



CITY OF YORK COUNCIL

**EXTERNAL FUNDING/ GRANT GUIDANCE
MANUAL
(Draft)**

Supplementary guidance to the financial regulations

Version 1 September 2009

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EXTERNAL FUNDING/ GRANT GUIDANCE MANUAL

1 INTRODUCTION

1.1 This guidance is provided to assist council staff that are seeking external grant funding, in receipt of or certifying grant claims or distributing grant funding. There are 4 main sections to this guidance:

- Applying for discretionary grant funds from external bodies (Para 4)
- In receipt of allocations or certifying grant claims (Para 5)
- Distributing grants to organisations (Para 6)
- Distributing grants to individuals (Para 7)

2 REFERENCES

2.1 This guidance should be read in conjunction with the York Compact's 'Funding and Commissioning Code of Good Practice' to which the council is a signatory.

2.2 The York Compact sets out the way the council works with voluntary and community organisations. The Compact includes York's Primary Care and Hospital Trusts as well as the York and North Yorkshire Learning and Skills Council.

2.3 The Compact Codes identify certain standards with which both the Council and the Third Sector will comply including the above Code, which relates to grant funding given by the Council to the Third Sector. Whilst this agreement is not legally binding, the Council and the other signatories to the Compact are committed to making it work. (More information at: [York compact](#))

2.4 This guidance also draws on the Audit Commission's Grant Claim Certification Report 2007/08, and the related, agreed action plan and checklists.

3 DEFINITIONS

3.1 'Grants' can be defined in a number of ways but common characteristics of grant funds include:

- Monies that are given/ distributed in order to achieve some specific outcomes/ purpose/ provision
- Monies with a time limit and/or finite budget
- In 'discretionary' (see below) grant schemes, the funder sets general criteria under which applicants have latitude to put forward a range of projects/ schemes that fulfil / deliver the criteria. This latitude within the criteria, can be used as a way to help distinguish 'grants' from 'procurement' and 'commissioning' – within the latter two there is a very clear specification of the service or item required
- Grants criteria might include either or both 'eligibility' and 'priority' criteria. 'Eligibility' is used to define criteria that must be met in order to access the

fund and often refers to some or all of the following: type of applicant; nature of scheme; beneficiaries; location. 'Priority' criteria are used to judge the relative merits of applications on a wide variety of factors, and might include such things as: need; demand; consultation; evaluation; methods/ processes; match funding.

- 3.2 'Discretionary grant funds', as used here, means those grant funds where there is a competitive application process, as opposed to an 'allocation' (see below).
- 3.3 'Grant allocation' means those funds given to the council for programmes or services, which are not given as a result of a competitive application process.
- 3.4 'Third Sector' is a term used to describe a range of bodies, including voluntary and community organisations, charities or social enterprises (i.e. not statutory or commercial organisations).
- 3.5 This guidance does not cover 'procurement' or 'commissioning'.

4 APPLYING FOR DISCRETIONARY GRANT FUNDS FROM EXTERNAL BODIES

- 4.1 External grants should only be sought to fund projects with aims that are compatible with city-wide, corporate, departmental and neighbourhood strategies or that enhance statutory/regulatory services.
- 4.2 A designated officer should be identified who will be responsible for managing the grant application and subsequent project.
- 4.3 Where there are particular risks/ sensitivities to be considered, the relevant Assistant Director should approve the principle of the application for external funding before any work is undertaken.
- 4.4 Prior to application, the Council's Head of Finance and relevant departmental finance manager should be informed to ensure that the potential funding will be properly recorded in the Council's accounts and to consider/ advise on: requirements for council financial commitment (such as match funding); approval methods for financial commitments; any longer term funding implications. Other relevant stakeholders should also be informed such as executive members/ ward councillors.
- 4.5 When writing the application, the designated officer should:
 - a) Liaise with any other relevant departments at the earliest opportunity.
 - b) If the scheme is a discretionary grant application, notify the Grants and Partnership Team for logging onto the council's grants database.
- 4.6 Before seeking funding, officers should undertake a thorough risk assessment including:
 - a) Is any required match or partner funding secured and approved?
 - b) Can the funding/grant conditions realistically be met?
 - c) What are the implications if the scheme does not fulfil its objectives?

- 4.7 Grant applications should include deliverable objectives that are specific, measurable, achievable, realistic and timebound (SMART objectives).
- 4.8 Before submission, designated officers should have ensured that the grant application has specifically and appropriately considered VAT, both in the immediate budget for the application but also within the longer-term implications for both the authority and for any partners/ third parties who are/ may be involved in the future.
- 4.9 Grants can be for capital or revenue projects. Capital is generally defined as buildings, infrastructure projects, major works and equipment. Revenue relates to ongoing costs such as staffing, day to day running costs and minor equipment. Where capital funding is sought officers should consider the following items: length of security of tenure; requirements for planning permissions/ listed building consents/ building regulations/ Disability Discrimination Act.
- 4.10 The officer should consider the sustainability of the project, before submitting the application. Specifically this means environmental, social and financial sustainability. In this context this means considering:
- a) the environmental, social and economic goals and potential impacts of a project;
 - b) opportunities for continuing/ maintaining the project either through funding by other means or incorporating its principles/ activities into mainstream work after the external funding ceases; and
 - c) employee costs/ liabilities (if relevant) when grant funding ends, for example redundancy costs.
- 4.11 The designated officer should put in place monitoring and evaluation to ensure that the project's objectives are achieved and that the funding conditions are met.
- 4.12 External funding should not be spent on anything other than what was initially agreed with the funder, unless specific written permission for the variance has been received from the funder.
- 4.13 Expenditure of external funding should be fully recorded so that evidence can be provided to the funding body, if required, of exactly how the funds were spent. Expenditure of match funding should also be recorded.
- 4.14 If at any time during the project difficulties arise which mean that funding conditions may not be met, or the project may overspend, the relevant Director and/ or Assistant Director should be informed immediately and the funder also informed as appropriate.

5 CERTIFYING/ IN RECEIPT OF GRANT ALLOCATIONS

- 5.1 Where officers are implementing national/ Government grant initiatives, the requirements of the funding provider should be closely adhered to, unless there are compelling reasons for doing otherwise.

- 5.2 General principles to adhere to for officers in receipt of grant allocations:
- Grant should be spent on the items identified in the application
 - Variance from original budgets or working papers should be appropriately identified and addressed
 - Funders requirements for reporting should be met
 - Grant claims should be submitted on or before the due dates and where appropriate should make allowance for auditors requirements in the timescale
 - Key staff should be available to answer auditor and funder queries
 - Appropriately detailed records should be kept for the life of the project, particularly in relation to expenditure
 - Significant decisions should be appropriately recorded in working papers, noting who made the decision and when it was made.
- 5.3 The Audit Commission's Grant Claim Certification report 2007/8 (dated June 2009) identified 9 recommended actions for City of York Council based on their audit of existing practice (See Box below).

**Audit Commission recommendations/ agreed action plan for
City of York Council**

Finance Managers to:

- Review the reasons why previous grant claims or returns have been amended and/or qualified, in order to ensure that these issues are not repeated in the future
- Implement standardized internal quality monitoring procedures within the Council to address the issue of amendments stemming from inadequate review
- Review reasons why grant claims and returns were not submitted by the deadline date, and implement measures to avoid these deadlines being missed in future years
- Ensure that auditors are made aware as soon as it is likely that a submission date is not going to be met
- Prioritise the response to audit queries on grant claims so that audit deadlines are not unnecessarily missed
- When compiling a working paper file, ensure that all entries on the grant claim or return are fully supported within a working paper file dedicated to the grant claim or return
- Implement a standardised approach to the preparation of working paper files across each Directorate, using the Pre-audit checklist
- Ensure that internal quality monitoring processes are operating effectively so that all working paper files are reviewed prior to submission to the audit team for certification, using the Pre-audit checklist.

Technical Finance Manager to:

- Ensure that good practice in the preparation of working paper files is disseminated throughout the Council to raise overall standards.

See the Audit Commission's Grant Claim Certification Report, Audit 2007/08, published in June 2009, for further information including checklists and recommendations on how to keep working papers.

6 DISTRIBUTING GRANTS TO OTHER ORGANISATIONS

- 6.1 When considering grant schemes to 'third sector' organisations, this guidance should also be read in conjunction with the 'Funding and Commissioning Code of Good Practice' from the York Compact, to which the council is a signatory.
- 6.2 There should be a designated officer responsible for administering the budget. This should be in line with the scheme of delegation and other financial regulations/ standing orders.
- 6.3 Unless there are specific reasons to the contrary, there should be evidence of financial need before grants are allocated. Officers should refer to the Compact on how to treat 'reserves' and/or seek advice from the Grants and Partnerships Team (Resources). Appropriate allowance should be made for any other planned projects and/or money reserved in case of emergency.
- 6.4 Grant schemes should:
- a) Have clear eligibility criteria
 - b) Have clear priority criteria, against which applications are then judged
 - c) Be well/ appropriately advertised for the target audience, with an appropriate length of time from advertising to closing date, in order to allow applicants sufficient time to create their application (refer to the Compact Guide)
 - d) Set out clear opening / closing dates and identify when decisions will be communicated to applicants
 - e) Appropriately address Equal Opportunities requirements
 - f) Identify appropriate complaints and appeals process (further advice on the difference from the Grants and Partnerships Team (Resources)).
- 6.5 It is generally expected that grant schemes will have aims that are compatible with citywide, corporate, departmental and neighbourhood strategies or that enhance statutory/regulatory services. However, exceptions to this might include grant schemes where the council is either:
- a) Simply responsible for implementing another organisation's grant criteria (e.g. Government grants), or
 - b) 'Passporting' the money on behalf of another organisation.
- 6.6 Officers should be clear about the accounting requirements/ implications for any grant funds distributed on behalf of the council or on behalf of others and in particular of any requirements under any defined 'Accountable body' status.
- 6.7 It is recommended that there should be sections on application forms that ask applicants to:
- Define their project aims in relation to the fund
 - Show how they meet/ exceed the criteria
 - Identify SMART outputs and outcomes
 - Milestones (steps) on the way to implementing and delivering their project
 - Assess risks and identify how they (applicants) intend to address/ mitigate them

- Address equal opportunities
 - Clearly define income and expenditure (capital and/or revenue as appropriate), including any other funding sources (confirmed or anticipated)
 - Identify the nature of, and confirm receipt of, all necessary legal/ planning consents.
- 6.8 These can then be used to: evaluate the project against the set criteria; assess its long-term achievements/ performance; monitor and evaluate how the project is progressing.
- 6.9 Officers should request appropriate financial information to support grant applications, which may include a copy of the organisation's accounts, annual report, a recent bank statement or business plan. This can be used to assess the organisation's financial stability, its financial need and its reserves. Where a new organisation is concerned there should be a Business Plan or similar in order to assess viability.
- 6.10 Officers should ensure that grant schemes request that constitutions are submitted with applications in order to confirm compliance with eligibility criteria and to ensure there are no inappropriate/ discriminatory practices.
- 6.11 Third Sector organisations in receipt of grants should generally be expected to have at least two signatories on their bank account and these two signatories should be unrelated.
- 6.12 Officers should ensure that organisations in receipt of funding have provisions in place for monitoring and evaluation. Any specific evaluation requirements or review dates should be agreed with the grant recipient when funding is approved.
- 6.13 Officers should clearly state the following in grant offer letters:
- Any conditions attached to the grant, including publicity
 - The amount and duration of the grants awarded
 - The dates on which payments will be made
 - Clear reasons for any potential reclaim (full or partial) or circumstances in which the council may terminate the funding (for example in the event of unsatisfactory performance)
 - Monitoring/evaluation and overall reporting requirements – including the need for a final end of scheme report
 - The nature and frequency of financial returns
 - The requirement for the applicant to insure any funded major equipment items or buildings.
- 6.14 No grants should be paid out before the receipt of signed and dated acceptance of the grant conditions.

Payments should be made in advance of expenditure where there is a clear need and generally within 30 days of invoices being received.

- 6.15 Recipients of grants should not be permitted to use the grant for any purpose other than that which was initially agreed in the offer letter, without specific written agreement.
- 6.16 At the end of the specified grant duration, officers should obtain explicit signed confirmation from the applicant that the grant money has been used on the agreed scheme/ purpose. In some cases, this can be further confirmed through obtaining the organisations accounts and final scheme reports.
- 6.17 Where capital grants might be awarded (for building works, refurbishments or major pieces of equipment), officers should consider the length of security of tenure that the applicant has over the facility in relation to the amount of grant requested, in order to make an assessment of 'value for money'.
- 6.18 Where capital projects are concerned, it is advised that officers consider establishing eligibility criteria that includes receiving, by the closing date for applications, written confirmation of all necessary legal consents and/ or planning permissions/consents. Furthermore, that the establishment of the need for such permissions, rests solely with the applicant. This avoids unnecessarily tying up funds in projects that may not proceed.
- 6.19 Where capital grants are provided and there is the possibility of a subsequent sale of that facility then officers should consider the insertion of a clause defining a proportional refund of grant related to the number of years of use. Advice should be sought from Legal officers on this matter.
- 6.20 Grants should be awarded in a fair and open manner and without discrimination.
- 6.21 Organisations applying for grants should have an equality and diversity policy or be working towards implementing one.
- 6.22 Where applicants are dealing with children or other vulnerable people, officers should request applicants to confirm they are complying appropriately with relevant policies, legislation and good practice standards, before releasing funds.
- 6.23 Projects that have already commenced (either by action or through commitment in a signed contract), before the application has been considered, should generally be deemed as ineligible for any further consideration. The principle here is that the applicant has already identified sufficient funds to commit themselves and therefore cannot demonstrate financial need. There may in some cases be exceptional circumstances, and these will require officers to identify the specific rationale/s.
- 6.24 Officers should be aware of the Data Protection Act and the Freedom of Information Act when storing, using and/or publishing information about, or received from, applicants.
- 6.25 There should be a clear, transparent assessment process based on the established priority criteria as communicated to applicants. It is good practice for assessments to:

- Include more than one reviewer/ assessor for each application
- Include a register of interests for anyone involved at any stage of the assessment and decision making process to ensure that anyone with an interest in a particular application is not involved in assessment and decisions on that project
- Ensure the final decision maker(s) is/are not involved in the initial assessment process.

6.26 In relation to the monitoring and evaluation of grant-aided projects, it is good practice for officers to:

- Discuss and agree with recipients how outcomes will be monitored as early as possible and before a contract or funding agreement is signed
- Be clear as to why information is being requested and how it will be used
- Work towards monitoring and reporting arrangements which are well coordinated, obtained from existing sources or standardised
- Ensure that monitoring and reporting is appropriate to the nature and value of the grant aid
- Consider how service users can be involved as this helps organisations to focus on service delivery and outcomes and provide a service user led perspective of performance.
- Ensure that monitoring is not discriminatory
- Offer constructive feedback from assessments and monitoring
- Discuss and agree a timetable of actions to improve project delivery if outcomes are not being delivered, before making a decision to end the financial relationship

6.27 In the development and implementation of grant schemes officers should consider:

- Implementing a range of approaches to encourage/ support organisations to make applications, for example running briefing or workshop sessions
- How to allow organisations to appropriately allocate and recover relevant and reasonable overhead costs (refer to the Compact Code)
- Providing feedback to unsuccessful organisations, with an emphasis on learning, as this will help in future applications.

7 DISTRIBUTING GRANTS TO INDIVIDUALS

7.1 Where officers are implementing national/ Government grants initiatives, the requirements of the funding provider should be closely adhered to, unless there are compelling reasons for doing otherwise.

7.2 Council grants schemes that provide individuals should have a set application form to ensure that all requests are assessed on the same information.

7.3 Grants schemes for individuals should have a clear purpose and set eligibility criteria.

- 7.4 Officers should set out the means of establishing need (financial or otherwise), where this is not already set by an external body.
- 7.5 When allocating grants to individuals, officers should clearly identify what the money is to be used for and, if appropriate, should request feedback/ proof of expenditure.
- 7.5 Officers should identify the appropriate complaints and appeals process.
- 7.6 Applications for grants from individuals should be considered in a timely fashion. If the grant scheme has a set deadline then this should be well publicised and adhered to.
- 7.7 Officers should be aware of the Data Protection Act and the Freedom of Information Act when storing, using and/or publishing information about, or received from, applicants.
- 7.8 Officers should not consider awarding grants retrospectively (for money that has already been spent) apart from in exceptional circumstances.
- 7.9 The same principles relating to assessment processes and conflicts of interests as set out in para 6.25 should be followed.

8 FURTHER SUPPORT

- 8.1 The Grants and Partnership Team in Resources are available to provide further support and guidance on many aspects of grants and external funding, including: finding funding; developing projects and ideas; constructing and commenting upon applications; writing /advising on grant criteria; running workshops and training; creating assessment processes and assessing applications.
- 8.2 There are a number of other members of staff who can provide further detailed advice on specific issues, such as VAT, insurance, risk, property or legal issues - the Grants and Partnership Team can 'signpost' to appropriate colleagues.

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