

# CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

## ***Committee Report***

Public

Date of  
Meeting:

16th January 2003

Title: EXTERNAL GRANT FUNDING PERFORMANCE REVIEW –  
UPDATE

Report of: HEAD OF ECONOMIC & COMMUNITY DEVELOPMENT  
SERVICES

Report  
reference: ECD.01/03

Summary:

This report was requested by Members following their comments and consideration of the Performance Review Study into External Grant Funding at the last Committee. It provides an initial response to some of the procedural issues raised and suggests areas for further discussion to achieve a more corporate approach to external funding. This would include the development of the draft Corporate Standard on Grant Funding in conjunction with Business Unit Heads and improved recording and management systems for all successful and unsuccessful funding bids.

Recommendations:

1. That the report be received and comments forwarded to the Executive.
2. That a progress report and any further recommendations for improvement be brought before a subsequent Committee by mid 2003.

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ECD.01/03

## TO: CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE

### 1.0 INTRODUCTION

1.1 The last Committee in November 2002 received Financial Memo No. 87, the External Grant Funding Performance Review Study. The report recognised the increasing importance of external funding to short and long term initiatives developed solely by the Council and in partnership with other organisations.

2. Following consideration of the Study, Members requested a further report exploring how the issues raised could be taken forward without detracting from the External Funding Officer's current role. (Minute: CROS.154/02). The Study identified 9 key areas for further consideration and for the purposes of this report these have been divided into two groups "Operational/Procedural" and "Developmental/Strategic" actions. Section 2 and 3 below list the initial proposals to develop the issues into action and have been prepared in consultation with Financial Services and the External Funding Officer. Further detailed discussion will be needed with Business Unit Heads, Partner Agencies and Funding Bodies.
3. External funding has become increasingly important across all service areas for the delivery of a range of functions. Securing, spending and monitoring the impact of this funding is clearly a shared corporate responsibility. The Study highlights the need for development and improvement of both the success rate in funding bids and the subsequent management processes in respect of those bids which are successful. Business Unit Heads and the internal processes within Units have a vital role in identifying and responding to funding opportunities where these clearly contribute to achieving the objectives in the Corporate Plan relevant to each service. It is therefore important to improve the processes within Business Units, backed up by Financial Services and the External Funding Officer.

### 2.0 OPERATIONAL/PROCEDURAL ISSUES

2.1 The five key operational issues identified in the Study were as follows:

- p Develop corporate procedures on grant funding processes
- p Corporate Grants Register/Database
- p Grants Co-Ordinator (also part strategic)
- p Accurate time recording on grant administration
- p Accurate financial coding of grant income and expenditure

2. The development of a corporate grants database is essential to achieve a more accurate and complete picture of the external funds sought, received and managed by the City Council. Accurate reporting is also needed on the operational outcomes on which grant claims are dependent. The maintenance of a register of grant claims was also one of the recommendations of the District Audit in their 2001/02 Management Letter. A register of grants received already exists, held by Financial Services. The database, however, is not complete and is not currently used by any other unit. It has the potential to be a very useful tool for a wider group of staff and could be used as the basis for a more sophisticated system to assist with the management of

grants and monitoring/assessment of performance. If it is to be developed further, detailed discussion with the Head of Customer and Information Services and particularly with IT Services will be required. The availability of staff and financial resources will have implications for the timescale for development and implementation and Members will need to consider the priority to be given to such work. There are also resource implications for staff in other business units who would need to supply information for the system. The resource implications must therefore form a fundamental part of any evaluation of potential new systems.

3. The Executive on 19 December 2002 agreed the development of a financial framework and the integration of a process for establishing and reviewing priorities within the corporate planning and budget process to improve the delivery of the Council's objectives and priorities (CE.01/02/FS.05/02). Early consideration will need to be given to improvements in the management of external funding which can be undertaken straight away, to those which, in agreement with the Executive, will replace other current priorities and to those which would require the allocation of new resources. Any requirement for significant staff and financial resources should be considered as part of the budget planning process for 2004/05.
4. In the meantime it is possible to set out some initial thoughts to enable both the Overview and Scrutiny Committee and in due course, the Executive, to begin to consider some of the improvements that need to be made. The grant process comprises several stages, from initial authorisation to bid, preparing the application, success or rejection, following up conditions, meeting spending and output targets and providing monitoring reports. In particular, District Audit has expressed concern about the City Council's record with late or incomplete claims. In extreme cases, District Audit may refuse to certify the claim, or qualify the certification highlighting areas of non-compliance with grant conditions. Either of these actions may result in the grant paying body withholding funds or requesting monies to be repaid. In all cases, the reputation of the Council is harmed. As well as providing information, the new system should therefore be able to provide automatic prompts to officers to help them manage grant claims and also ensure that grant applications are subject to the appropriate level of authorisation and corporate support.
5. If an improved database is to be developed, this should be done corporately through the external funding officer to reflect the needs of services, supported by Financial Services and IT. Any specification to be drawn up would need to be agreed with Business Units. At this early stage of consideration, the External Funding Officer and Financial Services officers have some initial thoughts as to how such a system might operate and these are set out below.
6. Basic information on all grants applied for should be entered on the system by the officer submitting an application. The trigger for this would be the authorisation for the bid to be submitted by the Business Unit Head or other line manager, backed up by an Executive or Portfolio Holder decision. It would also clarify whether match funding was in place, particularly if this needed to be agreed by the Council. A second and particularly important trigger point would be the approval or rejection of the bid. At this point, before the grant was accepted, or as part of the review of why it was rejected the manager would ensure that a second entry was made on the database. This second stage information would provide the projected timescale on which claims would be made, details of any additional reporting information required and the audit requirements/date. Much of this information is already entered on the existing system by Financial Services. However the addition of automatic prompts for the preparation of grant claims, say, a month before they were due, to both the lead officer and key contact within Financial Services, would be particularly useful.
7. Part of the system could incorporate details of the amount of officer time taken up in preparing the application and administering the claims, etc. Inputs could be made against each entry by the lead and supporting officers providing a more accurate assessment of the staff time cost.
8. In order to ensure that any database is used correctly and consistently, the Council's processes and procedures would need to be formalised. Financial Services has already prepared a draft procedure, attached at Appendix 1 - Responsibilities in Respect of Grant Claims & External

Funding. This will need some updating and amendment and the revised version discussed with Business Unit Heads and other managers to ensure both their commitment to its implementation and ease of use for their staff. The protocol also needs to set out the required officer and Member decision making processes to ensure commitment for any bid is secured and resource implications recognised. The role of managers is discussed further in Section 3. A consistent approach for the Council in its role as an Accountable Body should also be developed.

9. The coding of grant received is another area where a database could assist both lead officers and Financial Services who could agree and record the income and expenditure coding arrangements prior to any receipt of grant of eligible expenditure on the project. This being undertaken at the second trigger point of grant approval should ensure consistency and easier monitoring of both individual projects and corporate performance in this area.
10. To ensure more efficient management of grant funding, District Audit has previously recommended that the Council nominate a Grant Co-ordinator who would maintain/develop the database, ensure minimum standards are adhered to and provide an early warning system of any problems. Some of the bigger local authorities in receipt of large sums of external funding, particularly for regeneration, make a significant resource commitment to co-ordinating and monitoring external funding programmes. Sunderland has a separate department of 18 staff with this specific responsibility and like many authorities running Single Regeneration Budget programmes, it uses a performance management tool called 'System K'. Sunderland recently received an 'excellent' rating in its CPA assessment. Where external funding is overseen by a partnership of agencies, it is even more important to have effective systems of monitoring and control. The Northumberland Strategic Partnership employs 'Systems and Development Officers' to act as verifiers /advisors. Although Carlisle does not receive external funding of the order to support such large teams of staff, it must nonetheless abide by the same audit rules and protocols. Officers will continue to investigate opportunities to co-ordinate and make best use of the limited administration resources that are available within externally funded programmes where Carlisle is eligible.
11. If as suggested in the Study the External Funding Officer were to take full responsibility for these duties it would take up a significant proportion of his time and detract from the important strategic and development roles of the job (see Section 3). The principle, however, of the Council as a whole needing to take more responsibility for addressing these issues is important, particularly as it increasingly looks to external funds and partnership working to achieve corporate objectives. Robust and straightforward systems and procedures have to be in place to assist in simplifying and managing this growing area of work. Personnel Services has been consulted over this report and is in broad agreement with the comments made therein.
12. There is therefore a responsibility on CMT, all managers and lead officers for individual grant applications to work corporately to improve procedures. The actions recommended in the Study should be implemented collectively as part of a wider appreciation of the need to manage external funds effectively. To achieve this a commitment from managers is required to the new procedures discussed above with increased support from both Financial Services and the External Funding Officer. This is an opportunity to strengthen the relationship between lead officers on externally funded projects and their key contacts in Financial Services. The process involved in creating the entry on a corporate database would allow officers to review all the arrangements in line with the Corporate Standard for monitoring/managing the claims from coding, through record keeping to final audit. If any gaps are identified then the External Funding Officer will also be available to offer advice and assistance to the lead officer.

### 3.0 DEVELOPMENTAL/STRATEGIC ISSUES

### 3.1 The 4 strategic issues identified in the Study were:

- p Enhancing the role of the External Funding Officer as a corporate resource

- p Consider the development of an external funding strategy

- p Develop means of satisfying the Authority's key aims and objectives through grant funding activities

- p Automated grant funding services

2. The third issue is fundamental and has implications for the others listed. The Study has recognised the growing importance of external funding to many of the Council's core activities. The starting point for assessment of funding opportunities should be the implementation and monitoring of the Corporate Plan and the Service Plans for the Business Units. All applications for external funding should relate back to the objectives and priorities of the Corporate Plan and bids should be reflected in Service Plan priorities. A link can be made with other Plans at a more detailed level, such as the priorities set for Asset Management and the Capital Strategy. Furthermore, if there is a shared broad responsibility for external funding development and an agreed Corporate Standard, a separate External Funding Strategy could be argued to be superfluous.
3. The first issue is one of capacity, highlighted earlier under 2.11. The External Funding Officer already operates at a strategic level, for example, in representing the Council on European and North West Development Agency funding programme groups. In order for the Council to continue to have a voice on these important groups, this role must continue and be expanded to accommodate new work including that with the Rural Regeneration Company, Market Towns Initiative, Carlisle Housing Association and a growing workload within the Carlisle-Eden LSP structure. The officer, however, is not and cannot be the only contact with these and other organisations and funding sources. To obtain maximum benefit for Carlisle each Council service will need to identify the need and opportunity for obtaining external funds in their particular area linked to the contribution the service will make towards achieving corporate objectives. This is an area where Business Units could work with the External Funding Officer more closely to identify existing funding opportunities as part of the development/review of their Service Plans. This would enable a focused discussion to take place on potential funding sources and whether any partnership structures or development work is required to access them. It is envisaged that the detailed work would be undertaken within the Business Units and that the External Funding Officer would support this, as and when required. The grant finding database discussed below would also be a valuable tool in this process.
4. Early warning of new funding opportunities may be picked up through the professional press/internet or partner contacts. However, despite forward planning, opportunities often arise unexpectedly thus requiring a response at short notice. Where this is the case, the Council needs to consider how it can be more flexible and can respond to important opportunities, particularly where the funding timetable does not correspond to the budgetary cycle.
5. The final issue relates to improvement of grant finding services. The External Funding Officer tried out an off the shelf system last year but found it unsatisfactory. He has since investigated a number of alternative paper and computer based systems. The typical package offers information on the whole range of European, UK Government, Lottery and Trust funding. Some offer e-mail alerts and updates plus associated training packages. A presentation of a computer based system called Grantfinder is to be held on 15<sup>th</sup> January to which all Business Unit Heads and/or representatives have been invited. Depending on the option chosen the annual cost for a multi-use licence for the Civic Centre would be between £3,000 and £6,000. These costs could

potentially be shared by a number of Business Units.

#### 4.0 CONCLUSION AND RECOMMENDATIONS

1. In the time available since the Study was presented to Corporate Resources Overview and Scrutiny in November it has not been possible to prepare a fully fledged action plan. This will require further study of best practice elsewhere, more extensive consultation with Business Units and with key funding agencies, discussions amongst project officers and discussions with externally funded partnerships and programmes and clarification of priorities. It also needs to be tied in with the process identified in the Chief Executive's report to the Executive on Integrating Strategic Planning with Three Year Budgeting. However at this early stage some key initial actions can be recommended as highlighted in the report above.
  - a. The updating of the draft procedure - Responsibilities in Respect of Grant Claims & External Funding and endorsement by CMT and Business Units.
  - b. Improvements to coding arrangements for funds from external sources by Financial Services in discussion with Business Unit Heads
  - c. Corporate discussions to commence on the development of a database to enable the effective management of external funding, with detailed development and implementation subject to the availability of staff and financial resources
  - d. Consider whether to purchase the Grantfinder system or an appropriate alternative
  - e. Further study of best practice in other authorities and partnerships
  - f. Discussions amongst project officers and with externally funded partnerships and programmes and consultation on proposed new procedures.
  
1. The comments of the Corporate Resources Overview and Scrutiny Committee should be forwarded to the Executive. Progress should be reviewed in six months time. If the changes are not proving to be effective, alternative recommendations for more stringent improvements should be made at that time. This should form the basis of a further report to Corporate Resources Overview and Scrutiny Committee.

# **RESPONSIBILITIES IN RESPECT OF GRANT CLAIMS & EXTERNAL FUNDING**

**DRAFT 19/12/02**

## **Introduction**

Grant claims are an important and growing area of the authority's workload. The number of grant sources and the total value of grant income continue to grow each year and the authority needs to make arrangements to ensure it is aware of all possible grants and receives the maximum available support. This can only happen if everyone within the authority is aware of their responsibilities in respect of grant claims.

Heads of Business Units are advised to review existing arrangements for grant claims to ensure the relative importance of this area of work is recognised and to take into account the following guidance.

## **Heads of Business Units**

Heads of Business Units should make arrangements to ensure that

1. a list of grants available to the service area is maintained
2. new legislation is reviewed to identify possible new grants
3. all new schemes are examined for grant eligibility
4. requirements and conditions attached to grants and grant claims are understood and deadlines met so that income is maximised

5. changes to grant rules are recognised and taken into account
6. all grant claims are dealt with and/or supervised by an officer designated by the Head of Business Unit
7. any officers who are not designated but who are involved in grant claims receive this and all other relevant guidance
8. proper records are kept
9. **District Audit and Diane Stevens, Finance/Systems Officer, Financial Services are given details of any new claims or changes to the list of claims on the monitoring sheet held in Outlook/Public Folders/All Public Folders/Financial Services/Grants. New claims should be notified on the form provided in Outlook/Public Folders/All Public Folders/Financial Services/Grants.**
10. Diane Stevens, Finance/Systems Officer, is notified of the date and value of anticipated and actual receipts against grants, to facilitate the timely and accurate maintenance of an organisation-wide record of grant receipts due and received.
11. Diane Stevens, will be responsible for maintaining the monitoring sheet which when sent monthly to Heads of Business Units will regularly alert them to due dates and missed deadlines, and prompt them to ensure there are no omissions from the monitor.
12. Heads of Services are advised to include 'Grant Claims' as a standard item on their DMT agenda.

### **Individuals responsible for grant claims**

You must

1. be diligent and accurate and take full account of all appropriate rules, guidance and conditions
2. ensure deadlines are met
3. seek advice and help if there is any point you are not sure of
4. keep adequate supporting records.

The attached Head of Finance notes give more detailed guidance on these matters.

### **Further information**

Attached are

1. guidance notes based on the handbook "Local Authorities' Arrangements for Grant Claims" issued by the Audit Commission and CIPFA
2. the current list of grant claims and other returns.

If you need any further help or explanation or if you wish to look at the handbook please contact Diane Stevens or Shelagh McGregor in the Strategic Finance/Systems Unit, on extension 7276 & 7290.

### **GUIDANCE NOTES**

These notes are based on the handbook "Local Authorities' Arrangements for Grant Claims" issued by the Audit



Commission and CIPFA and should be read by all staff involved in grant claims.

## **Entitlement**

Authorities must be aware of the danger of not claiming their due grant entitlement. This can arise because the grant rules are complex and lack clarity, or the required information is not available. It can also arise where there is uncertainty or lack of knowledge as to what may be claimable. (For example, a proportion of audit fees is claimable on rent officer service claims).

In order to avoid this danger, you need to establish at an early stage

1. a full understanding of the conditions of grant
2. the requirements for each scheme so that persons incurring expenditure can ensure that it falls within the grant conditions, that proper records are maintained and that the authority secures maximum benefit from the grant offered
3. any changes in rules which might affect the incurring of expenditure and the composition of a claim.

Where uncertainty as to entitlement exists you should obtain the view of the grant paying body and may also obtain an informal view from other authorities or the external auditor who will ultimately have to certify the claim. It is always good practice to secure written confirmation if significant amounts of grant depend on that advice. Also seek written confirmation for any changes to the level of apportionment of grant funding.

Where it is impossible to reach a decision it is advisable to include the doubtful item and affix a note to the claim drawing attention to it for the benefit of both the paying body and the auditor. This would represent a proper attempt to claim within the rules.

## **Supporting records**

The Accounts and Audit Regulations 1996 introduced a statutory requirement to keep grant claim records in accordance with proper practices. As a consequence figures contained in a claim must be supported by all necessary working papers arranged in a logical way. The following should be regarded as a minimum standard for the format, content and clarity of documentation

1. the date of preparation and the name of the officer preparing the working papers
2. a description of relevant internal controls and a note on the extent of internal audit cover
  1. the date of submission of the pre-audit claim to the department and the auditor
  2. copies of original approvals, subsequent variations and any other correspondence with departments
  3. a comparison of expenditure with approvals
  4. a reconciliation of figures in the claim to working papers and to accounting entries on ledger codes
  5. details of payment made on account supported by relevant vouchers, invoices or advice notes from paying department, where applicable
  6. a reconciliation of each claim with the final accounts and evidence that debtor/creditor provision has been made for sums due to/from the paying department.
  7. an explanation of significant variances from the previous year
  8. details of significant journal transfers with voucher references

9. analysis of staff costs included in the claim ie names, job-titles and salary costs of relevant officers.
10. a note on the basis on which expenditure has been apportioned
11. a cross reference to the appropriate grant claims cell
14. a cross reference to where the grant information is taken from
15. evidence that contracts were let in accordance with standing orders where the claim includes charges for work carried out by a third party under contract
16. evidence of independent audit of expenditure included in the claim that is incurred by another body.

It is vitally important that any reader of the documentation should be able to trace any entry on the grant claim form to the underlying evidence that supports it.

There is no standard period for retention of documents relating to grant claims. Some schemes specify retention periods, in other cases the authority should follow its normal practice for the retention of accounting records and documents (usually a period of six years).

In many cases the same officer will complete a claim year after year and rely on the personal knowledge and expertise they have developed. However it would be good practice to produce some procedure notes to accompany working papers for those staff who might need more guidance.

### **Deadlines for submission of grant claims**

It is clearly imperative to meet the relevant deadlines. This is especially important for interim claims which produce payments on account since these can be suspended causing the authority to suffer a cash flow loss. On final grant claims, it is also important to meet deadlines because

1. there may be a balance outstanding which will only be paid on receipt of an audited claim; and
2. there may be penalties or, more seriously, withdrawal of payment on account or recovery of amounts previously advanced.

You must ensure that relevant grant claims are submitted in accordance with deadlines set down by the grant paying bodies and that the claims comply with the bodies' rules on entitlement.

### **External audit**

The external auditors' role in relation to grants and returns requiring audit certification is to satisfy themselves that claims are fairly stated and comply with the conditions of a scheme. External auditors fulfil this role by carrying out detailed audit procedures in accordance with instructions issued by the Audit Commission. These procedures aim to test that the entries in the claim are fairly presented, and the claim agrees with the authority's accounts and complies with the conditions of the scheme as set out by the paying department.

It is essential to maintain a good working relationship with the auditors and discuss any problems at an early stage. You should notify them of

1. progress made on grant claims where there have been problems in previous years
2. any new claims which arise and their requirements
3. significant changes in existing claim requirements

4. changes in deadlines, especially shortening of deadlines
5. relevant grant conditions (supplying copies if required)
6. agreed target dates both for the authority and auditors
7. the working papers and information you have to support the figures
8. any problems arising from grant claims work especially where submission deadlines are involved -where deadlines are unlikely to be met it is important to indicate when the claim will be completed to enable the auditors to reschedule their workload and thus avoid yet further delays. The government department should be contacted and written confirmation of the audit deadline extension obtained.
9. agreements on variations made with government departments (confirmed in writing)
10. proposed amendments to, or reports on, grant claims or returns to ensure that there are no errors of fact and that there is no other solution to the problem identified.

The authority's external auditors, District Audit, have supplied a list of claims they expect to audit and the relevant dates for submission both to the paying department and to themselves for audit. It is imperative these deadlines are adhered to. The table following outlines all relevant deadlines.

To help the external auditors meet the government's deadline for certification, ensure that original grant claims are sent to the external auditors when a copy is sent to the relevant government department and the name and telephone extension of the responsible officer to be contacted is supplied.

Richard McGahon is Audit Manager with District Audit. Grant Claims should be sent directly to him at The Courts, Carlisle, Cumbria, CA3 8NA.

To facilitate co-operation between the authority and the auditors, Neil Griffiths on extn ???? will act as a liaison officer. Please contact Neil if you have any concerns or difficulties regarding grant claims. If during the course of a financial year there are any changes to the nominated responsible officer or you are unable to meet the deadline listed in the table please inform the liaison officer as soon as possible.