GRANTS MANAGEMENT GUIDE

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

GRANT **PAYING** BODIES - PART 1

About our mini-guides

These mini-guides are written with you in mind if you are:

- a grant manager or administration at a funding body;

- a fundraiser or grant applicant;

- a manager running a grant funded project; or

- an internal or external auditor, or an accountant reporting on claims.

These advise you of what you should consider at each stage of the grants 'lifecycle' and outline the benefits for you when:

1. A new programme or project is proposed.

2. Applications are invited and grant offers made.

3. Projects are managed and delivered, with progress reported and payments made.

4. Activity is evaluated and good practice disseminated. Successful projects may become normal activities while other projects end, maybe with grant recovered.

Here are our mini-guides:

- Funders – programme planning and preparation

- Funders – management of active grants

- Applicants – fundraising and grant applications

- Recipients – management of active grants

- Auditors and Reporting Accountants – risk and reporting

Grant paying bodies - part 1

This mini-guide aims to help you plan your new programme and prepare for making awards. It covers the first three stages of grant-making – initial planning, practical preparation for programme launch and the application and award process.

It complements our other guide for funders which covers what happens once awards are made and your grants 'go live'.

These guides lead you through a set of questions intended to help you think about what you might need to do at every stage of your programme's life. But always check your proposed arrangements against any guidance of 'minimum standards' which your organisation already has and any mandatory requirements, such as the Welsh Government's Code of Practice for Funding the Third Sector.

For simple grants – those in the nature of 'gifts' with few or no strings attached – you won't need to think about all of the questions featured here. It's good to keep things as simple as possible, with approval systems, other management controls and arrangements for monitoring and evaluation kept proportionate to the value of your programme and its level of risk. But it's still good to know as much as possible so that you can be ready for whatever might crop up in future!

We have related guides for grant applicants and recipients and for auditors and accountants who report on grant claims and returns. You may find these of interest too.

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Stage 1. Your new idea – effective planning

Firstly, let's look at what you need to think about when you have an idea for a new grant programme.

Good planning and getting things right from the very start will go a long way towards ensuring your eventual success. It is important to do your research, develop your plans, consider risks, identify your resources and target potential recipients. It's also vital to be very clear about the differences you wish to bring about for the programme beneficiaries – in other words, the 'outcomes' you are aiming for. And don't forget to think about what you would like to see happen once your funding ends! You will benefit by having a programme which is well-defined, realistic and clear about why funds are given.

Rushing a new scheme risks launching it without a solid foundation. This is inefficient and can prove very costly in terms of wasted resources, negative publicity, strained relationships and even failure of the whole programme itself. Done badly, the funding process can impose a heavy burden on grant recipients who will have to invest resources to comply with systems which can be seen as too onerous and not proportionate.

For a long-running programme, an interim evaluation can be planned to identify any lessons which can be learned to make future arrangements run well.

Nowadays, you should have a focus on the long-term as well as the immediate future. In Wales, the Well-being of Future Generations (Wales) Act 2015 requires public bodies in Wales to think about the long-term impact of their decisions, to work better with people, communities and each other, and to prevent persistent problems from occurring or getting worse.

It requires public bodies to carry out sustainable development, which means…

> …the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the well-being goals.

The economic, social, environmental and cultural well-being of Wales is captured through seven national goals, which give a legally binding common-purpose to public bodies in Wales. The goals are:

- A prosperous Wales

- A resilient Wales

- A healthier Wales

- A more equal Wales

- A Wales of cohesive communities

- A Wales of vibrant culture and thriving Welsh language

- A globally responsible Wales

In order to take action in accordance with the sustainable development principle, public bodies need to apply the 'five ways of working'. These are:

- looking to the long-term so that we do not compromise the ability of future generations to meet their own needs;

- taking an integrated approach so that public bodies look at all the well-being goals in deciding on their well-being objectives;

- involving a diversity of the population in the decisions that affect them;

- working with others in a collaborative way to find shared sustainable solutions; and

- understanding the root causes of issues to prevent them from occurring.

In order to deliver the Act, public bodies need to set and publish well-being objectives that are designed to maximise their contribution to the goals and take all reasonable steps to meet them.

Therefore, you will need to consider how you will maximise your contribution to the well-being goals and how you will apply the five ways of working through your grant programme. Thinking about sustainable development will help you prioritise what must be done and make the best use of resources. Thinking this way may let you see new ways of working, opportunities for collaborations and encourage innovation.

1.1 What's the big idea – my aim and desired outcomes?

Firstly, ask yourself 'Why is my programme needed?'. This helps you be clear about your aims and objectives. Are you 'shopping' (buying a service), 'giving' (supporting a worthy cause), or 'investing' (building capacity in a sector)?

Think about the problem, issue or situation you want to address and what needs to change to make things better. Unless the situation is an emergency, refer to any recent and relevant evidence which shows that unmet needs exist. You need to have a clear vision of what you want to tackle and how that might be best addressed. What effect are you hoping for?

Set out in writing your programme's purpose and what it intends to achieve, being clear about your aim and the needs your grants will meet. While your initial anxieties might be about how to issue the offer letters and make payments quickly, you really need to focus on the effects you hope to realize and what the expected outcomes of your investment should be.

Your expected outcomes should help achieve your organisation's well-being objectives and support the 'well-being' goals listed earlier. The Well-being of Future Generations (Wales) Act 2015 emphasises the importance of a balanced and integrated approach in your response to social, economic, environmental and cultural needs and aspirations.

In the light of your identified needs as a funder and these overall goals, you should then work out the specific outcomes for your programme. These are the identifiable changes and differences to people and communities which your programme can make over time.

'Outcomes' are the results you bring about and must not be confused with the products, services or activities (the 'outputs') which you fund. Outcomes are best described using words which relate to change, such as more, better, improved, or less. Outcomes can arise at different levels, depending on your programme's aim: they might relate to people and families, local communities, the environment, organisational capacity or to civic infrastructure and services. Ideally, you should be able to identify signs or 'indicators' which will show you what progress is being made towards achieving your hoped-for outcomes.

In identifying these outcomes, you will need to consider how you involve others or whether there are opportunities to work with partners. You will need to understand what citizens and stakeholders need and want. You should also check whether any other funders offer similar programmes – if so, there will be a potential overlap and it may be possible to cooperate with them and work in a complementary way (common application and reporting processes are a big help to grant recipients).

Clarity now will help you later on, at the 'bidding and award' stage, when you will set out:

- your selection criteria for assessing bids and applications;

- your terms and conditions, which will need to be robust and practicable; and

- the outcomes you wish to see realized.

1.2 How will I meet the policy objective and arrange for evaluation?

The aims of your programme should match your organisation's strategic and policy objectives, including the well-being objectives. Think about:

- the possible options for service delivery; and

- the relative advantages, costs, risks and disadvantages of each.

Evaluation lets you assess your programme's effectiveness and is an essential aspect of any large programme – it cannot be an 'afterthought'. Decide whether evaluation should be done while activities are running ('interim' evaluation) as well as after their completion ('final' evaluation). Then draw up a proper plan for evaluation – another step that is often overlooked.

A plan helps you to avoid difficulties later on as it helps you ensure that all of the necessary information can be collected and recorded from the moment activities begin – saving everyone time and frustration. You may want to capture information such as:

- baseline data about how things stand before your programme's intervention;

- outputs, outcomes and impacts on beneficiaries, stakeholders and the wider community (how will you capture their views?);

- innovations and what effect these had on your programme's success;

- the 'additionality' provided by the programme (the benefits that have only occurred because of the programme)

- whether it duplicated any other current provision;

- your programme's cost-effectiveness and value for money; and

- compliance with the original programme ideas.

Data collection and recording should be linked to monitoring requirements.

1.3 How will I gain 'additionality'?

Often, you will want your grant to provide something new or extra rather than merely fund existing activities – although 'core funding' is very important to voluntary sector bodies as it is hard for them to obtain.

In your early publicity (and in your later scheme guidance and offer letters) make 'additionality' a key issue. You can see what additional activities or spending will arise from your grants by appropriate questions in the application forms.

Perhaps you'll want bidders to submit detailed spending and delivery plans for your approval. These plans would show the current position (the 'baseline') and the new levels of activity.

After that, the offer letter can set performance targets which can then be monitored regularly.

Consider how your grant can be linked to performance explicitly, perhaps by a payment mechanism based on the delivered outcomes, creating a financial reward for good delivery.

1.4 What happens at the end of grant (my legacy and exit strategy)?

As your programme may only run for a limited time, often with funding levels falling off towards its end, you should consider what future arrangements may be needed to ensure that activities will continue if that's what you want to happen.

Government bodies giving grant for the acquisition or improvement of capital assets must set special conditions to protect their position in the event of any disposal by a recipient. Doing this allows you to retain a say in how assets are used or disposed of into the medium-term, or how future income streams should be shared with you if projects move into financial surplus.

1.5 How do I identify and assess risks?

Grant funding presents a number of risks. These risks can arise from a lack of knowledge, a desire to innovate and from political or other pressures. There are always some inherent risks as well. You need to identify risks, and then understand and address them.

Inherent risks come from three main issues:

• money will be spent and activities delivered by outside parties and – unlike contracting – the terms and conditions for grants can only allow for a degree of control and influence;

• funders not being able to inspect the quality of services and outcomes before any awards are made; and

• as with anything involving money and resources, there are possibilities for corruption, fraud, theft and misuse, as well as simple waste and inefficiency.

There may be 'knowledge and design' risks too. You may face difficulties in setting and measuring the intended outcomes as, in real life, there may be numerous other influences and activities at work. Outcomes may take a long time to be realised when there are complex and difficult problems to address. You may not know which activities will be the best ones to achieve your outcomes. Your programme itself may not align with your organisation's strategy, objectives and its well-being goals. Existing activities may be duplicated or displaced. Money may be insufficient and spread too-thinly for real effectiveness – and the programme may be too short-term. Award processes risk being unfair or lacking transparency, especially if the eligibility and award criteria are unclear. If your publicity is poor, or your scheme unattractive, you may face a lack of take-up.

Some applicants will be unknown to you – they may put on their 'best face', being very selective about what they tell you. Even with those applicants you already have a relationship with, your knowledge might not be up-to-date as you may have had only limited contact with them. As we'll see later, this makes 'Due Diligence' checks a valuable tool for when you assess applications ahead of any awards. This helps you manage risks from 'applicant factors'. Applicants may have weaknesses in their governance and financial standing; their capacity and capability and their safeguarding of vulnerable children and adults. They may not be willing or able to satisfy the needs of the beneficiaries you have in mind.

As well as having to manage the normal imperatives of minimizing costs and bureaucracy, you may face further pressure from politicians and lobbyists. They may have a particular bias as to who should be funded and might not be properly objective and fair.

Reputational risks may arise when you fund controversial or unpopular causes. You may also face criticism when anything goes wrong when other risks are not well-managed.

Compliance risks relate to your need to conform to national requirements from laws, regulations, Codes of Practice, taxation and Treasury guidelines – and to local requirements such as voluntary sector compacts and your organisation's internal procedures.

Ethical risks come from any failure to follow the standards of behavior in public life – selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Further risks can arise when awards and payments are made. Awards might be made to applicants who are ineligible for the programme or who lack capacity and capability. Funding agreements may not be properly finalised and sufficiently clear about the outcomes sought and the milestones and timetable for project delivery. Errors can occur with the timing of payments and the amounts involved. Budgets and cash-flows have to be well-managed.

You also need to watch your management and administration risks. Serious difficulties can occur if your staff and IT systems are overloaded. Any new IT systems will need to be fully-tested and made operationally ready on time.

Finally – and importantly and mentioned earlier – there are risks with the recipients' operational delivery. Their work may be late-starting or low in volume or quality, meaning they will fail to achieve your agreed objectives. They may not comply with your terms and conditions, such as those for project reporting. Money and valuable resources may be misused or stolen. Improprieties can arise particularly in matters of employment, salaries and expenses, and contracts for work or services. Safeguarding has to be a priority when project activities involve children or vulnerable adults.

1.6 Can I use an existing grant scheme?

As every grant scheme entails administration, check if an existing scheme (or a merger, or rationalisation of other schemes) can meet your objectives.

This might let you offer your grants easily, quickly and without undue risk.

1.7 Should I give a grant or a loan – or use some other arrangement?

Grants, gifts, donations, loans and contracts are all means of getting something done. Support can be given 'in-kind' rather than in cash. Start-up investment by way of shares ('equity funding') might be a good alternative if a project looks to have some wider commercial potential. You need to understand the implications of each mechanism to be able to choose the right one for your particular circumstances.

The key thing to consider is what you are trying to achieve. Will the programme be more suited to a 'purchasing' relationship, where you are effectively buying goods or services? Or are you trying to provide capacity building or financial support where you are really helping someone with activities close to their normal operations? In this latter case, a grant arrangement may be more appropriate.

You should also think about the needs of your intended beneficiaries; the kind of organisations you will be dealing with; the likely length of your relationship with them and whether or not there is an existing 'market' for the activities you wish to encourage. Risk should also be considered. What level of control do you want? What level of risk do you wish to tolerate? Do you want to legally-enforce delivery performance?

And, as with everything, remember your duty to promote sustainability.

Beware that a 'Service Level Agreement' can arise under both the grants and purchasing options. Whether or not a court can enforce it will depend on whether the agreement can be construed as a contract.

Loans differ from grants – loans are money repayable to you, though there will be a risk that some recipients will default. Loans will allow you to recycle cash over the years and they may give you more control than a grant would.

Refer to your legal advisers and to the Office of Government Commerce website – it is an excellent source of advice and good practice on the dos and don'ts of procurement, providing model terms and conditions for you to adapt when purchasing.

These steps will ensure you receive the advice you need to make the correct decision about the route you should take and avoid pitfalls which can arise from inexperience or a lack of diligence about specialist tax and legal matters.

1.8 Do I understand the tax consequences of the funding route?

Take specialist advice on Value Added Tax (VAT) as there are different rules for grants and contracts.

Where a payment described as a grant is effectively consideration for a supply of goods or services, the arrangement is seen as being a procurement and thus falling within the scope of VAT. However, where the payment is freely given and without any associated receipt of goods or services, then it is viewed as a 'true grant' and so outside the scope of VAT.

The following sections set out some of the respective indicators of grants and procurements.

Grants

Grants are in the nature of 'gifts' or 'donations' – though you are entitled to set reasonable terms and conditions which, if not satisfied by recipients – can lead to grant (and assets acquired from grant) being reclaimed/withdrawn. Your funding is likely to be in the nature of a grant if it is in the nature of a 'giving' or 'investing' relationship with recipients.

In the UK, HM Revenue and Customs recently updated its guidance on the circumstances which suggest whether payments are effectively a 'consideration' given in exchange for a supply of goods or services.

Factors pointing towards a 'grants' arrangement include:

- payments being made under a statutory provision which empowers the funder to make the grant;

- payments being made after a grant application process run by a public funder;

- payments being 'freely-given', without expecting any direct benefit in return, leaving recipients to carry out their own charitable aims;

- the funder not attempting to control how the money is spent, beyond seeing that payments are properly managed and spent appropriately;

- payments are made to reimburse expenditure already incurred;

- recipients setting their own targets, rather than having them imposed by the funder;

- payments not being treated as trading income in the accounts of the funder or the recipients;

- there are provisions for clawback and there is no legal redress for the recipient to have the funding re-instated; and

- and only a proportion of funding being provided by the paying body.

Purchasing (procurement)

Purchasing involves contracting – setting a legal relationship between the funder and the recipient providing for remedies such as damages and specific performance, which can be enforced by a Court. The procurement option is likely if funding is meant to cover a specific 'purchase' of goods or services in return. Other pointers towards a 'procurement' arrangement include:

- the supplier performing other 'outsourced' activities for the funder, so the supplier is effectively a 'sub-contractor' (examples being carrying out functions ordinarily undertaken by the statutory body itself for which it would face sanctions if not performed);

- the contract is commercial in nature, legally-binding, connected to a business activity, and with penalty clauses in place for any breach;

- supplies being provided as an economic activity for which profits are possible;

- the relationship with the supplier is at 'arms-length', without the funder controlling the supplier's decision-making process;

- payments are made specifically for the supplier to provide particular services to its clients;

- each activity carried out by the recipient gives rise to a specific and identifiable payment;

- the funder attempting to control how the money is spent, maybe imposing specific targets in terms of quantity, quality, timeframes etc;

- if funding is withdrawn, the supplier having legal redress to have the payment reinstated, or claim compensation; and

- the payments are treated as trading income in the accounts of either party.

1.9 How do I make the business case?

A business case normally has to be prepared for senior management when a programme is strategically important or entails significant expenditure. Your business case will be expected to show a series of potential options (which may include 'doing nothing'), one of which will be preferred in the lights of its relative benefits, costs and risks. Setting out a clear definition of the outcomes and the scope for what is to be achieved is critical for success.

Your business case must give a justification for your programme so that you can obtain the necessary approval to go ahead. The business case is an opportunity for you to set out how you intend to carry out sustainable development and apply the sustainable development principle.

In Wales and the wider UK, the 'Five Case Model' is the standard approach. You will need to evidence:

- the 'strategic case' – that there is a compelling case for change which is a holistic fit with your organisation's strategy and its well-being objective and with other parts of the public sector;

- the 'economic case' – that your programme will represent best public value;

- the 'commercial case' – that it will be attractive to the applicants you're seeking and that grants can actually be made;

- the 'financial case' – that your programme is affordable; and

- the 'management case' – that what is required from all parties is achievable and can be delivered with recognised good practice.

Your business case gives you, your stakeholders and the public a management tool for evidence-based and transparent decisions. It also helps you set a framework for the delivery, management and performance-monitoring of your programme.

Stage 2 – Practical preparation

Let's look at what you need to think about as you develop your new grant.

Good planning and getting things right at this stage will go a long way towards ensuring the successful launch of your scheme. You will benefit by having a scheme which is attractive (aiding a high take-up), and which lets you select the very best of the bidders and projects which come in.

2.1 Have I obtained approvals and budget?

You need to plan how you will obtain the necessary resources (budgetary, staffing, consultancy and IT).

If you work in the public sector, approval may need to come from a Minister or a Cabinet member.

Securing budgets for the medium term means that grants can be offered for several years, giving a degree of protection and continuity for recipients and their project delivery staff. You also need to consider how you ensure sustainability over the medium and long-term, as appropriate.

2.2 Can I learn from existing schemes?

Don't forget that you can use the knowledge you have from any other grant programme you're running now or have run previously.

See what you can learn from colleagues and other funders too. Look for their advice and any findings from consultation, monitoring and evaluation exercises on other schemes. Your internal auditors will be another useful source of information and advice as they may cover other schemes in their routine work.

As grant making can be a risky and complex affair, often done under time pressure with limited staff resources, any help you can get from others will prevent mistakes being repeated as well as saving your time.

2.3 Have I minimised complexity?

As much as possible, aim to meet the principles for good grant giving:

- simplicity and proportionality

- consistency

- clear and effective coordination

- transparency and accountability

Check that your proposed arrangements will not place any unnecessary or disproportionate burdens on recipients.

Addressing all of these issues will help you address any criticisms, promote the take-up of your scheme and help recipients focus on project delivery without being diverted by bureaucracy.

2.4 Have I decided what's eligible and ineligible?

Your policy objective and aims will direct you as to what costs you should view as eligible for funding. Is your grant just for 'running costs' (revenue), 'investment in buildings or equipment' (capital) or for both kinds of cost? And are you prepared to offer 'core funding' to meet part of the recipients' basic and ongoing expenses like office accommodation and central administration?

You should also think about whether you would like to define any costs as expressly ineligible for grant – these might be 'political activities', non-cash costs like depreciation, everyday revenue expenses on a capital grant for buildings or equipment, and financing costs like interest. When it comes to general 'administration and management' you may want to limit claims to a small percentage of the total grant you award.

Clarity about eligibility will make it much easier for you to hold recipients to account and settle claims without dispute. Ruling out unacceptable costs will help your money go further by preventing its misuse.

2.5 Have I checked legality and regulations?

Public bodies must always check they have a statutory authority for providing funding. Trusts will have a constitution or articles of association which will be the basis for their grants.

Always check whether you have to comply with requirements set by another organisation (eg the European Commission, Government Departments) as this may limit what you can do or determine the procedures you adopt. This is especially important when you are funding the Third Sector or where there are issues connected with 'State Aids', as explained below.

Ensuring that your scheme complies with the law and is fully legitimate, gives a degree of protection and continuity for recipients and their project delivery staff as well as for you.

2.6 Have I considered state aid limits?

In certain circumstances, there can be limits to the amount of aid given to private companies and businesses by public sector bodies.

Application forms for grants to businesses should include a 'state aid' section which asks questions about other public sector funding. You should then consider this information carefully in your assessment.

Note that in certain circumstances, the European Commission will need to be informed or give its permission for grant aid. This is a very technical area and you should refer to the UK Government's website and may need to obtain legal advice.

2.7 Have I set a realistic timetable?

You need to define the period during which you will support eligible expenditure and set specific start and end dates. Remember that closedown can be complex – especially for partnership grants – and involve critical deadlines.

Draw up a timetable, setting out the main tasks and deadlines for your management of the programme. This would cover budget setting, inviting applications, appraising applications, making offers, notifying applicants, making payments, monitoring progress, any interim evaluation and closing down/finally evaluating your scheme.

You should ensure that:

- terms and conditions and claim forms are available in sufficient time to enable recipients to collect information and complete their claims by the prescribed deadline; and

- you set payment profiles for instalments of grant and the final settlements.

Allowing sufficient time for consultation and for recipients to gear up to deliver their projects will help to ensure your programme's success. If you issue comprehensive terms and conditions before your scheme starts, recipients can plan their activities and use grant monies to maximum effect. They can arrange from the outset to collect any data required for project monitoring and claims.

2.8 Will I rely on match funding?

Your money will have more 'spending power' (sometimes referred to as 'leverage') if recipients have to provide other funding alongside it, either from their own resources, project partners, or other funders. This 'match-funding' can be in cash or in kind – for example, donation of staff time, volunteers' efforts, and access to buildings and equipment.

As good practice, consult other prospective funders to ensure that the various grants will dovetail and work in a complementary manner.

Seeking formal confirmation from recipients and other funders about the amounts they could make available for projects will help you determine the total sum your programme needs to provide. Working with other funders by pooling resources and coordinating project monitoring will promote effectiveness and save effort for all.

2.9 Have I involved others as appropriate?

Good grant making results in an effective partnership between the paying body and recipients, delivering benefits for all. This makes proper engagement and consultation a key step in planning a new programme. Understanding other's needs and requirements should help you avoid or overcome problems and achieve your desired outcomes. Remember that the Well-being of Future Generations (Wales) Act requires you to consider how you can involve citizens and stakeholders and work holistically and in partnership holistically with other public bodies. Involving others helps you identify barriers to project delivery and assess how risks can be passed to the party best able to deal with them. It can also generate new ideas and approaches as well as helping ensure that relevant parties are 'on board' right from the start.

Involving stakeholders helps you to decide:

• who you should give grants to;

• what terms and conditions you will set; and

• what expenditure will (or will not) be eligible.

It will also help you to check whether your proposed arrangements can be easily understood and used. There is a delicate balance between making your scheme easy and attractive but also sufficiently rigorous and accountable.

Take care to write documents clearly, in plain language and issue them early enough to allow time for meaningful responses. Give adequate publicity to your engagement and consultation exercises. Consider what support you can give people to ensure they can participate fully.

2.10 Have I liaised with the internal and external auditors?

Always inform your own internal and external auditors of a proposed new programme. They are a source of expert advice on the proper financial procedures and sound controls you will need to operate. They will need to consider if your scheme should be included in their work programmes.

They can also advise you about how to avoid (or manage) conflicts of interest and help you ensure that you follow the 'Seven Principles of Public Life' referred to earlier.

Internal auditors aim to provide those who manage and govern your organisation with risk-based and objective assurance. They can also be a source of advice and assistance to you, by evaluating how you manage and administer your programme and assessing the adequacy and effectiveness of the controls you operate to manage risks.

Your external auditor's main role is to express an opinion on whether your organisation's annual financial statements have been prepared, in all material respects, in accordance with an applicable financial reporting framework. If your programme is a high-value one, it may be a material element in the accounts and the external auditor will need to assess your controls and the risk of fraud or a material accounting error.

2.11 Do I want recipients' claims and reports certified by their auditor or reporting accountant?

Before making any awards, you should consider what sort of evidence you require to provide you with assurance that the recipients will have spent your monies only on eligible activities and costs. You need to decide whether you will obtain this evidence directly from your recipients or from independent third parties, such as reporting accountants, auditors or other specialists.

You should take into account:

- the level and nature of risks connected with your programme;

- what monitoring and reporting arrangements are prescribed in your terms and conditions of award;

- the values of your grant payment;

- who your recipients will be; and

- who is best-placed to have relevant skills and knowledge of the programme's subject area.

This assessment will help you decide whether your own monitoring and reporting arrangements will provide you with the appropriate level of assurance. If they don't, then your terms and conditions should require assurance from one of the following sources:

- the recipient's senior management;

- the recipient's internal auditor;

- the recipient's external auditor; or

- an independent reporting accountant or specialist, engaged and paid for by the recipient.

If your choice is for an external auditor or an independent reporting accountant, you need to consider:

- what matters you most wish to gain assurance over – those most likely to be mis-started by recipients – and the criteria by which they should be measured;

- the form of the auditor (or independent accountant's) certificate, as this needs to be agreed early, so that it can be incorporated into the eventual claim form; and

- which auditors (or independent accountants) you will specify as able to certify claims or provide reports.

You will need to be clear about the respective roles of the paying body, recipients, and auditors or reporting accountants.

For bodies covered by the Wales Audit Office, reference should be made to the Auditor General for Wales' Statement of Responsibilities for Grants. We can help you decide the eventual arrangements for our work by:

- discussing whether auditor certification is desirable and practicable and whether it is likely to incur excessive cost;

- discussing whether certification timetables are practicable; and

- advising you on draft claim forms and aspects of programme guidance.

For your grants to the private and voluntary sectors, you should refer to the guidance issued by the Institute of Chartered Accountants in England and Wales. This covers grant reporting, engagement letters and the procedures which auditors and reporting accountants might perform.

2.12 How will I publicise?

Do consider how you will advertise the scheme and your call for applications – options include the press, newsletters, your existing networks, intermediary organisations and the internet. Grants to individuals can be promoted at public buildings such as leisure centres, libraries and community centres.

Make bidding rounds open, aiming to attract a high level of interest from eligible applicants. Make sure you promote your scheme at an early stage to ensure you give applicants as much time as possible to get involved.

However, where it is likely that there may be a flood of applicants, it is good practice to manage expectations and use a targeted marketing campaign. Doing this will avoid an excessive workload for you at the assessment and selection stage, and disappointed applicants if there were insufficient funds to meet eligible bids.

2.13 How will I manage my programme and train my team?

How sure are you that you have the necessary resources (staff skills, capacity and equipment) needed to manage and administer your programme? Do your staff have the right experience? Can they cope with your new programme while also dealing with other work and priorities? Can you access any necessary support – perhaps legal or financial advice or evaluation expertise – from elsewhere in your organisation, or from consultants?

If you are using IT for anything, then it needs to be tested and made operational in good time.

Make sure your team have a sound understanding of your programme and how it will be operated and delivered. Arrange any necessary training in general grants management.

2.14 Do we use a grants database?

A grants database lets you manage your grant scheme and gain useful information on any other grants your organisation gives to your applicants and recipients, including the names of your colleagues who are dealing with them.

This information will be very useful when examining the track record and credibility of those applying for your grants and for ongoing project monitoring.

Stage 3. Applications and awards

Let's look at what you need to think about when you invite applications for your grants and then assess them to decide on the awards you'll make.

Well-managed processes mean that you will select the bidders best able to achieve your aims

3.1 How will I evaluate bids and select winners?

You need to set robust and transparent assessment procedures – with a workable timetable – and then apply these consistently.

Initially, applications should be assessed against your eligibility and selection criteria. These should reflect your well-being objectives, the need to carry out sustainable development, and apply the sustainable development principle (as explained earlier).

If the eligibility criteria are met, then assess the applications in further detail and score them against your selection criteria. Any issues arising should be clarified with applicants.

You need to be very clear about all of the eligibility criteria:

• who will be eligible (which types of body and any track record);

• what types of project activities will be eligible; and

• what costs will be eligible (and which will be ineligible).

As extra good practice, you may wish to apply different weightings to your individual criteria, according to their relative importance.

This will allow the eventual scores to take appropriate account of what's most important.

3.2 Will I use bidding rounds?

Often, you can be open to applications at any time over a long period – this can be the case if your grants are given by way of statute for long-standing programmes with reasonably secure budgets. However, in other circumstances, the grant may come from a new policy idea or from funds which will be available for only a short time.

There may also be a much larger pool of potential recipients than your available funds could support.

Bidding rounds introduce an element of competition to help you direct grants to the best applicants and projects. This means that you need to publicise your invitation for bids. These will need to reach you by a prescribed deadline so that you can assess them all together.

3.3 Are my bidding documents fit for purpose?

Prospective applicants should be given an application pack with information about your organisation and your programme. This should include details of its aims and objectives, the outcomes you wish to realize, what activities and costs will be eligible, the lifetime of your programme, the funding available, how your grant works and what ranges of award will be considered. You should clearly explain your selection criteria for bids.

Set out your deadline for applications, together with the date when you expect to notify applicants of whether or not they were successful. You should also provide a contact name for bidders to be able to find out how their application is being processed. Lastly, you should explain your procedures for dealing with appeals and complaints.

Your application form will be your main method of obtaining the information you need to assess the applicants' proposals. Your form should ask clear questions to enable answers to be assessed and scored against your criteria.

The length and content of your form should be proportionate to the amount and complexity of your grant but it should always be written in plain language avoiding ambiguity. Focus on outcomes, delivery methods, eligibility, costs and the sources of project finance.

Ensuring that eligible costs are itemised will help you check recipients' claims for payment later on.

3.4 How will I select 'winners'?

Your assessment should be solely based on evidence, considered against pre-set selection criteria and scoring mechanisms. Pay close attention to the quality of the applicant's history and track record, financial standing and credit reference and its capacity and capability to start and finish the project on time. Carefully examine its project for additionally, outcomes and delivery methods; its cost and its deliverables; the arrangements for management and monitoring; the credibility of any 'match funding' and the level of any innovation.

Remember that having too many criteria will make your assessment complex, resource-intensive and time-consuming.

If you are going to consider 'references', you need to contact the referees quickly to obtain them before you finish your work on the assessments.

If there are a large number of applications needing several individuals to be involved in the assessment process, you need to arrange for 'peer review' and 'moderation'. This may entail having all or part of a sample of applications assessed by a second individual, or a Selection Panel, to ensure fairness and consistency.

The procedures should be set before the application deadline and, like the rest of the assessment process, be fully documented.

Unless assessment can be done quickly, it is good practice to keep applicants informed of progress and avoid long periods of silence. This will help applicants to remain engaged with your programme and avoid complaints about a lack of communication.

3.5 Is my whole bidding and award process documented?

Remember that you are accountable for the grants you pay and there are many parties who will have an interest about what you decide to do (or not to do). These will include unsuccessful applicants, political representatives, lobby groups, the press and auditors.

If a project fails, you need to be able to justify why it was funded by showing that the initial assessment and subsequent monitoring were proper and appropriate.

Public bodies, and the individuals employed or engaged by them, are responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance. They are often the subject of considerable scrutiny and you will need to respond properly and quickly to any requests made under the 'Freedom of Information Act' and the 'Environmental Information Regulations Act'.

3.6 Will my selection process be quality assured?

The selection process should be quality assured at the design stage as well as afterwards.

Quality assurance should examine whether the selection process is helping you carry out sustainable development and apply the sustainable development principle.

There should be a full audit trail and documentation of the process. Look at the pattern of successful bids and ask:

• Were just the 'usual applicants' supported?

• Were all eligible sectors fairly represented?

• Were geographical areas fairly represented?

• Were all sizes of eligible applicants fairly represented?

Also look at the justifications as to why the other applications were rejected. Do you have a standard list of 'declination' reasons? These can include:

• weaknesses around applicants' governance and financial standing;

• the quality of the proposed work – including its outcomes;

• project delivery risks, poor project planning and project development, poor targeting of beneficiaries, safeguarding concerns;

• lack of capacity;

• project budgets being unrealistically high or inadequate; and

• reasons around you needing to have a balanced portfolio of projects within your overall programme budget at the time.

3.7 Have I obtained final approvals?

In large organisations, recommendations can be put to a specific Advisory or Selection Panel for grants.

Final approval may be necessary from a Minister or Cabinet Member or a senior manager.

This is particularly important if you are considering sponsoring any novel, contentious or particularly risky projects.

3.8 How will I notify unsuccessful applicants?

Having good procedures for notifying unsuccessful applicants and, if they ask for it, giving them feedback, should minimise the likelihood of appeals and complaints. Your feedback will help applicants to generate better bids and project proposals in future. This can be further aided by giving them the results of any later scheme evaluation.

The main reasons for success and failure should be explained with clarity and sensitivity.

However, it is also possible to ask applicants to rework parts of their submission so that promising projects can be made fully workable and worthy of support next time around. Provide clear instructions about what needs to be revised and how.

3.9 How will I deal with appeals/complaints?

Your procedures – including any deadlines – should be publicised in the application pack. Set an appropriate balance between fairness to individual applicants and effective use of your overall resources, as complex appeals procedures will entail significant amounts of limited time.

There should be an appeals procedure for applications not approved. This should set out the grounds on which appeals will – or will not – be considered.

Appeals should be judged by someone either outside of the funding body or clearly unconnected with the assessment and selection process.

If there have been any faults in your assessment and selection procedures, or weaknesses in the design of your application forms, remember to correct them before any future bidding rounds.