

Funding: A Code of Good Practice

Compact on the funding relations between Public Bodies and the Voluntary and Community Sector in Northamptonshire



What is the Compact?

The Compact is the agreement between Northamptonshire public bodies and the voluntary and community sector to improve their relationship to benefit each other. **The Compact** sets out:

- ❑ a shared vision and principles;
- ❑ promises from both sides;
- ❑ a public sector commitment to respect the independence of the voluntary and community sector; and
- ❑ systems to help make sure that the agreement works.

The Compact has been supported by six **Codes of Good Practice**, covering:

- ❑ Funding;
- ❑ Consultation and policy appraisal;
- ❑ Volunteering;
- ❑ Black and Minority Ethnic (BME) voluntary and community organisations;
- ❑ Lesbian, Gay and Bisexual People
- ❑ Community Groups

Glossary of Terms

Public Bodies

Statutory agencies including local government, NHS organisations, police forces, schools, colleges, etc.

Voluntary Sector

Consisting of those organisations that rely largely on volunteers to deliver their service. Includes charities and non-charities. Often having some paid staff to operate core functions.

Community Sector

Consisting of personal relationships, groups, networks, traditions and patterns of behaviour among people who share physical neighbourhoods, living conditions or common understandings, health conditions, interests or religious beliefs. It is the community itself taking action to get things done, although much of its activity is informal and often invisible. The community sector ranges from small informal community groups to large multi-purpose community organisations.

An Equalities Declaration

We, the Compact partners, declare ourselves wholeheartedly in favour of our diverse community in Northamptonshire and opposed to any form of unfair discrimination.

The main points for an effective funding framework between Northamptonshire public bodies and the voluntary and community sector:

- ❑ Value for money.
- ❑ Procedures that are consistent with the principles of good regulation and the need to provide effective protection of, and proper accountability for, public money.
- ❑ Respect for the sector's independence.
- ❑ Improved sustainability and longer term planning, for example, through multi-year roll-forward funding.
- ❑ Recognition of core costs and the different ways these can be met.
- ❑ Support for the sector's infrastructure.
- ❑ Fair access to strategic, project and contract funding.
- ❑ Improved co-operation and consistency between departments.
- ❑ Clarity in funding conditions.
- ❑ Joint approach to monitoring and evaluation, with the aim of making a positive difference to the funding relationship between the statutory sector and the voluntary and community sector.

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1. Aim

1.1 This Code of Good Practice aims to make a positive impact on the funding relationship that exists between the statutory sector in Northamptonshire and the voluntary and community sector. It embodies the key considerations that emerged from a consultation exercise carried out by the voluntary and community sector's Working Group on Government Relations as well as existing best practice within Government.

1.2 The Government recognises that the sector has an important role in helping it to achieve its objectives, and that Government and the statutory sector can play a positive role in supporting the work of voluntary and community organisations and promoting volunteering.

As independent, not-for-profit organisations, they bring distinctive value to society and fulfil a crucial role that is distinct from both the state and the market. In particular, they enable individuals to contribute to public life and the development of active communities by providing opportunities for voluntary action. They act as pathfinders for the involvement of users in the design and delivery of services and often act as advocates for those who otherwise would have no voice. In so doing they promote both equality and diversity. They help to alleviate poverty, improve the quality of life and involve the socially excluded.

Getting the funding mechanism right, within the framework provided by Government Accounting principles, is an essential part of ensuring that the relationship works well.

1.3 In this way, the Code underpins the Compact on Relations between and the Voluntary and Community Sector in England, published in November 1998, and is based on a shared vision of the role of Government funding for the sector. It also fulfils a commitment made by the Government in its response to the Better Regulation Task Force report on voluntary sector funding, which emphasised the need for Government funding frameworks to meet the five principles of good regulation:

Five Principles of Good Regulation

Transparency

Consistency

Accountability

Proportionality

Targeting

The Code is intended to be of mutual advantage to Northamptonshire's public bodies and the voluntary and community sector. The Code should help to develop and sustain effective procedures that result in sound funding decisions to support well-delivered programmes.

2. The importance of statutory funding and the added value that the voluntary and community sector can deliver

2.1 The public bodies of Northamptonshire provide a large proportion of the sector's income annually, divided between grants (strategic and project) and purchases, including contracts. By these means the statutory sector helps to underwrite the capacity of voluntary and community organisations to add value by:

- using their expertise to inform and implement Government policy;
- promoting equality and social inclusion and alleviating poverty;
- fostering, supporting and empowering service users, volunteers and active communities;
- building bridges between the public sector and communities;
- providing high quality services that are complementary or additional to public services; and
- identifying new needs and better ways of meeting existing needs.

3. An effective funding framework

Statutory sector undertakings

3.1 The statutory sector in Northamptonshire is committed to establishing and maintaining best practice in the way in which it funds the voluntary and community sector. Statutory agencies undertake to implement an effective funding framework that:

- helps to ensure value for money;

- applies procedures that are consistent with the principles of good regulation and the need to provide effective protection of, and proper accountability for, public money;
- respects the sector's independence and its right to campaign, irrespective of any funding relationship that might exist;
- responds to the sector's need for greater financial stability to enable it to fulfil its full strategic role;
- improves sustainability and longer term planning, for example, by providing multi-year roll-forward funding (subject among other matters to Parliamentary approval of the relevant Estimates' provisions);
- recognises core costs and the different ways these can be met;
- invests in the capacity of the sector's infrastructure;
- promotes fair access to strategic, project and contract funding, and provides clarity in the objectives of grant programmes and their eligibility criteria;
- ensures that proper consideration, and an appropriate response, is given to the needs of Black and Minority Ethnic organisations, community groups and other sub sectors that tend to have limited access to statutory funds;
- provides effective arrangements for co-operation between departments over grants for activities that do not readily fit within one department's responsibilities, or where a number of funders have an interest in supporting an organisation, in order to streamline procedures and reduce duplication;
- provides transparency and objectivity in administrative and assessment procedures;
- ensures clarity and greater consistency in funding conditions;

- ❑ establishes a joint approach to monitoring and evaluation; and
- ❑ strengthens partnership working.

Voluntary and community sector undertakings

3.2 The voluntary and community sector in Northamptonshire recognises that receipt of public funds carries with it responsibilities to the funding body and to the public that benefit from the services provided. The sector undertakes to pursue good practice in the use and administration of public funds appropriate to the scale of funding and operation covering:

- ❑ clear and effective employment policies, management arrangements and procedures;
- ❑ effective and proportionate systems for the management, control, accountability, propriety and audit of finances;
- ❑ compliance (by organisations that hold charitable status) with the accounting framework for charities and appropriate guidance from the Charity Commission, including on political activities and campaigning;
- ❑ systems for planning and implementing work programmes;
- ❑ systems for monitoring and evaluating activities against agreed objectives;
- ❑ systems for quality assurance and accountability to service users, including complaints procedures and the involvement of users, wherever possible, in the development and management of activities and services;
- ❑ policies for ensuring equality of opportunity in both employment practice and service provision;
- ❑ the involvement of volunteers in service provision; and
- ❑ public acknowledgement of statutory sector support.

4. Type of funding and recognising core costs

- 4.1 In a competitive funding environment many voluntary and community organisations experience great difficulty in securing funding towards their core management and administration costs, which need to be met if they are to operate efficiently and effectively. A list of typical core costs is provided at Appendix 1.

There are a number of ways in which statutory sector funding can help to meet these core costs and in so doing can meet departments' strategic aims, achieve value for money and provide a more stable funding environment for voluntary and community organisations. Such stability is mutually advantageous.

Three models are described below¹. Funders should adopt (and adapt) one or more of these models. While multiyear strategic funding may not be an appropriate mechanism for all departmental funders, an appropriate core cost contribution should be allowed in bids for project funding.

Consideration should also be given to the role of development funding within programmes, particularly in respect of Black and Minority Ethnic organisations, community groups and other sub sectors that have had limited access to statutory funding.

Regardless of the funding approach taken, it is important that the funded organisation has an 'exit strategy' in the event that a particular source of funding should cease, and that the funder, as part of the assessment process, considers whether the proposed exit strategy is realistic.

- 4.2 Organisations submitting applications for funding are responsible for costing and planning their work realistically, including taking account of any cost increases over time, for example, salary increases or compliance costs resulting from new legislation. Funders should encourage applicants to develop realistic budgets to help ensure that organisational or project outcomes are achieved to an appropriate standard. This applies to applications for strategic, project and development funding and to any apportionment of core costs.

¹ Drawn from the ACENVO report – 'Who pays for core costs?' – published 1999.

Multi-year strategic funding

4.3 The importance of multi-year strategic funding is emphasised in the Compact. This type of funding takes into account the broader aims and needs of the funder over and above specific prescribed areas of activity (which may be more suited to project funding). It enables the statutory sector to ensure that capacity exists, and assists longer term planning and stability, within the sector. It also takes account of the objectives of the funded organisation and its need to operate efficiently and effectively. In this way funding is used to support the core operational activities of an organisation:

- ❑ where these activities match the objectives of the funder but the organisation is able to deliver them at a level and to an audience that the funder is not
- ❑ where the funder wants to assist a particular target group; or
- ❑ where the funder recognises the implicit value of the organisation (its track record/strategic position) and its role in the wider voluntary sector context and wants to support that role.

4.4 A commitment to strategic funding should form part of an ongoing relationship between the funder and the funded organisation. Funding of this type should usually be considered over longer periods, and should be based on a number of factors including:

- ❑ the availability of funding;
- ❑ a statement of the expectations that the funder has of the whole organisation (for example, informed responses to consultations with that part of the sector or ongoing input on issues of mutual concern);
- ❑ value for money;
- ❑ a mutually agreed framework for monitoring and evaluation; and
- ❑ formal review processes.

4.5 Strategic funding should overcome the difficulties associated with more conventional core funding, where support was often too unspecific for any progress to be identified. This made it difficult for funders to demonstrate effective use of money.

4.6 The likely duration of a funding arrangement should be made clear at the outset. Strategic funding has tended to be granted for three-year periods, during which a funded organisation may submit an application for renewal of funding. The value of strategic funding, in terms of improving the stability of voluntary and community organisations and their ability to plan for the longer term, can be enhanced further if funders adopt a rolling programme of funding.

Funded organisations could be granted funding for three years which, subject to a satisfactory annual review of progress against mutually agreed objectives and the availability of resources, could be eligible for rollover. In this way funded organisations would have reasonable certainty of funding for the next three years.

The annual review process reflects the fact that strategic funding is, however, not an open-ended commitment to a voluntary or community organisation, and that the funder must retain the ability to exit from the relationship. The funder should make clear the circumstances under which the funding arrangement may be terminated.

4.7 Organisations in receipt of strategic funding should be consulted prior to, and given the reasons for, any reduction in their funding. This reflects the much closer identity of interests that exists between funders and organisations in receipt of strategic funding.

4.8 It is unlikely that funders will wish to devote all their available resources to strategic funding, but will also make use of project funding and development funding (see below). By determining what proportion of funds are to be committed to strategic funding, funders can ensure that their programmes do not silt up.

Project funding

4.9 Some funders may prefer to provide project funding to meet the costs of a specific piece of work or activity for an agreed period of time, often

longer than a single year, rather than enter into a strategic funding relationship.

Annual bidding for project work which both the voluntary organisation and the funder intend to last longer than one year wastes resources. In such cases it is good practice for project grants to be awarded for the duration of the project, subject to a satisfactory annual review of progress and the availability of resources.

- 4.10 Funders should make clear that it is acceptable practice for applicants to include an element of their core costs in applications for project funding. Applicants need to show how this represents value for money and contributes to the outputs of the project. This approach requires voluntary and community organisations to be much more explicit about the nature of their core costs and their apportionment in order to avoid the prospect of double funding.

The funder may agree to meet either a proportion of the organisation's core costs (where these have not been met by funding from another source) or those core costs that have increased because of the particular piece of funded work.

- 4.11 In this way, project funding can be used to contribute both to the funded organisation's core costs and a discrete and recognisable product. Project funding enables the funder to exit from the arrangement without the risk of capsizing the whole organisation at the same time.

Development funding

- 4.12 For some voluntary and community organisations there are particular periods in their lives when they require funding to enable them to grow and develop in a particular direction. This may, for example, be because there have been changes in the external environment which provide opportunities for growth, which cannot be taken until the organisation has itself increased its capacity.

Development funding is an investment in the capacity of the voluntary or community organisation. In particular, it can provide a useful approach to developing organisations from those sub-sectors that tend to have

limited access to Government funds, for example, Black and Minority Ethnic organisations. It should:

- be for an agreed period of time (flexibility may be needed in that some grants for development funding might be effective over a relatively short period of time while others may require more than the normal three years);
- be explicit about the outcomes expected and the way in which progress will be monitored and evaluated; and
- provide a realistic exit for the funder and the funded organisation at the end of the period of development funding.

5. Match funding requirements

5.1 Where match funding is appropriate, it can: help secure a broader base of support for funded work; enable funding programmes to support many more applications than would otherwise be the case; and avoid an over-reliance on Government funding.

5.2 A flexible approach should, wherever possible, be adopted when determining the match funding requirement. This should reflect an applicant's realistic ability, and the time needed to raise match funding. This may be beyond many small, local groups. It may also be difficult for national organisations delivering local projects and for organisations working with particular groups.

5.3 It should be agreed between the funder and the funded organisation exactly what is eligible for matching. Consideration should be given not only to financial contributions but also to volunteer time and other in-kind contributions such as donations of equipment, premises, materials etc. Any claims of in-kind contributions should be substantiated and notional values placed on them.

Care should be taken when deciding how records of volunteer time are to be kept to avoid imposing unrealistic requirements upon volunteers

and the organisations they help, while maintaining a credible system of recording the contribution.

6. Contracts for partnership based initiatives

- 6.1 The Government contracts with voluntary and community organisations and others to deliver its policy objectives. A range of programmes has been developed based on partnership working between or involving the voluntary, public and private sectors. Such programmes include the New Deal for the young unemployed, the New Deal for Communities, Surestart, Education Action Zones and Health Action Zones.

Organisations participating in these programmes do so under contract. This Code is concerned principally with grant-funding arrangements, and not payments made under contract, where the voluntary sector is acting as a service provider, sometimes in competition with other providers from the public and private sectors.

- 6.2 Where a programme's objectives include securing involvement from across different sectors, Northamptonshire's statutory agencies should consider what action is needed to facilitate such involvement: for example, consulting relevant voluntary and community organisations prior to the introduction of a programme, in order to identify potential barriers to their involvement in its delivery and how these might best be overcome.

It needs to be borne in mind that while voluntary and community organisations may wish to participate in such programmes, financial barriers and potential risks may often be too great for them to do so.

- 6.3 More generally, statutory sector purchasers should be aware of the needs and capabilities of the sectors – public, private and voluntary – they need to procure from. Where statutory purchasers have a requirement that they know will be of particular relevance to the voluntary and community sector, they should set their minimum standard of financial and economic capacity for all bidders accordingly.

- 6.4 The proposed terms and conditions of the contract should be made known in advance. They should specify any damages for breach of contract. Contracts should be well drafted and suited to their purpose.

Control and audit requirements should be proportionate to the size of the contract, subject to the need for the proper protection of – and proper accountability for – public money.

7. Promoting fair access to funding

- 7.1 To promote fair access to funding the public bodies of Northamptonshire should:

- aim to publish an annual guide to statutory sector grant programmes;
- consult relevant voluntary and community organisations on the development of new funding programmes and the evaluation of existing programmes – by working in this way it is much easier to establish aims and objectives for grant programmes, based upon local knowledge of the subject area, which are more relevant to the funder and potential applicants;
- give appropriate advance notice of new funding programmes before the application process starts;
- make details of the funding programme as widely available as possible – through, for example, the press; umbrella and intermediary organisations; voluntary sector networks; directories; newsletters; and the internet;
- recognise that greater clarity about the grant programme will assist potential applicants in determining whether or not to apply and this in turn should reduce the numbers of inappropriate applications and requests for explanations or clarification;
- make use of application packs for individual grant programmes covering:
 - general information about the funder;

- background information on the policy aims and overall objectives of the programme;
 - the statutory authority under which the programme operates;
 - where and to whom the programme has been publicised;
 - its expected lifespan;
 - objective criteria;
 - the actual or likely amount of funding available under the programme;
 - the type of grants available (e.g. strategic, project, capital);
 - the minimum and maximum size of grants;
 - any match funding requirements;
 - a timetable; information about how successful applications will be chosen;
 - a list of any outside organisations to be consulted on applications;
 - the arrangements for notifying and publicising the grants awarded and giving feedback on unsuccessful applications;
 - an explanation of how monitoring and evaluation will be carried out and how performance targets and indicators will be agreed; an application form and guidance notes for its completion;
 - and a contact point for further information and advice;
- ensure that guidance notes and application forms are made readily available to applicants, including on the internet;
 - where necessary provide information in Braille, large type face, audio, and in languages other than English;

- give positive encouragement to applications from those sub-sectors that tend to have limited access to Government funds, including Black and Minority Ethnic voluntary organisations;
- recognise the potential of faith communities to contribute to social inclusion as being distinct from the promotion of religion (a failure to understand this distinction could lead to faith groups being incorrectly assessed as ineligible for funding);
- recognise that the sector is well placed to compete for research funding alongside research institutions;
- provide a timetable for applications which is mutually realistic (for example, not less than three months and ideally longer) and which allows membership organisations to assist in the dissemination of information about the grant programme and to offer guidance and support;
- offer an opportunity, where practicable, to discuss potential applications with applicants;
- consider training needs – providing detailed briefings for advice givers in umbrella or support organisations can be a useful way of ensuring that others are able to help potential applicants. With some programmes, direct training or briefing sessions with potential applicants will be more practical or appropriate. This might include:
 - the nature and scope of the grant programme;
 - completion of application forms; financial management of a grant;
 - and how to work with the funder to set and agree objectives and monitoring and evaluation procedures;
- consider whether the grant programme should have any monies set aside specifically to encourage applications from new organisations or to fund innovation, particularly from those sub-sectors that tend to have limited access to

government funds, for example, Black and Minority Ethnic voluntary organisations. This will help overcome any charge of a closed system favouring only a few select organisations; and

- review regularly the adequacy of arrangements for ensuring fair access to funding.

8. Specific Areas

A. Meeting the needs of the Black and Minority Ethnic Sector

8.1 Black and Minority Ethnic voluntary organisations have a crucial role in helping to reach some of the most socially excluded groups in Northamptonshire, combating racial discrimination and disadvantage, and providing vital services to their communities.

Faith groups too have an important role in leading voluntary and community activity, as many minority communities identify themselves as much by their faith as by their ethnicity. Funding policies, programmes and practices should take careful account of the needs of Black and Minority Ethnic organisations. These include:

- consulting relevant Black and Minority Ethnic organisations on the design and evaluation of funding programmes;
- ensuring that Black and Minority Ethnic organisations have access to an appropriate share of available resources;
- ensuring that applications are assessed on merit;
- providing strategic funding to develop and sustain local infrastructure and capacity;
- providing 'seed corn' or 'start up' funding; and
- providing funding for research and policy development.

8.2 The statutory sector will aim to publish the share of funding received by Black and Minority Ethnic organisations, subject to the robustness of the available data. This will help to identify whether the arrangements for ensuring fair access to statutory funding programmes are effective, and

whether any further action, both by funders and the sector, is necessary.

- 8.3 Funders should make it a condition of funding mainstream infrastructure organisations that their services are made available, in practice as well as theory, to Black and Minority Ethnic organisations. The recipients of this funding should be required to report on their use of it in this respect. Funders should be prepared to fund Black and Minority Ethnic organisations to deliver services across the sector, not just to their own communities.

In circumstances where strategic grants are withdrawn from Black and Minority Ethnic voluntary organisations, consideration should be given to whether there is an alternative organisation within the Black and Minority Ethnic sector that is suitably well positioned to take receipt of such strategic funding. Similar attention should be given to other subsectors that traditionally have had limited access to statutory funding.

B. Meeting the needs of small community groups

- 8.4 Funders should take steps to ensure that small community groups can secure access to relevant statutory funding programmes. This should include:

- ❑ considering how funding policies, procedures and practices will impact on community groups;
- ❑ promoting the active engagement of community groups in the design and evaluation of programmes; and
- ❑ offering small grant programmes which look to streamline procedures as far as possible, consistent with the need for the effective protection of, and proper accountability for, public money.

- 8.5 Funders should acknowledge that a long term commitment to strategic funding may be the most efficient and effective means of supporting community self-help, and should be prepared to make this commitment in such cases.

C. Voluntary and Community Sector infrastructure

- 8.6 The Compact recognises the need to support the development of the voluntary and community sector's infrastructure at a local level.

Infrastructure organisations have developed to maximise the effectiveness of other voluntary and community organisations operating either within a specific geographical or subject area. Some provide general help and services across a wide range of activities such as fundraising, management issues or constitutional advice. Others concentrate on specific areas of interest such as volunteering, children, mental health etc.

Infrastructure organisations, both generalist and specialist, are important in promoting partnership between voluntary and community organisations and the statutory sector; are a channel for communication with their members; and provide the capacity building support for frontline organisations delivering services to their communities.

9. Partnership funding of voluntary and community organisations

- 9.1 For some voluntary and community organisations, it makes sense for a funding relationship to develop with a single statutory agency or department with which the organisation shares most of its objectives. This allows officials to get to know the organisation and allows there to be a single source of advice and expertise to each organisation, and for accountability processes to be clear.

- 9.2 Some voluntary and community organisations may find that they have to manage a range of funding relationships with a number of statutory agencies. This places burdens on both the statutory agencies themselves and the funded organisation in having to manage a number of funding relationships often operating against different timetables and various reporting requirements.

At a national level, the Active Community Unit is looking to develop a cross-departmental approach for its own portfolio of funded organisations, and will share its experience with other departmental funders.

10. The application process

Model application form

- 10.1 The design of application forms and the application process can vary widely between grant programmes. In order to make the management of grant programmes more consistent and create a more standardised approach, central Government has undertaken to prepare and pilot a model application form, with the aim of capturing the standard information required by Government funding programmes. A model application form and a drive towards greater standardisation does not mean that application forms will be identical. The wide range of statutory funding programmes can lead to additional requirements for information. The need for such additional requirements should be set against the principles of good regulation (transparency, accountability, targeting, consistency and proportionality).

Electronic completion

- 10.2 Funders should, when circumstances permit, move towards providing a facility for the electronic completion of grant applications.

11. Joint bids

- 11.1 Joint bids should be encouraged where these:

- help achieve value for money;
- make sense in terms of the viability of the project and the individual partners;
- bring benefit to the organisations and service users from the sharing of expertise and resources (for example, where the savings generated could be used to add value to the service).

The joint bid should identify the partner that will be responsible for the grant. This approach can also be an effective way for larger voluntary organisations to assist smaller community organisations and Black and Minority Ethnic organisations in accessing resources.

The sector undertakes to give positive consideration to the opportunities that exist for greater partnership working between voluntary and community organisations.

12. The assessment process

12.1 The statutory sector recognises that assessment processes should be transparent and objective. Appendix 2 provides guidance for public bodies aimed at achieving this end. This will also be of interest to voluntary and community organisations, providing them with a clearer insight into how applications are assessed. Appendix 2 covers:

- ❑ assessing eligibility;
- ❑ risk assessment;
- ❑ initial assessment;
- ❑ applications that fail the initial assessment;
- ❑ consultation on applications;
- ❑ detailed assessment of applications;
- ❑ recommendation process; and
- ❑ the consequences of not funding.

13. Notifying decisions

13.1 After final decisions have been made, notification of grant awards should be given as soon as possible, and ideally three months before the grant is due to commence. Applicants should be kept informed of any delays in the process, which mean that the published timetable will not be adhered to.

13.2 Where an application is not funded to the full amount requested, the implications for the funded organisation should be considered. The funded organisation will need an indication of the level of funding as soon as possible, ideally three months before the grant is due to commence, to allow it either to revise its original estimates or seek additional funding.

13.3 Notification documentation should include:

- ❑ the amount and period of grant;
- ❑ the purpose for which the grant is made, listing any specific exclusions;
- ❑ standard terms and conditions;
- ❑ any restrictions or conditions (other than standard terms and conditions);
- ❑ jointly agreed performance indicators and targets;
- ❑ jointly agreed monitoring and evaluation arrangements;
- ❑ arrangements for payment; and
- ❑ two copies of the offer of grant letter – one to be signed and returned by the funded organisation, the other to be retained by the funded organisation for its records.

13.4 Where an application is rejected, the applicant should be advised when and how they can receive feedback on the reasons for the refusal, and should be given a contact point to raise any query they may have in respect of whether their application was assessed in accordance with the grant programme's published process.

14. Publicising grants awarded

14.1 Statutory funding programmes should include clear arrangements for publicising a list of grants awarded, for example by: enclosing a list with notification letters; issuing a press notice; or posting the list on a web site. The arrangements should be specified in the guidance notes for each programme.

15. Providing feedback on grant applications

15.1 The statutory sector recognises the importance of providing feedback to grant applicants. The provision of feedback on an individual basis can

be very resource intensive and might not always be practicable. Individual feedback might, for example, be included in notification letters by using a 'tick box' format. Funders can also provide information on an aggregate basis setting out the main reasons for success or failure.

A pro-active approach is also to be commended, for example, through workshops to share best practice from successful applications. Membership organisations also have an important role in developing and sharing best practice to assist the capacity of voluntary and community organisations to submit high quality applications for funding.

- 15.2 The provision of feedback can be valuable to both the applicant and the funder. Just as applicants can benefit from knowing the reasons why their application was unsuccessful, funders need feedback if they are to improve the design of grant programmes. For example, a programme may have attracted a disproportionate number of ineligible applicants because the criteria or guidance notes were poorly drafted.

Membership organisations have an important role in providing feedback to funders on the design of grant programmes.

16. Standard funding conditions

- 16.1 There are likely to be differences in conditions between funders given to need to reflect the particular nature of a programme or funded organisation. For example, where funded organisations are required to match statutory and private sector funding, a condition of grant can be that they confirm project expenditure and income at the end of each financial year. One example of good practice, the Active Community Unit's standard grant conditions, is attached at Appendix 3. It is good practice to review grant conditions regularly: some may become out of date or new ones may need to be added.

- 16.2 Although funding conditions inevitably refer to the activities that have been specified in an agreed work plan, it should be recognised that circumstances can arise where it will be in the interests of both the funder and the funded organisation to agree revisions to the work plan.

17. Specific conditions

17.1 Where additional controls are required, these should be no more than are necessary to enable funders to satisfy themselves that public money:

- is spent for the purposes for which it was intended;
- will achieve a cost effective outcome; and
- is not put at undue risk.

17.2 Care should be taken to avoid conditions which would prevent trustees carrying out the purposes of a charitable trust. Agreement should be reached at the outset in respect of the extent to which funders will receive copies of papers and minutes of management committee, steering group and trustee meetings, and whether and on what basis the funder will observe such meetings.

Any requirement to receive copies of papers and minutes of trustee meetings, and to observe such meetings, should be limited to particular items of business concerned with the grant.

17.3 An appropriate condition should also be applied in respect of any copyright or intellectual property issues that might arise as a result of the grant or contract and any significant assets acquired by the funded organisation through the use of public funds.

18. Payment procedure

18.1 No payments should begin until the letter of acceptance has been returned signed by the named contact and either the chair or other designated officer of the organisation. The inclusion of a specified date for the return of the acceptance letter will help to ensure that payments can begin on time.

18.2 Regular payments in advance for grant financed work should be made where the need for an advance payment is established. Many voluntary and community organisations do not have the resources to undertake work and receive payments afterwards. They can usually demonstrate a

clear need for the funding before the work can begin. Evidence of this type of need should be found in the financial information submitted by the applicant.

It is worth bearing in mind that all organisations can expect to hold reserves, and the Charity Commission provides guidance for charities in its leaflet CC19 (available on the Commission's website at www.charity-commission.gov.uk.) In practice, many charities hold reserves well below these levels.

- 18.3 Payments should be made promptly. A decision on the frequency of instalments should relate directly to the size and nature of the proposed grant and the funded organisation.

If it is a grant for a specific purpose, then a single payment may also be appropriate. Where grants are paid in instalments, a simple form of certification should be sufficient to allow the release of funds. This will entail the funded organisation making a statement that any previous grant has been spent for the purposes for which it was given and giving a brief forecast of expenditure for the next grant period.

The authorisation of payments should not necessarily be dependent upon the receipt of detailed sets of in-year accounts: more emphasis should be placed upon monitoring the output and performance.

- 18.4 The funder should decide what controls might be necessary to monitor the continuing viability of a funded organisation. No further grant payments should be made if doubts about an organisation's financial viability arise. In such circumstances the funder, in consultation with its lawyers, should review the situation.

19. Using underspends

- 19.1 Under the terms and conditions of the grant, the funded organisation should notify the funder of any anticipated underspend as soon as possible.

Should underspends occur within individual grants, and where public bodies are able to allow the funding to remain with the funded

organisation, agreement will be reached with the specific body concerned on how the funding can be used.

In respect of underspends that occur within funding programmes, where public bodies allow underspends to remain, their availability should either be publicised and bids invited as soon as possible, or the funder should revisit any 'reserve list' containing applications that were unable to be supported the first time due to lack of funds.

End of year flexibility

19.2 Funded organisations in receipt of grant in aid are allowed to carry over sufficient funds (up to two per cent in cash terms) to the next financial year, in order to help form a working balance during the first week of a new financial year.

19.3 The introduction of the unlimited End of Year Flexibility scheme associated with the Departmental Expenditure Limits control regime should provide funders with more scope to carry forward expenditure not passed over to the grant recipient by the end of the financial year.

EYF is not permitted on any underspends by the funded organisation itself as this would not be consistent with the rules on payment in advance of need. However, there may be occasions where a funded organisation underspends to a greater extent than forecast. In those circumstances the funded organisation has the option of repaying the unexpended grant to the statutory funder.

Provided the repayment is made before the end of the financial year, it can qualify for carry forward into the following year by the statutory funder as EYF. In this way, these arrangements can provide some flexibility for voluntary and community organisations.

20. Financial reporting

20.1 There should be a series of trigger points for information and accounting requirements to be submitted by the funded organisation to the funder. These should reflect both the size of the grant and the size of the funded organisation, and statutory agencies should not demand more stringent accounting and auditing requirements of charities than

required by the Charities Act – nor of companies than required by the Companies Act. These requirements are summarised in the table at Appendix 4.

20.2 The Charity SORP entitled 'Accounting by Charities: Statement of Recommended Practice' sets out best practice. It follows a similar format to the accounting requirements for limited companies, with the main exception being the production of a Statement of Financial Activities instead of a Profit and Loss Account.

20.3 The above accounting requirements are quite extensive, but they are proportional and there is a reduced burden on smaller charities. To highlight those requirements that smaller charities do have to comply with, the Charity Commission has produced two leaflets entitled 'Accounting for the Smaller Charity (CC54)' and 'Accruals Accounting for the Smaller Charity (CC55)'. These leaflets are available on the Commission's website at www.charity-commission.gov.uk

In order to qualify to prepare its annual accounts under the reduced charity SORP requirements, a charity must be unincorporated and have gross recorded annual income from all sources of £100,000 or less.

21. Monitoring and evaluation

21.1 Monitoring and evaluation are increasingly important elements within the grant process and help determine the success of the funding against agreed objectives. In a grant scheme there will be a need for both internal and external monitoring and evaluation of the performance of individual grants and the programme as a whole. It is important to distinguish between monitoring and evaluation:

- Monitoring is the process of gathering and recording information on a regular basis. It keeps account of progress and work undertaken against a set of agreed objectives, targets and indicators.
- Evaluation is the process of looking at that information and making a judgement or series of judgements on the quality of the progress and work and its success against expectations and

stated aims. It looks at outputs or results – what has been done. It is qualitative, assessing outcomes in terms of the impact on the original problem. The evaluation process requires some experience and knowledge of the field in which the work is being undertaken.

21.2 Before any grant is given, the funder should be clear about what information it needs from the applicant and why. An effective framework for monitoring and evaluation should:

- have clarity about the roles and responsibilities of each and to make sure that these have been mutually agreed;
- avoid duplication of effort by the funder and the funded organisation;
- take account of the monitoring procedures already agreed by the organisation's other funders and any quality assurance system introduced by the organisation itself. These should be examined to see if they satisfy the funder's needs before devising any additional requirements. This approach will help reduce the staff/volunteer time spent by the funded organisation in reporting in a number of different formats and should in turn reduce the associated costs;
- be relevant and proportionate to the size and nature of both the funding provided and the funded organisation, consistent with the need for the effective protection of, and proper accountability for, public money. Otherwise the funded organisation may have to spend additional resources to fulfil the requirements, or spend too much time collecting information rather than undertaking the activities for which the grant has been given;
- be informed by early consultation with applicants – this can greatly reduce the workload and frustrations later on. They should be involved in devising measures that are both meaningful and collectable. Their involvement can help to ensure that the monitoring and evaluation

framework is an accountable yet supportive and developmental process;

- ❑ enable the funder to assess the contribution made to meeting the programme's objectives and identify any implications for the future direction of the programme;
- ❑ enable the funded organisation to assess the contribution made to meeting its own objectives, and to identify any new user needs and any learning which could be disseminated to other voluntary and community organisations;
- ❑ recognise the cost of monitoring and evaluation which should be included within the grant; and
- ❑ offer the funded organisation the opportunity to comment on any evaluation report. This is important in maintaining the transparency of the grant process.

22. Intervention when an organisation is in financial or other difficulty

- 22.1 In circumstances where a funded organisation is in financial or other difficulty, the funder should at an early stage give formal notification of its concerns. The primary concern of the funder will be to protect public funds. The terms and conditions of grant will specify the circumstances in which grants may be recovered.

The funder should consider with its lawyers and internal audit what the next steps should be. Subject to the overriding need to protect public funds, this might involve agreement to a recovery plan. Where a withdrawal of grant is warranted, this might result in the winding up of the funded organisation. HM Treasury should be involved at an early stage as such situations can raise novel or contentious issues.

- 22.2 In respect of charities, any intervention envisaged will need to avoid interfering with the discretion of the trustees and the independence of the charity. Consequently, the funder will be in the position of being able to discuss with the trustees what the difficulties are and what is being done to rectify the situation, but it will be for the trustees to decide what action should be taken. The trustees should consider

whether they need advice from the Charity Commission. Clearly this does not affect the funder's discretion to withdraw funding.

23. Scope and application of the Code

- 23.1 This Code of Good Practice is not a legally binding document. Recognising the diversity of the voluntary and community sector and its activities, it should be seen as an enabling mechanism to enhance the relationship between Northamptonshire's public bodies and the sector.

Its authority is derived from its endorsement by those public bodies and by the sector itself through its consultation process. The Code applies to all statutory and voluntary and community sector agencies who are signatories of the Code.

- 23.2 The development of action plans to implement the good practice guidance in this Code will be the responsibility of individual statutory agencies and bodies and the range of organisations in the voluntary and community sector.

Where they do not follow this good practice, they must satisfy themselves that, if asked, they have good reasons for not doing so.

- 23.3 As part of the process of making the Compact work, there will be an annual meeting between the statutory agencies and representatives of the sector to review the operation and development of the Compact, including the Code of Good Practice on Funding. The report of that meeting will be published.

Appendix 1

TYPICAL CORE COSTS²

Type of cost	Particular importance in one type of organisation?	Particular importance in stage of development?
Chief Executive	Needed in all	Needed at all stages
Finance management	Needed in all	Needed at all stages
Telephone, fax, postage	Needed in all	Needed at all stages
Premises – rent, mortgage	Needed in nearly all	Sometimes minimized in early stages of an organisation's life – but not likely to be a long-term response
Associated premises cost – heat, light,	All	Sometimes minimized in early stages of an organisation's life – but not likely to be a long-term response
Insurance	Needed in all	
Associated staff costs, including insurance, pension, contractual rights cover	All organisations employing staff	As soon as staff are employed
Equipment – IT, printing, etc	Needed in all but likely to increase as new activities are taken on	Particular investments in periods of growth
Premises management	Present in all organizations	Throughout
Research & development	Present in all	Particularly significant at early stages of an organisation's life or at a period of planned or expected growth
Fund-raising	Present in all	May be a greater percentage of the work done in the development stages of a charity's life
Membership – support of the membership structure	Particular relevance for membership organizations	Needed at all stages
Governance – support of the Trustee structure	All organizations	Needed at all stages
Project management	All	Needed at all stages
Monitoring & evaluation	All	Needed at all stages
Quality assurance	All	Needed at all stages
Travel & subsistence	All	Needed at all stages
Staff training & supervision**	All employing staff	Needed at all stages
Personnel functions	All employing staff	Needed at all stages
Accountancy & audit	All	Needed at all stages
Secretarial support	All	Needed at all stages
Corporate planning	All	Needed at all stages

² Taken from ACENVO report "Who pays for core costs?" published 1999. Costs include volunteers

The process for assessing grant applications

1. Assessing eligibility

1.1 Criteria for assessing the eligibility of an applicant will be dependent upon different factors:

- ❑ the general eligibility of the organisation itself; and
- ❑ whether or not it meets the specific criteria set out in the grant programme.

1.2 Eligibility criteria form the basis for the initial assessment of any application. If the applicant does not meet the initial general and programme specific criteria, there will be no need to progress the application further. All eligibility criteria must be set out clearly and be available to any potential applicant.

General eligibility criteria

1.3 These deal with the structure and organisation of the applicant. The degree to which they are relevant will depend upon the nature of the grant programme and the size and type of the voluntary organisation. For example, a community group or newly emerging organisation may not be constituted or be able to demonstrate that it meets every criteria as it has not yet begun its work. It is likely that general eligibility criteria will require that applicants must:

- ❑ be a voluntary or community organisation;
- ❑ have a recognised legal and constitutional status;
- ❑ be independent of the statutory and private sectors;
- ❑ be legally able to undertake activities in the country concerned;
- ❑ be financially viable;

- ❑ have aims and objectives in keeping with the activities funded under the objectives of the grant programme and the objectives of the funder;
- ❑ have a clear management structure;
- ❑ have clear financial controls (Charity Commission leaflet CC8 Internal Financial Controls for Charities provides details);
- ❑ have principles of operation for employees and volunteers which accord with legislation on employment, health and safety, racial and sexual discrimination, disability discrimination; and
- ❑ demonstrate an understanding of and commitment to equal opportunities.

Specific eligibility criteria

- 1.4 There may need to be specific eligibility criteria which relate directly to the specific aims and objectives of the grant programme.

2. Risk assessment

- 2.1 In order to minimise problems later on in the grant process, a risk assessment should be undertaken prior to grant aiding. There are two levels of risk assessment.

The first level of risk assessment

- 2.2 The first level of risk assessment will be the routine checks which will be carried out as part of good practice and can be undertaken both at the initial and detailed assessment stages of the process. These could include:

- ❑ the financial viability of the organisation – this can be undertaken by making sure adequate information is asked for in the application form (relative to the size of grant and size of organisation and consistent with the need for the effective protection of, and proper accountability

for, public money) together with an examination of financial information submitted by the organisation;

- ❑ examining the constitution and management systems of the applicant organisation to make sure they are sufficiently robust to undertake the proposed activities;
- ❑ checking whether previous grants have been managed effectively;
- ❑ talking to the applicant;
- ❑ talking to given referees;
- ❑ talking to any other funders named on the application.

The second level of risk assessment

2.3 The second level of risk assessment is more complex. This is the area of new risks such as an untried or untested activity, an unusual activity, a new or emerging organisation or where the funding scheme calls for innovation.

Care should be taken to ensure that applications from those subsectors that have traditionally had limited access to statutory funding, for example Black and Minority Ethnic organisations, are assessed on their merits and are not considered to be inherently high risk. In order to be able to assess these types of risks the funder will need to address the questions set out below.

- ❑ Does it clearly meet the needs that the scheme is set up to address?
- ❑ How much can the scheme afford to invest in an activity with an unproven track record?
- ❑ Has there been a pilot project upon which the application is built?
- ❑ Has any feasibility study or research been undertaken upon which the application is based?
- ❑ Do you need to meet the applicant to discuss the proposals?

- Do you need to discuss the application with any other agency/organisation with expertise within the field of activity?
- Are there any legal implications to the proposed application, for example, obtaining planning permission for building works?

3. Initial assessment

- 3.1 When an application is received it should be acknowledged promptly (typically within two weeks), where possible informing the applicant when a decision is expected.
- 3.2 An initial check of the form and attachments should be undertaken, and any missing documents requested.
- 3.3 If the application meets the eligibility criteria, the funder should seek any further information that may be needed to assess whether the application should be recommended for a grant.

4. Applications that fail the initial assessment

- 4.1 If an application fails its initial assessment and it is clear that there is no point in progressing it further the following actions should be taken:
 - the applicant should be informed in writing as quickly as possible. Delays in notification can cause problems for an organisation that may be waiting for a decision before undertaking other actions;
 - the letter of notification should contain reasons for the rejection, and where practicable, an offer to discuss any particular points by telephone.
- 4.2 The reasons given should be clear and logical, for example:

- ❑ the application was received outside the programme's deadline for applications (unless by prior agreement with the funder);
- ❑ the application was incomplete or improperly completed;
- ❑ the programme is not accepting any new applications in the current financial year;
- ❑ the applicant fails to meet basic organisational eligibility criteria, for example, in terms of financial viability; or
- ❑ the application is not in keeping with the programme's aims and objectives.

4.3 These should be the only reasons necessary for rejection at this stage.

5. Consultation on applications

5.1 Other funding agency departments or organisations may need to be consulted about applications, for example, those with specialist knowledge of the subject area. This process should be made clear to potential applicants. Care should be taken to avoid potential conflicts of interest. Consultation can help to:

- ❑ assess the suitability of the application – there may be another grant programme better suited to the application;
- ❑ assess any specialist elements;
- ❑ establish or confirm the credibility of the applicant;
- ❑ establish or confirm the need for the work to be undertaken; and
- ❑ check for any double funding – it is important to ensure that the grant does not pay for any activities being paid for by another funder.

6. Detailed assessment of applications

- 6.1 Each funder should have a clear methodology that will help to allocate funding in a clear, equitable and definable manner. This process should be in keeping with the nature and size of the funding sought: for example, a grant under £1,000 might require less assessment than one for over £100,000. Specific assessment criteria and any weighting attached to these should be published in the interests of transparency.
- 6.2 At this stage there are key factors which will influence the decision making process. These are set out below.

Duplication

- 6.3 It is up to each funder to satisfy itself that an application does not unnecessarily duplicate an activity already funded. The application form should ask relevant questions on this type of issue. There may be valid reasons to support more than one organisation undertaking similar activities in the same area, for example, the funder might be satisfied that there will be a significantly different set of beneficiaries reached by the activities.

Over subscribed scheme

- 6.4 It is likely that most funding schemes will have more applications than available resources. Where this occurs, the selection of final projects to be funded must be able to demonstrate maximum value for money and/or meet an important criterion for the funder.

The quality of the application

- 6.5 This may be assessed on two levels. First, if the proposed service or activity does not have sufficiently well defined aims and objectives, the evaluation of the likely outcomes will be difficult. Second, if the application is of poor quality either in presentation or in content.

The lack of quality may be due to misunderstanding or inexperience and the funder may wish to give the applicant help if the timetable permits. Poor quality of presentation may reflect simply a lack of access to

equipment or the use of English as a second language. It is important not to discriminate inadvertently.

Internal priorities

6.6 A funder may have an internal range of objectives which will help in the final decision making process. These objectives are likely to form the basis of an internal set of priorities which will be about achieving a balance within a programme. These internal priorities could be based on:

- ❑ geographical location;
- ❑ project type or size;
- ❑ type and size of organisation; or
- ❑ different mechanisms of delivery to develop examples of transferable best practice.

Past performance

6.7 The track record of an applicant organisation is an important part in assessing an application. This can include:

- ❑ previous grant history – how well grants have been managed in the past;
- ❑ evidence of achievement – progress reports, annual reports, media coverage; and
- ❑ the views of others – referees, other funders, beneficiaries and supporters.

6.8 However, care should be taken to make sure that new organisations do not receive unfair treatment due to a lack of past performance. Poor past performance will not necessarily mean that an organisation is not worthy of grant, but funders will wish to satisfy themselves that changes in management structures or staff, or the introduction of new strategies and procedures demonstrate that an organisation is now a viable candidate to receive funding.

Promoting volunteering

- 6.9 Volunteering and community involvement should always be borne in mind when considering applications. It should be clear however that this should not become a prerequisite for funding as there will be some voluntary or community organisations providing important services who, for a variety of reasons, do not have volunteering functions. However, other things being equal, preference should be given to applications which involve volunteers or promote volunteering and community involvement.

Sustainability

- 6.10 There is a clear need for funding priorities and mechanisms to promote activities which support sustainable development. This means working towards a better life for everyone, now and in generations to come. This can be done by assessing whether an application delivers social, environmental and economic benefits at the same time.

Grant renewals to honour previous commitments

- 6.11 Renewal requests may be for long term strategic funding or for fixed term projects. They will usually have pre-agreed aims, objectives and performance indicators and targets against which the renewal application can be measured. The applicant's previous grant history will inevitably play an important part in the recommendation process. In addition, organisational and constitutional details and financial controls will already have been examined.
- 6.12 It is important to be satisfied that previous grant has been spent in accordance with the original application and targets have been met, any variations satisfactorily explained and the activities being funded are still within the priorities of the programme. If the renewal application meets all these requirements then the previous commitment should be honoured.
- 6.13 It is important to assess the proportion of the total annual budget, which will be required to honour these continuing commitments. Continuing commitments may take up the whole of the grant programme's annual budget. Where this happens, consideration should be given to the

proportions of funding to be allocated and the impact this may have on the applicant organisation's activities.

There is a general need to be mindful of the accessibility of the programme and to strike a balance between longer term funding and the strategic advantages that brings, with the desirability of maintaining a proportion of funding to support new activities and developments.

7. Recommendation process

- 7.1 Having eliminated all ineligible applications, the remaining applications can be divided into those for renewal of grant to honour previous commitments and new applications. Whether new or for renewal, each application should be treated on its merits. Work can then begin on drawing up a final list of recommendations for executive consideration and final decision.

8. The consequences of not funding

- 8.1 Consideration should be given to the effects upon a voluntary or community organisation of any decision not to fund, or to withdraw funding, before any final decision is taken. This is particularly important where consideration is being given to withdrawing funding that has been provided over a long period of time. In these circumstances it is important to give the organisation concerned as much warning as possible, for example, to enable the organisation to discharge its responsibilities to any paid staff affected by the decision.

The Active Community Unit's standard terms and conditions of grant applying with effect from 1 April 2000

"Building a safe, just and tolerant society"

Introduction

The following terms and conditions supplement the offer of grant / grant-in-aid made by the Active Community Unit (ACU).

The Grant-holder is advised:

- ❑ to note that all offers of grant and grant-in-aid are subject to Parliamentary approval;
- ❑ to note that all references to 'the financial year' refer, unless expressly indicated otherwise, to ACU's own financial year, which runs from 1 April to 31 March;
- ❑ to retain a copy of ACU's offer, including these Standard Terms and Conditions; and
- ❑ to note that failure to comply with the terms and conditions of the offer result in the grant payments being suspended or withheld, and may result in the grant offer being withdrawn.

Terms and Conditions

1. Restrictions on how the grant may be used

- 1.1 The Grant-holder must ensure that it receives ACU's formal agreement to the proposed Work Programme and Budget before committing itself to any expenditure. The Grant-holder may not use the grant for any activities other than those specified in the agreed Work Programme.

- 1.2 No aspect of the activity funded by ACU may be party-political in intention, use or presentation.
- 1.3 The grant may not be used to support or promote religious activity.

2. The Grant-holder's Responsibilities

- 2.1 The Grant-holder will take all reasonable steps to insure against any risks which may arise in connection with any property of the organisation or any activity undertaken by the organisation which is grant-aided in whole or in part by ACU. This includes any loss or personal injury to persons undertaking those activities. ACU reserves the right to require the Grant-holder to submit for inspection any relevant documents relating to insurance policies. ACU is not in any way liable for any contingency involving property or activities for which it has provided grant aid in whole or in part; responsibility for any such contingencies lies entirely with the Grant-holder, who should be covered for all eventualities by satisfactory insurance policies.
- 2.2 The Grant-holder will send ACU the reports and other documentation required by ACU, including those specified at pages 5 and 6 of these terms and conditions by the dates, and in the formats, indicated. Delay in providing the required information, particularly work programmes and budgets, will jeopardise the grant.
- 2.3 The Grant-holder will send ACU copies of all papers and minutes for its management committee / trustee / board / steering group meetings whenever these papers and minutes relate to work funded by ACU.
- 2.4 The Grant-holder will invite ACU to observe the Grant-holder's management / trustee / steering group meetings whenever these meetings are likely to discuss work funded by ACU.

3. Accounting for the Money

- 3.1 The Grant-holder will retain all invoices, receipts, accounting records, and any other relevant documentation relating to the expenditure of the grant, for at least two years after completion of the funded activity, or two years after the end of the grant period, whichever is the longer. Where the Grant-holder is working in partnership and its partner(s) wishes to retain such documentation, the Grant-holder should obtain from the partner: (a) an annual, written statement, signed by the partner's treasurer, of how the money was spent; and (b) a signed undertaking that the partner will retain such documents for the period prescribed above.
- 3.2 The Grant-holder, without charge, will permit any officer or officers of the Home Office, the National Audit Office or their nominees, to visit its premises and/or inspect any of its activities and/or to examine and take copies of the Grant-holder's books of account and such other documents or records as in such officers' view may relate to the use of grant. In addition, the Comptroller and Auditor General may carry out examinations into the economy, efficiency and effectiveness with which the grant has been used.
- 3.3 The value and purpose of this grant will be identified separately in the Grant-holder's audited accounts (or the notes thereto) and in the Grant-holder's Annual Report.
- 3.4 The Grant-holder will maintain a record of its internal financial controls and procedures, and will copy them to ACU.
- 3.5 The Grant-holder will send ACU annually a copy of its Annual Report and Accounts scrutinised in line with Charity Commission requirements.

4. Acknowledging the Grant in Publicity

- 4.1 Publicity and written material relating to the funded work will acknowledge ACU's financial contribution.

- 4.2 The Grant-holder is not obliged to include the logo of the Home Office (shown at the head of this document) or of the Active Community Unit when acknowledging ACU's financial support of their work. However, should the Grant-holder wish to publish either logo, the Grant-holder must comply with the Home Office's restrictions on how these logos may be presented (e.g. colour of ink, size of font, and position on the page).

5. Intellectual Property Rights

- 5.1 When required by ACU, the Grant-holder will ensure that copyright and design rights in works created wholly with monies granted by ACU will be vested in the Crown and the Secretary of State for the Home Department respectively.

6. Equal Opportunities in Employment, Use of Volunteers and Activities Funded by the Grant.

- 6.1 The Grant-holder will ensure that anyone acting on its behalf complies with the law in the United Kingdom and in particular does not commit any act of discrimination rendered unlawful by the Sex Discrimination Act 1975, the Race Relations Act 1976 or the Disability Discrimination Act 1996.
- 6.2 In respect of the activities supported by ACU's grant, the Grant-holder will ensure that there is no discrimination on the grounds of race, colour, ethnic or national origin, disability, age, gender, sexuality, marital status, or any religious affiliation, where any of these cannot be shown to be a requirement of the job, office or service in respect of employment, provision of services and the involvement of volunteers.
- 6.3 In addition, the Grant-holder will endeavour to ensure that the needs of black and minority ethnic organisations and/or communities are met.
- 6.4 Any Grant-holder which is an intermediary, umbrella, membership or training organisation should endeavour to ensure that its services meet the needs of Black and minority ethnic voluntary organisations. It

should also ensure that its policies and membership criteria address how members will work with black and minority ethnic communities.

- 6.5 The Work Programmes agreed between the Grant-holder and ACU will include targets, outputs, monitoring arrangements and performance measures and the Grant-holder will report progress in their Interim and Final Reports to ACU. (pp. 47 – 50 set out when such reports fall due and the format in which they should be presented.)
- 6.6 A Grant-holder which is itself a Black and minority ethnic-led organisation is required to demonstrate in its Work Programmes, Interim and Final Reports that it has used the grant to serve the communities and voluntary organisations for which the grant was given.

7. Purchases of Capital Equipment

- 7.1 The Grant-holder will notify ACU as to whether or not it is able to recover Value Added Tax (VAT) from HM Customs & Excise. Where the VAT can be recovered on purchases of capital equipment, ACU's grant offer will be reduced accordingly. This is to protect HM Government against funding the same purchase twice.
- 7.2 If any capital asset costing more than £1,000 is purchased with funds provided by ACU, the asset must not be sold or otherwise disposed of within the depreciation period of the asset in question without ACU's written consent. ACU may require the repayment of all or part of any proceeds of any disposal or sale.
- 7.3 The Grant-holder will maintain a register of any capital assets purchased with funds provided by ACU. This register will record, as a minimum, (a) the date the item was purchased; (b) the price paid; and (c) the date of disposal (in due course).
- 7.4 The Grant-holder must not attempt to raise a mortgage or other charge on ACU funded assets.

8. The Grant-holder's Procurement Procedures

- 8.1 The Grant-holder will take such actions and keep such records as will demonstrate that best value for money has been obtained in any procurement of goods or services funded by ACU.

9. Paying the Grant to the Grant-holder

- 9.1 ACU is not permitted to pay a grant in advance of need.
- 9.2 ACU normally pays strategic grants in quarterly instalments – in April, July, October and January – although ACU reserves the right to pay to a different schedule when necessary.
- 9.3 ACU normally pays project grants at a frequency determined by when the Grant-holder needs the funds.
- 9.4 ACU does not normally pay grants for capital purchases until the Grant-holder has been invoiced by its supplier and has provided such documentary evidence of the purchase as ACU requires.

10. Repaying the Grant to the Home Office

- 10.1 ACU reserves the right to recover the grant, in whole or in part, to the extent that it is not used for the purpose and activities agreed with ACU, or if ACU considers that any other terms or conditions of the grant are not being fulfilled.
- 10.2 The Grant-holder must notify ACU as soon as it becomes apparent that an underspend of grant is likely to occur. Any portion of the grant not used for the agreed purpose by the end of the financial year for which it was given may not be retained by the Grant-holder without ACU's permission. ACU will not withhold permission unreasonably but the Grant-holder is reminded that ACU's grant is subject to HM Treasury accounting rules and ACU may require the unspent portion of the grant to be repaid.

- 10.3 Should ACU consider that there is a substantial variation between the Grant-holder's actual income and expenditure and the amounts forecast in the Grant-holder's application, ACU may vary, withhold or recover grant payments in such proportions as appear to ACU to be reasonable.
- 10.4 If the Grant-holder is wound up or goes into liquidation (including being subject to an administration order) receivership, bankruptcy, enters into any compromise or other arrangement of its debts with its creditors, or is likely, in the view of ACU, to become unable to pay any of its debts then ACU will be entitled to recover forthwith from the Grant-holder the grant paid. In such circumstances, no further monies will be payable by ACU to the Grant-holder or to anyone acting on its behalf or in its name.

11. Termination of the Grant

- 11.1 Either party, with one month's notice in writing, may terminate the agreement. Reasons should be given.

12. Liability for Future Funding

- 12.1 The Home Office, represented here by ACU, makes no commitment to renewing or continuing financial support to the Grant-Holder after the term of this grant. The Grant-holder should, therefore, endeavour to minimise its dependence on ACU by obtaining financial support from other sources.

13. Signifying Acceptance

- 13.1 If the Grant-holder is in doubt about being able to meet any of these terms and conditions, or any of the terms and conditions in the covering offer of grant, the Grant-holder will seek ACU's advice before accepting the offer of grant.
- 13.2 The Grant-holder will indicate acceptance by signing ACU's covering letter.

REPORTS REQUIRED BY ACU FOR EACH STRATEGIC OR PROJECT GRANT				
Item	Required format	Information to be included	Why ACU needs it	When ACU needs it by and how many copies
A completed application form.		Information about the applicant and the applicant's work.	To leave a clear audit trail demonstrating that each application has been considered thoroughly and fairly.	By the advertised closing date.
Outline work programme for the entire grant period [normally up to 3 years].	In tabular form with each activity numbered.	Objectives for the whole grant period and an estimate of the grant required per annum.	To help ACU assess whether the organisation's plans are realistic and deliverable.	This should be sent as part of the original application.
Detailed work programme for the forthcoming financial year [commencing April]. Note: it is not always necessary for the grant-holder to supply this for Year 1 of the grant because the completed application form often provides sufficient information.	In tabular form with each activity numbered.	A statement of key activities with objectives, tasks with target dates and quantitative performance measures and, where possible, an indication of which of the grant-holder's departments or staff will be working on each aspect.	To assure the ACU that the grant-holder has a clear plan for the forthcoming year's work.	By 31 st December. One copy.
Budget for the forthcoming financial year [commencing April].		Profiled detailed expenditure, with activity costing if possible.	To help ACU assess whether the organisation's plans are deliverable and to enable ACU to guard against double-funding.	As above.
Signed grant conditions.	The grant-holder's Chair is required to sign.		To ensure ACU that the application [and responsibilities to ACU under the grant	One copy.

			conditions] are supported by the applicant's senior management.	
Papers and minutes of management / steering group / trustee meetings, where paragraph 2.3 of the terms and conditions applies.			To enable ACU to keep in touch with the progress of the work.	Two copies.
Interim report on progress against the agreed work programme and budget.		Performance so far against the agreed work programme and budget up to September. Identify any problems that could affect progress. Include a statement of expenditure so far and a forecast to 31 st March.	To enable ACU to monitor progress. To help ACU to assure Ministers that its grant has been spent effectively.	Annually by 31 st October.
Final report on progress against the agreed work programme and budget.		Performance against the agreed work programme and budget for the last year of the grant [April – March]. Identify any problems that could have affected progress and how they were overcome. Include a statement of expenditure for the year.	To enable ACU to monitor progress. To help ACU to assure Ministers that its grant has been spent effectively.	Annually by 31 st May.
Black and Minority Ethnic Report.	Either as a stand-alone report, or as a section incorporated within the	See terms and conditions of grant.	To enable ACU to assure Ministers that minority ethnic communities benefit fully	This should be enclosed with [or form part of] the Final Report.

	Interim and Final Reports – whichever approach seems more sensible.		from public funding.	
Grant-holder's own Annual Report.				Annually. Three copies.
Grant-holder's Audited Accounts.		The value of each ACU grant received should be shown [either in the main body of the accounts or as a note to the accounts] and it should be recorded as restricted or unrestricted funds as appropriate.		Annually. Three copies.
Ad hoc publicity literature, news-letters, newspaper cuttings, etc.				As and when available. One copy.

REPORTS REQUIRED BY ACU FOR EACH CAPITAL GRANT

Item	Required format	Information to be included	Why ACU needs it	When ACU needs it by and how many copies
Signed grant conditions.				Before the grant is paid.
Three quotes.				Before the grant is paid.
Copies of supplier's invoice.				Before the grant is paid.
Notification if the grant-holder disposes of the items purchased with ACU's grant. [See terms & conditions of grant].				
Grant-holder's Annual Report				Annually. Three copies.
Grant-holder's Audited Accounts		The value of each ACU grant received should be shown [either in the main body of the accounts or as a note to the accounts] and it should be recorded as restricted or unrestricted funds as appropriate.		Annually. Three copies.

Appendix 4

CHARITY COMMISSION ACCOUNTING AND AUDIT REQUIREMENTS¹

Thresholds	Excluding charitable companies ²				Including charitable companies		
	Retention of accounts & accounting records	Receipts & payments accounts	Accruals accounts	External scrutiny of accounts	Registered charities: Annual returns to Charity Commission	Registered charities: Annual report & accounts to Charity Commission	Accounts to public on written request
1. Income not over £1,000 [if not registered]	Yes, at least 6 years.	If preferred.	If preferred.	None.	Not applicable.	Not applicable.	Yes.
2. Neither income nor expenditure over £10,000*	Yes, at least 6 years.	If preferred.	If preferred.	Not generally required.	No: but may be asked for information to keep the register up to date.	Only if requested.	Yes.
3. Income not over £100,000*	Yes, at least 6 years.	If preferred.	If preferred.	Audit or independent examination.	Yes.	Yes.	Yes.
4. Neither income nor expenditure over £250,000*	Yes, at least 6 years.	No.	Yes.	Audit or independent examination.	Yes.	Yes.	Yes.
5. Income or expenditure over £250,000*	Yes, at least 6 years.	No.	Yes.	Audit in year in question and in following two years.	Yes.	Yes.	Yes.

1 Taken from the Better Regulation Task Force report 'Access to Government Funding for the Voluntary Sector' – published July 1998

2 Under companies' legislation, a charitable company need only retain its accounting records and annual accounts for three years and must prepare accruals accounts. If its balance sheet total is £1.4 million or less it may not need an audit. Such companies can opt for a report by a 'reporting accountant', if gross income does not exceed £250,000, or no report at all, if gross income does not exceed £90,000 (unless the company is a parent or subsidiary or at least 10% of its membership votes for an audit).

* Charities crossing threshold 5 must have their accounts audited not only in the year in question but also in the following two financial years. This would lead to the general external scrutiny requirements of thresholds 2,3and 4 being overruled.

Further Information and Contact Details

For copies of all the national Codes of Good Practice (including this one), the Compact or for further information, please contact:

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3rd Floor, Allington Towers
19 Allington Street
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