports from staff, not in conjunction with additional information obtained from visiting an applicant.
67. Visiting applicants means that in effect applications are assessed twice, once by staff and once by Committee members.
68. It is the role of staff to provide enough information for decision makers to make a sound decision. Should Committee members require more information, a request should be made to staff who will provide additional information for the benefit of all Committee members.
69. If visits to applicants are to continue then all applicants would need to be visited, rather than just some. Preferably the whole Committee would visit an applicant at the same time. From a staff point of view, implementing this process would be difficult and inefficient.
70. Implementing this process would also have major implication in terms of the time that would be needed to assess applications and then arrange visits. For example, in 2008/09 there were 540 applications for Small Projects Funding. Community Boards areas had between 40 and 70 applicants to the Small Projects Fund. At a Metropolitan level, there were 190 applications. All 540 applicants would need to be visited.
71. Staff suggest that the following process for the assessment and allocation of the (currently named) Small Projects Fund is followed for future years:
- Applications will be received and assessed by staff, this includes staff obtaining any further information that may be required.
 - Staff assessments will be presented to the Assessment Committees in a matrix format. The matrix will contain enough information to make a decision and will include a recommendation for funding.
 - The matrix will be distributed to Committee members at least two weeks prior to the decision-making meeting. Committee members can contact staff to seek clarification on any application. Answers to any questions will be circulated for the benefit of the full Committee.
 - A decision meeting will take place to allocate grants. Staff will be present at the decision meeting to provide any further information required.
72. **Recommendation K.**
- It is recommended that the Council revert back to one loan funding round for the Community Organisation Loans Scheme with an annual closing date of 31 January.
73. Currently, with two rounds per year and historical loans being repaid through a single annual payment, the available funds for the Community Organisation Loans Scheme fluctuate between rounds. As a result, groups applying in different rounds may be penalised.
74. By having a single loan round per year, the amount available to be distributed to applicants through the Community Organisation Loans Scheme will be more equitable.
75. **Recommendation L.**
- It is recommended that Council increase the interest rate of the Community Organisation Loans Scheme from 2 per cent to 4.5 per cent. This rate to be reviewed annually.

76. An internal audit of Council's Community Grants observed that: *"The intention is that the Loans fund is a revolving fund so that as grantees repay the loans the funds become available to lend to other organisations. As noted in the previous audit in 2005, the 2% interest rate currently charged is below the rate of inflation meaning that the real value of the fund is going to decline over time"*.
77. The audit stated that the current 2 per cent loan rate *"will not enable the fund's purchasing power to be maintained without further cash injections from the Council"*.
78. The audit recommended that *"the interest rate be increased to 4% or more so that the purchasing power of the loan fund is able to be sustained without further cash injections from rates. This rate should be reviewed periodically"*.
79. Staff recommend that the Council review and set the interest rate on an annual basis.
80. **Recommendation M.**
81. It is recommended that the Council review the interest rate applied to all new loans, allocated from the Community Organisation Loans Scheme, on a three-year basis.
82. Reviewing new loans on a three year basis will ensure that long-term loans are inflation-proofed.
83. Having a review period of three-years gives successful applicants to the loans scheme some security and the opportunity to plan their finances for future years.
84. **Recommendation N.**
- It is recommended that the Council require all new applicants to the Community Organisation Loans Scheme to provide security against their loan by way of mortgage/financial instrument. Where a security is not practical, a personal guarantee from the organisation's management will be considered.
85. An internal audit of Council's Community Grants observed that: *"The fund often loans amounts of \$50,000 or more, but takes no security or guarantee for the amount. When organisations have struggled to repay the loans in the past the Council has been sympathetic in restructuring the loans. Examples were reviewed where organisations have loans from other lenders which could leave the Council as a lower priority creditor"*.
86. The audit recommended that: *"Loans for work on property over a defined value should be secured by mortgage charge over the land and buildings where possible. This should apply even where there are no other loans, as the organisation may later accept other secured funding. Where a security is not practical, a personal guarantee from the organisation's management could be considered"*.
87. **Recommendation O.**
- It is recommended that the Council require all successful applicants to the Community Organisation Loans Scheme to repay their loan on a quarterly basis.
88. Currently organisations that have loans make repayments on an annual basis. Quarterly repayments would ensure that staff will be able to better monitor successful applicants repayments.
89. Organisations wishing to repay loans on a monthly basis will be encouraged to do so.
90. **Metropolitan Discretionary Response Fund**
91. At the Council workshop on 16 October, a summary of the 2008/09 Metropolitan Discretionary Response Fund was requested. This summary is **attached** as Appendix B.

92. The Metropolitan Discretionary Response Fund consists of \$170,000. The purpose of the Fund is to assist community groups where the project and funding request falls outside other council funding criteria and/or closing dates. This fund is also for emergency funding for unforeseen situations.
93. The Community Support Unit Manager currently has delegation to approve applications to the Fund up to the amount of \$15,000.
94. Applications to the Fund for \$15,000 or under are assessed by staff and discussed by a cross-unit Council Staff team. The cross-unit team meet on a monthly basis to discuss applications. Recommendations are then made to the Community Support Unit Manager.
95. As of 1 November 2008, 27 applications to the Fund, requesting a total of \$185,947, have been assessed. \$98,800 has been granted to applicants.
96. At the time of writing, there are currently ten applications to be assessed, with a total requested value of \$254,122. Three of the applications are for requests over \$15,000 and therefore will go before the Metropolitan Funding Subcommittee.
97. Staff are investigating options that will make the current process more robust and will report back with a number of options to Council. The new process will be in place for the 2009/10 funding year.