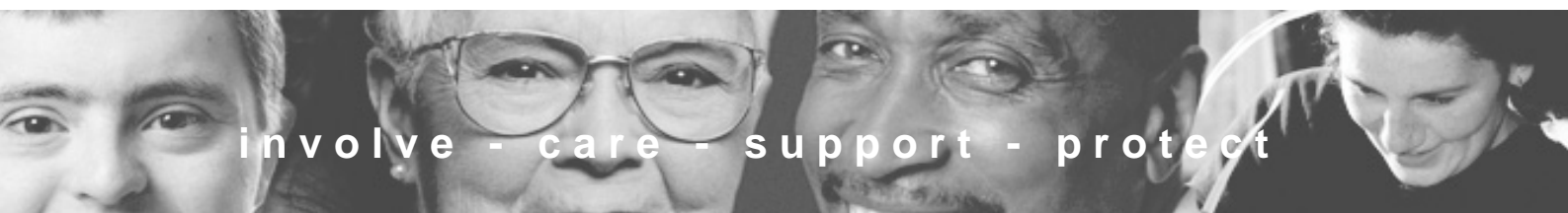**DRAFT FOR CONSULTATION**

Wirral Borough Council

Voluntary & Community Sector (VCS) Funding and Procurement Guidance

involve - care - support - protect

Table of Contents

Section

21.   **Standard funding conditions**

22.   **Specific conditions**

23.   **Payment procedure**

24.   **Using underspends**

25.   **End of year flexibility**

26.   **Financial reporting**

27.   **Monitoring and evaluation**

28.   **Intervention when a VCS group is in financial or other difficulty**

Appendices.

1.   **Grant Aid, contracting, procurement and commissioning definitions**

2.   **List of typical core costs**

3.   **Guidance for officers assessing funding applications**

4.   **Charity Commission accounting & audit requirements**

5.   **List of core VCS organisations**

1.   Introduction.

This draft consultation document (referred to as 'the Guidance' in the following text) results from work that is currently being undertaken by the Council's " Internal Funding Group", which is attended by representatives from those Council departments with a responsibility for VCS funding as well as VCS representatives. The group's remit is to:

- provide a forum for sharing information, developing principles, ideas, good practice and co-ordinating the provision of funding information and advice to the Voluntary and Community Sector (VCS) within Wirral.
- to have one "funding door" for all Council Funding and develop a common application process for all funding and ensure there is no opportunity for duplication with the Community Initiatives Fund (managed via Area Forums)

It has been designed to sit alongside, not replace, the Funding and Procurement Code of Good Practice that is currently being developed by the "WCWG" – see below - and has been informed by the Government's Funding and Procurement Code (published March 2005) as well as the Treasury guidance "Improving financial relationships with the third sector: Guidance to funders and purchasers" (published May 2006).

Wirral Borough Council signed up to a Compact (Community Pact) with the Voluntary and Community sector in May 2006 in order to define and strengthen relationships between the Statutory Sector and the Voluntary and Community Sectors for the benefit of Wirral people.
The Wirral Compact sets out:

- A shared vision and principles
- Commitments of principle for both the Council and the VCS
- The Council's commitment to respect the independence of the VCS
- Systems to help ensure that the agreement works

The Compact was developed by the Wirral Compact Working Group (WCWG), which included representatives from voluntary, community and statutory sector groups.

The WCWG is still working on developing 5 codes of good practice which will form part of the Compact. These codes of practice will cover the following areas:

- Black and Racial Minorities
- Consultation and policy appraisal
- Community Groups
- Volunteering
- Funding and Procurement

The Council supports the principle of Full Cost Recovery (as defined in the ACEVO guide and toolkit on cost allocation – see appendix 2) and will work towards achieving this. The Council will review the Guidance annually in consultation with the VCS having particular regard to Full Cost Recovery

2.   Aims

2.1   Wirral Borough Council (referred to as 'the Council' in the following text) recognises that the Voluntary and Community sector (referred to as 'the VCS' in the following text) have an important role in helping it to achieve its objectives and that the Council can play a positive role in supporting the work of the VCS and in promoting volunteering. The VCS, as independent not-for-profit organisations, brings distinctive value to Wirral and fulfils a crucial role that is distinct from statutory agencies and the private sector. This role particularly includes:

- enabling individuals to contribute to public life and the development of communities by providing opportunities for voluntary action;
- helping people get involved in the design and delivery of services they use; and
- acting as advocates for people who otherwise find it difficult to have their needs or views heard.

2.2   By doing this the VCS promotes equality and diversity, helps to alleviate poverty, improves people's quality of life and involves people who face social exclusion. Getting the funding mechanism right, in the context of the Council's service and financial planning requirements, is an essential part of ensuring that the relationship works well.

2.3   The Guidance is intended to be of advantage to both the Council in delivering its priorities and to the VCS.

2.4   The Guidance will help to develop and maintain effective procedures, resulting in sound funding decisions that support well delivered, quality services, activities and programmes.

2.5   The Guidance applies to all Council Departments and to its corporate functions. The Guidance also applies across the range of organisations in the sector.

2.6   The Guidance covers all the funding the Council provides to the VCS. It also covers funding channelled through partnership-based programmes where the Council is the lead agency or accountable body. Partnership-based programmes are covered in more detail in Section 10

2.7   The Council also funds the VCS to deliver its priorities under contract, usually in competition with other service providers from the public and private sectors. Under Contract Procedure Rules, the Council will make sure the VCS has fair and equal access in competitive tendering situations.

3.   Scope and application of the Guidance

3.1   The Guidance should be seen as an enabling mechanism to enhance the relationship between the Council and the VCS. The Guidance covers the Council corporately and each of its Departments.

3.2   The Guidance will apply across the range of organisations in the VCS.

3.3   The development of action plans to implement the good practice guidance in this Code will be the responsibility of individual Council Departments and the range of organisations in the VCS.

3.3   The Council will encourage other public bodies to adopt and adapt this Funding guidance. This is particularly important given that most VCS activity takes place at the local level, and local organisations benefit from funding programmes that are passed down from central Government and administered by local public spending bodies. For this reason, funders should look to this guidance when considering their own procedures covering the administration of such funding.

3.4   In partnership with other public bodies and the VCS, the Council will review annually how this guidance operates. (Mechanism will be put in place to deal with breaches/disputes of the Guidance – perhaps using Compact agencies, internal systems and local mediators)

4.   The importance of the Council's funding and the added value that the VCS can deliver

4.1   The sector adds value to Council funding by:

- using their expertise to inform and implement Council 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;
- identifying new needs
- better ways of meeting existing needs; and
- of leveraging other resources into the borough

5   An effective funding framework

Summary of obligations

5.1   THE VCS will
- respect confidentiality and comply with all current legislation an example of which is the Data Protection Act.
- be clear about whom they represent and how they came to their views when consulted on programme design;
- make sure that they are eligible when applying for grants;
- have clear lines of accountability, especially with joint bids;
- agree terms of delivery at the outset and be aware of risks which they are responsible for;
- have good systems in place to manage finances and funded projects, and account for them;

- be honest and transparent in reporting; and
- plan in good time for different situations to reduce any potential negative impact on both beneficiaries and the organisation if/when funding ends.
- Undertake any training necessary to meet the monitoring and evaluation obligations

5.2   The Council will:
- provide, whenever possible, an opportunity for the VCS to contribute to programme design;
- ask for information which is relevant to deciding who will receive funding or be awarded the contract;
- discuss risks up-front and place responsibility with the public sector body or the VCS organisation best able to manage them;
- respect the independence of the VCS;
- recognise that it is legitimate for the VCS to include the relevant element of overhead costs in their estimates for providing a particular service (in line with ACEVO recommendations)
- recognise that many voluntary organisations work with groups that are few in number, but great in need
- listen to the VCS perspective on unmet need (e.g. traveller communities)
- with public procurement, avoid seeking information about management fees and overheads;
- make payments in advance of expenditure (where appropriate and necessary) in order to achieve better value for money;
- implement longer term funding arrangements where these represent good value for money;
- be proportionate in monitoring requirements
- focus on outcomes;
- consider joining-up or standardising monitoring requirements; and
- give enough notice of the end of grants or contracts.
- be supportive of the process of seeking ongoing funding

6.   Types of funding and recognising core costs.

6.1   In a competitive funding environment many voluntary sector 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 in Appendix 2. There are a number of ways in which the Council can help meet these core costs and in so doing can:

- meet the strategic aims of a particular funding programme;
- achieve value for money; and
- provide a more stable funding environment for the VCS.

6.2   Such stability is of advantage to both the Council and the VCS. Three models of funding are described below. The Council will adopt (and adapt) one or more of these models for each

of its funding programmes. While multi-year strategic funding may not be an appropriate mechanism for all programmes, an appropriate core cost contribution should be allowed in bids for project funding. Regardless of the approach taken, it is important that every funded organisation has an 'exit strategy' in the event that a particular source of funding should cease, and that the Council, as part of the assessment process, considers whether the proposed exit strategy is realistic.

6.3   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. The Council should accept realistic budgets with such costs included and will 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.

7.   Multi-year strategic funding (i.e. Core Organisations)

7.1   The importance of multi-year strategic funding is recognised. Strategic funding means the Council has an overview of the kind of activities and organisations that should be funded to meet the Council's priorities – see appendix 5.   It enables the Council to ensure that capacity exists, and assists longer term planning and stability within the VCS. It also takes account of the objectives of the funded group and its need to operate efficiently and effectively. In this way funding is used to support the core operational activities of a group:

- where these activities match the objectives of the funding but the group is able to deliver them at a level and to an audience that the Council is not;
- where the Council wants to assist a particular target group; or
- where the Council recognises the particular value of a group (its track record or strategic position) and its role in the VCS, and wants to support that role.

7.2   In order to offer this kind of strategic funding, the Council should be in a position to make a significant contribution to the overall core costs of the group.

7.3   Where there is a commitment to strategic funding it should form part of an ongoing relationship between the Council and the funded group, with the option for the VCS to say 'no' without compromising their position in relation to other forms of funding. 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 Council has of the whole organisation (for example, making informed responses to consultations with the relevant part of the VCS or ongoing input on issues of shared concern);
- value for money;
- a mutually agreed framework for monitoring and evaluation; and

- formal review processes.

7.4 The value of strategic funding, in terms of improving the stability of the VCS and its ability to plan for the longer term, can be enhanced further if the Council adopts a rolling programme of funding. Funded organisations would be subject to a satisfactory annual review of progress against mutually agreed objectives and should there continue to be the availability of resources could be eligible for rollover. In this way funded organisations would have reasonable certainty of ongoing funding. **The annual review process reflects the fact that strategic funding is, however, not an open-ended commitment to a sector group, and that the Council must retain the ability to exit from the relationship. The Council would make clear the circumstances under which the funding arrangement may be ended.**

7.5 Organisations who receive multi-year strategic funding will be consulted in good time prior to, and given the reasons for, any alteration in their funding. This period of notice should not be less than three months. This reflects the much closer identity of interests between the Council and groups that receive strategic funding.

8. Project funding (i.e. Commissioned Services)

8.1 In some cases it will be more appropriate for the Council 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. However, annual bidding for project work that both the VCS and the Council intend to last longer than one year wastes resources. In such cases it is good practice for project funding to be awarded for the duration of the project as agreed at the beginning, usually for a period of three years, subject to a satisfactory annual review of progress and the availability of resources.

8.2 The Council 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 the VCS to be much more explicit about the nature of their core costs and how they apportion them, to avoid double funding. The Council may agree to meet either a proportion of the group's overall 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.

8.3 In this way, project funding can be used to contribute both to the funded group's core costs and a discreet and recognisable piece of work. Project funding in this way also means the Council can exit from the arrangement without the risk of capsizing the whole organisation at the same time.

9. Development/ Capital funding (e.g. Community Initiatives Funding)

9.1 For some sector organisations there are particular periods in their lives when they require funding to enable them to grow and develop in a particular direction. Development funding is an investment in the capacity of the VCS. In particular, it can provide a useful

approach to developing organisations from those sub-sectors that have tended to have more limited access to Council funds, for example, black and minority ethnic organisations. It should:

- be for an agreed period of time. This period will be agreed at the beginning and will be appropriate to the work being funded.
- state exactly what outcomes are expected and the way in which progress will be monitored and evaluated; and
- provide a realistic and firm exit for the Council and the funded group at the end of the period of development funding.

10.   Partnership based initiatives

10.1   The Council may be the lead agency and accountable body for a range of Government programmes based on partnership working between, or involving, the voluntary, public and private sectors.

10.2   Whilst this guidance applies to Government partnership based programmes where the Council is the lead agency and accountable body, there may be some occasions where the Council will be unable to apply every aspect of this guidance exactly. For example, where the criteria or timetables for funding have been set nationally, or where there are specific rules about underspends and end of year flexibility.

10.3   Where a programme's objectives include securing involvement from across different sectors, the Council should consider what action is needed to facilitate such involvement. For example, consulting relevant VCS 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.

10.4   When the Council provides funding through partnership programmes, the Council will make sure any arrangements for formally appraising projects treat VCS organisations fairly.

11.   Promoting fair access to funding

To promote fair access to funding the Council will:

11.1   aim to publish an annual guide to the Council's programmes of activity, including clear procedures on how the various programmes are managed, a named responsible person, the resources allocated, the procedure for applying for funding to those parts of the programme that are open to the VCS and information on how challenges to decisions may be made;

11.2   consult relevant VCS 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 funding programmes, based upon local knowledge of the subject area, which are more relevant to the Council and potential applicants;

11.3   give appropriate advance notice of new funding programmes before the application process starts;

11.4   make details of the funding programme as widely available as possible – through, for example, the press; umbrella and intermediary organisations; VCS networks; directories; newsletters; and the internet;

11.5   recognise that greater clarity about the funding 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;

11.6   make use of application packs for individual funding programmes including, as appropriate:

- general information about the Council and the funding Department;
- 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;
- the actual or likely amount of funding available under the programme;
- the type of funding available (e.g. strategic, project, capital);
- the minimum and maximum amount of funding;
- a timetable for the decision process
- information about how successful applications will be chosen;
- a list of any outside organisations to be consulted on applications;
- a process for 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.

11.7   ensure that guidance notes and application forms are made readily available to applicants, including on the internet;

11.8   where necessary provide information in Braille, large typeface, audio, and in languages other than English;

11.9   give positive encouragement to applications from those sub-sectors that have tended to have limited access to Council funds, including black and minority ethnic organisations in the VCS;

11.10 recognise the potential of faith community organisations to contribute to social inclusion as being distinct from the promotion of religion (a failure to understand this distinction could lead to faith organisations being incorrectly assessed as ineligible for funding);

11.11 recognise that the VCS is well placed to compete for research funding alongside research institutions;

11.12 provide a timetable for applications which is mutually realistic (for example, not less than three months if possible) and which allows membership organisations to assist in the dissemination of information about the funding programme and to offer guidance and support;

11.13 offer an opportunity, where practical, to discuss potential applications with applicants;

11.14 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 funding programme; completion of application forms; financial management of funding; and how to work with the funder to set and agree objectives and monitoring and evaluation procedures;

11.15 consider how the funding programme could encourage applications from new organisations or to fund innovation, particularly from those sub-sectors that tend to have limited access to Council funds, for example, Black and minority ethnic organisations. This will help overcome any charge of a closed system favouring only a few select organisations; and

11.16 review annually the adequacy of arrangements for ensuring fair access to funding.

12.   Specific Areas

12.1   Meeting the needs of small community organisations

The Council should take steps to make sure small community groups can access relevant funding programmes. This should include:

- considering how funding policies, procedures and practices will impact on community organisations
- promoting the active involvement of community organisations 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.

12.2   The Council 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 where it deems appropriate.

12.3   Meeting the needs of disability organisations

The Council should take steps to ensure that disability organisations have access to funding programmes. Particular attention should be given to the accessibility needs of such organisations.

12.4.   VCS infrastructure

The Council recognises the need to support the development of the VCS's infrastructure. Infrastructure organisations have developed to maximise the effectiveness of other organisations that operate either within a specific geographical or specific subject area. Some provide general help and services about 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 the VCS and public bodies;
- are a channel for communication with their members; and
- provide capacity building support for organisations delivering services to communities.

13.   Cross-Council funding of VCS organisations

For many VCS organisations, it makes sense for a funding relationship to develop with a single Council Department or Section with which the organisation shares most of its objectives. This allows Council Officers to get to know the organisation and allows there to be a single source of advice and expertise to each group, and for accountability processes to be clear.
There are, however, some organisations whose activities cut across those of two or more Council Departments, and have no obvious lead Department. In these cases, the Council should agree one Department that will take the lead responsibility and to co-ordinate with other relevant Departments. The Council recognises that such arrangements require particular attention to make sure they work properly.

14.   The application process

In order to make the management of funding programmes more consistent and create a more standard approach, the Council will use a generic funding application form. Whilst all Departments will use this form as the basis of applications for grant aid funding, in some cases due to the range of funding programmes that exist, there may be requirements for other information. The need for such additional requirements should be set against the principles of good regulation (transparency, accountability, targeting, consistency and proportionality). The VCS will assist the Council by providing feedback on the use of application forms, and recognises that a drive towards greater consistency does not mean that application forms will be identical.

15.   Electronic completion

The Council will provide funding application forms by e-mail or on computer disks. The Council should also, when circumstances permit, move towards providing a facility for the electronic completion of grant applications via the internet.

16.   Joint bids

Joint bids should be encouraged where there is a clear advantage in doing so because they:

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

16.1   The joint bid should identify the partner that will be responsible for the funding, and there should be a clear procedure for operating it. This approach can also be an effective way for larger voluntary organisations to assist smaller community groups and Black and Minority Ethnic organisations to access resources. The VCS undertakes to give positive consideration to the opportunities that exist for greater partnership working between sector organisations.

17.   The assessment process

The Council recognises that assessment processes should be open and objective. Appendix 3 provides guidance for Council Departments aimed at achieving this end. This will also be of interest to VCS organisations, providing them with a clearer insight into how applications are assessed. Appendix 3covers:

- 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.

Funding Departments should give an indication of any time constraints relating to funding programmes. However, it is the responsibility of VCS organisations applying for funding to submit their application on time. Organisations that fail to do this will have their application rejected on its initial assessment.

18.   Notifying decisions

18.1   The Council should give a provisional decision on funding at least six months before the funding is due to start or be renewed. Final decisions will be subject to agreement of the Council's annual budget. The Council should give final decisions to applicants at least three months before funding is due to start or be renewed. Applicants should be kept informed of any delays in the process, which mean that the published timetable will not be adhered to.

18.2   The Council should give applicants clear information about how to complain if they feel they are being unfairly treated and what options they have for challenging final decisions.

18.3   Where an application is not funded to the full amount requested the implications for the funded organisation should be considered and, where possible, discussed with the funded organisation in advance of any final recommendation.

18.4   Notification documentation should include:

- the amount and period of funding;
- the purpose for which funding is provided, 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 funding letter – one to be signed and returned by the funded group, the other to be retained by the funded organisation for its records.

18.5   Where an application is rejected, the applicant should be advised when and how they can receive feedback on the reasons for the refusal, and this should be within a time limited period 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 funding programme's published process.

19.   Publicising funding awarded

The Council's funding programmes should include clear arrangements for publicising a list of funding awarded, for example by: enclosing a list with notification letters; issuing a press notice; or posting the list on the Council's web site. The arrangements should be specified in the guidance notes for each programme unless there is a clear reason why this is detrimental to particular vulnerable client groups.

20.   Providing feedback on funding applications

20.1   The Council recognises the importance of providing feedback to applicants. However, the provision of feedback on an individual basis can take up a lot of resources and might not

always be possible. Individual feedback might, for example, be included in notification letters by using a 'tick box' format. Departments can also provide information on a collective basis, setting out the main reasons for success or failure. A pro-active approach is also very helpful, for example, through workshops to share best practice from successful applications. Membership and infrastructure organisations also have an important role in developing and sharing best practice to assist the capacity of VCS organisations to make high quality applications for funding.

20.2   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, the Council needs feedback to improve the design of funding programmes. Membership and infrastructure organisations have an important role in providing feedback to the Council on the design of funding programmes.

21.   Standard funding conditions

Although funding conditions inevitably refer to the activities that have been specified in an agreed work plan/contract, 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/contract. The Council and the funded organisation should sign and record an agreement to any revisions.

22.   Specific conditions

Where additional conditions are required, these should be no more than are necessary to allow the Council to satisfy itself 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.

22.1   The Council should make clear any requirements about the sale or other disposal of any assets or equipment bought with its funds before any funding is provided for such items.

22.2   An appropriate condition should also be applied to any copyright or intellectual property issues that might arise as a result of the funding or contract.

23.   Payment procedure

23.1   All payments should be processed in line with the Council's financial procedures. 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 group. The inclusion of a specified date for the return of the acceptance letter will help to ensure that payments can begin on time.

23.2 The Council recognises that many VCS organisations do not have the resources to undertake work and receive payments afterwards. Therefore payments in advance may be considered if the group can show a real need for them. Evidence of this type of need should be found in the financial information submitted by the applicant. Funding Departments should recognise 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 http://www.charity-commission.gov.uk/ In practice, many charities hold reserves well below these levels.

23.4 A decision on the frequency of instalments should relate directly to the size and nature of the proposed funding and the funded VCS group. If it is funding for a specific purpose, then a single payment may also be appropriate. Where funding is paid in instalments, depending on the amount of funding and the VCS group, a simple form of certification should be sufficient to allow the release of funds. The funded VCS group would make a statement that any previous funding has been spent or allocated for the purposes for which it was given and give brief summaries of income and expenditure to date and a forecast of expenditure for the next funding period. The VCS group should be able to back this certification up with proper records and annually with audited accounts.

23.5 The funding Department will decide what controls might be necessary to monitor the continuing viability of a funded VCS group. **No further funding payments are to be made if doubts about a VCS group's financial viability arise.** In such circumstances the Council, in consultation with its lawyers and auditors, should review the situation in line with section 22 of this guidance.

24.   Using underspends

Under the terms and conditions of the funding, the funded VCS group should notify the Council of any anticipated underspend as soon as possible. Should underspends occur within individual funding, and where the Council is able to allow the funding to remain with the funded group, agreement will be reached with the Council on how the funding can be used. Where an underspend occurs within overall funding programmes and the Council allows the underspend to remain, its availability will:

- be publicised and bids invited as soon as possible; or
- the Council will revisit any reductions in funding to organisations to see if previous levels of funding could be reinstated.

25.   End of year flexibility

VCS organisations that get funding for more than one year and who are properly meeting the terms and conditions of their funding should be allowed to carry over a reasonable fund from

one financial year to the next, proportionate to the amount of funding. VCS organisations must seek the prior agreement of their funding Department for this.

26.   **Financial reporting**

26.1   There should be a series of trigger points for information and accounting requirements to be submitted by the funded VCS group to the Council. These should reflect both the amount of funding and the size of the funded group. Council Departments 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.

26.2   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.

26.2   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 http://www.charity-commission.gov.uk./

27.   **Monitoring and evaluation**

27.1   Monitoring and evaluation are increasingly important elements within the funding process and help determine the success of the funding against agreed objectives. In a funding scheme there may 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 of the work and its success against expectations and stated aims. It looks at outputs or results – i.e. 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.

27.2   Before any funding is given, the Council will be clear about what information it needs from the VCS applicant and why. An effective framework for monitoring and evaluation should:

- be clear about the roles and responsibilities of the Council and the VCS group and make sure that these have been jointly agreed;
- avoid duplication of effort by the Council and the VCS group;
- take account of the monitoring procedures already agreed by the VCS group's other funders and any quality assurance system introduced by the VCS group itself. These should be examined to see if they satisfy the Council's needs before devising any additional requirements. This approach will help reduce the staff/volunteer time spent by the VCS group 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 VCS group, consistent with the need for the effective protection of, and proper accountability for, public money. Otherwise the VCS group 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 funding has been given;
- be informed by early consultation with VCS 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 Council to assess the contribution made to meeting the programme's objectives and identify any implications for the future direction of the programme;
- enable the VCS group to assess the contribution made to meeting its own objectives, and to identify any new user needs and any learning which could be shared with other VCS groups;
- recognise the cost of monitoring and evaluation which should be included within the funding; and
- offer the VCS group the opportunity to comment on any evaluation report. This is important in maintaining the openness of the funding process.

28. Intervention when a sector group is in financial or other difficulty

28.1   Where a VCS group is in financial or other difficulty that may affect funding given by the Council, the VCS group must inform the Council of the situation and any action being taken. If the Council becomes aware of problems, the funding Department will at an early stage give formal notification of its concerns to the VCS group. **The primary concern of the Council will be to protect public funds**. The funding Department will consider with the Council's lawyers and auditors what action needs to be taken. The terms and conditions of funding will specify the circumstances in which investigations may be made and funding suspended, withdrawn or recovered. Examples include:

- failing to meet these terms and conditions;
- using funding for a purpose that the Council has not agreed to;
- completing the application form dishonestly, significantly incorrectly, or misleadingly;
- giving misleading or inaccurate information during the application process or term of the funding agreement;

- a member of the VCS organisation's governing body, staff or volunteer acting dishonestly or negligently during the term of the agreement;
- failing to carry out the activities the Council agreed to fund; and
- being at risk of closing down, becoming insolvent, going into liquidation, becoming unable to pay debts as they fall due, or going into administration, receivership or the levying of any distress or execution against them or the making of any composition or arrangement with creditors

28.2 Subject to the overriding need to protect public funds, the Council might agree to a recovery plan. Where a withdrawal of funding is warranted, this might result in the winding up of the VCS group.

28.3 In respect of charities, any proposed intervention will need to avoid interfering with the discretion of the Trustees and the independence of the charity. Consequently, the Council 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. This does not affect the Council's discretion to carry out investigations and make decisions about suspending or withdrawing funding.

Appendix 1: Grant aid, contracting, procurement and commissioning definitions

Grant aid

This refers to those situations where the Council makes funding available to VCS organisations to provide services that it does not undertake itself. These are defined under broad headings that fit within the Council's overall aims and priorities. **The organisations applying for funding describe the service they are going to provide and the needs they will meet**. The Council then assesses this against the criteria for the funding programme. This also applies to funding from the Government through partnership programmes that the Council manages. VCS organisations receiving funding then agree to certain terms and conditions that set out how they will manage and use the funding.

Increasingly the Council is entering into **Service Level Agreements (or work programmes)** with VCS organisations. These differ from traditional grant aid in that there is some negotiation between the Council and the organisation about the service they will provide. This is then the subject of a written agreement. Because the VCS organisation still plays a lead role in specifying the service and the way it will be delivered, SLA's fall within the area of grant aid, not contracting.

Contracting

This means the situations when the Council invites bids from external organisations to provide a service that the Council either has to provide by law, or which it has made a local decision to provide, within its legal powers. **The Council writes a specification for this service and invites bids (or tenders), within the procedures laid down in the Council's Financial Regulations**. The specification says what the service is and how it should be delivered. The organisations bidding say how they will provide the service the Council has specified. The **Contract Procedure Rules** set out how this process of tendering for services is carried out, including making sure there are fair opportunities for external organisations to bid to run the specified service.

Procurement and Commissioning

The National Procurement Strategy defines procurement as:

"The process of identifying the need for and acquiring the necessary services, construction works and supplies, required to support or deliver front-line services to the community. It includes all activities from identification of a requirement through to the end of the useful life of the asset or service contract, and also includes the on-going evaluation of performance"

The definition of procurement is closely aligned to that of commissioning in the context of social care services. The Audit Commission describes commissioning as:

"The process of specifying, securing and monitoring services to meet individuals' needs. As such it covers what might be viewed as the purchasing process as well as the more strategic approach to shaping the market for care to meet future care needs".

The procurement and commissioning of services within the VCS can be dealt with in the same way as with the private sector. The Council will take account of this in determining how services are to be developed with the VCS. The contracting arrangements to be used can include a number of different contract types and this will vary from service to service.

In order to ensure services are procured in the most effective way each Council Department will consider the most appropriate option for each area of activity. Those options will be identified in accordance with EU Legislation, National legislation and the Council Constitution. However, the Council will ensure that there are a number of key and fundamental principles that will underpin this process i.e.:

- Openness
- Transparency
- Fairness
- Equality

Appendix 2: List of typical core costs[1]

Type of cost	Particular importance in one type of organisation?	Particular importance in stage of development?
Chief officer/Co-ordinator	Needed in all organisations employing staff	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	Need in nearly all	Sometimes minimised in early stages of an organisation's life – but not likely to be a long-term response
Associated premises cost – heat, light	All	Sometimes minimised 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 investment in period of growth
Premises management	Present in all organisations	Throughout
Research and 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	Maybe 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 organisations	Needed at all stages
Governance – support of the Trustee structure	All organisations	Needed at all stages
Project Management	All	Needed at all stages
Monitoring and evaluation	All	Needed at all stages
Quality assurance	All	Needed at all stages
Travel and subsistence	All	Needed at all stages
Staff training and supervision[*]	All employing staff	Needed at all stages
Personnel functions	All employing staff	Needed at all stages
Accountancy and audit	All	Needed at all stages
Secretarial support	All	Needed at all stages
Corporate planning	All	Needed at all stages

---

[1] Based on the ACEVO report 'Who pays for core costs?' – published 1999
[*] Including volunteers

Appendix 3: Guidance for officers assessing funding applications

Assessing eligibility

Officers should base the initial assessment of the application on:

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

If the application does not meet the general and programme criteria, there is no need to go any further. All eligibility criteria must be clear and available to any potential applicant.

General eligibility criteria should cover the structure and legal status of the applicant organisation. How far they are relevant depends on the funding programme and the size and type of the VCS organisation. For example, a new group may not be able to demonstrate that it meets all the criteria, as it has not yet begun its work. However, general eligibility criteria will usually require that applicants:

- are a recognisable sector organisation, meaning they do not operate to make a private profit and they are clearly independent of the statutory and private sectors;
- have a document that describes how they are governed;
- are legally able to undertake the proposed activities;
- are financially viable;
- have aims and objectives in keeping with the activities that can be funded under the objectives of the funding programme and the Council as a whole;
- have a clear management structure;
- have clear financial controls (Charity Commission leaflet CC8 Internal Financial Controls for Charities provides details);
- have practices and procedures for any paid employees and volunteers which accord with legislation on employment, health and safety, racial and sexual discrimination, disability discrimination and other discrimination, bullying or harassment contrary to law; and
- can demonstrate an understanding of and commitment to equal opportunities.

There may need to be other **specific eligibility criteria** covering the aims and objectives of the funding programme.

Risk assessment

To avoid problems later on, officers should carry out a risk assessment before giving any funding. There are two levels of risk assessment.

The first level of risk assessment is to carry out routine checks as part of good practice. These include:

- checking the financial viability of the organisation by examining their financial procedures and the financial information they include with their application;
- examining the governing document and management systems of the organisation to make sure they are sufficient for carrying out the proposed activities;
- checking whether previous funds have been managed effectively;
- talking to the applicant;
- talking to any given referees;
- talking to any other funders named on the application.

The second level of risk assessment is about looking at whether there are any 'new risks', such as a previously untried, unusual or innovative activities, or if the organisation itself is new or developing. Officers should make sure that applications from those sub-sectors that have traditionally had limited access to Government funding, for example Black and Minority Ethnic organisations, are assessed on their merits and are not considered to be inherently high risk. To assess these risks, officers need to consider:

- Do the proposed activities clearly meet the criteria of the funding programme?
- Can the funding programme afford to invest in an unproven activity?
- Is the proposal based on a pilot project, feasibility study or research?
- Should there be a meeting with the organisation to discuss the proposals?
- Should there be a discussion with anyone with expertise in the field of activity?
- Are there any legal implications, for example, will the organisation need planning permission for building works?

Initial assessment

When an application is received it should be acknowledged promptly (typically within two weeks), where possible telling the applicant when a decision is expected.

There should be an initial check of the form and attachments, and any missing documents requested.

If the application meets the eligibility criteria, officers should seek any further information they need to assess whether the application should be recommended for funding.

Applications that fail the initial assessment

If an application fails the initial assessment and it is clear that there is no point in going any further, the applicant should be informed in writing as quickly as possible. The letter should explain the reasons for the rejection, and where practical, there should be an offer to discuss particular points by telephone.

The reasons given should be clear and logical, for example:
- the application was received after the deadline;
- the application was incomplete or improperly completed;
- the funding programme is not accepting new applications in the current financial year;
- the applicant fails to meet basic organisational eligibility criteria; or
- the application does not fit the funding programme's aims and objectives.

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

Consultation on applications

After initial assessment the application will be forwarded to the appropriate Department who have specialist knowledge of the subject area. This should be made clear to applicants. Care should be taken to avoid any actual or perceived conflicts of interest.

The purpose of this is to:
- assess the suitability of the application (if there may be a more suitable programme);
- 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.

Detailed assessment of applications

There should be a clear and fair methodology for allocating funding. 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 detailed assessment than one for over £100,000.

At this stage the main factors in the decision making process are:

Duplication
Officers must satisfy themselves that an application does not unnecessarily duplicate another funded activity. However, there may be good reasons to support more than one organisation undertaking similar activities, for example, if the activities reach different beneficiary groups/geographical areas.

Over subscribed funding programme
Funding programmes often have more applications than they can fund. Officers must be able to show that the final decisions offer maximum value for money and meet the most important criteria for the grant programme.

The quality of the application
The proposed service or activity should have well defined aims and objectives so that it is possible to assess the likely outcomes. The application should also be of good quality in presentation and content. However, a poor quality application may be due to an applicant's misunderstanding or inexperience. Officers may wish to give the applicant help if time permits. Poor quality of presentation may also result from a lack of access to equipment or the use of English as a second language.

Internal priorities
Officers may have an internal set of priorities for achieving a balance within a programme. These could be based on:
* geographical distribution of activities;
* project type or size;
* type and size of organisation; or
* different approaches to develop examples of best practice to share.

Past performance
Looking at the track record of an applicant organisation is an important part of assessing an application. This can include:
* how well funds have been managed in the past;
* evidence of achievement – progress reports, annual reports, media coverage; and
* views of referees, other funders, beneficiaries and supporters.

However, officers should make sure that new organisations do not receive unfair treatment because they do not have a track record. Also, although poor past performance should not automatically mean that an organisation is not worthy of funding, officers should satisfy themselves that the organisation has addressed any previous problems.

Sustainability
Officers should consider whether the proposed activities would bring sustainable or lasting benefits. The proposed activities should have a positive impact on the wider social economic and environmental well being of the beneficiary group and the Borough of Wirral as a whole. Sustainability is not only about how an organisation proposes to keep its activities going after a particular funding stream has ended. A well thought out short project to address an immediate gap or need may be just as effective at bringing about lasting change as one which an organisation says will last for years to come.

Grant renewals to honour previous commitments
Renewal requests may be for long term strategic funding or for fixed term projects. They will usually have previously agreed aims, objectives, performance indicators and targets against which the renewal application can be measured. The applicant's previous funding history will

also play an important part in the recommendation process. Officers need to check that the details about the organisation's governing body and document and its financial procedures have not changed.

Officers should be satisfied that previous funding has been spent in accordance with the original application, that targets have been met, any variations properly explained and that 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 met.

It is important to work out the proportion of the total annual budget that will be needed to meet any continuing commitments. They may take up the whole of the funding programme's annual budget. When this happens, consideration should be given to the allocation of funding and the impact this may have on the applicant organisation's activities. Officers need to keep in mind the accessibility of the funding programme and, where possible, strike a balance between longer term strategic funding and the ability to have some funding to support new activities and developments.

Recommendation process

Once officers have removed all the ineligible applications, they can divide the remaining applications into those asking for renewal of funding to meet a previous commitment and new applications. Whether new or for renewal, each application should be treated on its merits. Officers can then make a list of recommendations for final decision. **NB Officers must also give reasons for each of their recommendations.**

The consequences of not funding

Officers should consider the effects on a sector organisation of any decision not to fund, or to withdraw funding, before any final decision is taken. This is particularly important when considering withdrawing funding that has been provided over a long period of time. **NB Officers must give reasons for their recommendations not to fund.** In these circumstances officers should give the organisation concerned as much warning as possible.

Appendix 4: Charity commission accounting and audit requirements[1]

Thresholds	Excluding charitable companies2				Including charitable companies		
	Retention of accounts and accounting records	Receipts and payments accounts	Accruals accounts	External scrutiny of accounts	Registered charities: annual returns to Charity Commission	Registered charities: annual report and accounts to Charity Commission	Accounts to public on written request
Income not over £1000 (if not registered)	Yes, at least six years	If preferred	If preferred	None	Not applicable	Not applicable	Yes
Neither income nor expenditure over £10,000[*]	Yes, at least six years	If preferred	If preferred	Not generally required	No; but may be asked for information to keep register up to date	Only if requested	Yes
Income not over £100,000*	Yes, at least six years	If preferred	If preferred	Audit or independent examination	Yes	Yes	Yes
Neither income nor expenditure over £250,000*	Yes, at least six years	No	Yes	Audit or independent examination	Yes	Yes	Yes
Income or expenditure over £250,000*	Yes, at least six years	No	Yes	Audit in year in question and in following two years	Yes	Yes	Yes

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

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 scrutiny requirements of thresholds 2, 3 and 4 being overruled.

Appendix 5 – Core Organisations

The following organisations have been identified by the Council as being critical to the delivery of services in the identified key areas, as defined by the six strands of the equality standard:

Age: Age Concern (Adults)/ Wirral Play Council (Children)
Disability: Wirral Information Resource for Equality and Disability (WIRED)
Ethnicity: No definitive provider at time of going to print although preliminary discussions are underway with Wirral Multicultural Centre
Faith: No definitive provider at time of going to print
Gender: No definitive provider at time of going to print
Sexuality: No definitive provider at time of going to print