

# **Financial Direction No 5.5**

## **Management of Grants**

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**States of Jersey**

**November 2013**

# 1 SUMMARY AND OBJECTIVE

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- 1.1** This Financial Direction is applicable to all:
- Accounting Officers;
  - Budget Holders;
  - Finance Directors; and
  - Anyone with authority delegated to them under a [Scheme of Delegation](#).
- 1.2** The purpose of this Financial Direction is to provide departments with the mandatory requirements when awarding grants. Specifically it includes:
- [The application and approval process](#);
  - [Service Agreements](#);
  - [States of Jersey Annual Financial Report and Accounts](#); and
  - [Internal grants](#).
- 1.3** Financial Directions are issued by the Treasurer of the States under Article 34 the Public Finances (Jersey) Law 2005 (hereafter referred to as “the Law”). Compliance with Financial Directions is mandatory and not following them may lead to an offence being committed under Part 7 of the Law.
- 1.4** Any departure from the requirements set out in [section 2](#) of this Direction must have an [exemption](#) approved by the Treasurer of the States.
- 1.5** For the purpose of interpreting this Financial Direction, the following definition of ‘grants’ as specified in the [Supplementary Guidance to the Jersey Financial Reporting Manual \(JFReM\)](#) should be used:

*Grants are assistance from a States Entity in the form of transfers of resources to an individual or entity in return for past or future compliance with certain conditions relating to the activities of the individual/entity.*

The Supplementary Guidance further breaks grants down between specific grants, general grants and subsidies.

#### **1.6 Who should I contact if I have a question / need further guidance?**

Further information and guidance can be obtained from your departmental finance team in the first instance, then if necessary finance may need to contact the Financial Accounting and Control Team (FACT@gov.je).

# 2 SPECIFIC REQUIREMENTS

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Specific requirements cover the following:

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## **2.1 – The application and approval process**

- 2.1.1** Departments must satisfy themselves that when proposing to award grants the general proposals are in accordance with the strategic aims and objectives of the States of Jersey and that those aims and objectives are achieved most efficiently through awarding grants as opposed to incurring direct expenditure.
- 2.1.2** All grants must be applied for by the individual or organisation that requires the funding, i.e. departments must not seek recipients other than general promotion of schemes or grant availability.
- 2.1.3** The application and approval process must be transparent and ensure adequate segregation of duties, i.e. one officer must not be able to receive an application, approve it and make payment. Officers involved in the approval process must disclose to their departmental Finance Director any connection they have with an applicant, and records of any such interests must be maintained.
- 2.1.4** The application and approval process must include an assessment of the financial need of applicants and must take into account the timing of the applicant's need for funding during the year in which the grant may be awarded.
- 2.1.5** Grants must not be awarded to individuals or organisations that are capable of financing the particular activity themselves. However, this will not apply to any grant schemes where there is a clear policy decision that means testing does not apply.
- 2.1.6** There must be a clearly documented case as to how the provision of funds to the individual or organisation will contribute to the strategic aims and objectives of the States of Jersey. The case must include consideration of why the release of funds to a third party will be more appropriate than the States providing the activity itself.
- 2.1.7** Potential recipients must be required, as part of the application and approval process, to outline the controls they will operate to ensure that public money is spent in a proper manner and for the purposes intended. In the case of an organisation, the potential recipient must be required to demonstrate that its corporate governance arrangements are robust<sup>1</sup>.
- 2.1.8** Departments must establish a policy on whether appeals will be allowed in the event of grant applications being refused. If an appeals process is established it must be transparent and officers involved in the original application and approval process must not be involved.

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<sup>1</sup> When considering whether corporate governance arrangements are robust, departments may find it useful to refer to the governance code for charities - 'Good Governance: a Code for the Voluntary and Community Sectors'. The Code is available from the [Charity Commission's website](#).

## 2.2 - Service Agreements

### Contents of the Agreement

**2.2.1** Once a grant is approved and before payment is made, a Service Agreement must be drawn up detailing the rights and obligations of both parties. For all grants greater than £100,000, the Agreement must contain the following as a minimum:

- Name of the grantee;
- Name of the grant scheme (where applicable);
- Purpose of the grant;
- States strategic aims and objectives supported (see [section 2.1.6](#));
- Amount of the grant;
- Payment terms and timing;
- Treatment of top-up grants;
- Arrangements for repayment of surplus grant monies;
- Explanation of the corporate governance framework;
- Explanation of disclosure of the grant(s) in the States of Jersey annual Accounts (see [section 2.3](#)).
- Clear explanations of what each party is expected to provide, including any reports (see [sections 2.2.2 and 2.2.3](#)) and/or statements (see [sections 2.2.4 to 2.2.6](#));
- Any conditions attached to the grant and criteria for measurement of whether grant conditions have been fulfilled (see [sections 2.2.4 to 2.2.6](#));
- Arrangements for repayment of grants in the event of non-performance or non-compliance;
- Rights of access for departmental officers and the Comptroller and Auditor General (see [section 2.2.7](#)); and
- Arrangements for the purchase and disposal of any assets to be acquired using the grant (see [section 2.2.8](#)).

For grants of £100,000 or less, departments may depart from these requirements if they can demonstrate justification for doing so and the departure does not otherwise prevent compliance with this Direction<sup>2</sup>. If departments do vary from the minimum requirements and the grant is between £25,000 and £100,000, the relevant Accounting Officer (or their delegate) must submit an Exemption

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<sup>2</sup> The 'see section' references in section 2.2.1 refer.

Form to the Treasury. Exemption by the Treasurer is not required for grants of less than £25,000.

**Please note:** when making the actual grant payment, the requirements for raising and authorising purchase orders must be complied with (see [Financial Direction 5.1 Purchasing of Goods and Services](#)).

### **Provision and publication of financial accounts**

**2.2.2** Grant receiving organisations must provide accounts in accordance with Table (1) below for each year in which a grant is made by the States of Jersey, except when there are grounds for exemption. An organisation is able to submit a request for exemption from provision and/or publication of accounts where doing so would disadvantage the organisation’s commercial interests, or breach confidentiality agreements, Codes of Practice (e.g. Access to Information held by the States, June 2004) or legislation (e.g. Data Protection Legislation).

**2.2.3** Departments are responsible for ensuring that the requirements set-out in Table (1) below are complied with in relation to the preparation and submission of annual accounts by grant receiving organisations. The requirements must be documented in the Service Agreement (see [section 2.2.1](#)).

**Table (1) – Requirements for the provision and publication of accounts of grant receiving organisations**

<b>Amount of grant</b>	<b>Financial accounts</b>	<b>Publication of accounts</b>
<b>£75,000 and above<sup>3</sup>:</b>	Audited, signed accounts must be provided within 6 months of the organisation’s year end.	The signed Accounts will be published by the Treasury in a report to the States. <sup>4</sup>
<b>Between £25,000 and £74,999</b>	Unaudited, signed accounts must be provided within 6 months of the organisation’s year end.	The signed Accounts will be retained at departmental level and made available to individual States Members on request.
<b>Less than £25,000</b>	Unaudited, signed Income and Expenditure Statement (see <a href="#">Appendix A</a> for guidance) must be provided within 6 months of the organisation’s year end.	The signed Statement will be retained at departmental level and made available to individual States Members on request.

<sup>3</sup> This applies to a single grant of £75,000 or more, or multiple grants – from one or more department(s) – for the same purpose that when aggregated amount to £75,000 or greater.

<sup>4</sup> In publishing a report to the States, the accounts will be publicly available.

## **Grant Assurance Statement**

- 2.2.4** All individuals and organisations in receipt of a grant of £5,000 or more must provide a Grant Assurance Statement (see [Appendix B](#) for guidance) to the relevant Accounting Officer, confirming how the grant was spent and the outcomes achieved in comparison with the original terms of the grant. This requirement must be included in Service Agreements (see [section 2.2.1](#)).
- 2.2.5** Individuals must submit a Grant Assurance Statement by the 31<sup>st</sup> March of the year following payment of the grant. Organisations must provide a Statement in line with the timeframe for the submission of financial accounts (see [section 2.2.3](#)).
- 2.2.6** Where an individual or organisation is applying for a repeat grant, departments must obtain assurance over the use of the current year's grant at the time of application. Ideally, this will be achieved via a Grant Assurance Statement submitted in line with the timeframe stipulated in section 2.2.5, or at the time of application if sooner. Where this is not possible departments must obtain assurance via other means and formally document that assurance.

## **Audit by the Comptroller and Auditor General**

- 2.2.7** The Comptroller and Auditor General (C&AG) may audit a States funded individual or organisation where the grant received is greater than £5,000. Individuals and organisations may also be subject to audit by the C&AG, where the grant is less than £5,000 but represents at least 50% of the total amount/income received during that year. This legal right must be included in Service Agreements (see [section 2.2.1](#)).

## **Assets funded from grants**

- 2.2.8** There is a general presumption that when a States funded individual or organisation disposes of assets which were wholly or partly funded by a States grant, the proceeds (or an appropriate proportion of them) should be paid to the States. Special conditions must be applied to grants which will be used to acquire or improve capital assets in order that the States' position is protected in the event of disposal of the assets in question. This requirement must be included in Service Agreements (see [section 2.2.1](#)).



## **2.3 - States of Jersey Annual Financial Report and Accounts**

- 2.3.1** The Annual Financial Report and Accounts disclosure requirements for grants awarded by the States of Jersey are specified in the [Jersey Financial Reporting Manual \(JFRoM\)](#). The departmental procedures for satisfying those requirements are set out in [Financial Direction 12.5](#).
- 2.3.2** The [Supplementary Guidance to the Jersey Financial Reporting Manual \(JFRoM\)](#) details the way in which grants should be accounted for.

## 2.4 - Internal grants

- 2.4.1** Grants awarded internally (i.e. between States entities) must support the achievement of States strategic aims and objectives (see [section 2.1.1](#)) and must not be used to circumvent the budgeting process.
- 2.4.2** Where the receiving department has not budgeted for grant income, the requirements for the use of additional revenue income must be complied with (see [Financial Direction 3.6 Variations to Heads of Expenditure](#)).

# 3 GOVERNANCE

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## Legal Responsibilities

**3.1** In relation to awarding grants, under the Public Finances (Jersey) Law 2005 Accounting Officers must ensure that:-

- Expenditure does not exceed the amount appropriated to it by a head of expenditure and is used for the purpose for which it was appropriated (Article 38(2) (a));
- In so far as practical, all money owed to their department is promptly collected and paid into an appropriate bank account, and that all money owed is duly paid (Article 38(2) (b));
- Proper accounts of all financial transactions are kept (Article 38(2)(c));
- Records are provided when required by the Treasurer of the States for the annual preparation of the Financial Report and Accounts (Article 38(2) (d)); and
- Resources are used efficiently and effectively (Article 38(2) (f)).

## Scheme of Delegation

**3.2** In the absence of a Scheme of Delegation, only an Accounting Officer can incur expenditure. The Accounting Officer may delegate this power, if appropriate, to another States employee. However, the Accounting Officer will remain ultimately accountable for all financial duties and responsibilities.

**3.3** Where an Accounting Officer delegates their financial authority, a Scheme of Delegation must be documented. The Scheme must detail what authority has been delegated and to whom and the limit placed on that delegation, and must be in accordance with the requirements of this Financial Direction. For example, details on the following must be included:

- Who is authorised to approve grant applications and to what value;
- Who can sign Service Agreements with grantees on behalf of the department;
- Who can place orders and to what value<sup>5</sup>; and
- Who can approve orders and to what value<sup>6</sup>.

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<sup>5</sup> This will be defined in the Scheme of Delegation that relates to Purchasing of goods and services, Financial Direction 5.1 refers.

<sup>6</sup> This will also be defined in the Scheme of Delegation that relates to Purchasing of goods and services.

## **Required/Assumed Knowledge of this Financial Direction**

### ***Accounting Officers***

**3.4** Accounting Officers must be aware of this Financial Direction. A more detailed knowledge of the requirements of this Direction by Accounting Officers will depend on the Scheme of Delegation (if any) in Place within their department. However, as mentioned in section 3.2, the Accounting Officer remains personally accountable.

### ***Budget Holders***

**3.5** Budget Holders who are involved in the management of grants must be aware of the details of this Financial Direction as they apply to them, i.e. in line with the departmental Scheme of Delegation (if any) in place.

### ***Finance Directors***

**3.6** Finance Directors are responsible for developing and maintaining control and assurance processes at departmental level and therefore need to be comfortable with all of the Specific Requirements set out in [section 2](#) of this Financial Direction.

### ***Operational staff***

**3.7** All officers involved in the management of grants need to be comfortable with the Specific Requirements that are relevant to them, i.e. knowledge is required on a need to know basis in line with the departmental Scheme of Delegation (if any) in place.

## **Departmental Compliance Procedures**

**3.8** Accounting Officers are responsible for ensuring that a control and assurance framework is in place in their department.

**3.9** Finance Directors are responsible for developing and maintaining a control and assurance framework at departmental level. They are also responsible for implementing assurance processes (e.g. compliance procedures and assurance statements).

**3.10** Finance Directors must ensure that departmental assurance processes are documented. A robust assurance framework will assist accounting officers in the preparation of the Accounting Officer's Statement on Internal Control.

# 4 SELF-CERTIFICATION CHECKLIST

	Yes	No	N/A
Are States of Jersey strategic aims and objectives best achieved most efficiently through awarding grants as opposed to incurring direct expenditure? (see <a href="#">section 2.1.1</a> )			
Is the application and approval process transparent, and is there adequate segregation of duties? (see <a href="#">section 2.1.3</a> )			
Are the other requirements in connection with the application and approval process (including the appeals process) as set out in <a href="#">sections 2.1.4 to 2.1.8</a> being complied with?			
Before paying the grant, has a Service Agreement been drawn up which contains the minimum requirements? (see <a href="#">section 2.2.1</a> )			
If the Agreement does not contain the minimum requirements has the relevant Accounting Officer (or their delegate) submitted an Exemption Form to the Treasury? (see <a href="#">section 2.2.1</a> )			
Are the requirements for organisations to provide their accounts and for those accounts to be published being complied with? (see <a href="#">sections 2.2 and 2.3</a> )			
Do all individuals and organisations that are in receipt of a grant of £5,000 or more provide a Grant Assurance Statement on a timely basis? (see <a href="#">sections 2.2.4 to 2.2.6</a> )			
Are the requirements around assets funded from grants being complied with? (see <a href="#">section 2.2.8</a> )			
Are grants being accounted for in line with the Supplementary Guidance to the Jersey Financial Reporting Manual? (see <a href="#">section 2.3.2</a> )			
Do grants awarded internally also support the achievement of States strategic aims and objectives? (see <a href="#">section 2.4.1</a> )			

## Appendix A – Example of an Income and Expenditure Statement

*Name of grant receiving organisation*

**Income and Expenditure Statement**  
**For the year ended 31 December 20X2**

	Notes	20X2		20X1	
		£	£	£	£
<b>Income</b>					
States of Jersey Grant			X		X
Membership fees			X		X
Donations			X		X
Fund raising			X		X
Bank Interest			X		X
Other income			X		X
			<u>X</u>		<u>X</u>
<b>Expenses</b>					
Staff		X		X	
Premises		X		X	
General administration		X		X	
Legal and professional		X		X	
Charitable activities		X		X	
Other expenses		X		X	
			<u>X</u>		<u>X</u>
			<u>          </u>		<u>          </u>
Surplus/(deficit) for the year			<u><u>X/(X)</u></u>		<u><u>X/(X)</u></u>

**Signed**

**Date**

**Appendix B – Example of a Grant Assurance Statement**

**Grant Assurance Statement**

To: ..... *name of States officer*

I hereby confirm that *name of organisation* has adhered to the terms and conditions of the grant in the sum of £ X, which was awarded by the *name of department* in 201X for use during the year ended *insert the organisation's financial year end*.

Or,

I hereby confirm that *name of organisation* has adhered to the terms and conditions of the grant in the sum of £ X, which was awarded by the *name of department* in 201X for use during the year ended *insert the organisation's financial year end*, with the exception of (*please explain below*):

There are appropriate controls in place within *name of organisation* to ensure that funds are being spent appropriately and that value for money is being achieved, and the grant awarded by the States of Jersey in 201X *was* used for the purpose(s) intended, as set out below:

Or,

There are appropriate controls in place within *name of organisation* to ensure that funds are being spent appropriately and that value for money is being achieved, and the grant awarded by the States of Jersey in 201X *was* used for the purpose(s) intended, with the exception of (*please explain below*):

I confirm that the total grant awarded of £ X was used during the year ended *insert the organisation's financial year end*.

Or,

I confirm that of the total grant awarded of £ X, the sum of £ X was used during the year ended *insert the organisation's financial year end*. The surplus grant of £ X will be repaid in accordance with the Service Agreement.

Signed: ..... Date: .....

Title: .....