Llywodraeth Cymru
Welsh Government

Grants Centre of Excellence

Minimum Standards for Grant Funding

2016

Introduction

These Standards reflect Welsh Government's approach to delivering grant services by setting out the minimum requirements that should be met for different funding methods and grant schemes. They were developed by the Grants Centre of Excellence.

Adherence to the Standards will help produce quality grant services which are fit for purpose, focussed on delivering results, accountable to the public purse and compliant with Welsh Government's governance and financial requirements, and relevant law, policy and good practice.

Applying the Standards

Welsh Government's definition of grant is:

 'all non-procured payments to external bodies or individuals for activities which are linked to delivering its policy objectives and statutory obligations'.

This high level definition caters for the different payments within Welsh Government which constitute 'a grant'. The extent to which the Standards can be applied in practice depends upon a range of factors the most significant being the type of grant funding method being used. There may be other justifiable reasons why, at times it is not possible or advisable for a funding programme to be fully compliant with the Standards.

Ultimately, decisions about the management and administration of a grant scheme are a local matter. Departments however, must have due regard for the Standards in reaching their decisions, the rationale for which must be clearly documented.

Using the Standards

The appropriate set of Standards must be referred to when developing a new, or reviewing an existing, grant scheme to ensure processes are compliant with corporate requirements.

There are 7 primary Standards. Standard 1 describes general principles and the key grant delivery mechanisms which are generally applicable, and Standards 2 - 7 set out the Standards that need to be met for different stages of the grant cycle i.e.:

1. Overarching Requirements (apply to all Standards)
2. Decisions to Grant Fund
3. Applications
4. Appraisals, Recommendations and Decisions
5. Grant Awards
6. Monitoring, Claims and Payments
7. Evaluation

Detailed guidance to help implement the Standards can be accessed via the Grants intranet pages.

Promoting Compliance with the Standards

The Grants Centre of Excellence has responsibility for maintaining and promoting the Standards which are supported by detailed guidance for implementation. It also delivers grants training and provides a range of support and advice through, for example, its enquiries service and community of practice.

Assessing Compliance with the Standards

Compliance with the Standards will be assessed by:

- **Grants Centre of Excellence** through a programme of random checks of grant scheme elements requiring evidence of the Standards being applied in practice.

- **Internal Audit Services** through planned, detailed assessments of local grant practices including investigation of compliance with the Standards.

STANDARD ONE – OVERARCHING REQUIREMENTS

Grant processes must be assessed against the Standards to ensure they are fit for purpose and managed and administered by suitably trained staff using appropriate delivery mechanisms.

1.1	Using the Standards	The Standards must be considered when setting up new, or reviewing existing, grant schemes to ensure processes meet Welsh Government's corporate requirements for administering grant funding.
1.2	Fit for purpose	**Compliant** – grant processes must adhere to these Standards and relevant: ▪ law (e.g. Wellbeing of Future Generations, Welsh Language, Data Protection, Freedom of Information, Equality of Opportunity, Human Rights, Rights of the Child etc.) ▪ corporate governance, finance and other policy (e.g. the Code of Practice for Funding the Third Sector) ▪ guidance as appropriate (e.g. by Centre of Excellence), and ▪ good practice.
		Proportionate - processes must be proportionate in terms of the scale, value and risk of the grant schemes they apply to.
		Appropriate - grant processes must be suitable for the grant scheme and funding method.
		Consistent - grant processes must be consistently applied by following relevant procedures and guidance. There must be sufficient flexibility however, to enable effective responses to change, identified risks and issues, and poor performance.
1.3	Delivery mechanisms	An outcome focussed approach should be adopted where possible. Results Based Accountability (RBA) is an approach used within Welsh Government for this purpose.
		Risk must be assessed throughout the lifespan of a grant scheme but particularly at the appraisal and monitoring stages where appropriate.
		Due diligence must be undertaken in line with published guidance to ensure grant is awarded to financially viable bodies who are assessed as being able to deliver successful grant activities, and for corporate information sharing purposes. Due diligence reviews are not required for public sector bodies. However, information must be checked/added to the Due Diligence Hub for these bodies where appropriate.
		The grants IT system PayGrants must be set up and used in accordance with published guidance to ensure data is entered accurately and in a timely manner to support Welsh Government's reporting capability and to limit the need for additional monitoring.
		Separation of duties between officials should be observed to minimise the risk of collusion and fraud. This is particularly important between officials: ▪ dealing with applicants/applications and appraising them ▪ appraising grant applications and deciding on them ▪ checking claims for payment and approving them Where resources do not permit a true separation of duties, a common sense approach should be adopted, risks assessed and mitigating steps taken.
		In the majority of cases, there is no right of appeal for Welsh Government grant funding decisions. Procedures should be in place to reflect this and to provide guidance on how funding decisions, which are challenged by external bodies, should be dealt with.
		Desk instructions containing guidance on applying grant processes must be developed to support consistency and business continuity. The main processes for grants are: ▪ applications ▪ appraisals, recommendations and decisions ▪ grant awards ▪ monitoring, claims and payments ▪ PayGrants set up and use ▪ evaluations Desk instructions should be easy to follow, quality assured and display version control information.
		Grant documentation e.g. publicity materials, application forms, funding agreements, claim forms etc. should comply with corporate communications requirements.

		Standard forms and templates should be used wherever possible to promote consistency and operational efficiency.
		Internal monitoring - regular meetings and other internal monitoring/information sharing arrangements should be applied. Random checks should be undertaken to ensure grant processes are being satisfactorily applied.
1.3.1	*Delivery mechanism reviews*	Appropriate reviews of delivery mechanisms must be undertaken to maintain their effectiveness and promote compliance. Fundamental reviews should be done at predetermined intervals to ensure mechanisms remain fit for purpose.
1.4	Training	Staff should be supported to deliver grant schemes compliantly and efficiently through training, shadowing, referral to relevant guidance, policies, procedures, processes etc. Staff must undertake all compulsory grants training and be encouraged/given time to do discretionary training.
1.5	Records management	Records Management Unit requirements must be followed for the storage and retention of all data sources. Electronic data transmission and storage must be undertaken wherever possible. In addition to recording/storing key documentation (application forms, appraisals, recommendations and approvals, funding agreements, claims etc.), all substantive contact with external bodies must be recorded including minutes of meetings, site visit notes etc. to ensure that a comprehensive audit trail is established.

STANDARD TWO – DECISIONS TO GRANT FUND

Decisions to develop a new grant scheme must be properly made.

2.1	Standard 1 compliant	All grant schemes must be Standard One compliant.
2.2	Which type of intervention?	Before a decision to develop a new grant scheme is made, an examination of the different types of intervention that would best deliver policy objectives should be undertaken. Depending on the issue to be addressed, its scale and risk, a recognised corporate (e.g. a Five Case Business Model) or local decision making process (e.g. using Result Based Accountability techniques) should be followed to: ▪ establish clear aims, SMART objectives and desired outcomes ▪ investigate whether there are similar interventions to avoid duplication/consider potential amalgamation or to exploit lessons learned ▪ ensure relevant internal and external stakeholders are consulted ▪ ensure expert advice is sought as required ▪ secure necessary approvals (official and/or ministerial).
2.3	Grant or procurement?	Where it is decided that an intervention requiring financial support is needed, the most appropriate delivery route must be pursued i.e. a grant funded or procured approach. Where it is not clear which approach should be followed, seek advice from the Grants Centre of Excellence and/or Value Wales.
2.4	Value for money	Value for money considerations must be central to all decisions involving the use of public money to deliver Welsh Government policy. Value for money is about achieving the best possible level of outcomes/outputs of acceptable quality at the lowest cost. Some value for money data should be available from the pre-funding consideration stage (e.g. the potential for merging grant schemes). Value for money indices can be arrived at via: ▪ a full cost/benefit analysis ▪ an assessment of the cost of running the grant scheme against the annual grant scheme budget.
2.5	Cross cutting themes	Grant schemes must promote Welsh Government cross cutting themes including: ▪ well-being of future generations ▪ equality and diversity ▪ Welsh language plus any other relevant themes as appropriate.
2.6	Risk	Assessment of the risk of implementing a grant scheme must be undertaken. Some standard risk areas are: ▪ Legislative - does Welsh Government have the power to allocate public money for intended purposes? ▪ State aid - is the proposed grant likely to be classed as State aid? ▪ Financial - is the grant scheme particularly innovative or controversial? ▪ External body – does the type or types of bodies being funded present more risk than others? ▪ Reputational - is the proposed scheme likely to harm the reputation of Welsh Government or its Ministers?
2.7	Outcomes	When developing grant schemes, it is important that intended outcomes are identified early in the process to help inform the types of means to achieve them. Results Based Accountability principles can be used for this purpose.
2.8	Scheme approval	All necessary approvals (official and/or ministerial) must be obtained and recorded.
2.9	Scheme set up	Grant schemes must be set up on PayGrants correctly. Grant schemes already on PayGrants must be used for intended purposes only and not for other schemes or ad hoc grant payments.

2.10	Evaluation	Unless EU or other regulations stipulate otherwise, grant schemes should be formally evaluated every 3 - 5 years. Evaluations should be conducted at the end of the funding period for schemes of less than 3 years duration. Evaluations should be planned at an early stage in the scheme development process.
2.11	Scheme closure	Grant schemes must be formally closed where appropriate. Funded bodies must be notified of closure and due notice given (this is at least 3 months for Third Sector bodies). Grant schemes must be formally closed and archived on PayGrants also.

STANDARD THREE – APPLICATIONS

Grant funding must be accessible, delivered using relevant application mechanisms and supported by guidance for completion.

3.1	Standard 1 compliant	All grant schemes must be Standard One compliant.
3.2	Accessible	The availability of grant should be appropriately publicised e.g. on websites, in publicity materials and through direct contact with intended recipients. Publicity activities should be timely to give external bodies enough time to prepare/submit proposals. It is standard practice that at least 12 weeks notice be given where Third Sector bodies are potential recipients. Publicity materials, application forms, guidance and associated documentation must be: ▪ clear ▪ logical ▪ in plain language ▪ available in formats and languages relevant to the needs of the target audience, and ▪ sufficiently detailed to enable external bodies to understand grant scheme objectives. Grant schemes must be compliant with The Welsh Language Standards (No 1) Regulations 2015 which set out the standards that must be complied with for the award of grants. Internal contact details should always be provided.
3.3	Application mechanisms	A range of mechanisms can be used to capture the information needed to make a funding decision (e.g. business/operational plans, grant proposals etc). Application forms are the main mechanism used for this purpose. It is good practice to develop appraisal criteria **before** developing an application form as this sequence helps ensure all necessary information is captured for assessment purposes. Sufficient information must be obtained to enable assessments of the financial and operational viability of the applicant and the activities for which it is seeking grant. Information sought may be about: ▪ eligibility for funding (e.g. types of external bodies, activities, expenditure, locations etc) ▪ compliance with grant criteria (e.g. promotion of cross cutting themes) ▪ the aims, objectives and outcomes of the proposed activity ▪ relevance of proposals to policy and grant scheme objectives ▪ costs and financial information ▪ evidence of need for the proposed activity and funding ▪ the impact of grant **not** being provided ▪ the need for payment in advance ▪ financial viability and capability of the external body to successfully deliver proposed activities ▪ how value for money will be achieved ▪ any risks associated with the proposal ▪ State aid ▪ how the success of the proposal will be maximised (e.g. management/staffing structures and arrangements, performance monitoring arrangements etc.) ▪ for a collaborative proposal, how the partners plan to work together ▪ how success will be evidenced (e.g. extent to which outcome indicators have been met). A suitably worded declaration, signed by an appropriate person, should be obtained confirming that the information provided is a true and accurate representation of the facts. Electronic or hard copy applications can be made providing CoE guidance is followed.

3.4	Supporting guidance	Applications must be supported by guidance for completion to: ▪ promote fair and accessible grant schemes ▪ help external bodies produce quality funding applications ▪ ensure all the information and evidence needed to carry out robust appraisals is obtained Guidance should cover: ▪ the type of application process (competitive or open call) ▪ the purpose of the grant scheme ▪ eligibility and funding criteria ▪ appraisal criteria ▪ process for submitting applications, (i.e. electronic or hard copy formats), and the supporting information/documents to be provided ▪ timetable for submitting applications and decision notifications Guidance should explain the requirements of each part of the application and, where appropriate, be illustrated with examples of what is required. Sections of an application and supporting guidance should directly correspond to aid completion by external bodies and improve appraisal efficiency.

STANDARD FOUR – APPRAISALS, RECOMMENDATIONS AND DECISIONS

Appraisals must be undertaken using appropriate mechanisms to enable evidence based funding decisions which are fair and accountably made.

4.1	Standard 1 compliant	All grant schemes must be Standard One compliant.
4.2	Evidence based, fair and accountable	Appraisals, recommendations and funding decisions must be undertaken in line with agreed processes to promote fair funding decisions which are solely based on the information provided.
4.3	Appraisal mechanisms	Appraisal mechanisms should closely mirror the information sought through the application. It is good practice to develop appraisal criteria *before* developing an application form as this sequence helps ensure all necessary information is captured for assessment purposes. Mechanisms will be grant scheme specific but will likely cover: ▪ due diligence checks ▪ methods to establish whether appraisal criteria have been met and to what extent/ standard ▪ when to obtain expert advice (e.g. financial, technical) ▪ risk assessments ▪ methods to prioritise proposals where needed ▪ recommendation/decision arrangements ▪ moderation arrangements Processes should be in place to enable staff to deal with ineligible/ incomplete/inadequate applications in a timely manner
4.3.1	*Due diligence*	Due diligence must be undertaken in line with published guidance to ensure grant is awarded to financially viable bodies who are able to deliver successful grant activities, and for corporate information sharing purposes. Due diligence reviews are not required for public sector bodies. However, information must be checked/added to the Due Diligence Hub for these bodies where appropriate.
4.3.2	*Appraisal criteria*	Standard appraisal criteria should be developed and set out in a template or similar. Some key appraisal criteria are: ▪ eligibility for funding ▪ compliance with grant scheme criteria ▪ likelihood of the aims, objectives and outcomes being met (e.g. are outputs SMART?) ▪ relevance of proposals to policy/grant scheme objectives ▪ reasonableness of costs and budgetary information ▪ robustness of evidence of the need for the proposed activity and funding ▪ evidence of need for payment in advance ▪ results of due diligence checks ▪ risks of the proposal and effectiveness of external body's mitigation measures ▪ value for money indices ▪ State aid requirements ▪ effectiveness of the measures to promote successful delivery ▪ quality of the measures to evidence success ▪ quality of the proposal as a whole It will be important for some grant schemes to have appraisal criteria linked to: ▪ innovation and/or technical and commercial assessments ▪ additionality including the consequences of no funding, and potential displacement ▪ collaborative working ▪ level of engagement with stakeholders
4.3.3	*Methods for assessing and prioritising funding proposals*	Methods for assessing whether appraisal criteria have been met to a satisfactory standard should be set out in desk instructions. Approaches will vary but are likely to include: ▪ a list of questions, linked to appraisal criteria, to be answered and/or ▪ for competitive grants, ratings or numeric values assigned to the criteria, and/or ▪ a narrative on the qualitative of each criterion.

		A mix of methods is likely to produce the most robust approach. Methods for prioritising eligible funding proposals should be devised where needed (e.g. grant awarded to highest scoring applications).
4.3.4	*Moderation*	Moderation arrangements should be introduced to help inject consistency and objectivity into the appraisal process by, for example: ▪ one official appraising an application with a second official from the same team reviewing it to determine consistency or otherwise of assessments ▪ recommendations from different officials being reviewed by one senior official ▪ moderation panels to review recommendations.
4.4	Recommend-ations	Recommendations must be based on the outcome to an appraisal. They must be made in writing by the appraising official and recorded on iShare. Recommendations should give: ▪ an overview of the outcome to the appraisal (including any due diligence outcomes) ▪ details of any issues, concerns or risks and potential mitigating measures ▪ advice on whether grant should be awarded and, if so, how much and the reasons for this, and reasons for rejected proposals ▪ details of additional conditions to be included in the funding agreement.
4.5	Decisions	Decisions can be made by officials with delegated authority or the relevant Minister. Deciding officials must not have been involved in the appraisal. They must base their decision on an assessment of the recommendation and supporting documentation (e.g. the appraisal, due diligence review etc). A senior official must review the recommendation prior to submission to the relevant Minister for a decision. Decisions must be documented and recorded. A standard process should be used to notify external bodies, in a timely manner, of unsuccessful proposals and the reasons for rejection.

STANDARD FIVE - GRANT AWARDS

Grant schemes must be underpinned by suitable funding agreements which are legally sound, up to date and issued in a timely manner.

5.1	Standard 1 compliant	All grant schemes must be Standard One compliant.
5.2	Suitable, legally sound, up to date and timely	All grant schemes must be supported by a suitable funding agreement setting out the conditions of grant and the roles and responsibilities of Welsh Government and the grant funded body. Funding agreements must be: ▪ between Welsh Government and a single external body ▪ issued in either Welsh or English as appropriate ▪ legally sound to ensure Welsh Government's interests as a responsible guardian of public money are protected ▪ reviewed on a regular basis in conjunction with the Grants Centre of Excellence (CoE) to ensure they are compliant with Welsh Government models ▪ issued in a timely manner to ensure public money is used responsibly and to maximise time afforded external bodies to deliver grant schemes.
5.3	Funding agreements	Welsh Government uses a range of agreements to underpin the award of grant including: ▪ Centre of Excellence award letter template ▪ Remit Letters and Framework Documents ▪ Memorandum of Understanding ▪ Service Level Agreements Welsh Government policy and practice for augmenting funding agreements to suit different grant schemes must be followed. Grants Centre of Excellence advice should be secured to ensure the correct form of agreement is used.
5.3.1	*Awarding/ accepting grant*	Processes should be developed for the award and acceptance of grant to include: ▪ accurate/timely update of PayGrants ▪ timely issue of agreements with instructions on how the award should be accepted and by when (a reasonable timescale should be allowed) ▪ procedures for when and how to deal with an external body's failure to meet acceptance requirements (failure to respond to reminder letters within revised timescales should result in withdrawal of grant) ▪ guidance on whether hard copy or electronic agreements should be used with corresponding guidance for each (e.g. on securing/recording signatures etc.)

STANDARD SIX - MONITORING, CLAIMS AND PAYMENTS

Monitoring activities (including claims and payments) must be relevant, responsive and delivered in a timely manner using appropriate mechanisms.

6.1	Standard 1 compliant	All grant schemes must be Standard One compliant.
6.2	Relevant, responsive and timely	Monitoring information/data should be: ▪ relevant to assessing compliance and progress and not collected as a matter of course ▪ responsive to change requests, non-compliance with funding agreement provisions and poor performance, and ▪ timely to give assurance that grant is being used appropriately and responsibly and to limit the potential for non-compliance and poor performance going unnoticed and issues becoming difficult to manage or intractable. Monitoring should be undertaken throughout the lifespan of the funded activity. Where appropriate, monitoring should continue beyond the funding period (i.e. post completion monitoring).
6.3	Monitoring mechanisms	The following must be applied: ▪ due diligence checks ▪ evidence of actual or estimated use of grant e.g. invoices, orders as appropriate ▪ progress reports (to include where appropriate statistical returns or progress against performance indicators etc) The following may be applied as appropriate: ▪ on site and/or office based meetings (regular/ad hoc) ▪ site visits (planned/unplanned and by appropriate experts as required) ▪ independent verification (e.g. audit certification, consultant reports etc) ▪ self certification ▪ a formal evaluation of the funded activity by the external body at completion Monitoring arrangements must be set out in funding agreements with information on how non-compliance will be dealt with (e.g. withholding funds, recovering grant paid etc).
6.3.1	*Due diligence*	Due diligence must be undertaken in line with published guidance to ensure grant is paid to financially viable bodies who are able to deliver successful grant activities, and for corporate information sharing purposes. Due diligence reviews are not required for public sector bodies. However, information must be checked/added to the Due Diligence Hub for these bodies where appropriate.
6.4	Claims and payments	Monitoring activities (e.g. funded body progress reports) should be linked to grant payments to promote compliance with funding agreement provisions, to help address poor performance and/or to identify emerging risks or issues. Claim and payment arrangements should be set out in the funding agreement. A standard process should be followed including: ▪ use of templates and forms (which can be submitted electronically) to help ensure claims contain requisite information and supporting monitoring and other information to enable robust checks on progress and claim-data accuracy prior to the release of grant ▪ processes on how claims should be assessed/evidenced ▪ claim and payment timescales ▪ compliance with Welsh Government delegation requirements ▪ when and how to add the claim to PayGrants for certification/approval purposes (a separation of duties must be observed between the person checking the claim and recommending it for payment, and the approving official) ▪ a process for dealing with overpayments.

6.5	Non compliance/ poor performance/ risk	Where monitoring identifies non-compliance with funding agreements, poor performance or new risks, measures should be implemented in a timely manner to address them. For example: ▪ increase/change monitoring activities ▪ withhold grant ▪ recover grant already paid.
6.6	Change requests	Processes for dealing with funded body change requests (e.g. to funded activities, expenditure types, payment profiles) should be set out in desk instructions. They should cover: ▪ assessing and deciding on change requests ▪ circumstances in which the funding agreement should be revised and reissued and the original formally withdrawn, or a formal variation letter issued ▪ how formal acceptance of any change should be obtained ▪ the internal processes that should be amended where appropriate (e.g. PayGrants) ▪ how rejections of change requests should be made. Change requests should be done electronically and stored on iShare. Measures should be in place to ensure that change as a result of non-compliance, poor performance or increased risk is dealt with appropriately.

STANDARD 7 – EVALUATION

Evaluations of grant schemes must be timely and delivered using relevant evaluation mechanisms.

7.1	Standard 1 compliant	All grant schemes must be Standard One compliant.
7.2	Timely	Evaluation activities should be timely. Unless EU or other regulations stipulate otherwise, grant schemes should be formally evaluated every 3 - 5 years. Evaluations should be conducted at the end of the funding period for schemes of less than 3 years duration. Individual grant activities are often evaluated at the end of the funding period.
7.3	Evaluation mechanisms	Grant evaluation is the process of reviewing whether a grant scheme (or in some cases individual grant activities) is fit for purpose and is delivering (or has delivered) intended outputs or outcomes. Evaluations can be undertaken by grants officials. However, more objective and robust approaches, particularly for evaluating schemes, can be achieved using: ▪ secondees ▪ internal research teams ▪ procured external organisations/consultants. The scale, value and importance of the scheme or activity should inform which approach is most appropriate. A range of methods should be used e.g. an examination of: ▪ reports (e.g. external progress reports, audit reports, technical and other expert) ▪ relevant data (e.g. statistical returns, performance/outcomes information) ▪ costs and savings ▪ staff/user/other stakeholder input.
7.4.	Applying outcomes to evaluations	It is essential that evaluation outcomes are appropriately applied e.g: ▪ to grant schemes where they are to continue ▪ by disseminating information e.g. sharing good practice with relevant internal/external personnel via outcome reports, good practice websites/events, at relevant groups etc.
7.5	Scheme closure	Schemes must be closed where evaluations (or other factors) support this by: ▪ providing written notice of the closure, the reasons for it and 'effective from' dates. (Appropriate notice must be given e.g. in the case of third sector organisations, at least 3 months notice is required). ▪ closing/archiving schemes on PayGrants.