

Title of Report:	Code of Practice for Reducing Bureaucracy in Grant Making
Committee Report Submitted To:	The Leisure & Development Committee
Date of Meeting:	16 th March 2021
For Decision or For Information	For Decision

Linkage to Council Strategy (2019-23)	
Strategic Theme	Resilient, Healthy & Engaged Communities
Outcome	Council will work to develop and promote stable and cohesive communities across the Borough
Lead Officer	Funding Unit Manager

Budgetary Considerations	
Cost of Proposal	£0
Included in Current Year Estimates	n/a
Capital/Revenue	
Code	
Staffing Costs	n/a

Screening Requirements	Required for new or revised Policies, Plans, Strategies or Service Delivery Proposals.		
Section 75 Screening	Screening Completed:	Yes/No	Date:
	EQIA Required and Completed:	Yes/No	Date:
Rural Needs Assessment (RNA)	Screening Completed	Yes/No	Date:
	RNA Required and Completed:	Yes/No	Date:
Data Protection Impact Assessment (DPIA)	Screening Completed:	Yes/No	Date:
	DPIA Required and Completed:	Yes/No	Date:

1.0 Purpose of Report

The purpose of this report is to recommend to Members a Code of Practice for reducing Bureaucracy in Grant Making.

2.0 Background

On 10 November 2020 a notice of motion was agreed by the Leisure & Development Committee and approved by full Council on 1st December 2020:

“That this Council reviews the application process for Council community grant funding with a view to streamlining the process and ensuring easier access for community organisations. Community organisations across Causeway Coast and Glens report that community grant funding process is extremely demanding and time consuming for often very little sums of money. Our Community Organisations across the area are invaluable to the prosperity of Causeway Coast and Glens and its people and are run by dedicated community volunteers who already have significant demands placed upon them. Council community grants should not be a significant burden to these volunteers who give their time and energy to making this a better place to live and we as a Council should be doing all we can to support them”.

3.0 Central Governments Code of Practice

The Funding Unit Manager has completed desk research and is recommending implementing a Central Government approved Code of Practice for Reducing Bureaucracy in Grant Funding to Voluntary and Community Sector Organisations (**VCOs**).

The Code of Practice was developed in 2015 as a result of a cross departmental project, led by the Department for Social Development (DSD), with a Steering Committee comprising of the Permanent Secretaries of the Department of Finance and Personnel and DSD, the Comptroller and Auditor General and the Chief Executive of the Northern Ireland Council for Voluntary Action. The Committee agreed that the Code of Practice, to be used by all central government funders, was the best mechanism for addressing bureaucracy in grant funding.

All Northern Ireland departments have indicated their support for the principles contained within the Code which has also been welcomed by the Northern Ireland Audit Office.

All public sector funders outside of central government, such as local councils, are being strongly encouraged to apply the principles, with suitable adjustments for their own context and requirements.

The Code applies to revenue grant funding only. It does not apply to capital funding grants, procurement or to EU funding.

It is recognised that it may be necessary on occasion to depart from applying individual principles for sound business reasons and such departures should be documented.

4.0 Aims of the Code of Practice

The aim of the Code is to assist and support those involved in the administration of grant funding.

The Code aims to embed a risk based approach to the administration of revenue grant funding to help streamline funder's procedures, achieve greater consistency and reduce duplication of effort. It is specifically aimed at areas of the process where clear potential for a reduction in bureaucracy was identified.

5.0 Overarching Themes

The Code of Practice sets out the overarching themes applicable to revenue grant funding and identifies a number of principles to be applied at various stages of the grant funding process. It also sets out a number of principles when administering lower value grants i.e. small and micro grants. (Small grants are those between £1,500 and £30,000 and micro grants are those below £1,500).

Theme 1 Collaboration - There should be a collaborative approach to revenue grant funding of Voluntary and Community Organisations (VCOs) in order to minimise duplication of effort.

Theme 2 Proportionality - There should be proportionality of effort throughout the revenue grant funding process - when seeking applications for, appraising, awarding, checking, monitoring and evaluating grant funding.

Theme 3 Timeliness - The revenue grant administrative process should be completed in a timely way.

6.0 Principles of the Code of Practice

The Code of Practice was developed on nineteen specific principles which are attached in Annex A.

7.0 Financial Systems and Control Assessment (FSCA)

The FSCA is used to assess the internal financial controls and procedures within a VCO and to determine the level of financial competence of the VCO. Once completed the assessment can be recorded and shared on the Government Funding Database so other funders can use it without having to undertake separate assessments.

While effective financial verification is essential it is important that the level of verification is proportionate to the risk presented by the VCO:

- Where VCOs are rated as “adequate” it reaffirms that the VCO is deemed fit to handle public funds and a funder’s normal verification processes should be applied.
- Where the VCO is rated as “robust” a VCO may be granted easements in terms of the level of financial verification carried out by Council.
- Where a VCO has a proven track record, they should not be routinely subject to a verification check but could form part of a pool of projects which may be chosen for checking as part of a random sample.
- Where a VCO has never received government funding, and has therefore no track record of managing a grant or delivering a project, it would be appropriate to treat them in the same way as an “adequate” rated VCO in respect of the level of financial verification to be undertaken.
- Micro grants are usually claimed by very small VCOs and are typically for equipment, utilities, insurance, venue hire or advertising. As claims are simple and amounts small the recommendation is that grant-aid should be paid in advance or where this is deemed to be particularly risky, on receipt of a claim and its associated invoices, which can be easily and speedily checked.

The FSCA rating is extant for three years after which it is formally reviewed. Should Council have a material concern about the VCO at any time the rating can be re-assessed.

8.0 Standard Reporting

Standardising reporting formats or accepting a report which the VCO already prepares for their Board could potentially ease the burden on VCOs whilst still meeting the requirements of Council and external funders.

Project monitoring should be limited, for example, to a few lines on how equipment was used or what a funded event achieved.

9.0 Recommendations

It is recommended that Elected Members consider the following:

- 1) Council adopt the DFP Code of Practice for Reducing Bureaucracy in Grant Making. (Annex B).
- 2) Micro grants (below £1,500) to be paid in advance.
- 3) Small Grants (£1,500 - £30,000) - 75% of running costs to be paid at the outset of the project with the remainder paid on successful delivery of the project.
- 4) Council cease carrying out 100% verification on all grant-aid and instead start using Financial Systems and Control Assessment (FSCA). The FSCA is used to assess the internal financial controls and procedures within a Voluntary Community Organisation (VCO) and to determine the level of financial competence of the VCO:
 - a) Where VCOs are rated as “adequate” it reaffirms that the VCO is deemed fit to handle public funds and a funder’s normal verification processes should be applied.
 - b) Where the VCO is rated as “robust” they may be granted easements in terms of the level of financial verification carried out.
 - c) Where a VCO has a proven track record, they should not be routinely subject to a verification check but form part of a pool of projects which may be chosen for checking as part of a random sample.
- 5) It is recommended that where a VCO is rated “robust” and has multiple grants from Council a Lead Financial Verifier arrangement be put in place and the expenditure of only one of the projects verified.
- 6) It is recommended that random sampling is used for organisations with a proven track record.
- 7) Community Development Support Grant is for annual running costs for VCOs. It is recommended that successful applicants are awarded grant-aid for 3 years as per Principle 2 of the Code.
- 8) It is recommended that standardised reporting formats are used or accepting a report which the VCO already prepares for their Board.

Summary of Principles of the Code of Practice for reducing Bureaucracy in Grant Making

BEST PRACTICE PRINCIPLE 1

When developing revenue grant funding programmes funders should seek to join up their programmes where the objectives align with, or are complementary to, those of other funding programmes.

BEST PRACTICE PRINCIPLE 2

If a project is for a defined period, for example three years, the grant offer should cover the full period and not be funded annually.

BEST PRACTICE PRINCIPLE 3

The Funders' Passport should be adopted by all funders and shared via the Government Funding Database (GFD).

BEST PRACTICE PRINCIPLE 4

The Funders' Passport Declaration and the Policies and Procedures Declaration should be used in all subsequent applications for funding.

BEST PRACTICE PRINCIPLE 5

Decisions on continuation funding should be approved and communicated to VCOs at least three months before the expiry of the existing project funding to avoid the need for placing staff on protective notice.

BEST PRACTICE PRINCIPLE 6

The Financial Systems and Control Assessment (FSCA) of Voluntary and Community Organisations should be operated by all funders.

BEST PRACTICE PRINCIPLE 7

Where a VCO is rated "robust" under the FSCA process and has multiple grants from the same funding body a Lead Financial Verifier arrangement should be put in place and the expenditure of only one of the projects verified.

BEST PRACTICE PRINCIPLE 8

Where a VCO is rated "robust" under the FSCA process and has multiple grants from different funding bodies a Lead Financial Verifier arrangement should be explored and put in place where possible.

BEST PRACTICE PRINCIPLE 9

Funders should allow "robust" rated VCOs the discretion to manage their grant in year.

BEST PRACTICE PRINCIPLE 10

Funders should routinely pay three months salaries for funded staff at the outset of a project and three months in advance thereafter. For "robust" rated VCOs six monthly advances of salaries should be applied.

BEST PRACTICE PRINCIPLE 11

Funders should be flexible when dealing with running costs and pay them in advance where a particular need has been identified.

BEST PRACTICE PRINCIPLE 12

Where only an element of a claim is in dispute a funder should make part payments for the remainder of the claim.

BEST PRACTICE PRINCIPLE 13

Funders should either accept the project information provided by a VCO to its Board or adopt a Standard Reporting Template to evidence project delivery.

BEST PRACTICE PRINCIPLE 14

Six monthly project reporting should be the agreed normal reporting period for VCOs, however, annual reporting should be considered for “robust” rated VCOs who are in a long term funding relationship and have a good track record of project delivery.

Small Grants (£1,500 - £30,000)

BEST PRACTICE PRINCIPLE 15

For small grants, salaries should be paid six months in advance, on receipt of the first claim form which should be completed and returned with the signed Letter of Offer.

BEST PRACTICE PRINCIPLE 16

For small grants, up to 75% of running costs should be paid at the outset of the project with the remainder paid on successful delivery of the project.

BEST PRACTICE PRINCIPLE 17

For small grants, financial verification should be based on the VCO's previous track record. Those having successfully delivered previously should be part of a pool of projects which may be chosen for checking as part of a random sample.

Micro Grants (below £1,500)

BEST PRACTICE PRINCIPLE 18

Micro grants should be paid in advance, however, where a funder deems this inappropriate they should make payment as soon as valid receipts are received and checked.

BEST PRACTICE PRINCIPLE 19

The minimum amount of information should be collected to evidence the successful completion of a micro grant project.

**CODE OF PRACTICE
FOR
REDUCING BUREAUCRACY
IN GRANT FUNDING TO THE
VOLUNTARY AND COMMUNITY SECTOR**

2015

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ABOUT THIS CODE

Background

Reports from the Northern Ireland Audit Office (NIAO) in 2010¹ and the Public Accounts Committee in 2012² identified the need to address disproportionate bureaucracy in grant funding by government bodies to the Voluntary and Community Sector (VCS).

These reports recognised that disproportionate bureaucracy in grant funding to the VCS benefits neither the applicant nor the funder, often gives rise to substantial additional costs, reduces value for money to the taxpayer and can distract the focus away from the achievement of outcomes and real impact expected on the ground.

In response Northern Ireland departments, along with the VCS, produced the “Addressing Bureaucracy” report³. The report created a road map for tackling this issue. Its recommendations form a sound basis for ensuring that bureaucracy in grant administration is proportionate, whilst continuing to protect and account for public money.

Following agreement of the report in May 2013 a further cross departmental project, led by the Department for Social Development (DSD), was established to implement the recommendations. A Corporate Steering Group comprising the Permanent Secretaries of the Department of Finance and Personnel and DSD, the Comptroller and Auditor General and the Chief Executive of the Northern Ireland Council for Voluntary Action agreed that the development of a Code of Practice (the Code), for use by all central government funders, was the best mechanism for giving life to the recommendations contained within the “Addressing Bureaucracy” report. All Northern Ireland departments

¹ Northern Ireland Audit Office, [Creating Effective Partnerships between Government and the Voluntary and Community Sector](#) (2010).

² Public Accounts Committee, [Report on Creating Effective Partnerships between Government and the Voluntary and Community Sector](#) (2012).

³ DSD, [Addressing Bureaucracy : A report on tackling bureaucracy in government funding to the Voluntary and Community Sector](#) (2013)

have indicated their support for the principles contained within the Code which has also been welcomed by the Northern Ireland Audit Office.

Applicability of the Code

The Code applies to revenue⁴ grant funding only. It does not apply to capital funding grants, procurement or to EU funding.

The Code is applicable to Northern Ireland departments, executive agencies, Non Departmental Public Bodies (including Health and Social Care bodies) and other Arm's Length Bodies that are involved in providing revenue grant funding to the VCS.

To encourage consistency of approach all public sector funders outside of central government, for example local councils and other funders, are strongly encouraged to apply the principles, with suitable adjustments for their own context and requirements.

The Aim of the Code

Existing guidance on revenue grant funding is found in Managing Public Money Northern Ireland and the Northern Ireland Guide to Expenditure Appraisal and Evaluation. The Code seeks to complement and expand where appropriate on this existing higher level guidance.

The Code aims to embed a risk based approach to the administration of revenue grant funding to help streamline individual funder's procedures, achieve greater consistency and reduce duplication of effort. It is specifically aimed at areas of the process where clear potential for a reduction in bureaucracy was identified through the "Addressing Bureaucracy" report.

⁴ Revenue expenditure is inclusive of all the costs a business incurs in its normal day to day running activities. Capital expenditure includes costs incurred on the acquisition of a fixed asset and any subsequent expenditure that increases the earning capacity of an existing fixed asset.

The Code acknowledges that due to the variety of grant streams in operation across the public sector, no one set of procedures and systems is suitable for all. It is therefore not a step by step manual which prescribes a particular revenue grant funding model. Rather, it sets out the overarching themes applicable to revenue grant funding and identifies a number of principles to be applied at various stages of the grant funding process. It also sets out a number of principles when administering lower value grants i.e. small and micro grants. Small grants are those between £1,500 and £30,000 and micro grants are those below £1,500.

These best practice principles, when applied consistently, will have a positive impact on the administration of grant funding. They should be incorporated into individual funder's grant making policies and procedures. The aim of the Code is to assist and support those involved in the administration of grant funding.

Comply or Explain

It is recognised that it may be necessary on occasion for funders to depart from applying individual principles for sound business reasons and such departures should be documented. The overall impact of the application of the Code will be monitored through the Public Sector Group/Joint Forum mechanism which includes representatives from across all Northern Ireland departments and the VCS.

SUMMARY OF OVERARCHING THEMES AND PRINCIPLES

Overarching Themes

THEME 1 - COLLABORATION

There should be a collaborative approach to revenue grant funding of Voluntary and Community Organisations (VCOs) in order to minimise duplication of effort.

THEME 2 - PROPORTIONALITY

There should be proportionality of effort throughout the revenue grant funding process - when seeking applications for, appraising, awarding, checking, monitoring and evaluating grant funding.

THEME 3 - TIMELINESS

The revenue grant administrative process should be completed in a timely way.

Principles

BEST PRACTICE PRINCIPLE 1

When developing revenue grant funding programmes funders should seek to join up their programmes where the objectives align with, or are complementary to, those of other funding programmes.

BEST PRACTICE PRINCIPLE 2

If a project is for a defined period, for example three years, the grant offer should cover the full period and not be funded annually.

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The Funders' Passport should be adopted by all funders and shared via the Government Funding Database (GFD).

BEST PRACTICE PRINCIPLE 4

The Funders' Passport Declaration and the Policies and Procedures Declaration should be used in all subsequent applications for funding.

BEST PRACTICE PRINCIPLE 5

Decisions on continuation funding should be approved and communicated to VCOs at least three months before the expiry of the existing project funding to avoid the need for placing staff on protective notice.

BEST PRACTICE PRINCIPLE 6

The Financial Systems and Control Assessment (FSCA) of Voluntary and Community Organisations should be operated by all funders.

BEST PRACTICE PRINCIPLE 7

Where a VCO is rated "robust" under the FSCA process and has multiple grants from the same funding body a Lead Financial Verifier arrangement should be put in place and the expenditure of only one of the projects verified.

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Micro grants should be paid in advance, however, where a funder deems this inappropriate they should make payment as soon as valid receipts are received and checked.

BEST PRACTICE PRINCIPLE 19

The minimum amount of information should be collected to evidence the successful completion of a micro grant project.

OVERARCHING THEMES

The Code is underpinned by three overarching themes of **collaboration**, **proportionality** and **timeliness**. These inform the best practice principles identified in the Code.

THEME 1 - COLLABORATION

There should be a collaborative approach to revenue grant funding of Voluntary and Community Organisations (VCOs) in order to minimise duplication of effort.

Funders working in isolation can lead to duplication of activities, which is neither beneficial nor cost effective.

Both funders and VCOs can benefit substantially from a more collaborative approach to grant administration by funders. Sharing information between funders and combining or coordinating grant administrative tasks are effective ways of reducing the cost of grant administration on both funders and VCOs.

THEME 2 - PROPORTIONALITY

There should be proportionality of effort throughout the revenue grant funding process - when seeking applications for, appraising, awarding, checking, monitoring and evaluating grant funding.

There should be a balance between funders obtaining assurance on achievement of objectives and processes becoming so cumbersome that VCOs avoid applying for funding as the administrative burden is debilitating and monitoring is excessive.

Based on the level of risk proportionate effort should be applied through the grant making process. On the basis that lower value grants generally carry significantly lower risk, such grants merit a level of administration in proportion to their value and risk profile.

THEME 3 - TIMELINESS

The revenue grant administrative process should be completed in a timely way.

The pace of the revenue grant administrative process can impact greatly on VCOs by creating instability and cash flow issues for them.

Funding decisions should be made in a timely way. This requires pre-planning on behalf of the funder, prioritising VCOs in long term or continuation funding relationships. Funding decisions that are taken quickly can avoid uncertainty and instability within a VCO avoiding the need, for example, for staff being needlessly placed on protective notice.

1

JOINING UP FUNDING PROGRAMMES

BEST PRACTICE PRINCIPLE 1

When developing revenue grant funding programmes funders should seek to join up their programmes where the objectives align with, or are complementary to, those of other funding programmes.

- 1.1** VCOs in receipt of funding from a range of funders face the biggest burden in terms of bureaucracy as each separate project requires the completion of full appraisal and verification processes.
- 1.2** Joining up grant funding programmes has the potential to streamline the grant making process effectively creating a Lead Funder, reducing the number of applications and creating one system of financial verification, monitoring and evaluation.
- 1.3** When developing or reviewing grant programmes funders should consider the potential to join up funding programmes (both within and outside their own funding body) where the objectives of the programmes align or are complementary. This can be set out in a joint policy or programme statement supported by a Memorandum of Understanding (MOU) detailing the agreed responsibilities of the different funders.

1.4 Existing structures, for example the Public Sector Group⁵, should be used to share information on grant funding developments allowing potential opportunities for joint programmes to be identified at an early stage.

⁵ Public Sector Group is made up of representatives from each of the 12 Northern Ireland departments and from the local council representative bodies. It provides a regular forum for public sector organisations to consider issues relevant to, or impacting on, the VCS.

2

LONGER TERM FUNDING

BEST PRACTICE PRINCIPLE 2

If a project is for a defined period, for example three years, the grant offer should cover the full period and not be funded annually.

- 2.1** Short term funding causes VCOs great uncertainty and instability within the organisation deflecting focus away from the delivery of services. There is a tendency for some funders, due to the sometimes uncertain nature of budgets, to offer and provide funding for a project on an annual basis even where the project is known to last for more than one year at the outset.
- 2.2** There are substantial benefits to both funders and VCOs with longer term funding as it removes the need to make multiple applications for funding thereby reducing administration for funders and bureaucracy for VCOs. Additionally it allows the VCO to plan strategically, manage its budget and cash flow and recruit and retain staff effectively.
- 2.3** When revenue grant programmes are being designed or renewed consideration should be given to the length of time the grant programme might be in operation and applications sought for that period.
- 2.4** Where funders are concerned about their available budget in future years but, for example, wish to issue a Letter of Offer for a three year project, it may be prudent to provide a fixed sum for the first year and provisional sums for years two and three. This will allow the VCO to plan ahead with a degree of certainty whilst allowing the funder an element of flexibility should its budget come under unforeseen pressure.

3

VCO KEY DOCUMENT SHARING

BEST PRACTICE PRINCIPLE 3

The Funders' Passport should be adopted by all funders and shared via the Government Funding Database (GFD).

BEST PRACTICE PRINCIPLE 4

The Funders' Passport Declaration and the Policies and Procedures Declaration should be used in all subsequent applications for funding.

- 3.1** All public sector funders must gather information to inform funding decisions. There is evidence that the volume of information collected varies and can include the requirement on the applicant to provide copies of a number of policies and procedures not always directly required to support the decision to fund.
- 3.2** The same information may be collected at each separate application as frequently funders act in isolation meaning that even two business areas within the same funding body can collect and hold the same documentation.
- 3.3** It is important that application forms are designed to collect only the information considered essential to support a particular application. To assist in this a Funders' Passport has been developed. The Funders' Passport consists of five key documents which are commonly collected by funding bodies. These include the Constitution/Memorandum of Association, a List of Office Bearers/Board of Governors, the Organisation Chart, the Audited Accounts/Financial Statement and the Rental Agreement/Lease or evidence of premises ownership.

- 3.4** Where a VCO has provided the information for its Funders' Passport this should be shared across government funders via the GFD. The Key Document Sharing Protocol and Government Funding Database Upload Instructions document has been provided at **Annex A**. All subsequent funders who wish to fund the same VCO should use the Funders' Passport Declaration to verify that the passport information held on the GFD is up to date and fit for purpose. The Funders' Passport Declaration has been provided at **Annex B**.
- 3.5** Policies and procedures that funders would expect a well governed VCO to have in place, but which are not central to the funding decision, should also be covered by way of a declaration provided by the VCO. Such policies might include equal opportunities, internet usage, document retention, travel, etc. The Policies and Procedures Declaration has been provided at **Annex C**.
- 3.6** Queries concerning the use of the GFD should be addressed to the Voluntary and Community Unit within DSD which administers it on behalf of government.

4

CONTINUATION FUNDING

BEST PRACTICE PRINCIPLE 5

Decisions on continuation funding should be approved and communicated to VCOs at least three months before the expiry of the existing project funding to avoid the need for placing staff on protective notice.

- 4.1** Timely funding decisions are essential in a continuation funding arrangement to avoid a gap in service delivery and instability within the VCO.
- 4.2** Where the decision to put a further grant in place is not taken at least three months ahead of the end of the current grant period, the VCO must place affected staff on protective notice, notifying them of the termination of their contract should further funding not be secured. This can have a detrimental effect on the VCO and its staff and lead to substantial additional bureaucracy.
- 4.3** Any delays in the decision making process should be avoided. Funders should build in sufficient time to conduct the evaluation and appraisal process to allow a new Letter of Offer to be sent to the VCO at least three months before the end of the existing funding.
- 4.4** Funding of continuation projects should be prioritised within a business area's budget plans but if there is still uncertainty around the ability to fund, a Letter of Offer may be issued with an indicative figure and subsequently amended if required by a Letter of Variance.

5

RISK BASED FINANCIAL VERIFICATION

BEST PRACTICE PRINCIPLE 6

The Financial Systems and Control Assessment (FSCA) of Voluntary and Community Organisations should be operated by all funders.

- 5.1** Traditionally funders have determined the level of financial verification required within their grant programmes in isolation. This has led to variations in the levels of financial verification undertaken by funders.
- 5.2** To ensure a common process is applied across funders a generic Financial Systems and Control Assessment of Voluntary and Community Organisations (FSCA) process has been developed. The FSCA is used to assess the internal financial controls and procedures within a VCO and to determine the level of financial competence of the VCO. Once completed the assessment should be recorded and shared on the GFD.
- 5.3** While effective financial verification is essential it is important that the level of verification is proportionate to the risk presented by the VCO.
- 5.4** The FSCA, available at <http://www.dsdni.gov.uk/vco-fsca.docx>, is an agreed methodology for assessing the financial controls operating within VCOs receiving a revenue grant over £30,000. Carried out by trained assessors the assessment is made after one payment has been satisfactorily verified in accordance with the funder's procedures. The FSCA includes the completion of a questionnaire to ensure proper financial procedures are in place and operating appropriately. Depending on the outcome of the assessment a VCO is rated as either "adequate" or "robust".

- 5.5** Where VCOs are rated as “adequate” it reaffirms that the VCO is deemed fit to handle public funds and a funder’s normal verification processes should be applied. Where the VCO is rated as “robust” a VCO may be granted easements in terms of the level of financial verification carried out by the funder. For example, in DSD this means that claims are paid when they are checked for eligibility and accuracy. DSD business areas must then only perform a retrospective verification check on the supporting documentation for one payment quarter for each financial year of continuous funding for a project.
- 5.6** When a VCO has been subject to the FSCA process the funder posts the rating on the GFD where it can be viewed by all other public sector funders of that VCO. It can then be used by all funders to determine the level of financial verification they consider necessary given the awarded rating. The FSCA rating is extant for three years after which it is formally reviewed. However, should a funder have a material concern about the VCO at any time the rating can be re-assessed.

6

LEAD FINANCIAL VERIFIER WITHIN A FUNDING BODY

BEST PRACTICE PRINCIPLE 7

Where a VCO is rated “robust” under the FSCA process and has multiple grants from the same funding body a Lead Financial Verifier arrangement should be put in place and the expenditure of only one of the projects verified.

- 6.1** VCOs may receive different grants from within the same funding body. Such VCOs may have to respond to a number of different verification requirements, separate visits or requests for different information. This places an unnecessary administrative burden on VCOs which could be eased by the introduction of a Lead Financial Verifier.
- 6.2** For those VCOs that are rated “robust” under FSCA, and which receive multiple grants from within a single funding body, there is a clear case for funders to streamline their processes.
- 6.3** Rather than verify each project, funders should agree one project to be checked and who will be responsible for checking it by taking the Lead Financial Verifier role. It is important that the VCO does not know in advance which project is to be checked, or when, to maintain a deterrent against fraud. The Lead Financial Verifier will check the project and communicate the findings to the other funders. Where the check is deemed satisfactory and no systemic errors, or other issues raising concern are found, all funders should take assurance from this check. If the check is unsatisfactory the other projects should be checked and appropriate action taken in line with established procedures.

6.4 The arrangements should be documented in an MOU between all the funders.
A template MOU for Lead Financial Verifier has been provided at **Annex D**.

7

LEAD FINANCIAL VERIFIER ACROSS FUNDING BODIES

BEST PRACTICE PRINCIPLE 8

Where a VCO is rated “robust” under the FSCA process and has multiple grants from different funding bodies a Lead Financial Verifier arrangement should be explored and put in place where possible.

- 7.1** Approximately 10%⁶ of VCOs may receive different grants from different funding bodies. Such VCOs may therefore have to respond to a number of different verification requirements, separate visits or requests for different information. This places an unnecessary administrative burden on VCOs which could be eased by the introduction of a Lead Financial Verifier.
- 7.2** Where a funder becomes aware of funding to a VCO from another funding body, for example through the GFD, contact should be made with that other body to determine whether the processes in place are similar and to determine if a Lead Financial Verifier arrangement is practical. Where a Lead Financial Verifier arrangement is put in place this should be documented in an MOU between all the funders. A template MOU for Lead Financial Verifier has been provided at **Annex D**.

⁶ Figures taken from GFD in April 2014

8

DISCRETION TO MANAGE THE GRANT

BEST PRACTICE PRINCIPLE 9

Funders should allow “robust” rated VCOs the discretion to manage their grant in year.

- 8.1** VCOs submit details of anticipated salaries and running costs at application stage but, in the main, they must seek the funder’s approval prior to re-profiling even the smallest of expenditures.
- 8.2** Funders may properly require detailed cost estimates as part of the appraisal and decision making process. Once funding is awarded those VCOs rated as “robust” through the FSCA should be granted discretion to manage the salary and running cost element of the grant in year, provided that the reallocation is only within the project for which the funding was awarded, funding is not moved out of salaries and into running costs, etc.
- 8.3** Letters of Offer should include conditions stipulating the evidence required by the funder to maintain a proper audit trail of any funding reallocations made by the VCO which can be made available to the funder on request. Payments will only be made against eligible items determined at the Economic Appraisal stage and to the limit of the project’s total grant for either salaries or running costs.
- 8.4** A template Budget Re-profiling Evidence Form has been provided at **Annex E** to assist VCOs and funders to agree on what is required in each particular case.

9

TIMELY PAYMENT OF GRANT FUNDING

BEST PRACTICE PRINCIPLE 10

Funders should routinely pay three months salaries for funded staff at the outset of a project and three months in advance thereafter. For “robust” rated VCOs six monthly advances of salaries should be applied.

BEST PRACTICE PRINCIPLE 11

Funders should be flexible when dealing with running costs and pay them in advance where a particular need has been identified.

BEST PRACTICE PRINCIPLE 12

Where only an element of a claim is in dispute a funder should make part payments for the remainder of the claim.

- 9.1** The timely payment of grant claims is an important aspect of grant funding for VCOs as delays can cause cash flow problems.
- 9.2** In order that projects are suitably funded it is generally accepted that up to three months salaries, including Employer’s National Insurance Contributions and Group Pension Scheme payments (where appropriate), can routinely be paid quarterly in advance for VCOs. The first payment may be made at the outset with a claim form received at the same time as the signed Letter of Offer. Subsequent payments can then be made in advance of the quarter for which the expenditure relates. For “robust” rated VCOs these advances should be made on a six monthly basis.

9.3 Funders should be flexible when dealing with running costs and pay them in advance where a particular need has been identified. Running costs are usually paid in arrears although there may be occasions when the early payment of running costs can be justified where a particular need has been identified, for example, start-up costs.

9.4 All payments should be made once a valid claim is received and any accompanying progress report is approved. Where some element of a claim is in question it is not appropriate to withhold paying the whole claim. Funders should pay as much as they can as soon as they can.

10 STANDARD REPORTING

BEST PRACTICE PRINCIPLE 13

Funders should either accept the project information provided by a VCO to its Board or adopt the Standard Reporting Template to evidence project delivery.

- 10.1** Over detailed reporting of individual grant activities is resource consuming for VCOs. Where VCOs are multi-funded they may be required to provide project monitoring or progress reports in different styles and with varying levels of content to the different funders for each project.
- 10.2** Project monitoring requires a proportionate approach in terms of content. It is important that funders and their VCOs have an agreed understanding of the detail to be provided to evidence delivery and highlight any areas of concern which might affect that delivery.
- 10.3** Standardising reporting formats or accepting a report which the VCO already prepares for their Board could potentially ease the burden on VCOs whilst still meeting the requirements of funders.
- 10.4** A Standard Reporting Template has been provided at **Annex F** and can be used and adapted accordingly and the VCO encouraged to use it to report to both the funder and their Board.

11 FREQUENCY OF PROJECT REPORTING

BEST PRACTICE PRINCIPLE 14

Six monthly project reporting should be the agreed normal reporting period for VCOs, however, annual reporting should be considered for “robust” rated VCOs who are in a long term funding relationship and have a good track record of project delivery.

- 11.1** Quarterly reporting has been developed in many instances to align with the issue of quarterly project payments. However, in many cases this does not allow projects to report real achievement or progress over such a short period. Six monthly reporting is usually more reflective of the project’s delivery against its key objectives, whilst still providing early warning of issues which might call project delivery into question.
- 11.2** VCOs which have been rated as “robust” through FSCA and are in long term (three or five year grant) or continuous funding arrangements, should be considered for annual reporting provided they have demonstrated a good track record of delivery over a number of years.
- 11.3** To compensate for this extended reporting period, all Letters of Offer should stipulate that the VCO must advise the funder immediately should any issue arise during the year that might prevent the achievement of the agreed objectives and targets.

12 SMALL GRANTS (£1,500 - £30,000)

BEST PRACTICE PRINCIPLE 15

For small grants, salaries should be paid six months in advance, on receipt of the first claim form which should be completed and returned with the signed Letter of Offer.

BEST PRACTICE PRINCIPLE 16

For small grants, up to 75% of running costs should be paid at the outset of the project with the remainder paid on successful delivery of the project.

BEST PRACTICE PRINCIPLE 17

For small grants, financial verification should be based on the VCO's previous track record. Those having successfully delivered previously should be part of a pool of projects which may be chosen for checking as part of a random sample.

- 12.1** Small grants for the purposes of this Code are defined as those falling between £1,500 and £30,000. Although individually they represent less risk to the funder, the same administrative requirements are often placed on VCOs in receipt of small grants as those receiving much greater sums.

- 12.2** All VCOs in receipt of a small grant should be paid six months salaries in advance. The six monthly progress report can highlight any issues and allow the funder to make adjustments to the next six months claim should such adjustments be required or seek clawback at the end of the project.
- 12.3** Advances of up to 75% of running costs may be considered with 25% held to the end of the project.
- 12.4** Many VCOs in receipt of small grants will not have been through the FSCA process, or be subject to it, as the only grant(s) received are below the £30,000 threshold. However, due to the size of the grant and the associated risk, where such a VCO has a proven track record, they should not be routinely subject to a verification check but form part of a pool of projects which may be chosen for checking as part of a random sample. Where a VCO has never received government funding, and has therefore no track record of managing a grant or delivering a project, it would be appropriate to treat them in the same way as an “adequate” rated VCO in respect of the level of financial verification to be undertaken.

13 MICRO GRANTS (BELOW £1,500)

BEST PRACTICE PRINCIPLE 18

Micro grants should be paid in advance, however, where a funder deems this inappropriate they should make payment as soon as valid receipts are received and checked.

BEST PRACTICE PRINCIPLE 19

The minimum amount of information should be collected to evidence the successful completion of a micro grant project.

- 13.1** Micro grants for the purposes of the Code are defined as those falling below £1,500. Although individually they represent less risk to the funder, the same administrative requirements are often placed on VCOs in receipt of micro grants as those receiving much greater sums.
- 13.2** Micro grants are usually claimed by very small VCOs and are typically for equipment, clothing, venue hire or advertising, etc. As claims are simple and amounts small they should be paid in advance or where this is deemed to be particularly risky, on receipt of a claim and its associated invoices, which can be easily and speedily checked.
- 13.3** Project monitoring should be limited, for example, to a few lines on how equipment was used or what a funded event achieved.

GLOSSARY

Arm's Length Bodies (ALBs)	A body which has a role in the processes of government, but is not a government department or part of one. ALBs accordingly operate at arm's length from Northern Ireland departments.
Central government bodies	Northern Ireland departments, executive agencies, Non Departmental Public Bodies (including Health and Social Care bodies).
Continuation Funding	Where a Voluntary and Community Organisation, which receives financial assistance for a specified time period, seeks renewed funding for a further period. Each fresh application for funding is considered to be a wholly new project and treated accordingly for the purposes of appraisal, evaluation and delegated limits.
Economic Appraisal	This is a key tool for achieving value for money and satisfying public accountability requirements. It is a systematic process for examining alternative uses of resources, focusing on assessment of needs, objectives, options, costs, benefits, risks, funding, affordability and other factors relevant to decisions.
Financial Verification checks	The process of checking invoices against claims to verify that money has been spent appropriately in line with the grant award.
Funders' Passport	Five key documents that are required by all funders at application stage when considering grant aid to a Voluntary and Community Organisations.
Funding Body	For the purpose of this Code a Funding Body is a department, or an Agency, or an Arm's Length Body.
Government Funding Database (GFD)	Developed in 2005, the GFD is a Northern Ireland Civil Service wide web based database which provides a comprehensive record of all government funding to the Voluntary and Community Sector in Northern Ireland.
Grant	Payments made by departments to outside bodies to reimburse expenditure on agreed items or functions.
Lead Financial Verifier	A funder that conducts financial verification checks on behalf of other funders.

Letter of Offer	A Letter of Offer, sometimes also referred to as a Contract for Funding, is a logically structured document that details the terms and conditions under which the funder is prepared to pay out grant.
Letter of Variance	Issued to amend a Letter of Offer where any of the terms or conditions in the original have been revised or amended.
Managing Public Money Northern Ireland (MPMNI)	Issued by the Department for Finance and Personnel, this is the primary document which sets out the main principles for dealing with resources used by public sector organisations in Northern Ireland.
Memorandum of Understanding (MOU)	A written agreement between two or more parties to provide clarity and detail the arrangements in terms of accountability, policy, operational and reporting procedures for the administration of a project or programme.
Non-Departmental Public Body (NDPB)	A body which has a role in the processes of government, but is not a government department or part of one. NDPBs accordingly operate at arm's length from Northern Ireland departments.
Northern Ireland Audit Office (NIAO)	Office of the Comptroller and Auditor General, which audits the resource accounts of all Northern Ireland departments.
Northern Ireland Guide to Expenditure, Appraisal and Evaluation (NIGEAE)	Issued by Department for Finance and Personnel, it is the primary guide for Northern Ireland departments on the appraisal, evaluation, approval and management of policies, programmes and projects.
Outcomes	The expected overall (usually long-term) results of a project, programme or scheme.
Project Monitoring	The ongoing process of assessment of the targets and objectives in relation to the project.
Protective Notice	Issuing a protective notice is a common voluntary sector practice, however, there is no such term as protective notice in employment legislation. The notice letter informs staff that funding associated with their contract of employment is due to end and confirms this date and usually includes reassurance that if further funding is secured staff contracts will be renewed in line with this funding.

Public Accounts Committee (PAC)	A committee of the Assembly which examines the accounting for and the regularity and propriety of the Executive expenditure. It also examines the economy, efficiency and effectiveness of expenditure.
Public Sector	Defined by the Office of National Statistics. Classification as public or private sector depends on who controls the general corporate policy of the body concerned. Includes central and local government bodies and public corporations.
Value for Money	The best mix of quality and effectiveness for the least outlay.
Voluntary and Community Organisations (VCOs)	Private sector bodies which do not act commercially, including charities, social and voluntary organisations and other not-for profit collectives.
Voluntary and Community Sector (VCS)	The collective name for Voluntary and Community Organisations.

ANNEX A

KEY DOCUMENT SHARING PROTOCOL AND GOVERNMENT FUNDING DATABASE UPLOAD INSTRUCTIONS

Key Document Sharing Protocol

The five key documents (collectively known as the Funders' Passport) are:

- Copy of Constitution/Memorandum of Association;
- List of Office Bearers;
- Organisation Chart;
- Copy of Audited Accounts or Financial Statement; and
- Rental Agreement/Lease or evidence of ownership.

The protocol to be followed is:

- (i) a VCO seeking funding from a public sector funder should upload the Funders' Passport to the Government Funding Database (GFD) using the attached instructions and provide a properly completed and signed Funders' Passport Declaration with their application form to verify that the documents are up to date and fit for purpose;
- (ii) should that VCO then request further funding from the same funder, or another public sector funder, they must check that the key documents on the GFD are up to date and fit for purpose or replace them and then forward a further declaration with their new application;

or

- (iii) for those VCOs that cannot, or do not wish to, upload the documents themselves, they should send them to the funder together with a completed declaration verifying that they are up to date and fit for purpose;

- (iv) the funder will then upload them to the GFD;
- (v) should that VCO then request further funding from the same funder or another public sector funder they must check that the key documents on the GFD are up to date and fit for purpose or forward replacements and a declaration with their new application;
- (vi) the new funder will then replace the out of date documents on the GFD with the new ones;

or

- (vii) any VCO wishing to opt out of this process should complete the declaration accordingly and continue to provide the required documents to all funders with their grant applications.

Note

- Documents should be uploaded in low resolution and black and white to reduce their size.
- Home addresses of staff or office bearers should be removed before upload.

Instructions for VCOs adding key documents to the GFD

1 Logging in

- i. Click on link: <http://govfundingpublic.nics.gov.uk/>
- ii. Click on “click here to enter”.
- iii. From the home page click on “register/log in”.
- iv. Type in organisation unique reference number (number only) and password (these are in the letter received at registration) If you do not have these contact Averil Clarke at averil.clarke@dndni.gov.uk for help.
- v. If you have not logged in recently you will be asked to change your password.
- vi. Type in the old password in the top box and then type in your new password in the second box then repeat your new password in the third box.
- vii. Click on change password.
- viii. Click on continue.
- ix. You will return to the log in screen.
- x. Type in organisation unique reference number and new password.
- xi. Click on Log in.
- xii. This will take you to the Organisation details screen.

2 To add a new document

- i. Click on Edit Attached Organisation Documents.
- ii. New document attachments page contains 2 tabs **Key Documents** and **Archived Documents**.
- iii. Click on Add a new document.
- iv. <key document title>, Click on drop down box and select key document title.
- v. Click on browse to select the correct document from your files, double click on the chosen document – click on upload – the key document will now be added.
- vi. If a key document with the selected key document title already exists it will automatically be archived after the user clicks on the <upload> button.
- vii. Repeat these steps to add each document.

3 To archive a document

- i. You can use this option to directly archive a key document.

- ii. You must first select a document by clicking on Select beside the chosen document.
- iii. Click on the <archive a document> tab, you will be asked to confirm that you wish to archive the document, before it is archived.

4 Archived Documents

- i. This tab holds all archived documents, users cannot amend this list.

5 To return to the organisation detail screen

- i. Click on back to return to the Organisation detail screen.
- ii. The documents added will now be visible on this screen.
- iii. The documents can be viewed by clicking on the chosen document.

FUNDERS' PASSPORT DECLARATION

I hereby declare that the following documents:

- Copy of Constitution/Memorandum of association** Y/N
 - List of Office Bearers or Board of Governors** Y/N
 - Organisation Chart** Y/N
 - Copy of Audited Accounts or Financial Statement** Y/N
 - Rental Agreement/Lease or evidence of ownership** Y/N
- [please delete (i) or (ii) below as appropriate]**

- (i) held on the Government Funding Database (GFD) are the most up to date and fit for purpose for this application period;
- (ii) which are not up to date and fit for purpose on the GFD for this application period are now provided with this application.

I agree these documents may be made available to other public sector funders via the GFD. **Y/N**

I also accept that this information may be published by the **[name of funder]**.

I understand that the **[name of funder]** can at any time ask to see any of these documents.

Signed.....

Chairperson

Signed.....

Another Office Bearer

ANNEX C

POLICIES AND PROCEDURES DECLARATION

I, as Chairperson of _____, declare that the policies and procedures listed below have been formally adopted, are regularly reviewed and are deemed fit for purpose by my organisation at the time of this application for funding.

POLICY/PROCEDURE	IN PLACE Y/N OR NOT APPLICABLE
Strategic/Operational Plan	
Procurement/tender procedures	
Statutory requirements i.e. <ul style="list-style-type: none">• Equal Opportunities• Fair Employment• Disability Discrimination• Age Discrimination	
Fraud Policy	
Health and Safety Policy	
Employer and Public Liability Insurance	
Mobile Phone Policy	
Child Protection Policy	
Data Protection Policy	
Information Asset Policy	
Internet Policy	
Document Retention Policy	
Conflict of Interest Register/Policy	
Travel Policy	
Volunteering Policy	
Recruitment Policy	
Staff Induction Policy	

Reserves Policy	
Staff Appraisal System	
Assets Register or Inventory	
Space for others to be added as needed	
Space for others to be added as needed	

I agree that this information may be made available to other public sector funders including other Northern Ireland Departments, Non Departmental Public Bodies and Agencies.

I also accept that this information may be published by the **[name of funder]**.

I understand that the **[name of funder]** can at any time ask to see any supporting evidence in support of this declaration.

Signed _____ **Chairperson**

Signed _____ **(Another Office Bearer)**

Date _____

TEMPLATE MOU FOR LEAD FINANCIAL VERIFIER

General

This MOU is between **[state name of Funder A]** and **[state name of other Funders]** to use a lead financial verifier to verify payments to **[state name of VCO]**.

The projects and periods to be verified are set out in **Table 1** below.

Table 1

Project / Programme name	Quarter	Dates covered	Contact name

Verification will be completed by **[state name of Funder A]**.

Verification should be completed by **[insert date]** or within ten working days of receipt of relevant claims from **[state name of VCO]**.

Verification will undertaken by a visit to the VCO/desk based check (delete as appropriate).

Completing the Check

[state name of VCO] will be notified that verification checks will be conducted by **[state name of Funder A]** on behalf of **[state name of other Funders]** for the projects and periods set out in Table 1 and that all relevant documentation should be made available by **[state name of VCO]**.

[state name of other Funders] will provide all necessary documentation to **[state name of Funder A]** prior to the check and any additional information needed on

request. Copies of letters of offer, expenditure lines, etc should be relevant to the period being verified.

Verification will be completed in accordance with the procedures in place for each of the funders who are party to this MOU. The documentation to be provided to **[state name of Funder A]** by **[state name of other Funders]** is set out in **Table 2** below:

Table 2

Documents	Paper file / TRIM records (and ref)

In addition to their own expenditure **[state name of Funder A]** will verify the following:

(i) on behalf of **[state name of Funder B]** expenditure in relation to the project and period set out in Table 1, specifically:

- *include any areas where Funder B's verification processes differ from that of the Lead Verifier. For example - include any particular budget categories or lines to be verified; note the percentage of claims to be checked in a sample check, etc.*

(ii) all invoices covering expenditure for **[state name of Funder B]** will be/not be (delete as appropriate) stamped as checked.

(iii) on behalf of **[state name of Funder C]** expenditure in relation to the project and period set out in Table 1, specifically:

- *include any areas where Funder C's verification processes differ from that of the Lead Verifier. For example - include any particular budget categories or lines to be verified; note the percentage of claims to be checked in a sample check, etc.*

All invoices covering expenditure for **[state name of Funder C]** will be/not be (delete as appropriate) stamped as checked.

Action on completion of the Verification Check

[state name of Funder A] will record details of the verification check(s) on the documentation specified by **[state name of other Funders]** and appended to this MOU.

Any discrepancies found in the verification check(s) will be reported to the relevant funder for further investigation or follow up action.

Managerial checks on the verification performed will be completed by **[state name of Funder A]**.

Signed on behalf of **[state name of Funder A]**

Date:

Signed on behalf of **[state name of Funder B]**

Date:

Signed on behalf of **[state name of Funder C]**

Date:

BUDGET RE-PROFILING EVIDENCE FORM

FINANCIAL YEAR 20XX/20XX

NAME OF FUNDER

NAME OF THE PROJECT

Please read the notes overleaf carefully before completing this form. If you are in any doubt, contact the funder.

Budget lines increased as a result of re-profiling

Budget line	Amount of increase		% of budget line funded for this project
	From	To	

Budget lines decreased as a result of re-profiling

Budget line	Amount of decrease		% of budget line funded for this project
	From	To	

Reasons for increase

Budget line	
Why is additional funding required on this line?	
What is the increase in funding to be used for?	
How will the use of this additional funding help to deliver this project?	
Is there any double funding?	YES/NO (delete as appropriate)
Has the apportionment form been updated for the appropriate year?	YES/NO/Not Applicable (delete as appropriate)

Reasons for decrease

Budget line	
What are the reasons for a decrease in this budget line?	
Will this decrease have any effect on project delivery?	

Signature of Chairperson: _____

Date: _____

Notes

1. You **must** retain this form which may be requested at any time by the funder during the life of this project.
2. You **must** advise the funder immediately of any circumstances which may affect your ability to deliver this project.
3. Re-profiled expenditure can only be used to deliver the project for which it was awarded.
4. Expenditure may be re-profiled across budget lines within each budget category but not across budget categories, the only exceptions being Employers National Insurance Contributions and Pension which if re-profiled must be to another similar line e.g. pension cannot be moved into a salary line but can be moved into another pension line.*
5. New budget lines cannot be created.
6. Where this form is to be used for a salary re-profile please include the names of staff and effective dates of change.
7. Where funding is transferred between posts it must be transferred at the hourly rate of the surrendering post(s) and not at that of the recipient post(s).
8. Unspent grant which cannot be used for the project for which it is funded cannot be used to boost reserves.

* Categories are defined as the main headings of expenditure, i.e. salaries, running costs, etc.

Budget lines are defined as the specific lines of expenditure within each budget category.

9. **Where a re-profile may affect the delivery/outcomes of the project, the funder must be advised in advance e.g. re-profiles from specified events or activities.**

ANNEX F

STANDARD REPORTING TEMPLATE

Name of Organisation	
Project Name/Description	
Reference Number	
Period of Report	
Project Contact Details	

KEY OBJECTIVES/OUTCOMES	HEADLINE PERFORMANCE ACHIEVEMENTS FOR THIS REPORTING PERIOD
1.	
2.	
3.	
4.	
5.	

EXCEPTION REPORT

KEY OBJECTIVES/OUTCOMES	PERFORMANCE INDICATORS AND TARGETS NOT MET FOR THIS REPORTING PERIOD AND WHY
1.	
2.	
3.	
4.	
5.	

KEY CHANGES REPORT

Key Changes	Yes/No	If Yes, provide details
1. Governance		
2. Funding		
3. Delivery structure		
4. ANother		

Notes for completion

You must advise the funder immediately of any circumstances which may affect your ability to deliver this project.