

Managing Big Local funding

Administering and accounting for Big Local funding

This guidance is written for people in locally trusted organisations that have a funding agreement with Local Trust and are responsible for administering and accounting for the distribution of Big Local funding. It is important that every locally trusted organisation understands its role, and that those who administer and account for the funding are aware of what is needed and how to do it. This might include the person working with the Big Local partnership as well as the person administering and accounting for finance in the locally trusted organisation.

Responsibilities

Responsibilities of the Big Local partnership

A Big Local partnership is a group of at least eight people who guide the overall direction of Big Local in your area. The majority (at least 51%) of partnership members are people who live within your Big Local area. The partnership is responsible for agreeing a shared vision, creating the Big Local plan, overseeing its delivery, collecting evidence to show how the plan is progressing, and reviewing the plan and partnership to make sure they are working in the best way possible.

Responsibilities of the locally trusted organisation

The locally trusted organisation is chosen by the Big Local partnership to administer and account for the distribution of its funding, and/or deliver projects, activities or services on behalf of the Big Local partnership. The locally trusted organisation is expected to work with the partnership to achieve the vision that they have set for the Big Local area and is responsible for ensuring that the funding is spent appropriately in accordance with the terms and conditions of funding.

Ultimately, the locally trusted organisation is both legally and financially responsible for the funding. We expect all locally trusted organisations to follow or develop their own financial processes and controls and meet the requirements of our terms and conditions of funding as set out in the agreement with us.

We complete a due-diligence check on every locally trusted organisation before we send our funding agreement. This includes reviewing your recent annual report and accounts, and your governing document. The aim is to ensure you can hold the funding and carry out the role the partnership has outlined for you in their plan, in line with your governing documents. We also check that your organisation will be viable in the future.

The funding agreement, which includes the terms and conditions of funding, is signed by each locally trusted organisation. The signatory must be a person authorised to sign funding agreements on behalf of the organisation. The locally trusted organisation is then responsible for

ensuring that the money is spent appropriately on working effectively with the Big Local partnership. The locally trusted organisation needs to have appropriate financial processes and controls in place for the funding. The people responsible for paying out Big Local funding need to know what the funding is to be used for, and how they should administer and account for the spend within their own policies and procedures, and with the Big Local partnership.

Receiving Big Local funding

The locally trusted organisation must have a bank account in its name with two signatories (unless other arrangements are agreed with us in writing). The two bank account signatories should not be related to one another or live at the same address. Before we pay funding, we ask the relevant people in your organisation to complete a bank details form, signed by two signatories. We also ask that you send us a paying-in slip or a copy of a bank statement to confirm the account details. We pay the funding by electronic transfer into this bank account, in line with the payment schedule attached to the funding agreement, and on receipt of the signed terms and conditions of funding.

Spending Big Local funding

Big Local funding must only be used for the charitable purpose for which it was granted, in accordance with the budget set out in the Big Local plan, and in line with the payment schedule in the funding agreement. You need to administer, spend and account for the funding appropriately, as described below.

Internal financial controls

Internal financial controls are the checks and procedures within each locally trusted organisation that help ensure funding is administered, spent and accounted for appropriately. The controls let everyone know what should happen - who can do what, when and how.

As a minimum we expect:

- Big Local income and expenditure to be recorded as such, and to be readily identifiable in your organisation's accounts as restricted funding.
- Big Local expenditure to be reconciled on a regular basis, using the bank statement of the account used for Big Local against spend, with variances documented, for example with uncleared items listed.
- Clear separation of duties to prevent fraud - which means that the person authorising expenditure is not the person generating cheques or electronic bank transfers.
- Appropriate use of recruitment, grant application and tendering processes, following procedures within your own organisation manuals, for example finance manuals, HR procedures etc.
- Collaborative working with the Big Local partnership to enable them to fulfil their responsibilities as outlined above - that is, agreeing how you work together, what their role is in decisions related to spend, how you will report back to them on spend and what is achieved with the funding.
- A named person to be responsible for administering and accounting for the Big Local funding within your organisation.

- Advance warning of any variance to the budget and/or the funding timeline. The funding agreement includes a payment schedule, reference to the Big Local plan (which includes the project, activity or services that you are making payment for), and a timeline. Please note that we cannot fund retrospectively:
 - anything that is committed to before we (Local Trust) confirm the funding
 - any activities that happen or start before the funding is confirmed.

If you are not sure about any of this, please ask - our contact details are in the funding agreement.

The Charity Commission publishes guidance on internal financial controls for charities, including 'Internal financial controls for charities' (CC8) and an 'Internal controls checklist' (CC8 checklist) - <https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8>

In addition to the guidance in this document, we have produced a checklist based on the Charity Commission guidance. Partnerships and locally trusted organisations might find this useful to help them review what they are doing or planning to do (see appendix 1).

Workers

Many locally trusted organisations employ workers and/or work with sub-contractors as part of Big Local. The locally trusted organisation is responsible for being clear about the employment status of the individual in line with HMRC guidance and employment law, and for putting in place appropriate agreements and making payments using Big Local money, in line with the Big Local plan and your funding agreement with us.

Here is our guidance on Workers and Big Local: <http://localtrust.org.uk/library/programme-guidance/workers-and-big-local/>

There is also plenty of advice on the HMRC website:

<https://www.gov.uk/guidance/charity-staff-how-to-employ-paid-workers>

Anti-fraud measures

We use the Charity Commission's definition of fraud: 'a form of dishonesty, involving either false representation, failing to disclose information, or abuse of position, undertaken in order to make a gain or cause loss to another'.

Unfortunately, fraud can (and does) happen. Warning signs may be:

- disputes or complaints about missing funds
- money being spent without an appropriate approval process
- unexplained items listed as expenditure.

Your organisation needs to have anti-fraud measures in place to ensure funding is not vulnerable, and to outline processes for responding to, investigating and reporting fraud. In line with our terms and conditions of funding, you must notify us if you become aware of, or have any grounds for suspecting, any fraud within the activities which are funded by Big Local funding. If you believe actual fraud has taken place you need to report it to the police so they can investigate. Here is The Charity Commission's guidance on protecting charities from fraud:

<https://www.gov.uk/government/publications/charities-fraud-and-financial-crime>

Prohibited purposes

In line with the terms and conditions of funding, Big Local money must not be used for any purpose that is prohibited, including:

- activities that happen or start before the funding is confirmed

- expenses you commit to before Local Trust confirms the funding
- salaries of existing staff for activities they undertake as part of their normal employment that are not related to Big Local
- items that mainly benefit individuals (for example equipment that is not shared)
- political or religious activities
- projects or activities which the state has a legal obligation to provide
- VAT you can recover
- general running costs not associated with the delivery of this programme.

Accounting for Big Local funding

Record-keeping

As the locally trusted organisation, you must keep separate and accurate financial records of how you spend Big Local funding, including receipts, invoices, accounts and any other relevant documentation, for a period of seven years after you have spent the money.

Reporting

You must report to the Big Local partnership on expenditure, in addition to reporting to us in accordance with the terms and conditions. We will automatically share the reports you submit to us with the chair of the Big Local partnership and rep. [Here](#) is more information on reporting. We ask that you send us audited, independently reported on, or independently examined accounts in accordance with current legal requirements each time we do an assessment, or for each year that you receive Big Local funding.

In your accounts you must identify Big Local funding and show it as restricted funding. You should acknowledge Big Local in your annual report for the financial year(s) in which the funding is used. The Charity Commission publishes helpful guidance on charity reporting and accounting, including; 'Charity reporting and accounting: the essentials' (CC15b):

<https://www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-cc15b>

If your organisation is not legally required to have its accounts audited, independently reported on, or independently examined, then you must provide a copy of the statement of your gross income and total expenditure, in which the funding must be separately identified and signed by a trustee or director (as applicable).

Helpful contacts

If you need further information about managing Big Local funding, these links may be helpful.

Charity Commission

The Charity Commission publishes lots of useful guidance for charities:

www.gov.uk/government/organisations/charity-commission

Companies House

Companies House incorporates and dissolves limited companies, registers the information companies are legally required to supply, and makes that information publicly available.

<https://www.gov.uk/government/organisations/companies-house>

National Council for Voluntary Organisations (NCVO)

NCVO provides advice and support on a wide range of topics and in a variety of formats, from practical how-to guides to video training courses or bespoke advice. This includes advice on financial management for charities: www.ncvo.org.uk and <http://knowhownonprofit.org/howto/how-to-write-a-financial-procedure-guide>

Small Charities Coalition

The Small Charities Coalition has a comprehensive resources section on its website at www.smallcharities.org.uk, which includes guides, useful templates for financial management and links to useful websites. <http://www.smallcharities.org.uk/resources-accounts-finance/>

Charity Finance Group (CFG)

Charity Finance Group is a membership organisation that champions best practice in finance management in the voluntary sector. It runs training and development programmes for charity financial managers, and publishes resources on its website: www.cfg.org.uk

Community Accounting Network

This is the place to find help and support with managing your finances from your local community accountancy service. www.communityaccounting.org/

You can download useful short templates here: <http://www.communityaccounting.org/?q=node/16>
Appendix 1

A financial controls checklist

This checklist is based on the one provided for charities by the Charity Commission: <https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8> and is included as a resource for Big Local partnerships and their locally trusted organisations. We require all locally trusted organisations to have good financial controls in place, in line with our grant terms and conditions.

1. Financial controls

- 1.1. Is there segregation of duties to provide a 'double check' on all payments?
- 1.2. Are budgets of income and expenditure prepared, and approved by the partnership?
- 1.3. Is expenditure compared to budgets and are explanations given for variances?
- 1.4. Is the partnership provided with regular financial information and is this discussed at partnership meetings?
- 1.5. Is there a document explaining the role of the partnership and the locally trusted organisation so everyone is clear on roles and responsibilities?
- 1.6. Are sufficient accounting records kept of all transactions?
- 1.7. Does the locally trusted organisation have an auditor or independent examiner and what have they said in the past about the locally trusted organisation?

2. Fraud

- 2.1. Are the partnership and the locally trusted organisation aware of why Big Local funding might be at risk from fraud and what they can do to prevent it?
- 2.2. Does the locally trusted organisation have procedures for reporting suspicions internally, and to the Charity Commission and the police?

- 2.3. Does the partnership and the locally trusted organisation declare and manage conflicts of interest effectively?

3. Expenditure

- 3.1. Is there a written policy on the authorisation of expenditure and does this apply to Big Local funding?
- 3.2. Does the locally trusted organisation keep records to identify payments related to Big Local funding?
- 3.3. Are invoices checked against orders confirming price and the receipt of the goods or services?
- 3.4. If the locally trusted organisation makes grants with Big Local funding, does it have a grant-making policy and follow it?
- 3.5. Are regular checks made to ensure expenditure records are accurate and agree with bank statements and the original invoice or payment records?
- 3.6. Are checks made by someone other than the person who made the entry in the accounting records?
- 3.7. Are bank statements received and regular bank reconciliations carried out?
- 3.8. Are the accounts monitored to ensure there is no third party use?

4. Payment by cheque

- 4.1. Do cheques require two signatories?
- 4.2. Are cheques signed only with documentary evidence of expenditure - for example, an invoice?
- 4.3. Is cheque expenditure recorded and noted with the relevant cheque number, nature of payment and payee?

5. Payment by direct debits, standing orders and electronic transfer

- 5.1. Are named individuals authorised to set up direct debits, standing orders and electronic transfers?
- 5.2. Does the locally trusted organisation use a dual authorisation system for these payments?
- 5.3. Does the locally trusted organisation keep an audit trail of electronic banking transactions?

6. Payment in cash

- 6.1. Are all payments made from a cash float and not from incoming cash?
- 6.2. Is supporting documentation authorised by someone other than the person maintaining the cash float or the person making the claim?
- 6.3. Are details of all payments recorded and are regular independent checks made of the float and records to ensure they match?

7. Payment of expenses and reimbursements

- 7.1. Does the locally trusted organisation have a policy to cover the payment and reimbursement of expenses from Big Local funding?
- 7.2. Is the policy communicated to the partnership and others involved in Big Local?
- 7.3. Are expenses reimbursed only where the individual incurred the expense in the course of carrying out Big Local activity in line with the funding agreement?
- 7.4. Does the expense claim include a self-declaration that the claim is accurate and incurred in the course of carrying out Big Local activity?

8. Employees of the locally trusted organisation funded by Big Local

- 8.1. Do employees have contracts of employment?
- 8.2. Are salary levels properly authorised and recorded?
- 8.3. Does the locally trusted organisation comply with minimum wage legislation and pension requirements?

This document will be developed over time with input from the people using this material.

If you have thoughts on how this document can be made more useful for you, particularly if you live in one of the Big Local areas, please let us know.

Local Trust

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The endowment for the Big Local programme is held by the Big Local Trust and overseen by Local Trust. The Big Local Trust was established by the National Lottery Community Fund with a National Lottery grant of £196,873,499.

If you need this document in other formats or a community language please get in touch with Local Trust and we will help you.

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