



The City of Liverpool

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To all organisations funded by the Community Resources Unit

Dear Colleague

Annual Accounts Guidance

As you are aware it is that time of year when the Community Resources Unit have been receiving and checking annual accounts in order to release final quarter payments. Section C of the three year Funding Agreement which your organisation has signed deals with our requirements about the format of the financial information which is acceptable to us in return for receiving your grant and there are specific elements which relate to annual accounts. Key requirements are that annual accounts must:

- Be externally examined
- Be signed by an external examiner and a member of your governing body
- Contain a reserves policy
- Show our grant as restricted and identify it separately with a further separation of core costs and direct project costs. (Condition C1)

It is essential that all organisations meet these conditions as part of the legal agreement that has been signed and which you have a copy of.

I am enclosing some additional guidance about condition C1. **If you do not already do so it would be beneficial and cost efficient if you made this guidance available to whoever is preparing and examining your accounts so that they can be clear at the outset and prepare your accounts to this specification.**

If you have any queries about accounts or any other aspects of our financial monitoring requirements please contact the Unit

Yours sincerely

H. O’Gorman

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CRU Guidance on Condition “C 1” Community Resources Unit Funding Agreement 2008-2011

The Local Government Act 1972 includes specific reference to the accountability of voluntary organisations to their statutory funders.

Section 137A of the Act obliges the Council to require organisations receiving a grant or loan of £2,000 or more from the Council to make a statement, in writing, of the use to which the grant/loan was put within 12 months of it being made. Sub-section 3 (4) provides that the statement can be made in the annual report or accounts of the organisation provided that the report or accounts are sent to the Council.

Requirements of the Council as to the information to be provided if the ‘Section 137 A’ statement is to be included in the organisation’s annual report or accounts.

For ease of reference in future, the funded organisation should have a subheading in the accounts: “Section 137A Statement”.

It is a requirement of the Council that in return for any grant or loan that the following information must be provided. The Council has no objection to the information being supplied in the annual report and accounts of the funded organisation:

1. The amount of Grant received during the financial year
2. The purpose of the Grant as specified in the Service Statement.
3. A statement from the external examiner/auditor confirming that the Grant was fully used for the purposes it was awarded.
4. Where the Grant has been underspent we require the amount of the underspend and the reason(s) for it.

How this information is presented in the accounts may vary, depending on the size of the funded organisation and the amount of funding the funded organisation receives. For some organisations this would mean a simple statement to satisfy the section 137A requirement. For others, more detailed notes to the accounts may be necessary.

The following example might help identify an appropriate approach where a large organisation receives a Grant for a specific purpose from CRU:

The accounts themselves would not normally show sufficient detail about how each grant that the organisation received, often from many sources, was spent. This would be dealt with by Notes to the Accounts.

The Notes relating to CRU funding should show how much grant was received, what it was for, how it was spent separated into direct project costs and contribution to management (indirect) costs and identify any underspend. In most cases, this would be most easily done by a table showing how the Grant has been used.

For example, a grant of £31,000 was received in 2005/06 from CRU for the Community Engagement Project. The following table illustrates what the money was awarded for and that it has been used for these purposes:

	Grant (£)	Grant Spent (£)
Salary of P/T Development Officer	17,000	15,900
Training (inc Volunteers)	4,000	4,000
Contribution to management costs*	5,400	4,900
Project Related Running costs	3,000	3,000
PC & Printer	1,600	1,600
	31,000	29,400

A sum of £1,600 remained unspent at 31 March 2006”.

** N.B. by management costs we mean any salary or associated core costs which do not relate directly to delivering the funded project but are claimed as part of full cost recovery.*