

Grants to Voluntary Bodies



This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

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Comptroller and Auditor General

National Audit Office
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Executive summary

Background

1 This report examines the management of grants to voluntary bodies by the former Department of the Environment. In June 1997 the former Departments of the Environment and of Transport merged to create the new Department of the Environment, Transport and the Regions. Throughout the rest of the report “the Department” refers to the former Department of the Environment for actions and views taken up to June 1997, and to the new merged Department thereafter.

2 In 1996-97, the Department provided around £38 million in grants to voluntary bodies in England, excluding housing associations, to support services and activities in three areas of the Department’s responsibilities - housing, regeneration and the environment. The National Audit Office reviewed the management of seven grant programmes including five multiple grant programmes and two single grant programmes. These programmes together accounted for 81 per cent of the Department’s grants to voluntary bodies, excluding housing associations, in 1996-97 (see Table overleaf). Each review looked at the extent to which the Department’s procedures were consistent with best practice in grant management.

3 The main features of each of the grant programmes examined are set out in a pull-out section to this report at page 73, for ease of reference.

Main findings

Programme objectives and management arrangements

4 The Department had established clear objectives for six of the seven grant programmes, which could be related to policy objectives. It had yet to establish precise objectives for its grant to Tidy Britain Group, although it had sought to clarify the objectives in the Group’s Corporate Plan. The Department told the National Audit Office that it was now planning to introduce explicit objectives for Tidy Britain Group. Uniquely, in the case of Tidy Britain Group responsibility for administering the grant and for setting policy objectives was split between two parts of the Department.

Grant programmes examined by the National Audit Office

Grant programme	Total grants paid in 1996-97	Number of grants awarded	Programme objective
<i>Multiple grant programmes</i>			
Home Improvement Agencies	£4.8m	143	To assist vulnerable people to carry out repairs and adaptations to their privately-owned properties.
Tenant Participation Grant	£4.8m	566	To promote tenant participation amongst local authority tenants and the establishment of tenant management organisations.
Homelessness Grant	£6.7m	180	To prevent and relieve single homelessness.
Environmental Action Fund	£3.9m	237	To assist in achieving the Government's environmental objectives.
Special Grants Programme	£1.2m	34	To support national projects relevant to the Department's policy interests in housing and regeneration.
<i>Single grant programmes</i>			
Tidy Britain Group	£2.7m	1	To encourage the public not to deface places with litter.
Groundwork	£6.8m	1	To improve local environments.
Total	£30.9m	1,162	

Notes: 1 In addition to these programmes, the Department provided £5.5 million to voluntary bodies under the Rough Sleepers Initiative; and £1.5 million to Going for Green.

2 The figure for Homelessness Grant includes £2.2 million to the National Homelessness Advice Service, the Hostels Vacancy Project and Nightline. These services, which had been subject to a recent Departmental review, were excluded from the National Audit Office examination.

Source: National Audit Office

5 The Department uses voluntary organisations as agents to help administer two grant programmes. Civic Trust is used to carry out some administration of the Environmental Action Fund and Care and Repair England Ltd helps administer grants to Home Improvement Agencies.

- For Civic Trust, the contract fully specified its responsibilities. However, the grant agreement setting out Care and Repair's responsibilities was over-prescriptive in its control over the managerial operation of Care and Repair, for example over the appointment of staff, but did not specify in sufficient detail the services which Care and Repair was expected to provide

for the Department. This had led, at times, to differing interpretations between the Department and Care and Repair on their respective responsibilities.

- The Department could not properly test Care and Repair’s bid to administer grants to Home Improvement Agencies, because of the lack of detail in the tender specification about what services it was buying.

6 The National Audit Office estimated that in 1996-97 the costs of administering the five multiple grant programmes ranged between three and 12 per cent of the value of grants awarded. The Department does not routinely compare the administrative costs of one programme against another or against other possible benchmarks.

Appraisal and selection of applicants

7 Five of the seven programmes examined involved the award of many grants each year, with applicants submitting bids in competition with each other.

- The Department has been able to attract competition for four of the five multiple grant programmes, and is reviewing how to generate more interest for Tenant Participation Grants.
- The Department’s arrangements are likely to ensure the best applicants are selected for four of the five multiple grant programmes examined, but the preference given to Home Improvement Agencies already in receipt of grant may mean that some new applicants, who could do a better job, are not selected.
- The Department has struck a successful balance between collecting sufficient information to enable it to select the best applicants and minimising the burdens on applicants.

Monitoring the performance of grant recipients

8 On monitoring the performance of individual grant recipients.

- In most cases the grant offer letters issued by the Department specify clearly what is required of grant recipients and, for most programmes, the information requested of applicants does not place unreasonable burdens on them.

- For grants to Home Improvement Agencies, we found that some of the data and information collected by the Department and Care and Repair was not used.
- On financial monitoring, the Department's arrangements worked well; however, whilst the Department's internal audit service had access to all grant recipients, the National Audit Office did not.
- The Department has satisfactory arrangements to track grant recipients' performance against targets, although the role of visits to grant recipients seemed less clear, and there is scope to improve the quality of feedback to grant recipients.

Programme achievements

9 All seven programmes have been subject to some form of review in the last five years. Although in general, there is scope to improve the follow-up of recommendations arising from these periodic reviews.

10 Only two of the seven programmes have been subject to an evaluation of their effectiveness.

- The programme of grants to Home Improvement Agencies was evaluated in 1994. The review found that the grant programme had helped a large and increasing number of vulnerable people to repair and adapt their own homes. As a result, Ministers decided the programme should continue for a further five years.
- The Homelessness Grant programme was evaluated in 1993-94. The team concluded that between 1990 and 1993 the programme had to a large extent been successful.

There are two programmes in particular where more could be done to examine effectiveness.

- For Tidy Britain Group the Department has yet to evaluate the impact of the Group's activities.
- For Tenant Participation Grant the Department has yet to evaluate the impact of the programme for example, the sustainability of tenant management once public funding has ceased.

11 The arrangements for monitoring the operational performance of grant programmes are generally sound. There is, however, room for improving the performance measurement and target setting for some of the programmes.

Dissemination of best practice

12 The Department does not have any specific arrangements in place to encourage the sharing of best practice in grant management, either within the Department or in collaboration with the voluntary sector and other funders.

Recommendations

13 The Department has a sound framework for the management of its grant programmes. Within this framework, there is scope for further improvement.

In relation to grant management generally, the Department should:

- periodically compare administration costs between programmes and, if possible, with external comparators to confirm that costs are reasonable in relation to the size and complexity of the grants, the number of grants and the level of monitoring required;
- ensure that all applications for extended funding beyond a three year period are considered on equal terms with new applications;
- consider whether grant applicants for each programme are given sufficient encouragement and information on sources of matching funds and best practice on how to prepare bids;
- consider ensuring that audit access for the National Audit Office is written into all grant agreements;
- issue guidance to grant managers on drawing up an appropriate visiting and monitoring strategy, and ensure that visiting programmes are carried out as intended;
- identify from grant recipients what type of feedback they would find useful and, subject to the resources being available, develop strategies to provide it;

- review programme performance indicators to ensure that they provide a relevant and meaningful assessment of programme performance; and, where possible, set overall targets for the achievement of each grant programme, in addition to targets for individual grants;
- ensure that all programmes are reviewed, including a periodic review of programme effectiveness, in accordance with the Department's guidelines;
- ensure that recommendations arising from periodic reviews are, if accepted, implemented and action documented; and
- consider strengthening its arrangements for sharing ideas and disseminating good practice in grant management.

In relation to specific grant programmes, the Department should:

- set specific objectives for the grant to Tidy Britain Group, to provide a better basis for measuring progress and achievement, and to ensure consistency with the Department's wider policy objectives;
- consider whether the separation of responsibilities within the Department for overseeing Tidy Britain Group contributes to the effective management of this grant;
- review its grant agreement with Care and Repair and specify more precisely its role and responsibilities;
- require better information from Care and Repair, to help provide a clearer basis for assessing the costs of fulfilling its various responsibilities; and
- consider whether the information currently collected from Home Improvement Agencies could be rationalised and improved.

Part 1: Introduction and background

Introduction

1.1 The provision of grants to voluntary bodies is one way in which central government seeks to achieve its policy objectives. It is estimated that government departments make grants to voluntary bodies, excluding housing associations, totalling almost £1 billion a year.

1.2 This report examines the management of grants to voluntary bodies by the former Department of the Environment. In June 1997 the former Departments of the Environment and of Transport merged to create the new Department of the Environment, Transport and the Regions. Throughout the rest of the report “the Department” refers to the former Department of the Environment for actions and views taken up to June 1997, and to the new merged Department thereafter.

The voluntary sector

1.3 Voluntary organisations are generally independent of government, are self-governing and are not run for profit. They range from national organisations with full-time salaried staff to small community groups relying mainly on volunteers; and include registered charities, other charitable bodies and housing associations. Two key features of the voluntary sector are its size and diversity. There are some 200,000 to 240,000 voluntary bodies in the United Kingdom, with a total income of £15 billion.¹ They undertake a wide range of activities, including delivering services, campaigning, and acting as umbrella bodies for developing the voluntary sector itself.

The relationship between government and the voluntary sector

1.4 Central government both funds and regulates parts of the voluntary sector. Central government funding of the voluntary sector, excluding housing associations, totalled £957 million in 1994-95, the latest year for which figures are available. Government departments and their non-departmental public bodies

¹ *The Voluntary Sector in the United Kingdom*, Kendall and Knapp, 1996

and agencies are also responsible for regulating charities and other types of voluntary organisations, including friendly societies, charitable companies and housing associations.

1.5 The Voluntary and Community Unit of the Home Office coordinates government policy towards voluntary organisations. It provides services to the Ministerial Taskforce on relations between Government and the Voluntary Sector and Volunteering (formerly the Ministerial Group), which seeks to promote a coordinated approach to the voluntary sector by all departments. It also oversees Government policy on volunteering, for instance it coordinated the “Make a Difference” initiative introduced in March 1994, which sought to encourage volunteering and to bring together business, voluntary and public sectors in a programme of local action. Most major government departments, including the Department of the Environment, Transport and the Regions, are represented on the Taskforce.

1.6 The government’s relationship with the voluntary sector has undergone some significant changes in recent years:

- the transfer of functions to Executive agencies and non-departmental public bodies and the creation of the Government Offices for the Regions have increased the range of potential funding sources;
- the creation of the National Lottery Distribution Fund in November 1994 provided a major new source of funding for voluntary organisations;
- grants to the voluntary sector have to some extent been replaced with contracts;
- a growing proportion of grants to voluntary organisations are made after a process of competition and bid appraisal;
- there has been a gradual move away from ‘core’ or ‘strategic’ funding for voluntary bodies’ administrative costs towards ‘project’ funding for specific activities and projects; and
- there is more emphasis on partnerships between the public, private and voluntary sectors, for example through initiatives such as the Department’s Single Regeneration Budget Challenge Fund.

The Department's support for voluntary organisations

1.7 In 1996-97, the Department provided around £38 million in grants to voluntary bodies in England, excluding housing associations, to support services and activities in three areas of the Department's responsibilities - housing, regeneration and the environment. The Department also consults national voluntary organisations on their policies and programmes, involves voluntary organisations in developing and disseminating best practice, and employs voluntary organisations as consultants. In working with voluntary organisations, the Department seeks to:

- reach client groups without access to, or suspicious of, more formal official structures;
- encourage local communities to take ownership of local issues and problems and to get people involved in devising better, more lasting solutions for themselves;
- provide flexibility by tailoring services to particular special or local groups, by trying out new approaches and by providing opportunities for local people who want to get involved;
- provide alternatives, often more cost effective, to public sector provision; and
- allow access to alternative sources of expertise and experience which provide a valuable contribution to the Department's policy development and research.

1.8 Within the former Department of the Environment, responsibility for its overall policy towards the voluntary sector and the management of grants rested with a team of three officials in the Voluntary Sector Branch - part of the Department's Regeneration Division. The grant programmes themselves were largely administered by those branches with responsibility for the policy area to which each grant programme related.

Sources of good practice in managing grants to voluntary bodies

1.9 Grant managers can draw upon a variety of sources for advice on good practice in managing grants to voluntary bodies.

- *The Solesbury Principles*² - in February 1986 the Department issued internal guidance for the management of grants to voluntary organisations, known as the ‘Solesbury Principles’, with the aim of ensuring broad consistency in the terms, conditions, and administration of grant programmes - a summary of the key principles is at Appendix 1.
- *Efficiency Scrutiny* - in 1990 an inter-departmental team led by the Home Office carried out an efficiency scrutiny of government funding of the voluntary sector to ensure that government was obtaining value for money and effective services for the funding it provided. The team made many detailed recommendations to improve and consolidate departments’ practices. It also called for a closer match between departments’ own objectives and the activities of the bodies they fund, and for departments to look for evidence of likely long term benefit before funding on a short term basis. A follow-up report in 1994 identified that departments were making good progress in implementing the team’s recommendations.
- *Examinations of grant programmes in other departments* - in July 1996 the Committee of Public Accounts published a report on “Home Office: Support for Voluntary Organisations” based on a Report by the Comptroller and Auditor General (HC315 of Session 1995-96). These reports made a series of recommendations for improving grant management in that department - a summary of the key points is at Appendix 2.
- *Guidelines published by funding bodies* - in March 1997 the Association of Charitable Foundations published guidelines on the general principles that might be used to fund voluntary organisations. The principles were prepared in association with a number of funding bodies, including the former Department of National Heritage (where the Voluntary and Community Unit was then based) on behalf of central Government.

2 Mr W Solesbury - a former Department of the Environment official.

1.10 Drawing upon the Department's own guidance, and these other sources of best practice, we prepared a summary of best practice in grant management (Figure 1). These principles might equally be applicable to any grant programme - not necessarily one that provides grants to voluntary bodies. However, the management of grants to voluntary bodies might be expected to be particularly sensitive when judged against these principles because of the nature of voluntary sector activities and the need, for example, to take account of the difficult issues often tackled by voluntary bodies; to recognise the voluntary effort and commitment given by many people working for and assisting these organisations; and to recognise that voluntary organisations doing worthwhile work may, in some instances, need advice and support to help them to develop their managerial and financial expertise.

Key principles of good grant management

Figure 1

Programme objectives should be up-to-date, clearly defined and linked to the strategic objectives of the Department.

Management arrangements should assist achievement of the programme objectives and encourage efficiency, by:

- assigning clear roles and responsibilities;
- instituting appropriate arrangements for recruiting agents and assessing their cost and performance; and
- ensuring the overall costs of programme administration are reasonable.

The **application and appraisal** process should:

- ideally, attract sufficient applications to ensure that the Department is given a choice of applicants;
- select those applications which will contribute most to programme objectives for the least cost and least risk; and
- not place unnecessary burdens on applicants.

The **monitoring arrangements** for individual grants should:

- ensure that grant offers make clear what is expected of successful applicants and provide appropriate safeguards for public funds;
- include a cost-effective system of financial monitoring to provide assurance that grant has been spent for the purposes for which it was awarded and in accordance with grant conditions; and
- include a cost-effective system for routine monitoring of grant recipients' performance against targets, providing feedback and reviewing achievements.

To ensure that **programmes achieve their objectives**:

- the operational performance of individual programmes should be monitored;
- there should be periodic reviews of programme effectiveness and the best means to achieve it; and
- identified shortcomings in the way a programme is focused, administered or delivered should lead to corrective action by the Department.

Drawing upon the Department's own guidance on grants to voluntary bodies, and other sources of advice, we identified these basic principles of good practice.

Source: National Audit Office

Scope, issues and methodology

1.11 We examined whether the Department managed its grants to voluntary bodies according to these principles of good practice. We examined seven grant programmes which together accounted for 81 per cent of the Department's grants to voluntary bodies, excluding housing associations, in 1996-97. Five of these programmes each provide grants to many separate organisations, totalling some 1,160 awards and £21.4 million in 1996-97. Two other programmes involve grants totalling £9.5 million to single organisations, Tidy Britain Group and Groundwork (Figure 2).

Figure 2

Grant programmes examined by the National Audit Office

Grant programme	Total grants paid in 1996-97	Number of grants awarded	Programme objective
<i>Multiple grant programmes</i>			
Home Improvement Agencies	£4.8m	143	To assist vulnerable people to carry out repairs and adaptations to their privately-owned properties.
Tenant Participation Grant	£4.8m	566	To promote tenant participation amongst local authority tenants and the establishment of tenant management organisations.
Homelessness Grant	£6.7m	180	To prevent and relieve single homelessness.
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Tidy Britain Group	£2.7m	1	To encourage the public not to deface places with litter.
Groundwork	£6.8m	1	To improve local environments.
Total	£30.9m	1,162	

Notes 1 In addition to these programmes, the Department provided £5.5 million to voluntary bodies under the Rough Sleepers Initiative; and £1.5 million to Going for Green.

2 The figure for Homelessness Grant includes £2.2 million to the National Homelessness Advice Service, the Hostels Vacancy Project and Nightline. These services, which had been subject to a recent Departmental review, were excluded from the National Audit Office examination.

Source: National Audit Office

1.12 The main features of each grant programme we examined are provided in the pull-out section at page 73 of this report. Our main findings and recommendations on the Department's management of grant programmes are presented in Part 2. Detailed findings for each grant programme are set out in subsequent Parts; Part 3 deals with those programmes serving the Department's environmental objectives whilst Part 4 deals with those programmes relating to housing and regeneration.

1.13 The main methods used by the National Audit Office included:

- an examination of case files relating to 54 recent grant awards from the five multiple grant programmes, and papers relating to the award of grants to Tidy Britain Group and Groundwork;
- a survey of 75 successful and 15 unsuccessful applicants for the three multiple grant programmes for which the Department has most direct contact with applicants and grant recipients, that is Homelessness Grant, Special Grants Programme and the Environmental Action Fund, to obtain their views on the Department's administration of those programmes;
- analysis of data and papers held by the Department;
- a visit to Tidy Britain Group;
- interviews with Departmental officials and agents employed to administer grant programmes.

A detailed study methodology, including details of the survey method and response rate, is at Appendix 3.

1.14 The Office was also advised by a panel of experts drawn from the voluntary sector:

Libby Cooper	Director, Charities Evaluation Services - a consultancy firm specialising in the promotion of good evaluation practice in the voluntary sector
Chris Loveland	Head of European Social Funding and Employment, National Council for Voluntary Organisations
Daniel Silverstone	Director, London Boroughs Grants Unit.

Part 2: Main findings on the Department's management of grant programmes

Introduction

2.1 This Part of the report examines the Department's overall management of grant programmes, using the principles of good grant management set out in Figure 1. Our detailed audit findings for individual grant programmes, on which the overall assessments in this Part of the report are based, are described in Parts 3 and 4.

2.2 Our main findings are presented in five main sections:

- programme objectives and management arrangements;
- appraisal and selection of applicants;
- monitoring the performance of grant recipients;
- measuring programme achievements; and,
- dissemination of best practice.

2.3 A summary of our overall findings for each of the programmes is shown in Figure 3. For the five multiple grant programmes, this Figure summarises performance against the good practice principles in Figure 1. For the single grant awards to the *Tidy Britain Group* and *Groundwork* some principles, for example on the annual selection and appraisal of applicants, are restated in terms suited to single grant programmes.

2.4 In describing our overall findings, references to each grant programme are italicised, and recommendations are shown in bold.

Figure 3 Summary of audit findings¹

Multiple grant programmes	Home Improvement Agencies	Tenant Participation Grant	Homelessness Grant	Environmental Action Fund	Special Grants Programme
<i>Objectives linked to policy aims</i>	✓✓	✓✓	✓✓	✓✓	✓✓
<i>Management arrangements:</i>					
■ clear responsibilities	✓	✓✓	✓✓	✓✓	✓✓
■ appropriate management of agents	✓	✓	n/a	✓✓	n/a
■ reasonable administration costs	✓✓	✓✓	✓✓	✓✓	✓
<i>Appraisal and selection of applicants:</i>					
■ attracts sufficient applications	✓✓	✓	✓✓✓	✓✓✓	✓✓
■ likely to select the best	✓	✓✓	✓	✓✓	✓✓✓
■ unnecessary bureaucracy minimised	✓✓	✓✓	✓✓	✓✓	✓✓
<i>Monitoring arrangements for grant recipients:</i>					
■ clear work plans	✓✓	✓✓	✓✓	✓✓	✓✓
■ effective financial monitoring	✓✓	✓✓	✓✓	✓✓	✓✓
■ effective performance monitoring	✓	✓	✓	✓	✓✓
<i>Measuring programme achievements:</i>					
■ operational performance monitored	✓✓	✓✓	✓✓	✓✓	✓✓
■ programme effectiveness reviewed	✓✓✓	✓	✓✓	✓	✓✓
■ recommendations followed up	n/a	n/a	✓	n/a	✓✓
Single grant programmes		Tidy Britain Group		Groundwork Foundation and Trusts	
<i>Grant objectives linked to policy aims</i>		✓		✓✓✓	
<i>Approval of Corporate Plan:</i>					
■ clear responsibilities, work plans and targets		✓		✓✓✓	
■ clear distinction between grant and non-grant activities		✓		✓✓	
<i>Monitoring grant-funded activities:</i>					
■ effective performance monitoring		✓		✓✓✓	
<i>Measuring programme achievements:</i>					
■ grant recipient's performance reviewed annually		✓✓		✓✓	
■ effectiveness of funded activities reviewed		✓		✓✓	
■ recommendations followed up		✓		✓✓✓	

Note: 1 These ratings reflect our assessment at the time of the audit. Improvements introduced subsequently are noted in the text of this report.

Key: ✓ could be improved
 ✓✓✓ particularly good

✓✓ good - meets the performance criterion
 n/a not applicable

Programme objectives and management arrangements

Programme objectives

Good practice Programme objectives should be up-to-date, clearly defined and linked to the strategic objectives of the Department.

Conclusion The Department has taken steps to ensure that most programme objectives are documented and linked to the Department's overall aims.

2.5 The Department had established clear objectives for six of the seven programmes, which could be related to policy objectives. Where this had been done particularly well, as in the case of *Groundwork*, the grant objective was clearly linked to the policy aim and reflected in the objectives agreed with the grant recipient.

2.6 However, for *Tidy Britain Group*, a Departmental review in 1994 concluded that the Department's objectives for the grant and for the Group's anti-litter activities were not precisely defined, and recommended that the Department should formulate objectives and set firm targets which reflected policy aims. We found that the Department had not yet set explicit policy and operational objectives for its grant to *Tidy Britain Group*, although it had sought to improve the clarity of the Group's own objectives in the Group's Corporate Plan. **The Department should set specific objectives for the grant to *Tidy Britain Group*, to provide a better basis for measuring progress and achievement, and to ensure consistency with the Department's wider policy objectives. The Department told the National Audit Office that it was now planning to introduce explicit grant objectives for *Tidy Britain Group*.**

Management arrangements

Good practice Management arrangements should assist achievement of the programme objectives and encourage efficiency, by:

- assigning clear roles and responsibilities;
- instituting appropriate arrangements for recruiting agents and assessing their cost and performance; and
- ensuring the overall costs of programme administration are reasonable.

Conclusion There is scope for the Department to improve the recruitment and management of agents to help administer grant programmes. Taking account of the differing size and complexity of grants, the number of grants and the level of monitoring carried out, the administrative costs of grant programmes compare reasonably well with each other - although the costs of administering the *Special Grants Programme* and *Homelessness Grant* may warrant further scrutiny.

Clarity of responsibilities

2.7 For four of the five programmes where the Department was wholly responsible for administration - *Tenant Participation Grant*, *Homelessness Grant*, *Special Grants Programme* and *Groundwork* - the National Audit Office found that roles and responsibilities within the Department, for example the approval of grant awards and monitoring of performance, had been clearly specified. Uniquely, in the case of *Tidy Britain Group* responsibility for administering the grant and for setting policy objectives was split: administration and oversight of the Group's non-litter activities was largely the responsibility of the Department's Environmental and Energy Awareness Division whilst responsibility for litter policy lay with the Air and Environment Quality Division. **The Department should consider whether the separation of responsibility for overseeing *Tidy Britain Group* contributes to the effective management of this grant.**

2.8 The Department uses voluntary organisations as agents to help administer two grant programmes. Civic Trust are used to carry out some administration of the *Environmental Action Fund* and Care and Repair England Ltd help administer *grants to Home Improvement Agencies*. Agents are used for a variety of reasons, for example, to provide specialist expertise or local knowledge which might not otherwise be available within the Department.

2.9 Where agents are used, responsibilities are set out in the contract or grant agreement. For Civic Trust, the contract fully specified their responsibilities. However, the grant agreement setting out Care and Repair's responsibilities was over-prescriptive in terms of its control over the managerial operation of Care and Repair, for example over the appointment of staff, but did not specify in sufficient detail the services which they were expected to provide for the Department. This had led to concerns being raised by Care and Repair about their freedom of action as the coordinating body for home improvement agencies. We also found a lack of clarity over what monitoring the Department expects Care and Repair to undertake, and some duplication of effort between the Department and Care and Repair in appraising applications. **The Department should review its grant agreement with Care and Repair and specify more precisely its role and responsibilities. The Department and Care and Repair are considering possible revisions to the agreement to reflect these points.**

Arrangements for recruiting agents and reviewing their performance

2.10 The Department had difficulty in attracting organisations to compete for appointment as agents. The work undertaken by Care and Repair and Civic Trust, at costs of over £400,000 and £160,000 per annum respectively over a five year term, was put out to tender in accordance with accepted practice, but neither competition attracted bids other than from the existing agent. However:

- because of the lack of detail in the tender specification about what work the grant was buying, the Department could not properly test Care and Repair's bid to administer *grants to Home Improvement Agencies*; but
- in contrast, the volume of information requested from Civic Trust had meant that the Department could be satisfied that the Trust's bid to administer the *Environmental Action Fund* was reasonable.

The Department should require better information from Care and Repair, to help provide a clearer basis for assessing the cost of fulfilling its various responsibilities.

2.11 We found that, in 1996-97, the Department had not set performance measures or targets for the grant administration carried out by Civic Trust or Care and Repair. For Civic Trust, for 1997-98, the Department has agreed a monthly schedule of targets and a new reporting system which should provide a firm basis for monitoring the Trust's administrative performance. Care and Repair has, until recently, proposed its own targets which it submitted annually to the Department. The Department is now seeking changes to some of these measures and targets to make them more relevant to the Department's needs.

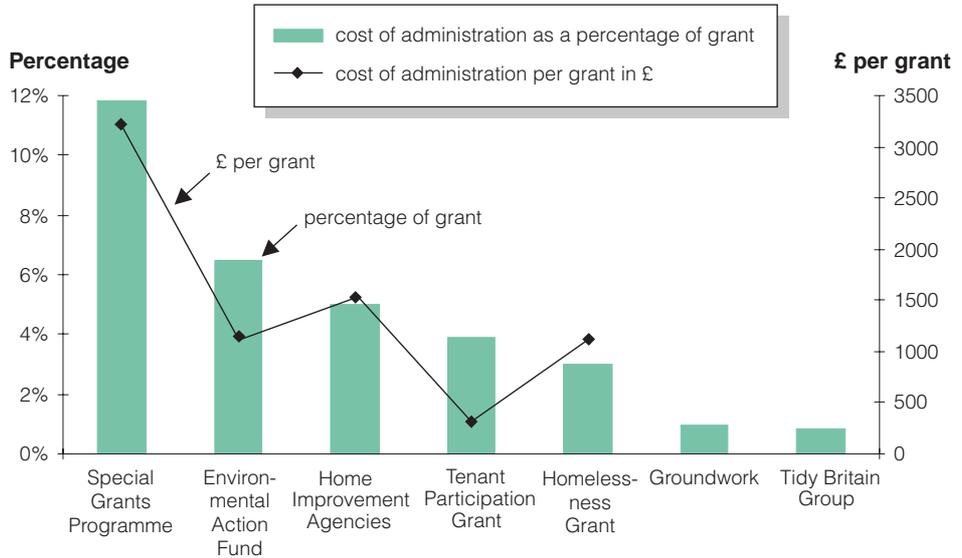
2.12 For *Tenant Participation Grant*, the Department provides grant to tenant participation agencies to encourage local authority tenants to become more involved in the management of their own homes. We found some significant variations in performance amongst the approved agents which, at the time of our investigation, had not been investigated. The majority of the 27 approved agencies in 1996-97 had been on the Department's approved list since 1987. The Department has recognised the need to improve its monitoring of approved agencies: since April 1997, the Department has introduced standard criteria with which to assess agencies' grant administration procedures, their performance against work programme targets, outputs and quality of reports and financial information.

Costs of administration

2.13 The National Audit Office estimated that in 1996-97 the costs of administering the five multiple grant programmes ranged between three and 12 per cent of the value of grants awarded (Figure 4). Where grant programmes were administered directly by the Department, the grant teams varied between three staff administering 34 grants under the *Special Grants Programme*, and six staff administering 180 grants for *Homelessness Grant*. The variations between the seven programmes reflect, in part, the differing size and complexity of grants, the number of grants and the level of monitoring carried out, although the degree of variation between the *Special Grants Programme* and *Homelessness Grant* could not be wholly explained by these factors and may warrant further scrutiny to assess whether one is over-resourced and the other under-resourced. Although the Department is implementing new systems to monitor administrative costs, they may not be able to ascribe administrative costs to each grant programme. Hence, the Department cannot routinely compare the administrative costs of one programme against another or against other possible benchmarks. **The Department should periodically compare administration costs between programmes and, if possible, with external comparators to confirm that costs are reasonable in relation to the size and complexity of the grants, the number of grants and the level of monitoring required.**

Administrative costs for each grant programme

Figure 4



- Notes: 1 The costs for Tenant Participation Grant exclude the costs of tenant participation agents which are wholly devoted to non-administrative tasks.
- 2 The costs for grants to Home Improvement Agencies include administrative costs incurred by Care and Repair - an estimated 30 per cent of its grant.
- 3 The costs of the Environmental Action Fund include the grant paid to Civic Trust.

The administrative costs of the multiple grant programmes ranged between three and 12 per cent of grant expenditure.

Source: National Audit Office

Appraisal and selection of applicants

Good practice The application and appraisal process should:

- ideally, attract sufficient applications to ensure that the Department has a choice of applicants;
- select those applications which will contribute most to programme objectives for the least cost and least risk; and
- not place unnecessary burdens on applicants.

Conclusion The Department has been able to attract competition for four of the five multiple grant programmes, and is reviewing how to generate more interest and competition for *Tenant Participation Grant*. The Department's arrangements are likely to ensure the best applicants are selected for four of the five multiple grant programmes examined, but the preference given to *Home Improvement Agencies* already in receipt of grant should be reviewed. The Department has struck a successful balance between collecting sufficient information to enable it to select the best applicants and minimising the burdens on applicants.

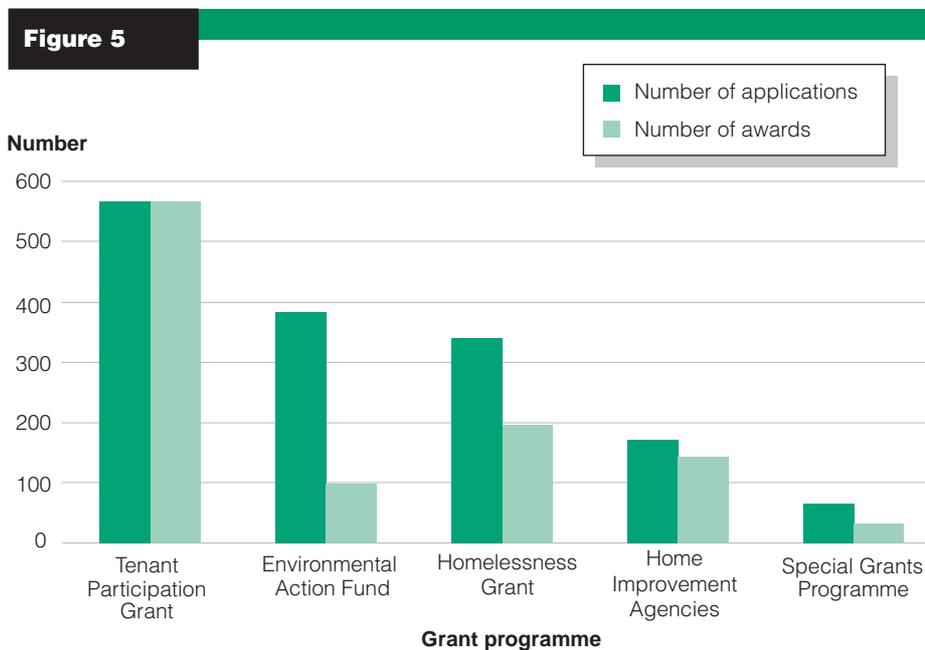
2.14 This section of the report focuses on the five programmes which provide grants to many organisations which have to bid or compete for funding, and excludes the two grant programmes which each involve a single grant recipient - *Tidy Britain Group* and *Groundwork*.

Attracting applications

2.15 Competition for grants helps to ensure that the Department has a choice of recipients. To publicise its programmes the Department uses a variety of methods, for example placing details in published directories of grant funders. For most programmes the Department had been successful in generating competition amongst new applicants. Figure 5 compares the number of applicants against the number of awards for each of the five multiple grant programmes in 1997-98. In three of the five programmes there has been competition for grants, especially for grants from the *Environmental Action Fund*. In the two other grant programmes:

- For *Tenant Participation Grant*, the Department has been able to fund all eligible applications since the programme began in 1986, and in the years 1994-95 to 1996-97 the programme was underspent by between 16 and 22 per cent on its initial budget - unspent funds have generally been reallocated to other expenditure programmes. The Department has recently decided to seek better targeting of grants for the promotion of tenant participation, which currently account for 52 per cent of programme expenditure, and it believes that this will result in more applications and competition for grant in the future;
- For *grants to Home Improvement Agencies* applications are made by local authorities on behalf of local home improvement agencies. The Department writes to all local authorities inviting bids. Given that the Department will usually fund only one agency per local authority area, the potential number of applications is necessarily limited. In 1997-98, the Department received bids from 171 of the 356 local authorities in England and made awards to 143 of them.

Number of applications and awards for each multiple grant programme, 1997-98



Source: National Audit Office

Competition for grant varies across the grant programmes.

Selection arrangements

2.16 We found that the Department had selected applicants systematically against clear criteria or priorities, although for two programmes a relatively high proportion of funding went to long-standing grant recipients. Where existing grant recipients are given priority, the Department may not be selecting those applicants which can contribute most to the achievement of programme aims.

- For *grants to Home Improvement Agencies*, preference is given to existing grant holders - subject to satisfactory performance - rather than new applicants. As a result, 95 per cent of agencies funded in 1992-93 were still funded in 1997-98, and no new applicants for these grants received funding in 1997-98. However, since 1992-93 about 50 new agencies have received grant due to an expansion in the funds made available to the programme.
- For *Homelessness Grant*, the National Audit Office found that 47 per cent of projects funded in 1992-93 were still funded in 1997-98. The grant was originally intended to pump-prime new projects but has been used incrementally to fund projects in the medium to longer term. In this case, however, these commitments had not restricted the Department's ability to fund new projects: between ten and 27 per cent of grants between 1995-96 and 1997-98 were awarded to new applicants.

The Department should ensure that all applications for extended funding beyond a three year period are considered on equal terms with new applications.

2.17 All programmes had required and, for the cases examined by the National Audit Office, received sufficient information from applicants. In addition, for four out of the five programmes, the Department had arrangements which provided it with some direct knowledge of applicants. For instance, for the *Environmental Action Fund*, shortlisted applicants are visited by a paid assessor with expertise in the subject area, whilst for the *Special Grants Programme*, applicants are usually known to officials in the Department. For *Homelessness Grant*, however, we found that the Department rarely had any prior knowledge of new applicants and employed an entirely desk-based assessment system, nor was there routine consultation with the relevant local authority for their views on whether the project met local needs. The Department relied almost entirely on information supplied by the applicant about the level of need in the locality and the appropriateness of the proposed project in meeting that need. The Department had routinely sought the views of the relevant Government Office on shortlisted applicants but did not always receive an informed response. For 1998-99, the Department will ask all applicants to secure local authority support for their project at an earlier stage in the bidding process.

2.18 All the programmes require potential grant recipients to raise matching funding, at some stage, from other sources. The proportion of matching funding required of applicants and the allowable sources of such funds differed between programmes, but in each case the rules were clearly specified and, with one exception, successfully implemented. The exception was *Homelessness Grant*, where grant recipients had difficulty obtaining the matching funding expected of them. In 1996-97 41 per cent of projects in their third year of funding were funded at 90 per cent of total costs rather than the 50 per cent agreed when the grant recipients were selected. This higher level of funding reduces the funds available for new projects. The difficulties faced by some recipients of *Homelessness Grant* in attracting matching funding were borne out by the results of the National Audit Office's survey. Twelve applicants for *Homelessness Grant* out of 23 respondents (52 per cent) wanted more information on sources of matching funding - a greater proportion of respondents than the other programmes included in the survey. In contrast, we found that managers of the *Environmental Action Fund* did more than other programmes to help voluntary organisations seek other sources of funding, through a newsletter, good practice guide and guide on alternative sources of grant. Similarly, Care and Repair provided advice to home improvement agencies on how to attract other funding. **Although it is not the Department's place to seek matching funding on behalf of individual applicants, it should consider**

whether grant applicants for each of its programmes are given sufficient encouragement and information on sources of matching funds and best practice on how to prepare bids.

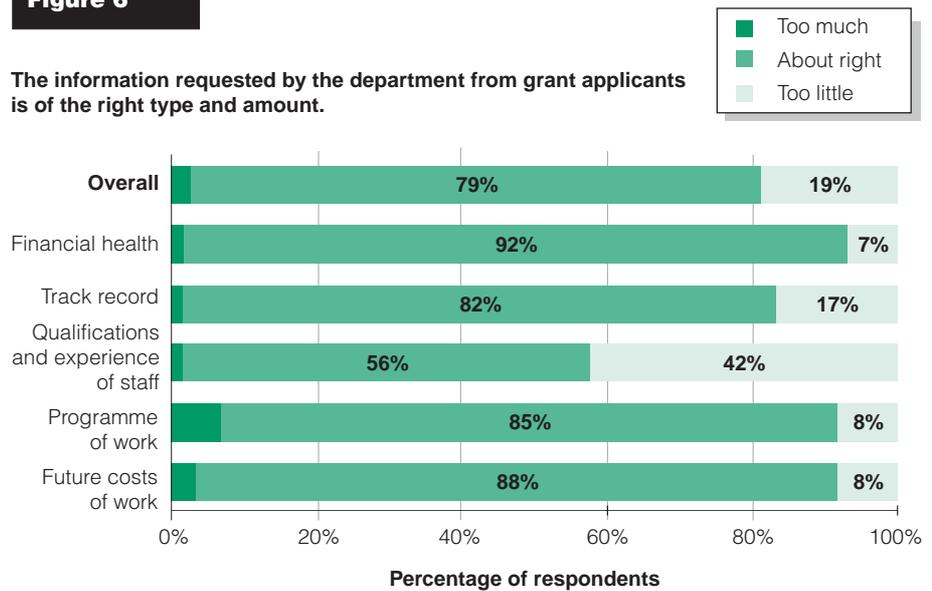
Burdens on applicants

2.19 Applicants surveyed by the National Audit Office, those applying for *Homelessness Grant*, the *Special Grants Programme* and the *Environmental Action Fund*, including those whose bids failed, considered that the Department had requested the right amount and type of information, with more considering it too little than too much (Figure 6).

Attracting and assessing grant applications - the views of grant applicants

Figure 6

The information requested by the department from grant applicants is of the right type and amount.



Grant applicants were generally content with the amount of information collected from them, with more considering it too little than too much.

Source: National Audit Office

Monitoring the performance of grant recipients

Good practice	<p>The monitoring arrangements for individual grants should:</p> <ul style="list-style-type: none"> ■ ensure that grant offers make clear what is expected of successful applicants and provide appropriate safeguards for public funds; ■ include a cost-effective system of financial monitoring to provide assurance that grant has been spent for the purposes for which it was awarded and in accordance with grant conditions; and ■ include a cost-effective system for routine monitoring of grant recipients' performance against targets, providing feedback and reviewing achievements.
Conclusion	<p>The grant offer letters issued by the Department specify clearly what is required of grant recipients, and the information requested of recipients does not place unreasonable burdens on them. On financial monitoring, the Department's arrangements worked well; however, whilst the Department's internal audit service had access to all grant recipients, the National Audit Office did not. The Department's arrangements for monitoring performance are sufficient to track performance against targets, although the role of visits to grant recipients seemed less clear, and there is scope to improve the quality of feedback to grant recipients.</p>

2.20

The monitoring of individual grant recipients should not be disproportionate, particularly for programmes with limited resources funding a large number of relatively low-value grants. A sound monitoring system will be based on an identification of potential risks to help define the extent, timing and frequency of monitoring of individual grants. This section covers the monitoring arrangements for all seven grant programmes.

Grant offers

2.21 Grant offers should spell out what is required, in terms which can be monitored. Grant offer letters had been issued for all the grants examined by the National Audit Office. Letters included details of the approved activity to be funded from grant, accountability and reporting arrangements, procedures for claiming grant, rules on eligible expenditure, and the conditions under which the Department could seek to recover grant. Work plans had been agreed for all the grants we examined.

2.22 Grant agreements between the Department and *Tidy Britain Group* and *Groundwork* are renewed annually after the Department approves the organisations' Corporate Plans. A review of the grant to *Tidy Britain Group* in 1994 found that some of the activities funded by grant were outside the statutory authority under which grant was made. Since 1994, the Department has sought to identify more clearly in the Corporate Plan the Group's objectives, activities and planned outputs. We found a number of improvements had been made.

Financial monitoring

2.23 All the multiple grant programmes included arrangements to receive and monitor progress reports on a quarterly basis, usually including details of quarterly expenditure and performance against work plans and targets. In the majority of cases examined, the Department had received the information expected of grant recipients. In addition, the Department usually relies on the receipt of an annual audit certificate from the grant recipient’s external auditor to provide some assurance that grant moneys have been spent for the purposes intended. For *Homelessness Grant*, this information was supplemented with basic checks through visits carried out by the Department’s staff. For the programmes surveyed by the National Audit Office, 90 per cent of respondents thought that the level of Departmental monitoring was about right.

2.24 Grant terms drawn up by the Department provided audit access for its own officials but differing access provisions for the National Audit Office (Figure 7). **Public money is at stake here and we have audit access to four out of the seven grant programmes discussed in this report. We appreciate this and find it valuable. We therefore recommend that audit access for the National Audit Office should be written into all grant agreements.** Where the Department’s internal audit service had exercised its access rights, as in the case of *Groundwork*, this had led to important recommendations for strengthening controls and for targeting future monitoring resources.

Figure 7 Audit access to grant recipients

	Home Improvement Agencies	Tenant Participation Grant	Homelessness Grant	Environmental Action Fund	Special Grants Programme	Tidy Britain Group	Groundwork
Full Departmental access including internal audit service	✓	✓	✓	✓	✓	✓	✓
NAO access - for examining accounts and transactions				✓	✓	✓	✓
NAO access - for assessing value for money					✓	✓	✓

Source: National Audit Office

The access rights given to the National Audit Office vary across the grant programmes.

2.25 The National Audit Office carried out visits to both *Groundwork* and *Tidy Britain Group* in 1997. Each visit served a different purpose:

- at *Groundwork* we examined financial records in relation to grant received from the Millennium Commission, and found financial controls at *Groundwork* to be sound; and
- at *Tidy Britain Group* we examined the information available to support the Group's key performance measures and found the system to be sound.

Monitoring performance and providing feedback

2.26 Performance measures and targets had been set for most of the individual grants we examined. Eighty eight per cent of grant recipients whom we surveyed indicated that the type of performance information collected by the Department had focused on the key aspects of their performance. Our examination of case files corroborated this assessment for most programmes. For *grants to Home Improvement Agencies*, we found that some of the data and information collected was not used; and none of the information collected addressed the quality of service offered by individual agencies, for example by recording client satisfaction. **The Department might consider whether the information currently collected from home improvement agencies could be rationalised and improved.**

2.27 The Department placed differing degrees of reliance on visits to grant recipients as a means of monitoring performance (Figure 8).

Figure 8 Frequency and purpose of monitoring visits for multiple grant programmes (1996-97)

Grant recipient	Monitor	Intended frequency of visits	Purpose of visits	
			Progress and support	Financial and performance systems checks
Home Improvement Agencies	Care and Repair England Ltd	Annual	✓	
Tenant groups	Approved tenant agencies	Regular contact as part of work plan	✓	✓
Homelessness projects	Department	Every 3 years	✓	✓
Environmental projects	i. Civic Trust (Project grants)	Annual	✓	
	ii. Department (Strategic grants)	Annual	✓	
Special Grants projects	Department	Variable	✓	

Note: Monitoring the progress of Tidy Britain Group and Groundwork takes place within a different framework described at paragraph 2.30.

Source: National Audit Office

Grant managers place differing degrees of reliance on visits to monitor the performance of grant recipients.

2.28 Visits were used to monitor progress and to provide support. Only in two programmes, *Homelessness Grants* and *Tenant Participation Grant*, did visits include brief checks on the soundness of performance measurement and financial systems for accounting for grant.

2.29 We found that not all visits had been carried out as intended:

- Although some monitoring visits had been made by Civic Trust to recipients of *Environmental Action Fund* grant in 1996-97, it was not possible to establish the precise number. Instead, Civic Trust had relied, in some cases, on telephone checks to grant recipients. The Department discovered this failure to comply with contract terms through an audit carried out in 1996 by its internal audit service. The Department and Civic Trust have now agreed an annual programme of visits to be carried out by Civic Trust and these have been recorded in monthly reports since April 1997.
- For *Homelessness Grant*, the Department has not always met its target of visiting grant recipients at least once in three years, due to pressure on resources.

The Department should issue guidance to grant managers on drawing up an appropriate visiting and monitoring strategy, and ensure that visiting programmes are carried out as intended.

2.30 Monitoring of the large single grants to *Tidy Britain Group* and *Groundwork* takes place within the framework of progress against targets set out in their respective Corporate Plans. Meetings between the Department and the two organisations take place at least annually.

2.31 Grant recipients had, for the programmes surveyed (*Homelessness Grant*, *Special Grants Programme*, and the *Environmental Action Fund*) identified scope to improve the quality of feedback provided by the Department. Sixty three per cent of respondents considered that the Department had not provided them with useful feedback on their performance; and 73 per cent considered they had not been kept informed of general lessons learned from other grant projects and activities. There were some examples of good practice: some respondents singled out departmental visits from officials responsible for *Homelessness Grant* as a particularly useful means of obtaining feedback and advice, and the Department has launched a six monthly newsletter for the *Environmental Action Fund*, sent to all grant recipients and potential applicants, highlighting developments within the sector and offering examples of successful projects. **The Department should identify from grant recipients what type of feedback they would find useful and, subject to the resources being available, develop strategies to provide it.**

Measuring programme achievements

Good practice	<p>To ensure that programmes achieve their objectives:</p> <ul style="list-style-type: none">■ the operational performance of programmes should be monitored;■ there should be periodic reviews of programme effectiveness and the best means to achieve it; and■ identified shortcomings in the way a programme is focused, administered or delivered should lead to corrective action by the Department.
Conclusion	<p>The arrangements for reviewing the operational performance of grant programmes are generally sound. There is however room for improving the performance measurement and target setting for several grant programmes, more evaluations of programme effectiveness, and better follow-up of review recommendations.</p>

2.32 Besides monitoring individual grants, performance measurement should also provide the basis for assessing whether a programme as a whole is meeting its objectives. Review can take place on two levels: firstly, through regular monitoring of operational performance including the achievement of output targets and service standards; and secondly through a more fundamental evaluation of programme performance to assess whether the programme achieves its intended impact.

Review of operational performance

2.33 An effective mechanism for monitoring the operational performance of a grant programme will normally include the use of appropriate performance measures and targets, and effective reporting arrangements. Performance measures had been developed for five out of the seven grant programmes examined. Where they had not been developed, for the *Special Grants Programme* and the *Environmental Action Fund*, the variety of projects supported and the various aims served by these programmes made simple and meaningful aggregate measures difficult to identify; instead, targets and measures were established for each individual grant. For the *Special Grants Programme* the grant manager prepares an annual synopsis for senior officials of progress against targets for each project. For the *Environmental Action Fund*, the Department is currently looking at ways of preparing an annual qualitative assessment of programme achievements.

2.34 Of the five programmes for which measures had been set, the National Audit Office identified weaknesses in four. The Department has been implementing changes or is seeking improvements to some of the measures used.

- For *Tidy Britain Group*, the indicators used by the Department to track performance had changed from year to year. Between 1994-95 and 1996-97 only two indicators had been reported consistently within the Department, in part because of the Department's efforts to improve the measures provided by the Group. Performance measures are now reviewed in the context of the Corporate Plan and there are a significant number of measures for each programme.
- For *Tenant Participation Grant*, prior to 1996 the performance measures monitored the number of grants made but did not, for instance, show the "success" rate of the programme in creating tenant management organisations, for example, the proportion of tenant groups moving from promotion to the feasibility stage. In 1996 the Department established a database to record the progress of individual schemes.
- For *Homelessness Grant*, earlier findings by the University of York in 1994 of too many measures, evidence of double counting, confusion over definitions and poor target-setting by grant recipients had not been fully addressed at the time of our audit, although the Department had reduced the number of indicators used. The Department has recently further reduced the number of measures and provided new guidance defining the measures to be provided by grant recipients. These changes will take effect in 1998-99.
- For *grants to Home Improvement Agencies* we found that some unnecessary information was collected, targets did not take account of the circumstances of individual agencies, and the measures did not enable the quality of the services provided by agencies to be assessed. At the time of our examination, the Department had recognised these shortcomings and was seeking improvements.

2.35 The Department had set annual targets for four of the five programmes where measures had been developed - *Tidy Britain Group*, *Groundwork*, *Homelessness Grant* and *Tenant Participation Grant*. However, no aggregate targets had been set for *grants to Home Improvement Agencies*. **The Department should review its performance indicators to ensure that they provide a**

relevant and meaningful assessment of programme performance; and, where possible, set overall targets for the achievement of each grant programme, in addition to targets for individual grants.

2.36 The operational performance of each programme is reported annually to senior Departmental officials via a stewardship report, which includes, for example, performance against targets and progress on implementing internal audit recommendations. The data available suggests that the operational performance of the *grants to Home Improvement Agencies* and *Homelessness Grant* has been good but that performance has been more mixed for other programmes, for example, *Tidy Britain Group* and *Tenant Participation Grant*.

- For *grants to Home Improvement Agencies*: between 1991 and 1997 the number of jobs arranged by agencies funded by grant had increased by 218 per cent, and the value of improvement work arranged had increased by 110 per cent in real terms, against a 37 per cent increase in grants paid (in real terms).
- For *Tenant Participation Grant*: over the period 1992-93 to 1996-97 the Department exceeded its targets for the number of feasibility and development schemes in progress in four out of the five years. However, the number of tenant management organisations actually created fell short of the target in each of the five years. In 1996-97, 22 tenant management organisations were created compared to the target of 30.
- For *Homelessness Grant*: between 1992-93 and 1996-97, against a real terms increase in funding of one per cent, the number of people receiving advice increased by 161 per cent; and the number for whom accommodation was found increased by 72 per cent. This improvement is attributable, in part, to the introduction of a matching funding requirement in 1994; prior to this, the Department had provided 100 per cent funding.
- For the *Environmental Action Fund* and the *Special Grants Programme*: as noted above, the Department consider that there are no suitable aggregate measures of performance available for these programmes.
- For the grant to *Tidy Britain Group*: between 1994-95 and 1996-97 *Tidy Britain Group* failed to achieve between 20 and 40 per cent of the Corporate Plan targets agreed with the Department although in 1996-97 26 per cent of

targets, including some of the more important ones, were exceeded, some significantly. Where targets had not been met in 1996-97, the Department had accepted the reasons given by the Group.

- For the grant to *Groundwork*: between 1994-95 and 1996-97, of the targets monitored and reported internally by the Department, *Groundwork* had missed its targets, though only by a small margin, for five of the seven measures used consistently over the period.

Programme evaluation

2.37 Periodically, a grant programme may benefit from a more fundamental review of its impact: for example, whether it is meeting its policy objectives, such as tackling homelessness, or securing environmental impacts; whether it complements other initiatives; or whether there are more cost-effective ways of meeting the objectives. The frequency of such reviews will depend on the size, risk and importance of the programme.

2.38 The Department's Resource Management Handbook, issued in 1996 requires all expenditure programmes to be fully evaluated against their objectives at least once every three to five years. Similar provisions apply to *Tidy Britain Group* and *Groundwork* which are treated as if they were non-departmental public bodies. As such, they are required to undergo a Financial, Management and Policy Review at least every five years.

2.39 All seven of the programmes examined by us had been subject to some form of review over the last five years (Figure 9). However, only two of the seven programmes had been subject to a fundamental evaluation of their effectiveness. For example, an evaluation of the work of home improvement agencies, conducted by consultants, surveyed householders to assess levels of satisfaction and whether agencies were enabling elderly people to stay in their own homes.

Figure 9 Reviews and evaluations of each grant programme in the last five years

Grant programme	Author	Year	Scope	
			Evaluation of programme impact	Review of programme management arrangements
Home Improvement Agencies	Department, Aldbourne Associates and SCPR	1994	✓	✓
Tenant Participation Grant	Department	1994 1995		✓ ✓
Homelessness Grant	Centre for Housing Policy, University of York	1994	✓	✓
Environmental Action Fund	Department	1996		✓
Special Grants Programme	Department	1995 1996	✓ ¹	✓ ✓
Tidy Britain Group	Department	1994		✓
Groundwork	Department	1995 1996		✓ ✓

Note: 1 The review examined the need for the programme but, because of the multiplicity of objectives served by the programme, the review did not attempt a fundamental evaluation of its effectiveness.

Source: National Audit Office

All grant programmes have been subject to some form of review since 1994, but there have been few fundamental reviews of effectiveness.

2.40 We identified two programmes in particular - the grant to *Tidy Britain Group* and *Tenant Participation Grant* - where more could be done to examine the effectiveness of the programme.

- For *Tidy Britain Group* the Department had yet to examine the impact of the Group's activities on litter and how well the Group was working with other agencies.
- For *Tenant Participation Grant* an evaluation could examine, for example, the sustainability of tenant management once public funding had ceased; and the value for money obtained from the promotion advice given to tenant groups, which accounted for 52 per cent of programme expenditure in 1996-97.

The Department should ensure that all programmes are reviewed, including a periodic review of programme effectiveness, in accordance with the Department's guidelines.

Taking corrective action

2.41 The National Audit Office found both strengths and weaknesses in the arrangements for following up review recommendations.

- A Departmental review of the grant to *Tidy Britain Group* in 1994 had made over 80 recommendations but we could not determine from Departmental papers which recommendations had been accepted and whether they had been implemented. A progress report prepared subsequently (December 1997) indicated that all recommendations had either been implemented, taken forward to some degree, or explanations provided as to why they were not appropriate - just under a quarter were ongoing.
- A review of the *Homelessness Grant* programme conducted by the University of York in 1994 had been submitted to Ministers for their consideration of key recommendations. However, the National Audit Office could not determine whether other detailed recommendations made by the review team had been accepted and implemented.

- In contrast, in the case of *Groundwork*, follow-up was particularly good. In 1995, the Department's internal audit service had made over 40 recommendations. A follow-up visit to *Groundwork* in 1996 found substantial progress and recommended a target date for remaining action to be taken.

The Department should ensure that recommendations arising from periodic reviews are, if accepted, implemented and action documented.

Dissemination of best practice

Good practice

The Department should share best practice, by:

- ensuring that its grant administration procedures conform with good practice; and,
- keeping abreast of developments in the voluntary sector and elsewhere.

Conclusion

The Department could do more to encourage best practice in grant management within the Department, for example, share ideas and keep abreast of developments in the voluntary sector.

2.42 The guidance available to grant managers (see paragraph 1.9) leaves plenty of scope for the use of discretion in designing and administering grant programmes. We found considerable variety in the approaches and methods used across the Department to manage grants to voluntary bodies, for example in the use of agents, the role of visits in selection and monitoring, and the approaches adopted for measuring performance of individual grants and of programmes as a whole. Much of this variation can be explained by the different objectives of each programme and the ideas put into practice by individual grant teams, but much could usefully be shared around the Department. At the time of our review there were no routine mechanisms across the Department for sharing ideas and lessons between grant managers, for example through seminars and the dissemination of relevant reports and reviews of different approaches to the funding of voluntary bodies and grant management. **The Department should consider strengthening its arrangements for sharing ideas and disseminating good practice in grant management.**

Part 3: Environmental grant programmes

Introduction

3.1 This Part of the Report contains the National Audit Office's findings in relation to the three grant programmes relating to the Department's environmental objectives:

- the grant to Tidy Britain Group;
- the grant to Groundwork; and
- the Environmental Action Fund.

Our main findings are shown in a summary table for each grant programme, and appear in bold in the main text. The recommendations flowing from our examination of each grant programme have been taken to Part 2.

Tidy Britain Group

Summary of findings		
<i>Objectives</i>	■ linked to policy aims	✓
<i>Approval of Corporate Plan</i>	■ clear responsibilities, work plans and targets	✓
	■ clear distinction between grant and non-grant activities	✓
<i>Monitoring grant-funded activities</i>	■ effective performance monitoring	✓
<i>Measuring programme achievements</i>	■ grant recipient's performance reviewed annually	✓✓
	■ effectiveness of funded activities reviewed	✓
	■ recommendations followed up	✓
Key:	✓ could be improved	✓✓ good - meets the performance criterion
	✓✓✓ particularly good	n/a not applicable

Grant objectives

3.2 The Department provides a grant to Tidy Britain Group to carry out activities to encourage the public not to deface places with litter; including campaigns to raise awareness of litter, surveys of the level of cleanliness, award

schemes and advice to help local authorities develop their approach to tackling litter. The activities funded by grant are intended to contribute to the Government's overall aim of improving local environments.

3.3 In late 1994 a Departmental review of the grant to Tidy Britain Group concluded that the Department's objectives for the grant and for anti-litter activities in general were not precisely defined, and recommended that the Department should formulate objectives and set firm targets for litter which reflected the overall policy aims. **However, by 1997 the Department had not yet set explicit objectives for its grant to Tidy Britain Group, although it had sought to introduce greater clarity and detail into the corporate objectives put forward by the Group in its Corporate Plan. The Department told the National Audit Office that it is now planning to introduce explicit grant objectives.**

3.4 Responsibility for administering the grant to Tidy Britain Group and for setting policy objectives is split: administration and oversight of the Group's non-litter activities is largely the responsibility of the Department's Environmental and Energy Awareness Division whilst responsibility for litter policy lies with the Air and Environment Quality Division.

Approval of Corporate Plan

3.5 Although Tidy Britain Group is a voluntary organisation, the Group is subject to oversight similar to that applied to non-departmental public bodies. The agreement between the Department and the Group is set out in a grant memorandum: the grant objectives and work programme are agreed annually through the approval of the Group Corporate Plan. The grant memorandum stipulates that the Director General, as the Group's senior full time official, carries responsibilities "which place him effectively in the position of being its accounting officer". **These arrangements provided a clear specification of roles and responsibilities.**

3.6 The 1994 review found that some of the Group's activities were outside the statutory authority of section 3 of the 1983 Litter Act under which grant was paid, which provided for "grants to any body for the purpose of assisting the body to encourage the public not to deface places by litter". These activities included work on non-litter issues such as graffiti, vandalism, recycling and energy efficiency. Since April 1997, grant to the Group has been paid under section 153 of the Environmental Protection Act 1990, which gives the Department powers to provide funding to cover the wider range of activities now undertaken by Tidy Britain Group.

3.7 Since the 1994 Review, the Department has sought to identify more clearly in the Corporate Plan those activities to be funded by grant. **We found a number of improvements had been made to the information appearing in the Corporate Plan. However, there were still some weaknesses in the arrangements for ensuring grant was spent on the programmes intended. The Department's grant letter did not make sufficiently clear, for example, the target level of matching funding.** We found that the definition of core and direct costs used in the Group's Corporate Plan had varied from year to year, making it difficult to monitor trends. For example, based on 1996-97 Corporate Plan figures, we were unable to estimate the proportion of grant used to fund the Group's administrative costs.

Measuring programme achievements

Performance reporting

3.8 The performance measures and targets in the Group's annual Corporate Plan form the basis for the Department's measurement of Tidy Britain Group's performance. **The measures the Department had used for reporting on the Group's performance had varied considerably from year to year, in part, because of the Department's efforts to improve the measures provided by the Group.** Between 1994-95 and 1996-97 the number of measures against which Tidy Britain Group reported achievement in its Corporate Plan varied from 6 to 70, and the number reported internally by the Department varied from 5 to 51. Since 1994 the Department had sought improvements in the Group's performance measures. As a result, only two of the measures used internally by the Department had been reported consistently over this period, making it difficult to track performance. In these three years, **Tidy Britain Group had not achieved between 20 per cent and 40 per cent of the Corporate Plan targets and targets monitored by the Department although, against a background of reduced grant funding and more demanding targets, some of the more important targets had been achieved** (Figure 10). Although no specific target had been set by the Department, the Group had been successful in raising funds from other sources. Between 1992-93 and 1996-97, the proportion of total expenditure met from non-grant income rose from 28 per cent to 38 per cent.

Performance targets for Tidy Britain Group: achievements 1994-95 to 1996-97

Figure 10

	1994-95 % achieved	1995-96 % achieved	1996-97 % achieved
Corporate Plan targets	57	68	63
Targets monitored by Department	67	60	78

Source: National Audit Office

Tidy Britain Group has a mixed record in achieving its targets.

Programme evaluation

3.9 The Department aims to review its relationship with Tidy Britain Group at least once every five years. The 1994 Review made over 80 recommendations, including:

- the overall relationship between Government and the Group should remain;
- the Group should undertake a fundamental restructuring exercise to bring staffing levels more into line with its grant aid allocation, and the regional network, in particular, should be substantially reorganised;
- the activities of the Group should be refocused to the minimum of operations which the Group needs to undertake as a grant-aided organisation, with Government indicating, as part of the Corporate Plan process, which elements or programmes it is prepared to fund from grant, in addition to the core; and
- the current range of performance measures, while broadly satisfactory in approach, should be extended in terms of coverage and depth; and the Group should prepare a paper assessing the value for money of a more comprehensive system of measures.

3.10 We could not determine initially from Departmental papers which of the recommendations had been accepted, and which had been implemented.

A progress report prepared subsequently (December 1997) indicated that all recommendations had either been implemented, taken forward to some degree, or explanations provided as to why they were not appropriate - just under a quarter were ongoing.

Groundwork Foundation and Groundwork Trusts

Summary of findings		
<i>Objectives</i>	■ linked to policy aims	✓✓✓
<i>Approval of Corporate Plan</i>	■ clear responsibilities, work plans and targets	✓✓✓
	■ clear distinction between grant and non-grant activities	✓✓
<i>Monitoring grant-funded activities</i>	■ effective performance monitoring	✓✓✓
<i>Measuring programme performance</i>	■ grant recipient's performance reviewed annually	✓✓
	■ effectiveness of funded activities reviewed	✓✓
	■ recommendations followed up	✓✓✓
Key:	✓ could be improved	✓✓ good - meets the performance criterion
	✓✓✓ particularly good	n/a not applicable

Programme objectives

3.11 The Department provides grant to Groundwork, which comprises the Groundwork Foundation and a network of over 40 Groundwork Trusts, to carry out a programme of activities aimed at improving local environments in partnership with communities, voluntary bodies and the private sector. A variety of projects are supported, ranging from land reclamation, environmental education, the development of cycle routes, cleaning canals and waterways, and advice to business on environmental issues. **There was a clear link between the objectives for the grant to Groundwork and the Department's wider policy objectives.**

Approval of Corporate Plan

3.12 The Foundation is a company limited by guarantee and a registered charity. Its role is to obtain funding, and manage and support the network of Groundwork Trusts. Each Trust is itself a company limited by guarantee and registered charity.

3.13 The Groundwork Foundation is subject to oversight similar to that normally applied to non-departmental public bodies. **We found a clear division of responsibilities between the Department and Groundwork.** The agreement between the Department and Groundwork is set out in a grant memorandum, and the grant objectives and future work programme are agreed through discussion

and approval of the Foundation's Corporate Plan. The grant memorandum specifies that the Chief Executive of Groundwork "carries responsibilities which place him effectively in the position of being its accounting officer".

3.14 When the first Trusts received funding in 1985, Government funding for core costs - mainly administrative costs - was to be limited to 50 per cent for a maximum of three years. Core funding was then extended to six years, and then beyond six years, subject to review every three years. Under the new strategic relationship introduced in 1997, individual Trusts will normally receive core funding for a maximum of twelve years, back-dated for existing Trusts. As a result, 12 existing Trusts are expected to have core funding withdrawn in the year 2000.

3.15 **The Department has improved the extent to which the Foundation's Corporate Plan can be used to monitor progress as well as examine and agree its plans for the future.** An examination by the Department's internal audit service in 1995 had found that the plans produced between 1989 and 1994 did not match the standards normally expected of non-departmental public bodies, as Groundwork's were required to do. The Foundation was given clear guidance on what was expected for the 1996 Corporate Plan, and as a result this and subsequent plans have met the standards required.

3.16 The Foundation has the main responsibility for monitoring the performance of the individual Trusts. As well as routine monitoring, the Foundation reviews each Trust's management and achievements every three years, with the help of staff from other Trusts. The Department requires the Foundation to provide it with assurance that each Trust continues to meet the Department's funding criteria and has adequate financial and management systems. The 1995 internal audit report found the review process to be operating effectively. We found that the Department had received and scrutinised copies of these reviews. From April 1997, the Department plans to visit three or four Trusts a year to assess the work undertaken with the Department's grant and to extend its knowledge of the Groundwork network.

Measuring programme achievements

Performance reporting

3.17 **The Foundation has taken steps to improve the monitoring of Trusts' performance.** The 1995 internal audit report found that there was a lack of relevant and quantifiable performance information at all levels within Groundwork, making it difficult to assess progress and value for money.

Groundwork responded by developing a system of National Performance Measures linked to its corporate objectives. Performance is reported in Trusts' business plans and the Foundation's Corporate Plan. Each measure is supported by subsidiary measures and targets set for individual programmes. The Foundation has produced guidance on how the indicators should be compiled, and all performance information is expected to be auditable.

3.18 It was too early for us to examine the performance revealed by the new measurement framework. Taking performance measures and targets used over the period 1994-95 to 1996-97 and reported internally within the Department, the National Audit Office found that **Groundwork had missed, though only by a small margin, five of the seven targets used consistently over the period.** Figure 11 shows the results.

**Groundwork's
performance against
target for the period
1994-95 to 1996-97**

Figure 11

Performance Measure	Target	Output	Percentage
Trusts established	16	14	88
Projects completed	10,525	10,614	101
Trees planted ('000)	2,489	2,312	93
Routeways maintained (km)	1,513	1,431	95
Routeways improved (km)	642	774	121
Land improved (hectares)	1,810	1,781	98
Private sector support (£m)	13.4	12.4	93

Groundwork missed the targets set for it, though only by a small margin, for five of the seven indicators used consistently over the period 1994-95 to 1996-97.

Source: National Audit Office

3.19

More generally, the 1995 internal audit report made over 40 recommendations for improvement. The objective of the examination was to provide assurance to the Department that the Foundation had in place adequate and effective control systems to ensure regularity, propriety and value for money when using grant resources. We found that the Department had followed up the report's recommendations, and that by July 1996 **the Foundation had satisfactorily implemented 32 of the 40 recommendations. All the remaining recommendations had been implemented at the time of our audit.**

Programme evaluation

3.20 The last review of the programme took place in 1994. This review, conducted by officials from the Department, included feedback from sponsors and other organisations in the field. The review considered Groundwork’s remit, organisational structure, the future scale of the network, arrangements for funding projects and the role of the Foundation. The Department’s review team found strong support for Groundwork among local authorities, national and local private sector companies, voluntary bodies and local people. **The review largely endorsed the existing remit, structure and the planned expansion of the network to 50 Trusts. It did not examine the impact of the programmes administered or delivered through Groundwork.**

Environmental Action Fund

Summary of findings

<i>Objectives</i>	■ linked to policy aims	✓✓
<i>Management arrangements</i>	■ clear responsibilities	✓✓
	■ appropriate management of agents	✓✓
	■ reasonable administration costs	✓✓
<i>Appraisal and selection of applicants</i>	■ attracts sufficient applications	✓✓✓
	■ likely to select the best	✓✓
	■ unnecessary bureaucracy minimised	✓✓
<i>Monitoring arrangements for grant recipients</i>	■ clear work plans	✓✓
	■ effective financial monitoring	✓✓
	■ effective performance monitoring	✓
<i>Measuring programme achievements</i>	■ operational performance monitored	✓✓
	■ programme effectiveness reviewed	✓
	■ recommendations followed up	n/a

Key: ✓ could be improved ✓✓ good - meets the performance criterion
 ✓✓✓ particularly good n/a not applicable

Programme objectives

3.21 Grants from the Environmental Action Fund are provided to voluntary bodies to assist them to undertake work which contributes to the achievement of the Government’s environmental objectives. **We found a clear link between the**

programme objectives and the Department's various environmental aims. The programme's objectives include, for example, encouraging waste minimisation and the efficient use of energy, and improving the local environment.

Management arrangements

3.22 There are three categories of grant: strategic grants, project grants, and grants to smaller local projects. In 1996-97 expenditure on the programme included:

- strategic funding: £1.9 million contributed towards the core costs - the essential salary and other running costs - of 33 national or regional organisations (average £58,000);
- project funding: £1.7 million supported 90 specific projects (average £19,000); and
- Local Project Fund: £300,000 supported around 100 smaller local projects (average £3,000). This element was not examined by the National Audit Office.

3.23 In 1994, the Department awarded a two year contract for the administration of both project grant and the Local Project Fund to Civic Trust. This contract was extended for one year in 1996 and then renewed for a further three years in 1997 at an estimated cost of £52,000 a year for the project element and £97,600 for the Local Project Fund (including general administrative costs). The latest award followed a tendering process in which the Department invited nine organisations, all with experience in the environmental field, to take part. Civic Trust were the only organisation to submit a tender. **Although the Department did not have any external means of comparison for the bid from Civic Trust, it was able to assess the reasonableness of the bid** because the tender documentation provided adequate detail on the type and quantity of work required under the contract and the relationship between the work to be performed and the price tendered.

3.24 To help it monitor the performance of Civic Trust, the Department requires it to submit monthly reports on its grant management activities. Prior to April 1997 these reports were quarterly. These report progress against an annual work plan, with targets, agreed at the start of the year. **Prior to April 1997 there had been no formal meetings between the Department and the Trust to discuss**

administrative performance although there had been regular informal contact between the two organisations. Since April 1997, the parties have met every two months to review progress.

Appraisal and selection of applicants

3.25 In recent years the fund has been heavily oversubscribed. Applications for strategic and project funding have outnumbered grant awards by seven to one and fifteen to one respectively. Applications for strategic grant are assessed by Departmental officials and put forward for approval by Ministers. **For all the awards of strategic grant examined by us, the selection criteria had been properly applied.**

3.26 For project grants, the Department and Civic Trust have used a grants panel, and a network of assessors, to sift the large number of applications and to make recommendations on which applicants should receive funding. These arrangements are intended to ensure that appropriate expertise is used to assess the merits of individual applications, which may span a wide range of activities. The 14 unpaid members of the grants panel comprise individuals drawn from voluntary organisations selected by the Department. In addition, a network of paid assessors, comprising individuals with experience of working in the environmental field, visit and assess both new applicants and those applying for continued funding.

3.27 **Feedback from grant applicants surveyed by us indicated a high degree of satisfaction with the Department's and Civic Trust's administration of the application process.** 26 out of the 28 respondents considered they had been given clear and helpful information.

Monitoring arrangements for grant recipients

3.28 The Department relies upon a mixture of monitoring visits and desk-top reviews of information received from the grant recipient to ensure that grant terms are met. The Department monitors organisations receiving strategic grant, and Civic Trust monitors project grants.

3.29 **For strategic grants, we found that for the cases examined the number and quality of reports received from grant applicants had improved and that the frequency of visits from officials had increased in recent years.**

3.30 For project grants, we found that Civic Trust had received and scrutinised the required monitoring reports. **Prior to 1997-98 although some monitoring visits had been made by Civic Trust to grant recipients it was not possible to identify the precise number.** Instead, in some cases, the Trust had undertaken monitoring via telephone interviews. This failure to meet contract terms was uncovered by the Department's internal audit service in late 1996. We found that in one case examined by us the grant recipient had made incomplete and inconsistent grant claims to Civic Trust. This should have been identified and should have triggered a visit. **From 1997-98 Civic Trust will visit all recipients of project grant on an annual basis and will keep a written record of such visits.**

Measuring programme achievements

Performance reporting for the programme

3.31 **Until very recently, the Department had no mechanism in place to report on the achievements of the programme as a whole.** In part, this reflected the very wide range of projects supported by the programme, from waste recycling to energy efficiency initiatives, which made it difficult to identify a simple group of measures for reporting programme performance against its objectives.

3.32 However, following a review of the programme by the Department's internal audit service in December 1996, the Department introduced a requirement for a review of the achievements of each grant at the end of every grant-aided project, or three year cycle of strategic grant. The Department are examining ways of using this information to report on the achievements of the programme as a whole. Guidance on how to undertake project reviews was issued to staff in April 1997.

Programme evaluation

3.33 **There has been no evaluation of this programme since it was first established in 1992.**

Part 4: Housing and regeneration grant programmes

4.1 This Part of the Report contains the National Audit Office’s findings in relation to the four grant programmes relating to the Department’s housing and regeneration objectives:

- grants to Home Improvement Agencies;
- Tenant Participation Grant;
- Homelessness Grant; and
- Special Grants Programme.

Our main findings are shown in a summary table for each grant programme, and appear in bold in the main text. The recommendations flowing from our examination of each grant programme have been taken to Part 2.

Grants to Home Improvement Agencies

Summary of findings		
<i>Objectives</i>	■ linked to policy aims	✓✓
<i>Management arrangements</i>	■ clear responsibilities	✓
	■ appropriate management of agents	✓
	■ reasonable administration costs	✓✓
<i>Appraisal and selection of applicants</i>	■ attracts sufficient applications	✓✓
	■ likely to select the best	✓
	■ unnecessary bureaucracy minimised	✓✓
<i>Monitoring arrangements for grant recipients</i>	■ clear work plans	✓✓
	■ effective financial monitoring	✓✓
	■ effective performance monitoring	✓
<i>Measuring programme achievements</i>	■ operational performance monitored	✓✓
	■ programme effectiveness reviewed	✓✓✓
	■ recommendations followed up	n/a
Key: ✓ could be improved ✓✓ good - meets the performance criterion ✓✓✓ particularly good n/a not applicable		

Programme objectives

4.2 The programme has a number of objectives, including enabling people to stay in their own homes and improving private sector housing stock, **which have a clear link to the Department's wider policy objectives.**

Management arrangements

4.3 Local authorities make applications for grant on behalf of home improvement agencies; the Department assesses bids and pays the grants; and has appointed Care and Repair England Ltd, a charity, to assist in assessing bids, to act as national co-ordinator, provide training and support, and monitor the performance of agencies.

4.4 Care and Repair was appointed as programme coordinator in 1991 for four years. In 1995 the Department advertised the contract in accordance with accepted practice and received seven expressions of interest. Only Care and Repair met the initial selection criteria set by the Department - which included a requirement that the coordinating body be independent from home improvement agencies and related bodies, and also have no affiliation to any other commercial organisation working in the housing field. As a result, none of the other six organisations were invited to tender, and Care and Repair was re-appointed for five years.

4.5 The Department was not in a position to fully assess the reasonableness of the bid from Care and Repair as the tender specification did not detail the work required in sufficient depth to know exactly what was being bought for the tendered sum. In turn, Care and Repair submitted a budget to the Department which did not break down its costs between the different types of activity that it would carry out.

4.6 The Department's grant agreement was over-prescriptive in terms of its control over the managerial operation of Care and Repair, for example over the appointment of staff, but did not specify in sufficient detail the services which Care and Repair were expected to provide for the Department. This had led, at times, to differing views between the Department and Care and Repair on their respective responsibilities, for example the degree of freedom of action given to Care and Repair as the coordinating body for home improvement agencies. We also found a lack of clarity over Care and Repair's monitoring role and some duplication of effort between the Department and Care and Repair in appraising applications.

4.7 At the time of our examination there were no formal arrangements for reviewing the performance of Care and Repair although a review in 1994, conducted by independent consultants, concluded that the Department's grant to Care and Repair had been effective and provided value for money. Departmental officials are however in frequent contact with their counterparts, liaising closely and tackling problems as and when they arise. **The Department has not established performance indicators for Care and Repair's administration of grant processes.**

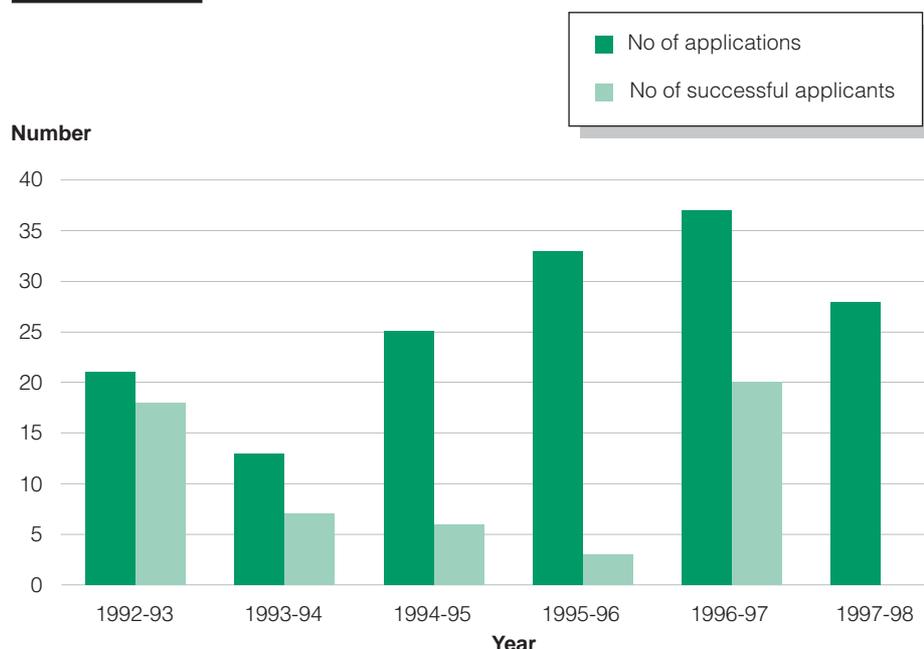
Appraisal and selection of applicants

4.8 The Department makes the final decision on which home improvement agencies should receive grant, on the basis of advice from Care and Repair. Applications are made by local authorities on behalf of local home improvement agencies. The Department writes to all local authorities inviting bids. Given that the Department will usually fund only one agency per local authority area, the potential number of applications is necessarily limited. In 1997-98, the Department received bids from 171 of the 356 local authorities in England. **We found the application process to be thorough.** All the applications examined by us had been assessed against pre-set criteria, which included a requirement for new applicants to have six months' proven track record.

4.9 In selecting applicants the Department has given priority to those applicants already in receipt of grant - subject to them achieving satisfactory performance. **Much of the programme is dominated by agencies which have been involved since the start, and in some years there have been very few new awards of grant.** We found that 92 of the 97 agencies (95 per cent) funded in 1991-92 were still being funded in 1996-97. And although around 50 agencies have been newly grant-funded since 1992-93, in four of the last six years there were few, if any, new awards even though there were many applicants (Figure 12). Although not all applicants meet the Department's funding criteria, the lack of new awards even for those who do can mean that effort is wasted by both agencies and local housing authorities in preparing applications for first-time funding, and by the Department in dealing with those applications. It may also discourage future applicants. The priority given to existing grant recipients over new applicants means there is a risk that some applicants in areas of greater need, or likely to perform to a higher standard, are overlooked. **The Department has identified this as a problem and is looking at possible solutions.**

Grants to Home Improvement Agencies - success rate of new applicants

Figure 12



Source: National Audit Office

In four of the six bidding rounds since 1992-93, there have been few if any new awards.

4.10 Although the sums allocated to the programme each year have been fully spent the Department has been unable to meet the actual and potential demand for home improvement agencies which meet its funding criteria: in 1996-97 there were about 210 agencies, covering about 215 of the 356 local authority areas, of whom 143 received grant from the Department, but not all non-grant funded agencies offered a comprehensive service or met other grant conditions.

Monitoring arrangements for grant recipients

4.11 The Department requires Care and Repair to monitor agencies’ progress against 14 different measures, although they are not required to carry out checks on the accuracy of the data. Targets were set for each performance indicator in 1991 and have remained unchanged since then. In 1997-98 the Department identified five of the 14 performance measures as key (Figure 13).

**Targets used to assess
Home Improvement
Agencies' performance in
1996-97**

Figure 13

- Value of repairs and improvements in each year to exceed £160,000
- 90 jobs to be completed in the year
- Ratio of value of repairs/improvements to budget to be at least 2.6 to 1
- 95 per cent of agencies' clients to live in privately-owned accommodation
- 80 per cent of clients to be over 75 years of age, or on low incomes or disabled

Source: National Audit Office

The Department uses five key targets against which bids are assessed.

4.12 We examined the performance of all 92 continuously funded agencies against these targets for the six years 1991-92 to 1996-97. **Most agencies had been able to meet the majority of their targets** throughout this period, although six agencies had not met two of the five targets in five out of the six years, including one agency which had not met three or more of the five targets each year since 1991-92. However, the targets do not take account of the type of work managed by the agencies or their size and therefore do not, in the Department's view, of themselves provide a reliable indication of performance. Where appropriate, Care and Repair is able to provide additional qualitative performance information. The Department is now examining ways of improving its performance measures and targets.

4.13 In addition to the 14 performance measures, Care and Repair also collects and analyses other quantitative information from each agency, which it includes in its report to the Department. This data includes, for example, the type of work completed, the number of supervisory visits, and sources of other funding. **The National Audit Office could find no evidence that the Department or Care and Repair had made use of all the information required of agencies, and none of the measures or information related to the quality of service provided by the agency, for example, by measuring client satisfaction.**

Measuring programme achievements

Performance reporting for the programme

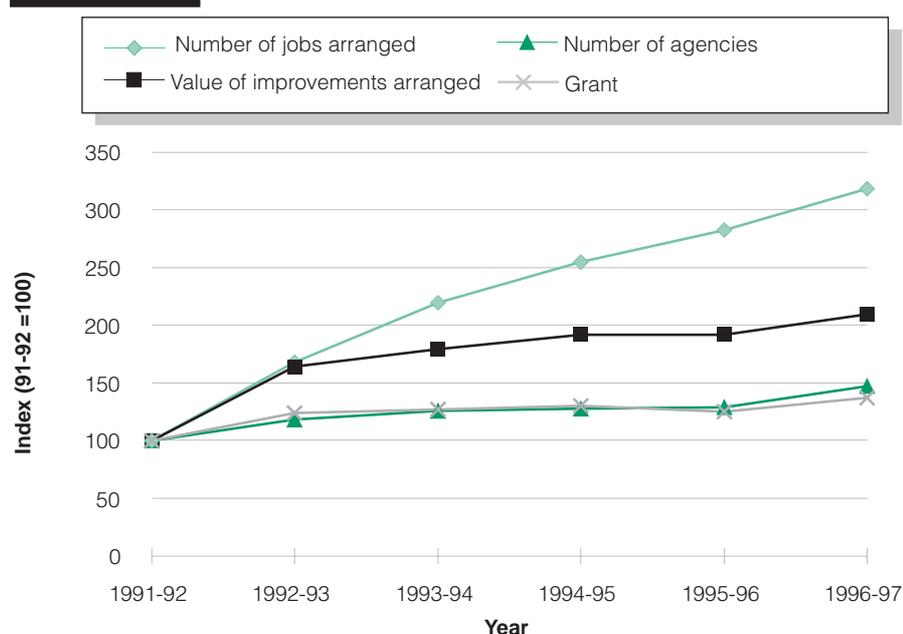
4.14 The measures used to monitor the performance of individual home improvement agencies also provide the basis for reporting within the Department on the performance of the programme. The two measures reported are the total number of individual jobs arranged by the agencies and their total value. However

the number of jobs arranged may not be a completely reliable measure as the term 'job' is not defined. Care and Repair reported to the Department in 1996 that different agencies use different definitions.

4.15 Subject to this qualification, the performance data show that **there was a 37 per cent increase in grant (in real terms) between 1991 and 1997, but over the same period the number of jobs arranged by agencies funded by grant had increased by 218 per cent, and the value of improvement work arranged had increased by 110 per cent in real terms** (Figure 14).

Achievements of grant-funded Home Improvement Agencies between 1991-92 and 1996-97

Figure 14



Between 1991-92 and 1996-97 there was a 37 per cent increase in the amount of grant (in real terms). Over the same period, home improvement agencies reported an increase of 218 per cent in the number of jobs arranged, and 110 per cent (in real terms) in the value of improvement work arranged.

Source: National Audit Office

Programme evaluation

4.16 The grant programme was evaluated in 1994 with help from independent consultants SCPR and Aldbourne Associates. The evaluation included a client survey which examined service satisfaction levels, the extent to which improvements would have been made without agency assistance and whether clients thought they would have been able to remain in their own homes without those improvements. Care and Repair's role and the value for money it provides were also examined. The review found that the grant programme had helped a

large and increasing number of vulnerable people to repair and adapt their own homes, and made few specific recommendations for change. As a result of the positive findings, Ministers announced in 1995 that the programme would continue for a further five years.

Tenant Participation Grant

Summary of findings		
<i>Objectives</i>	■ linked to policy aims	✓✓
<i>Management arrangements</i>	■ clear responsibilities	✓✓
	■ appropriate management of agents	✓
	■ reasonable administration costs	✓✓
<i>Appraisal and selection of applicants</i>	■ attracts sufficient applications	✓
	■ likely to select the best	✓✓
	■ unnecessary bureaucracy minimised	✓✓
<i>Monitoring arrangements for grant recipients</i>	■ clear work plans	✓✓
	■ effective financial monitoring	✓✓
	■ effective performance monitoring	✓
<i>Measuring programme achievements</i>	■ operational performance monitored	✓✓
	■ programme effectiveness reviewed	✓
	■ recommendations followed up	n/a
Key: ✓ could be improved ✓✓ good - meets the performance criterion ✓✓✓ particularly good n/a not applicable		

Programme objectives

4.17 We found a clear link between the programme objectives and the Department's aim of promoting diversity in the management of public sector housing.

Management arrangements

4.18 The Department is responsible for administering the programme.

4.19 Three types of grant are available:

- **promotion grant** is paid to tenant participation agencies, approved by the Department, towards publicity and promotion of tenant participation in a particular area, or to help on individual estates to explore tenant management options and to prepare groups to exercise their statutory “right to manage”. In 1996-97, the Department paid £2.2 million for promotion work to 23 agencies representing 46 per cent of total programme expenditure, plus a further £300,000 for seminars and conferences.
- **feasibility grant** is triggered when tenants exercise their right to manage by serving a notice on the local authority. Grant is paid to agencies to carry out feasibility work and to present options to tenants prior to a ballot. Expenditure on feasibility work in 1996-97 was £0.8 million for over 70 schemes run by 17 agencies, some 17 per cent of total programme expenditure.
- **development grant** is paid to tenant groups after tenants decide in a ballot to proceed to form a tenant management organisation. Matching funding of 25 per cent must come from the local housing authority. Tenant groups are obliged to purchase the necessary advice and training from one of 27 approved agencies. Expenditure on development in 1996-97 was £1.0 million to 109 tenant groups, some 21 per cent of total programme expenditure.

In addition, in 1996-97 the Department paid grant of £330,000 to two approved agencies for a national tenant training programme, and £130,000 to an approved agency for an advice service to tenants receiving tenant participation grant.

4.20 Before they start to work with tenant groups, agencies must be approved by the Department, to ensure that they have the requisite level of competence. In 1996-97 there were 27 approved agencies in England. An agency seeking approval may be an individual, a company, a partnership, a voluntary organisation, a housing association, a trust or a consortium of such organisations. **The majority of approved agencies have been on the list since 1987.** The only agencies to be removed from the list are those 15 agencies which have withdrawn voluntarily from the programme since 1990.

4.21 The National Audit Office found considerable differences among the largest agencies in the percentage of their promotion schemes which went on to the feasibility stage, ranging from eight to 53 per cent. Some of these variances may be explained by tenant groups choosing to pursue other tenant participation options, which is one of the objectives of the programme, or because of a local authority’s

opposition to tenant management. Since 1996 the Department has formally monitored agencies' performance and, where necessary, has been able to raise concerns with the relevant agencies. Nevertheless each agency had continued to receive funding although in 1996-97 the Department restricted the grants awarded to one agency due to particularly poor performance.

4.22 **The Department has recognised the need to introduce more formal arrangements for reviewing agencies' performance on a cyclical basis.** In April 1997, the Department introduced standard criteria with which to assess agencies' grant administration procedures, their performance against work programme targets, outputs, quality of reports and financial information. The Department has also introduced a programme of visits to agencies, and six agencies were visited during 1996-97.

Appraisal and selection of applicants

4.23 **The National Audit Office found that for the cases examined, applications had been assessed properly against pre-set criteria.**

4.24 To date, the Department has been able to fund all eligible applications for the grant, and funds allocated to the programme were underspent in each of the years 1994-95 to 1996-97 by between 16 and 22 per cent on their initial budget - unspent funds have generally been reallocated to other expenditure programmes. Most of the shortfall against the initial budgets is attributed by the Department to a lower than expected take-up following the introduction in 1994 of the statutory "right to manage". The Department is considering the structure of the grant programme and will be making proposals, in the light of Ministers' policies and priorities, which should enhance the take-up of grant.

Monitoring arrangements for grant recipients

4.25 For each grant, the Department expects to receive, in addition to feedback from tenants, quarterly grant claims, progress reports, audited accounts, auditors' reports and, for groups in receipt of development grant, a quarterly financial health check completed by the agencies.

4.26 The current monitoring arrangements have detected some irregularities. Since 1993, seven cases of alleged or proven financial irregularity by tenant groups in receipt of grant have come to light. An internal audit review in 1995, following the discovery of irregularities at four tenant groups, concluded that there was scope for tightening up checks and improving the flow of information between the

Department and tenant groups. Following the review’s recommendations, the Department will be requiring from 1 April 1998 an interim audit certificate for each tenant group six months after initial receipt of development grant.

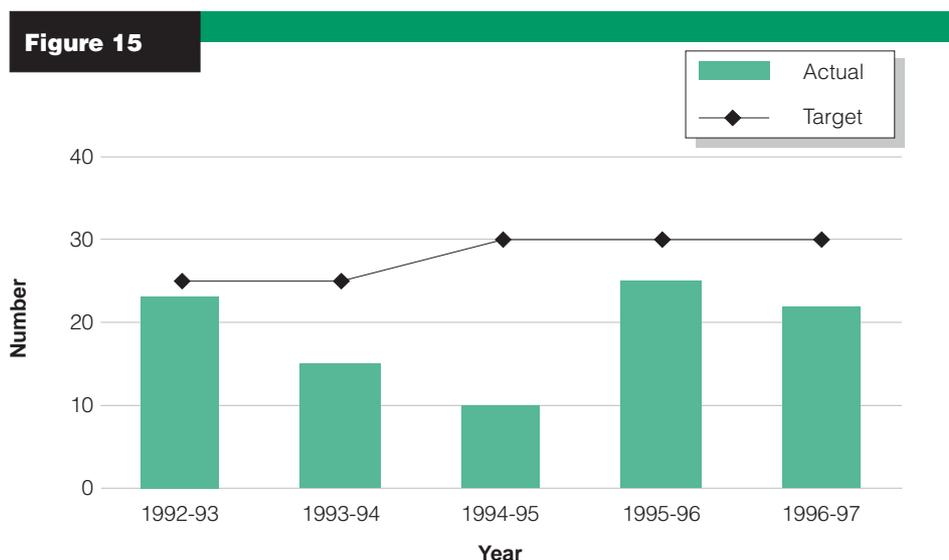
Measuring programme achievements

Performance reporting for the programme

4.27 Until 1996 the Department did not formally monitor the proportion of tenant groups which advance through the various stages of promotion, feasibility and development to achieve the ultimate goal of becoming an operational tenant management organisation. However, in 1996 the Department established a database to record data on the progress of schemes, although it may be some time before sufficient schemes have passed through the various stages of development to provide a better picture of the drop out rate of tenant groups at each stage of the process.

4.28 The Department has three main performance measures and targets for the programme: the number of feasibility studies in progress, the number of development schemes in progress and the number of development schemes completed. **Over the period 1992-93 to 1996-97 the Department exceeded its targets for the number of feasibility and development schemes in progress in four out of the five years. However, the number of development schemes completed fell short of the target in all five years (Figure 15).**

Tenant Participation Grant - target and achievement for the number of completed development schemes



Note: 1994-95 saw the introduction of a new statutory framework under “right to manage”.

Between 1992-93 and 1996-97 the Department failed to meet its target for development schemes completed in each year.

Source: National Audit Office

4.29 The number of applications for feasibility and development work in part reflects the outcome of earlier promotion work funded by the Department, which accounts for over half of programme expenditure. The Department recently reviewed its promotion strategy and decided to reallocate resources from national or local authority wide promotion to promotion work on specific estates. The Department has not yet evaluated whether this change in approach has led to a more sustained interest from tenants in tenant management.

Programme evaluation

4.30 In 1991 the Department commissioned Price Waterhouse to compare the performance of tenant-led forms of housing organisation with housing managed by a local authority or housing association, based on an examination of ten tenant management organisations. The study identified good and bad practice but did not examine the impact of the programme overall. **To date, there has been no broader evaluation of the grant programme's effectiveness**, for example, on what happens to tenant management organisations once they are operational, or to those groups or projects which do not become tenant management organisations.

Homelessness Grant

Summary of findings

<i>Objectives</i>	<ul style="list-style-type: none"> ■ linked to policy aims 	✓✓
<i>Management arrangements</i>	<ul style="list-style-type: none"> ■ clear responsibilities ■ appropriate management of agents ■ reasonable administration costs 	✓✓ n/a ✓✓
<i>Appraisal and selection of applicants</i>	<ul style="list-style-type: none"> ■ attracts sufficient applications ■ likely to select the best ■ unnecessary bureaucracy minimised 	✓✓✓ ✓ ✓✓
<i>Monitoring arrangements for grant recipients</i>	<ul style="list-style-type: none"> ■ clear work plans ■ effective financial monitoring ■ effective performance monitoring 	✓✓ ✓✓ ✓
<i>Measuring programme achievements</i>	<ul style="list-style-type: none"> ■ operational performance monitored ■ programme effectiveness reviewed ■ recommendations followed up 	✓✓ ✓✓ ✓

Key: ✓ could be improved ✓✓ good - meets the performance criterion
 ✓✓✓ particularly good n/a not applicable

Programme objectives

4.31 Homelessness Grant, which was introduced in 1990, is awarded to voluntary organisations to assist with the running costs of projects which provide assistance to those single people in housing need for whom local authorities have no statutory duty to find a home. There was a clear link between the programme objectives and the Department's aims.

Management arrangements

4.32 The programme is administered entirely by the Department. **We found that clear responsibilities had been set for managing the programme.**

Appraisal and selection of applicants

4.33 The Department assesses new applications against a range of criteria including whether there is an identified need in that locality and whether there is a fair distribution of grants across the country. The Department may also give preference to particular types of project, for example in recent years it has given priority to the creation of accommodation registers and support for rent and deposit guarantee schemes. As well as considering new applications, each year the Department considers applications for continued funding from existing grant recipients. Funding is given for three years in the first instance.

4.34 **We found that overall the Department had assessed projects systematically against the priorities set by Ministers. However, applications from existing projects were given priority over new applications even if in their fifth or sixth year of funding.** We found that 47 per cent of projects funded in 1992-93 were still funded in 1997-98. The grant was originally intended to pump-prime new projects but has been used incrementally to fund projects in the medium to longer term. **The Department has changed its procedures for applications for grant for 1998-99 to remove the preference given to existing grant recipients.**

4.35 **Some applicants selected by the Department have subsequently experienced difficulty in attracting the expected matching funding, or replacement funding when the grant term ends.** In 1996-97, 41 per cent of projects in their third year of funding were funded at 90 per cent of total costs rather than the 50 per cent agreed when the grant recipients were selected. The National Audit Office survey of grant applicants found that over half the applicants for Homelessness Grant (12 out of 23 respondents) wanted more information on

sources of matching funding. The inability of some projects to raise the agreed level of matching funding combined with the preference given to existing projects may mean that other projects, which may merit funding, do not receive it. However, the commitments to existing projects have not completely restricted the Department's ability to fund new projects; between 10 and 27 per cent of grants each year between 1995-96 and 1997-98 went to new applicants.

4.36 To assess need, the Department uses the background knowledge of its own grant team, consults the relevant Government Office for the Region, and consults census data on the incidence of rough sleeping in the area. However, to a large extent, the Department relies upon the assessment of local need made by the applicant. **The Department does not routinely consult local authorities about applications**, although the relevant Government Office for the Region may sometimes contact an authority on the Department's behalf. In one case examined by us, one bid had been about to receive approval when the Department heard via the Government Office for the North West that the local authority did not support the proposal because there was no need for a project of that type in that area. In this case the procedures worked effectively although we were told by the Department that not all Government Offices employed such an approach. **The Department told us that local authorities would be consulted directly for all applications for Homelessness Grant for 1998-99.**

Monitoring arrangements for grant recipients

4.37 When awarding a grant, the Department agrees a budget with the recipient and sets performance targets. Progress is monitored by means of quarterly reports which provide mainly quantitative information on performance against targets. The Department requires an annual certificate from each recipient's auditor to confirm that grant moneys have been properly accounted for and spent on the purpose for which they were provided. **The National Audit Office survey of grant recipients found that 87 per cent of those who replied thought that the amount and type of grant monitoring by the Department was about right.**

4.38 **The Department aims to visit each recipient once during the normal three year grant period although it has not always been able to carry out all scheduled visits due to pressure on staff resources.** Respondents to the Office's survey commented in particular on the value of these visits and the opportunity they offered both parties to discuss progress, and for the voluntary body to gain informal feedback. Such visits are intended to include checks on financial systems and the arrangements for reporting performance, but for the cases examined by us

these checks were not always carried out. However, this was the only grant programme examined by us where explicit provision had been made to undertake such checks.

4.39 The Department uses a standard set of measures to monitor the performance of individual projects. Targets are normally agreed with the grant recipient at the outset. An evaluation of the programme in 1994 by the University of York reported some problems with performance reporting and target setting, including double-counting, confusion as to what constituted a unit of activity, and lack of consensus over definitions. The research also found that project managers did not always adequately link the setting of targets to a systematic attempt to assess need. In addition, projects which were engaged in roughly similar activities had very different targets. We found that the Department had since reduced the number of measures from 31 to 21, although grant recipients surveyed by us still questioned the value of some of the measures used. We also found that little information was available on the success of individual projects following their completion. **The Department has recently further reduced the number of measures to 16 and provided new guidance to grant recipients defining the measures to be provided.**

Measuring programme achievements

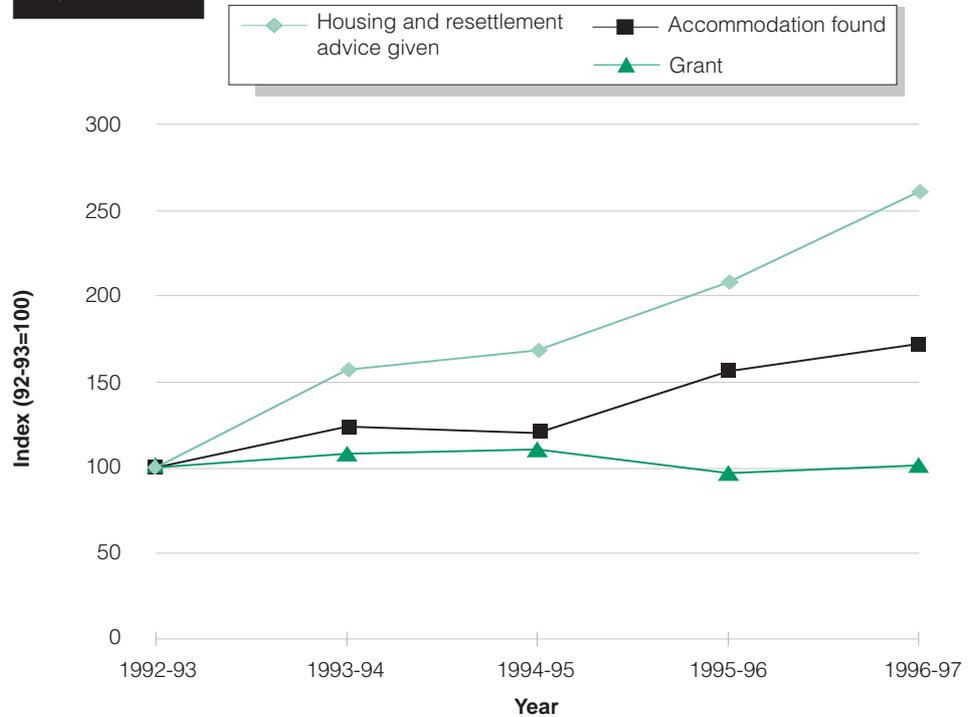
Performance reporting for the programme

4.40 The Department aggregates all of the 21 performance measures of which two measures are published for the programme as a whole: the total number of people receiving housing and resettlement advice and the total number of people found accommodation. Targets agreed with each grant recipient are also aggregated to provide an overall target for the programme.

4.41 Performance against target between 1992-93 and 1996-97 for each of these indicators showed that in aggregate **projects had exceeded their targets for housing advice in each year but had narrowly missed their targets for finding accommodation in the three years 1994-97.** Each measure shows an upward trend (Figure 16): between 1992-93 and 1996-97 the number receiving advice rose by 161 per cent to reach 163,000 and the number of people found accommodation rose by 72 per cent to 43,000, some eight per cent short of the target. Over the same period, grant expenditure rose by one per cent in real terms, and the number of projects rose by 32 per cent. This improvement is attributable, in part, to the introduction of a matching funding requirement in 1994: previously the Department had provided 100 per cent funding.

Homelessness Grant performance between 1992-93 and 1996-97

Figure 16



Source: National Audit Office

Over the period the number of people receiving help through the programme has increased whilst the grant has remained largely the same in real terms.

Programme evaluation

4.42 The Homelessness Grant programme was evaluated in 1993-94 by a team from the Centre for Housing Policy at the University of York. **The team from York University concluded that between 1990 and 1993 the programme had to a large extent been successful.** They made 26 recommendations, including:

- the programme should continue;
- careful consideration should be given to funding fewer projects;
- the Department should consider how best to direct resources towards proven need;
- performance measures should be simpler, fewer and more indicative of projects' success or progress;
- time-limited and tapering funding should be retained, but the taper should be less severe and projects funded for more than three years; and

- the Department should encourage local authorities to develop better strategic co-ordination of services for single homeless people.

4.43 The first three recommendations above were regarded as key and were therefore specifically considered and approved by Ministers. Some of the other more detailed recommendations, which had been considered less important by the Department, had been actioned. However, we could not determine from the papers whether all these detailed recommendations had been accepted and implemented.

Special Grants Programme

Summary of findings

<i>Objectives</i>	■ linked to policy aims	✓✓
<i>Management arrangements</i>	■ clear responsibilities	✓✓
	■ appropriate management of agents	n/a
	■ reasonable administration costs	✓
<i>Appraisal and selection of applicants</i>	■ attracts sufficient applications	✓✓
	■ likely to select the best	✓✓✓
	■ unnecessary bureaucracy minimised	✓✓
<i>Monitoring arrangements for grant recipients</i>	■ clear work plans	✓✓
	■ effective financial monitoring	✓✓
	■ effective performance monitoring	✓✓
<i>Measuring programme achievements</i>	■ operational performance monitored	✓✓
	■ programme effectiveness reviewed	✓✓
	■ recommendations followed up	✓✓

Key: ✓ could be improved ✓✓ good - meets the performance criterion
 ✓✓✓ particularly good n/a not applicable

Programme objectives

4.44 Grants from the Special Grants Programme have been provided since 1984 to voluntary organisations carrying out national projects which further the Department's housing and regeneration policy objectives (such projects may include regional or local pilots). **We found a clear link between the programme objectives and the Department's wider policy aims.**

Management arrangements

4.45 The Department manages all aspects of the grant process. **We found roles and responsibilities within the Department to be clearly set out.**

Appraisal and selection of applicants

4.46 Grants are awarded after an annual bidding round. **All nine of the cases examined by the National Audit Office had been properly assessed against the Department's policy priorities.** The National Audit Office's survey of grant applicants found a high degree of satisfaction with the administration of the application process: 12 of the 13 respondents considered they had been given clear and helpful information.

4.47 Grants are generally available for a maximum of three years. In some circumstances, where the Department wishes to foster and develop new voluntary organisations, grants may be given for longer. We found that, in 1996-97, about 12 per cent of organisations funded under the programme had been receiving grant for at least five years. This longer term support had not prevented the Department from making money available to new organisations and new projects. Over the last five years, an average of 33 per cent of the programme budget has been awarded to new projects each year.

Monitoring the performance of grant recipients

4.48 Grant recipients are expected to provide quarterly reports on their progress against a pre-agreed work programme and targets. **The National Audit Office found the standard of monitoring to be good.**

Measuring programme achievements

Performance reporting for the programme

4.49 The outputs from this programme are very diverse and different targets are set for each grant recipient depending on the nature of the project or activity. Programme performance is reported internally within the Department in terms of number of targets met. Of the 57 targets set in 1996-97 in relation to 34 projects, 47 were either achieved or exceeded.

4.50 The programme was reviewed by the Department's internal audit service in 1995-96. The auditors were satisfied that the management of the programme was efficient and that no improvements were necessary. No recommendations were made.

Programme evaluation

4.51 The programme is reviewed every three years to consider its continuing relevance and direction. The programme was reviewed in 1992, in the light of a recommendation by an efficiency scrutiny of government funding of the voluntary sector (see paragraph 1.9) that generalist grant regimes should not be retained. At that time, Ministers agreed that the programme should continue, with better targeting of the urban regeneration element and flexible use of the housing element for ad hoc schemes.

4.52 The last review, conducted by an internal team in 1995, examined the need for and value of the programme; the eligibility criteria for grant; and the administrative and management arrangements. **The review concluded that the programme continued to meet the Department's policy needs and provided value in excess of the grants made.** No major changes were suggested.

Appendix 1

Summary of the Department's 'Solesbury Principles' on the financial management of direct grants to voluntary organisations

- 1** Grants to voluntary organisations will be offered only towards the costs of specific projects that are relevant to the policy objectives of the Department.
- 2** Grants will be for a fixed term which will not normally exceed three years in the first instance.
- 3** Any bid for funding should be supported by information on at least:
 - the nature, status and purpose of the voluntary organisation;
 - the project to be part funded, its objectives, expected results and beneficiaries;
 - the number of staff involved and their proposed remuneration; and
 - the budget for the project, setting out income and expenditure forecasts for each year, including other sources of public and private funding.
- 4** Bids should be evaluated in terms of:
 - the relevance of their objectives to the Department;
 - the economy and effectiveness of the work proposed;
 - the monitoring arrangements that are possible; and
 - the competence of the organisation.
- 5** The Department should consider whether any other central Government agency funds the organisation. No voluntary organisation should be allowed to rely on 100 per cent public funding.
- 6** The scale of the grant should vary with the value of the work to the funder and the capacity of the organisation to raise other moneys.

7 When an agreed project is explicitly developmental, any grant which is to extend over one year should be tapered to reduce the percentage of total costs covered in later years.

8 Financial monitoring of grants by the funder will be undertaken by requiring, as appropriate:

- claims for payment of grants, evidencing need in relation to the agreed work and budget, submitted at agreed intervals;
- notification of any proposed changes in the agreed budget; and
- audited accounts submitted annually not later than six months after the close of the financial year. The auditor should be expressly required to certify that the money given in grants has been expended in accordance with the conditions of the offer.

9 Performance monitoring of grants by the funder, to determine whether agreed objectives for the work are being achieved, will be undertaken through the submission and examination of progress reports on and/or inspection of the agreed project, the frequency and nature of which should be in relation to size of grant, but should occur at least annually.

10 Whilst grants are authorised annually, voluntary organisations should be advised that - subject to satisfactory results from financial and performance monitoring - grants will be payable at broadly the level agreed initially for each year of the project.

11 All grants and the work funded by them will be subject to a formal review of their achievements in their final year or after three years if still in progress.

12 Each grant will be administered by a nominated officer who will be responsible for financial and performance monitoring and for recommending on any renewals of grants.

Appendix 2

Committee of Public Accounts report: “Home Office: Support for Voluntary Organisations”

In its 37th Report of 1995-96 (HC 376) the Committee made recommendations about the management of grants by the Home Office. The Committee’s recommendations, and the Government’s response in a Treasury Minute (Cm 3384, 1995-96), are set out in the following Table. After the Committee examined the Home Office, the Voluntary Services Unit of the Home Office, including responsibility for its grant programme, was transferred to the Department of National Heritage as the Voluntary and Community Unit. It has since returned to the Home Office as the Voluntary and Community Unit.

Committee of Public Accounts recommendations	Treasury Minute response
(i) We regard it as unsatisfactory that the Home Office have not spelt out clearly the criteria they use to decide whether they will pay grants...more should be done to ensure that potential applicants are aware of their likely eligibility for grant.	The Home Office and DNH accept the Committee's recommendation.
(ii) We note the wide variations between Home Office divisions in the processing of grant applications. ...we recommend that clear application procedures are established.	The Home Office and DNH agree with the Committee's comments.
(iii) We note that much of the Home Office's support for the voluntary sector has continued to go to the same organisations year after year. We support the measures now being taken to encourage alternative service providers and to stimulate competition between them. We are attracted to the Department's suggestion that funding might be more closely linked to performance.	...grant giving to voluntary organisations does not have a direct parallel with contracts to private sector organisations. The Home Office...is also encouraging...volunteering. In some cases the particular specialisms...are such that it would be unrealistic to expect another voluntary organisation to match the standards . . . where it is appropriate to do so, the Home Office looks to encourage healthy competition. Additional funding for existing funded organisations will be dependent upon their performance.
(iv) We note the...arguments for continuing to provide core funding to certain organisations.... Generally, however, we believe that programme and project funding offer more flexibility and would be less likely to lead to...getting tied to supporting particular organisations.	A 1995 strategic review...concluded that core funding remains an efficient means of furthering DNH's objectives.... In the light of the Committee's comments, DNH will consider the balance between core and project funded work, and is already placing greater emphasis on the latter. Core funding is unusual for Home Office grant programmes.
(v) We are concerned that substantial grants have been awarded to organisations before clear objectives and work programmes were agreed. ...terms and conditions, objectives and work programmes should be agreed before any grants are made. These should be supported by output measures and performance indicators.	The Home Office and DNH accept the Committee's recommendation. Terms and conditions of grants are always agreed before any grants are made but exceptionally there may be difficulties in finalising work programmes...

continued...

Committee of Public Accounts recommendations

(vi) We note the Home Office has been working with voluntary organisations to develop meaningful and more challenging indicators of performance...this area could be enhanced by ensuring that:

- the information provided includes comparative data to show trends in organisations' performance over time;
- where appropriate, voluntary organisations provide feedback on the quality of their services;
- good practice in performance measurement is made known to all sponsoring divisions and among funded organisations.

(vii) We note that, although external reviews of funded organisations have identified significant areas for improvement, implementation of the review recommendations has been slow.... If necessary, implementation of review recommendations should be made a condition of continued funding.

Treasury Minute response

The Home Office and DNH accept this recommendation on the basis that it will be implemented by adopting the principle of proportionality. Comparative data over time is less suitable for qualitative work.... VCD is continuing to disseminate good practice in performance measurement through meetings of funded organisations.

The Home Office and DNH agree with the Committee's recommendation.

Appendix 3

National Audit Office methodology

The National Audit Office examined the Department's management of grants to the voluntary sector. The study examined the administration of five grant programmes and grants provided to two single organisations, Tidy Britain Group and Groundwork. The main features of the study methodology are set out below.

Examination at the Department

The National Audit Office interviewed grant managers in the Department and examined the Department's papers to gather information about the design and administration of the grant programmes, and procedures for monitoring and evaluating performance.

Case file examination

The National Audit Office examined 54 grant awards (1997-98, except where noted) across the five grant programmes, amounting to 16 per cent of total expenditure.

Grant programme	Grant awarded 1997-98 £ million	Number of grants made 1997-98	Cases examined	Value as % of total grant awarded
Home Improvement Agencies	4.5	143	10	7%
Tenant Participation Grant ¹	4.8 ¹	566 ¹	10	28%
Homelessness Grant ¹	4.9 ¹	180 ¹	10	8%
Environmental Action Fund	3.5	214	15	22%
Special Grants Programme	1.1	32	9	26%
Total	18.8	1,135	54	16%

Note: 1 The National Audit Office selected the samples for these schemes from awards for 1996-97 as not all awards for 1997-98 had been made at the time of the audit.

The examination involved reviewing the Department's assessment of applications and monitoring of performance against best practice criteria drawn up by the National Audit Office.

Survey of grant applicants

A questionnaire was sent to a sample of grant applicants seeking their views on the Department's application, appraisal and monitoring procedures. Ninety recent grant applicants were selected from three of the grant programmes: Homelessness Grant, Environmental Action Fund and the Special Grants Programme. The sample was representative of a range of grant sizes, new and renewed grants, and grants for core or project funding. Applicants for Home Improvement Agency grant and Tenant Participation Grant were excluded because in neither case is the application made by the voluntary organisation. The sample included 75 organisations whose applications were accepted and 15 that were rejected.

Sixty four questionnaires were returned - a 71 per cent response rate.

Grant Programme	Number of applications 1997-98	Number of grants made 1997-98	Number of questionnaires sent ¹	Number returned	Response rate
Homelessness Grant ²	326 ²	180 ²	40	23	58%
Environmental Action Fund					
- Strategic grant	82	34	10	10	100%
- Project grant	301	65	25	18	72%
Special Grants Programme	64	32	15	13	87%
Total	773	311	90	64	71%

Notes: 1 The number of questionnaires sent includes, for each programme, five applicants selected from amongst those whose applications failed to win grant. There was no discernable difference in the opinions of those respondents who were successful in being awarded grant and those who were not, therefore the National Audit Office aggregated the replies of successful and unsuccessful applicants in its analyses.

2 The National Audit Office selected the sample for this programme from 1996-97 applicants as not all grant awards for 1997-98 had been made at the time of the audit.

Analysis of management information

The National Audit Office analysed the Department's management information on individual grant programmes to identify, for example, the proportion of funding awarded to new applicants and how grant recipients have performed against the targets set for them.

Visits to voluntary organisations

Visits were carried out to the following voluntary organisations, to obtain their views on the Department's administration of grant.

Tidy Britain Group

Care and Repair England Ltd

Civic Trust

Pull out section: Summary of grant programmes examined in this report.

Grants to Home Improvement Agencies



Photo courtesy of Seaman Photographers Ltd

Tenant Participation Grant



Homelessness Grant



Environmental Action Fund



Centre for Understanding the Environment, London

Special Grants Programme



Tidy Britain Group



Groundwork



Background

Home improvement agencies assist vulnerable groups - mainly elderly people, those on low incomes and those with disabilities - to carry out repairs, improvements and adaptations to their privately-owned homes. Agencies help by identifying necessary work, arranging contractors and helping homeowners apply for grants or other finance. Such agencies are usually small, staffed by three or four people, and managed by a variety of organisations, most often housing associations, local authorities and voluntary bodies.

Tenant management organisations are set up by tenants who wish to take over the management of their estate and are prepared to put in their own time and effort to achieve this. There are currently 140 established tenant management organisations managing some 57,000 units of local authority housing, and a further 103 in development.

Homelessness projects are set up and managed by charitable organisations. These organisations work alongside local authorities which have a primary responsibility for tackling homelessness in their locality - including the development of local strategies for tackling local problems. Types of projects funded by this programme include provision of registers of locally available accommodation, rent deposit guarantee schemes, and resettlement support and advice.

Grants are awarded to a variety of environmental organisations working in different fields, some run by volunteers but most managed by paid staff. Activities supported by the Fund include projects on waste minimisation, recycling, energy use and education on sustainable development and projects to improve the local environment, for example, by restoring waterways and planting trees.

A variety of voluntary organisations are involved in projects supported by the Special Grants Programme. Projects are of diverse types: in 1997-98, grants helped to provide, for example, a good practice guide for private sector housing management and advice to voluntary organisations (through workshops and a directory of funding sources) on how to improve their access to private finance.

Tidy Britain Group is an independent charity and a company limited by guarantee, which employs about 100 people. It has a head office in Wigan and five regional offices in England. Although the Group is a voluntary organisation, it is subject to oversight similar to that applied to non-departmental public bodies. The grant memorandum stipulates that the Director General as the Group's senior full time official, carries responsibilities which place him effectively in the position of being its accounting officer.

Groundwork comprises the Groundwork Foundation and a network of over 40 Groundwork Trusts. The Foundation is a company limited by guarantee and a registered charity. Its role is to manage and support the network of Groundwork Trusts - each Trust is itself a company limited by guarantee and a registered charity. By 1996, the Foundation and Trusts employed nearly 700 people.

Purpose of grant

The Department has, since 1991, offered grant to local authorities toward the administrative costs of home improvement agencies in England. The programme serves a number of objectives, including enabling people to stay in their own homes and improving private sector housing stock.

Tenant participation grants have been provided since 1988-89 to encourage local authority tenants in England to become more involved in the management of their own homes through the establishment of tenant management organisations and other forms of tenant participation.

Homelessness Grant, introduced in 1990-91, is awarded to voluntary organisations to assist with the running costs of projects which provide assistance to those single people in housing need for whom local authorities have no statutory duty to find a home.

Grants from the Environmental Action Fund, which was established in 1992, are provided to voluntary bodies to assist them to undertake work which contributes to the achievement of the Government's environmental objectives.

The Special Grants Programme, introduced in 1984, aims to support national projects relevant to the Department's policy interests in housing and regeneration.

The Department provides a grant to Tidy Britain Group to carry out an annual programme of activities to encourage the public not to deface places with litter; including campaigns to raise awareness of litter, surveys of the level of cleanliness, award schemes and advice to help local authorities develop their approach to tackling litter.

The Department provides grant to Groundwork to carry out a programme of activities aimed at improving local environments in partnership with communities, voluntary bodies and the private sector. A variety of projects are supported, ranging from land reclamation, environmental education, the development of cycle routes, cleaning canals and waterways, and advice to business on environmental issues.

Administrative arrangements

The programme is administered by officials in the Department's Housing Renewal Policy branch. In 1991, the Department appointed Care and Repair England Ltd, a charity, to act as national coordinator; to provide training; to support grant recipients; and to monitor the performance of each grant recipient.

The programme is administered by officials in the Department's Tenant Participation branch. The Department uses approved tenant participation agencies to promote the programme, and to train and assist groups in receipt of grant.

Grants are administered by officials in the Department's Homelessness and Housing Management Policy branch.

Officials in the Department's Environmental Action Programme Team manage strategic grants (see below). But the Department contracted out the administration of project grants to the Civic Trust. The Trust is responsible for monitoring grant applicants, making grant payments and advising on applications for project grant, whilst the Department makes the final decisions on grant awards.

Officials in the Department's Voluntary Sector Policy branch are responsible for administering the programme.

Officials in the Department's Environmental and Energy Awareness Division are responsible for administering the grant. Responsibility for setting the policy objectives lies with the Department's Air and Environment Quality Division.

Officials in the Department's Environmental Regeneration branch are responsible for administering the grant to Groundwork.

Funding

In 1996-97, expenditure on the programme totalled about £4.8 million, providing grants (average value £30,000) to 143 of the 210 agencies in England, including a £400,000 grant to Care and Repair.

The Department provided grants totalling £4.8 million to tenant participation agencies and tenant groups in 1996-97. Three types of grant are available, reflecting the main phases of development of a tenant management organisation: promotion, feasibility and development grants.

In 1996-97, grants totalling £4.5 million (average value £25,000) were paid in support of 180 local projects. In addition, a grant of £2.2 million was provided to the National Homelessness Advice Service which provides help to homeless people through citizens' advice bureaux and the Hostels Vacancy Project and Nightline. These Services, which had been subject to a recent Departmental review, were excluded from the National Audit Office examination.

In 1996-97, expenditure on the programme totalled almost £4 million and over 200 grants were awarded. There are three categories of grant: strategic funding of £1.9 million which contributes to the essential running costs of 33 national or regional organisations; project funding of £1.7 million in support of 90 specific projects; and the local project fund, totalling £300,000, to support 114 smaller local projects.

In 1996-97, expenditure on the programme totalled £1.2 million and supported 34 projects (average value £35,000).

In 1996-97, the Group received a grant of £2.7 million towards expenditure of £4.4 million on grant-related activities. The Group's other income comes mainly from commercial sponsorship.

Groundwork's total income for 1996-97 was £31 million, of which £6.8 million was provided in direct grant from the Department to fund the Foundation's costs of £1.4 million and Trust costs of £5.4 million. A further £15 million was obtained from other public sources.