



Better Grants by Design

A guide to best practice grant program investment, design, management and administration for the Victorian public sector.

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1. Snapshot

Delivering funding through grant programs helps the government achieve its public policy goals and provides Victorians with access to funding that enables them to be more productive, creative and sustainable.

What is a grant?

A grant is money given to organisations or individuals for a specified purpose to achieve objectives consistent with government policy.

Under *Victoria's Financial Management Act, 1994* grants are acknowledged as a discretionary financial benefit. The portfolio minister or paying agency has discretion in determining whether or not an applicant receives funding and may or may not impose conditions in return for the grant.

The term 'grant' is more generally used to include any funding arrangement where the recipient is selected on merit against a set of criteria. Grants can take a variety of forms, including ad hoc payments, competitive assessment or when specified criteria are satisfied.

What is not a grant?

Donations, sponsorships, the non-contested transfer of funds to a government entity for the delivery of services or a project (these are facilitated by a memorandum of understanding), the purchase of goods and services from third-party contractors and consultants (procurement), or the purchase of goods and services on commercial terms.

This guide has been developed to support Victorian public service employees who:

- are considering the possible benefits of a grant program to achieve government policy outcomes or
- have been given responsibility for designing or managing a grant program.

It provides easy-to-follow advice and guidelines relating to the different stages of the grant program process, or the grant lifecycle. Each section includes resources for further information and handy checklists.

Before establishing a grant program, ask yourself: Is a grant program the best vehicle to meet a particular government policy or need?

To do this, all departmental proposals for new or extended grant programs should be assessed against the Victorian Government's investment principles developed for discretionary grants.

These principles apply to all proposed grant programs aimed at local government, community organisations and individuals. They may also provide useful when developing grant programs targeting business and industry.

In short:

1. Grants should only be used when they secure a government policy outcome.
2. Discretionary grants should not be used without first considering alternative policy mechanisms or existing grant programs.
3. Grants should not be used with the principal objective of transferring revenue to local government.
4. Grants should not lead to state government overreach into local government's areas of responsibility, nor create an ongoing need for funding.
5. Grant programs should be designed to minimise administration costs.
6. Small grants should be administered by the organisation that is able to do so most efficiently.
7. Accountability requirements imposed on grant recipients should be proportionate to risk.
8. Grants can be disbursed by competitive, negotiated or allocated mechanisms.
9. This guide should be used to provide further guidance when designing and developing new grant programs.

2. Investment principles

What do you need to think about before establishing a grant program?

(For grant program and policy managers)

Before establishing a grant program, ask yourself: Is a grant program the best vehicle to meet a particular government policy or need?

All departmental proposals for new or extended grant programs aimed at local government, community organisations and individuals will be measured against the discretionary grants investment principles (outlined in the table below) when evaluated by central agencies as part of the state budget process.

It is also good practice to consider these principles for grant programs targeting business and industry.

These principles will help you to decide if a grant program is the best way forward and to make the business case for investment if a grant program is to be funded (further information on making a case is included later).

Victorian Government Discretionary Grants Investment Principles

1. Grants should only be used when they secure a government policy outcome.

Proposals without clearly articulated policy objectives and evaluation mechanisms will not generally be funded.

2. Discretionary grants should not be used without first considering alternative policy mechanisms or existing grant programs.

Grants are not necessarily the most efficient means of achieving a policy outcome.

Discretionary grants impose significant administrative costs on government and recipients, and can potentially result in an inefficient allocation of resources. Grants should not be used without first considering alternative policy mechanisms (such as revenue mechanisms, regulatory mechanisms, information mechanisms or alternative spending mechanisms).

Where discretionary grants are the most appropriate policy instrument, use of existing grant programs is often more efficient, as it allows greater scale and existing administrative arrangements can be used.

Consideration should be given as to whether existing grant programs could be modified or expanded.

3. Grants should not be used with the principal objective of transferring revenue to local government.

Grants are an inefficient means of addressing the fiscal imbalance between levels of government.

4. Care should be taken to ensure grants do not lead to state government overreach into local government areas of responsibility, nor create an ongoing need for funding.

Best practice use of grants is:

- where the target project has benefits that flow beyond local government borders (e.g.. projects with state or regional significance)
- where state government is seeking to drive institutional innovation or
- to achieve state government policy objectives in areas in which the government lacks a jurisdictional mandate to act unilaterally.

5. Grant programs should be designed to minimise administration costs.

The administration cost to government should generally be less than 5 per cent of the overall program budget¹.

Where administration costs are expected to be greater than this, this rationale should be presented in the business case when seeking funding for a new, extended or expanded grants program.

Establishment of new, extended or expanded grant programs should clearly identify the amount for administration, which should be separate to the amount to be provided to recipients.

Grant programs that are smaller than \$1 million per annum are generally costly to run as standalone government-administered programs. Before considering the creation of a new grants program, expansion or modification of existing grant programs should be considered.

6. Where small grants are used, they should be administered by the organisation that is able to do so most efficiently.

The administrative cost to government of programs distributing small grants is generally high.

A preferable option is to use an intermediary organisation to distribute small grants (i.e. less than \$10,000) on government's behalf.

7. Accountability requirements imposed on grant recipients should be proportionate to risk.

Accountability and reporting requirements impose a significant burden on grant recipients, and care needs to be taken to ensure they are not excessive.

A risk framework should incorporate an assessment of the size of the grant and the nature of the recipient. Grants to local government are generally low risk, and reporting and accountability arrangements to local government should be streamlined accordingly.

The collection of evaluation data is a critical component, contributing to program evaluation and development. Data requirements need to be carefully balanced against the administrative burden imposed on grant recipients.

8. Grants can be disbursed by competitive, negotiated or allocated mechanisms.

Competitive mechanisms are most efficient for larger projects (such as infrastructure), where innovation is a particular policy objective, or where an auction process can be used to allocate funds based on project outcomes.

Negotiated grants are most efficient where inadequate market competition exists. This is most obviously the case when government is working with local government in a particular location to achieve a policy objective.

Allocated grants are most appropriate where government is seeking to equitably apply funds (usually to local government) towards the achievement of a particular policy objective. In the grants context, allocated funds are 'tied' and applied to the objective of the program.

9. Better Grants by Design should be used to provide further guidance when designing and developing new grant programs.

Use the **Discretionary Grants Investment Principles Checklist** to check all the important elements of this stage have been addressed.

¹Updated September 2018; Investment principles for discretionary grants, State of Victoria (Department of Treasury and Finance), 2016.

CHECKLIST: DISCRETIONARY GRANTS INVESTMENT PRINCIPLES

Is a grant program the best way to meet a particular government policy or need?

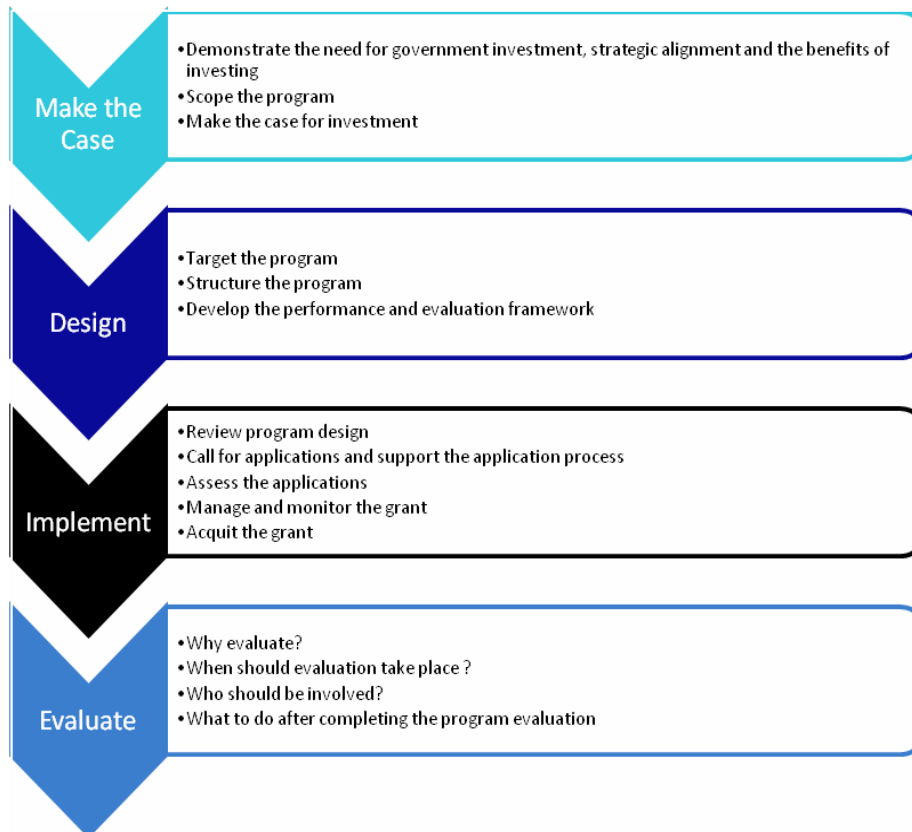
If you answer **Yes** to all of these questions you are ready to move forward with your proposal and should use the remainder of the Better Grants by Design guide to help inform the process for designing and developing the grant program.

Does this grant program secure a government policy outcome?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Have you clearly articulated policy objectives and evaluation mechanisms?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Have you considered whether there are other policy mechanisms or existing grant programs that could secure this government policy outcome?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Is a grant program the best mechanism to achieve the policy objectives?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Can you confirm that the main objective is not to transfer revenue to local government?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Can you confirm that this grant program will not mean state government overreach into local government areas of responsibility nor create a need for ongoing funding?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Is the grant program cost effective?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Has it been designed to minimise administration costs?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Are administration costs less than 5% of the overall program budget?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Have you considered the most efficient means to administer the grant?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Have you considered whether an intermediary organisation could distribute the grants on government's behalf?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Have you carefully balanced accountability and reporting requirements against the administrative burden imposed on grant recipients?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Have you determined whether a competitive, negotiated or allocated mechanism is the most appropriate way to disburse the grants?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

If you answered **No** to any of the questions in the checklist then a grant program may not be the best solution or more work may be required on your proposal.

3. Best practice grant administration

Once you have determined that a grant program is the most appropriate and efficient way of achieving your goals, you will need to work through the grant lifecycle stages to develop and implement the program.



Best practice principles

There are four principles that underpin best practice in grant administration. These principles apply throughout the grant lifecycle.

- **Maximise outcomes from investment** – grant programs should deliver maximum value for money and the best possible outcomes for the community.
- **Sound administration** – sound planning and administration, with a focus on efficiency, accountability, probity and risk management, ensures delivery of an efficient and effective grant program.
- **Positive working relationships** – good relationships between grant makers and recipients, with a focus on trust, transparency, partnerships, minimising burden and supporting capacity, help achieve optimum outcomes from the program.
- **Flexibility and responsiveness** – programs must be able to respond to changing business, environmental and community needs.

4. Make the case

A grant program is needed, how do I make a case for investment?

(For grant program managers)

Make the Case

- Demonstrate the need for government investment, strategic alignment and the benefits of investing
- Scope the program
- Make the case for investment

Step 1: Demonstrate the need for government investment, strategic alignment and benefits

1 Ensure Victorian Government Discretionary Grants Investment Principles 1 and 2 are met during this step.

In deciding on a grant program, you looked at why there was a need for government investment in such a program. You now need to detail the identified need/s for government investment and what the benefits will be in your proposal.

Clearly demonstrate the links between the proposed grant program and the relevant portfolio policy statements and election commitments you considered in your initial assessment against the investment principles.

Include information about how the proposed program will align with priorities set by ministers, government, communities or businesses.

The potential benefits of a proposed grant program must be set out clearly so that they are immediately apparent to all key stakeholders. Make it clear that this grant program does not duplicate other government programs.

Step 2: Scope the program

1 Ensure Victorian Government Discretionary Grants Investment Principles 5 to 8 are met during this step.

While a detailed program design is not needed at this stage, it is important to broadly show what outcomes and benefits the proposed program will achieve.

Show how, where and when the program will be best delivered. This often comes down to resources, so decisions will need to be made on the best way to target resources for optimal impact.

Build into your program scope measures which can be evaluated at the completion of the program to demonstrate its effectiveness in achieving government objectives.

Step 3: Make the case for investment

1 Ensure Victorian Government Discretionary Grants Investment Principles 3 and 4 are met during this step.

Check whether your department or agency has its own approval process and format for a business case for investment.

Make it clear and easy to follow and include as much relevant information as required.

The final step in making a case for investment looks at the possible risks of the proposed grant program.



better grants by design

Identify the key risks associated with the investment so that decision-makers have the necessary information to reach a sound conclusion about whether to approve the initiative.

For all projects that exceed \$5 million in total estimated investment and all asset-related proposals, the Department of Treasury and Finance (DTF) require a full business case.

Information about business case templates and assistance available can be obtained from [DTF](#).

While your grant program may be smaller in terms of risk and value to other investments covered by DTF, these may still be useful tools.

Resources

DTF has developed a guide and templates, including investment logic maps and a [16 question checklist](#), which can be used in developing a case for investment. Visit the Investment Planning and Evaluation section of the DTF website for more information.

Use the **Make the Case Checklist** to check all the important elements of this stage have been addressed.

4.1 Step 1: Demonstrate the need for investment, strategic alignment and benefits

! Ensure Victorian Government Discretionary Grants Investment Principles 1 and 2 are met during this step.

Need for government investment

In making the case for investment, the first step is to clearly show why government support is needed and what the benefits of the investment will be. An explanation of why government action is required will include a description of the problem or opportunity to be addressed, an explanation of why government should address it and detailed supporting evidence (e.g.. evaluation/research reports, program data, statistics, needs analysis etc).

The level of detail should be commensurate with the size, complexity and overall risk of the initiative.

Examination of similar initiatives, policy documents and events leading up to the commitment, including correspondence between the department and portfolio Minister's office, as well as discussion with relevant stakeholders, can be of assistance.

Where a program proposal is responding to a problem that has been identified previously, or when renewing an existing program, evidence should be provided that the need for action remains.

Strategic alignment

The links between the proposed grant program and the relevant policy statements and election commitments must be demonstrated.

At a minimum, you need to identify clearly the specific policy or policies that underpin the proposed program.

You can further advise on how the proposed program aligns with specific priorities that have been identified by Ministers, government, communities or businesses.

Ensure that the grant program fits with your agency responsibilities and scope and aligns with departmental strategic directions and does not duplicate efforts in your department or in other areas.

Due to the many possible layers of strategic alignment, a decision to develop or to continue a grant program should be made as part of your department or agency's strategic planning.

Investment logic

Investment Logic Maps are an integral component of the [Investment Management Standard](#) developed by DTF. Logic maps follow a set of simple practices that enable stakeholders to clearly define the reason for an initiative.

Although they are only required for very large government investments, using an Investment Logic Map or similar process at this stage can be helpful.

Benefits of the investment

Benefits are the direct advantages that are gained by identifiable groups when the government achieves a stated objective. Benefits need to be measurable so that you can ascertain if they have been achieved through the grant investment. They should also be directly related to overall policy objectives, as well as specific program and project objectives. Benefits can be social, economic or environmental.

4.2 Step 2: Scope the program

! Ensure Victorian Government Discretionary Grants Investment Principles 5 to 8 are addressed during this step.

At this step you will need to broadly scope what will be done, where and how and how the benefits will be delivered.

Consider the following:

- which grant mechanism is most suitable, competitive, negotiated or allocated.
- whether the program should be generalist and global, or targeted to particular beneficiary groups or places.
- whether government will be funding the full or partial cost of projects and if recipients will be expected to leverage any additional funds or in-kind support.
- the capacity of your department, including whether there is existing corporate knowledge in the delivery of similar programs or initiatives that can be drawn upon and what departmental infrastructure is required and available.
- the measures that can be evaluated at the completion of the program to demonstrate effectiveness and what baseline statistics can be obtained.
- the cost of the projects that will be funded and the period over which funds will be required, remembering that program costs include administration of the program including management costs.
- the time required to roll out the grant. The timeline for establishing new programs and to allocate and spend grants program funds is often underestimated.

Individual departments may have their own policies regarding the best grant delivery mechanisms and you will need to check on your department's approach.

4.3 Step 3: Make the case for investment

! Ensure Victorian Government Discretionary Grants Investment Principles 3 and 4 are met during this step.

The final step in making a case for investment looks at the risks of grant making and develops the detailed information required for good decision making.

Risks for decision-makers

You need to identify the key risks associated with the investment so that decision-makers have the necessary information to reach a sound conclusion about whether to fund/approve the initiative.

Consider including information and advice that address the following:

- What are the consequences of not funding the initiative?
- What are the risks that can impact on delivering the initiative within budget and according to the planned cash-flow?
- What are the risks to the department's/government's reputation (especially in relation to non-delivery or a significant lag in delivery)?
- Are there any factors external to your department that may impact on implementation or delivery?
- Does the department have the capacity and capability to implement the program?
- Is there capacity in the proposed recipient group to deliver projects that meet the program objective?
- Who is responsible for managing the risks?
- Where other parties are involved in the initiative, are risks appropriately shared?

Prepare the business case

With the information that you have gathered through Steps 1, 2 and 3, you will be able to prepare a brief on the investment concept that supports your grant program, as well as provide details of the business need and likely costs and risks involved.

As most grants programs are of small-to-moderate risk and value compared with other investments made by government, DTF has advised that a strategic business case is generally sufficient for consideration for funding.

A full business case is required for all projects that exceed \$5 million in total estimated investment and for all asset-related proposals, including those to be delivered under Partnerships Victoria and alliance arrangements. This business case needs to validate or amend the assumptions in the original investment concept brief, clarify the quantitative and qualitative costs, risks and benefits from a whole-of-life perspective, and, if necessary, provide a project plan that will steer the program's implementation. This document will confirm that the proposal can achieve the desired benefits and define the likely costs and risks to the State.

Detailed guidance on establishing a business case is set out in the Business Case DTF website.

CHECKLIST – MAKE THE CASE

Step 1: Demonstrate the need for government investment, strategic alignment and benefits

Have you:

- identified the need, problem or opportunity to be addressed and why the government should address it?
- demonstrated clear alignment with government policy?
- demonstrated timeliness, i.e. why should the investment be supported now?
- shown how it will support stakeholder priorities?
- shown how it aligns with the business of your department?
- identified other aligned activities and explored opportunities to integrate investment?
- described the investment logic and considered an investment logic map?
- clearly demonstrated the benefits of investing?
- demonstrated that these benefits are measurable?
- identified sufficient evidence to show how these benefits can be achieved?
- shown how it will achieve positive outcomes for the target benefit group?
- provided supporting evidence?
- addressed the Victorian Government Discretionary Grant Investment Principles relating to this step?

Step 2: Scope the program

Have you:

- clearly set out how the benefits will be delivered through the program?
- determined the grant mechanism for the program, competitive, negotiated or allocated?
- identified whether the program will target particular beneficiary groups?
- identified funding ratios?
- considered the capacity of your department to deliver the program?
- considered the costs of administering the grant program?
- considered how 'red tape' can be avoided wherever possible?
- shown how you will target the program and award grants for maximum effect?
- identified measures that can be evaluated at the end of the program?
- identified how progress and outcomes will be measured during the program?
- addressed the Victorian Government Discretionary Grant Investment Principles relating to this step?

Step 3: Make the business case

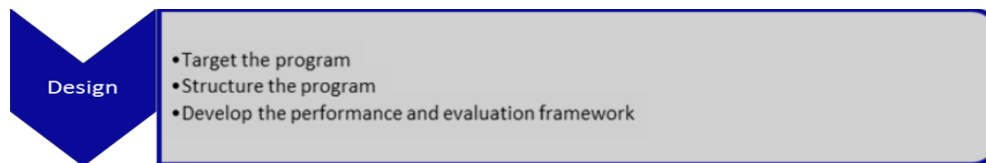
Have you:

- determined whether a full business case required by DTF?
- identified what your agency/department requires in a case for investment?
- documented benefits, costs (including cost sharing) and risks?
- assessed the risks associated with the investment?
- ensured all relevant information is included to allow a decision to be made?
- addressed the Victorian Government Discretionary Grant Investment Principles relating to this step?
- prepared a business case incorporating all of the above?
- ensured the business case is clear, transparent and consistent with other investment decisions?

5. Design

How do I design a grant program?

(For grant program managers)



Good planning and design will ensure a grant program is delivered effectively, efficiently and in line with government policy.

Step 1: Target the program

! Ensure Victorian Government Discretionary Grants Investment Principle 1 is met during this step.

Review the information included in the case for investment to ensure that your grant program is going to target the most appropriate benefit group or groups.

Benefits groups can be based on geographical locations, demographic characteristics, organisation or industry types and portfolio or issue specific.

Targeting will ensure that you can get the best possible outcomes with the budget allocated.

You need to clearly identify which groups will benefit from the grant program and gather information about them. This will help to tailor grant interventions and in evaluating the effectiveness of the program.

It is good practice to use consistent definitions of these beneficiaries. You should check if your department has or references a particular data dictionary.

Step 2: Structure the program

! Ensure Victorian Government Discretionary Grants Investment Principle 8 is met during this step.

This step will see the development of the detail of the grant program. This may be documented in a program framework or similar.

The following things will generally be considered when developing the program detail.

- Stakeholder engagement
- Eligibility criteria
- Types of projects that will be supported
- Funding structures
- Grant disbursement
- Assessment processes
- Administration costs
- Compliance
- Risk management

Each department will have its own expectations to formally approve the grant program design. Ministers may expect to personally approve the program design or be willing to delegate that responsibility. Check your department's process for approving the program design.

Step 3: Develop the performance and evaluation framework

The final step in program design is to develop monitoring, measurement and evaluation processes.

Performance measures are explicit statements which define how the success of a program is to be assessed. Having clear performance measures will help to reduce the burden in reporting.

What information about performance will you require from grant recipients?

Some performance measures can be drawn from grant recipients through project reporting. It is important to identify these elements early in the design phase to enable the establishment of an appropriate monitoring and reporting framework during program implementation. These measures can also contribute to the program evaluation.

How will you evaluate the program?

It is important to design and budget for evaluation at program design stage. The purpose of evaluation can be varied so it is important to define the purpose at the outset. More information is in the evaluation stage.

Resources

Use the **Program Design Checklist** to check all the important elements of this stage have been addressed.

5.1 Structure the program

This step will see the development of the details of the grant program and how it will operate. This may be documented in a program framework or similar.

The following things will generally be considered when detailing the program structure.

Stakeholder engagement

It is beneficial to identify all interested parties and stakeholders and determine how their input could assist the development of the program.

Eligibility criteria

The more specific the grant program objectives, the easier it is to develop eligibility criteria. It is important that the eligibility and assessment criteria for a grant program are clear and easily understood by all applicants.

Types of projects that will be supported

Early consideration of this will provide valuable input into the development of grant application guidelines.

Funding structures

Consideration of what will be most effective and practical for your program will allow any budget impacts to be taken into account. Grants may involve set sum funding, standard percentage funding, flexible funding or a combination of these.

Grant disbursement

Determine whether the grants are to be disbursed by competitive, negotiated or allocated mechanisms.

Competitive or contestable grants are awarded through programs that have publicly-available guidelines and application processes. Funding is awarded on a competitive basis where a grant application is selected on merit following assessment against a set of criteria.

Negotiated grants are non-competitive; they are awarded to targeted recipients through discrete programs that are not advertised publicly. Grants for service delivery where programs are continuing, are often renewed by negotiation with existing providers (given satisfactory performance).

Allocated mechanisms allow funding to be directly allocated to a recipient or selection of recipients to advance a specific policy outcome.

Assessment processes

Good assessment processes are transparent and designed to select projects or activities that represent the highest levels of alignment in meeting the objectives of the program.

There are several types of assessment processes:

- program officer assessments, which may have one or two levels of assessment
- panel-based assessment and moderation
- a combination of the above, sometimes including representatives from the target group of recipients.

The assessment process needs to address the application content, as well as the applicant for the grant (whether an individual or organisation). This is an important step in managing the grant program's risk.

Administration costs

Consider Victorian Government Discretionary Grants Investment Principle 5 and 6.

Administration costs will be influenced by a number of variables, including the size of the program, risk and delivery.

But, administration costs should generally be less than 5% of overall program budgets.

Administration costs include salaries and operating costs and typically cover planning, community consultation, promotion and advertising, advice, assessment and selection, monitoring and evaluation.

Costs can be reduced by considering standardised procedures across agencies, setting cost targets, greater use of automated systems and simplifying processes for applicants.

Consider using an intermediary organisation to distribute small grants (i.e. less than \$10,000) on a government's behalf.

Compliance

All grant programs must comply with government legislation and regulation relating to financial management.

Programs must comply with both the *Financial Management Act 1994* and *Standing Directions 2018* and with Auditor-General guidelines.

Programs must also be in line with such Victorian and Commonwealth legislation as:

1. *Information Privacy Act 2000*
2. *Freedom of Information Act 1982*
3. *Charter of Human Rights and Responsibilities Act 2006*
4. *Equal Opportunity Act 2010*
5. *Disability Discrimination Act 1992*

Risk management

Risk is inherent in all government grant-making activities and managing that risk is an important part of public sector governance.

Possible risks in relation to grant programs include:

- awarding grants to ineligible individuals or organisations which may not be able to complete a project or to projects or activities that are inconsistent with grant program objectives
- use of grant funds for purposes contrary to the terms and conditions
- changes in the status or capacity of the recipient to carry out or complete relevant project work
- pressure to implement programs urgently
- individuals or organisations being treated inequitably
- grant programs not contributing to strategic objectives of a department or agency.

You need to identify specific risks and document the likelihood and consequence of each occurring and document actions that can be taken to reduce the incidence or impact of each risk for your department or agency.

A documented risk management process will include:

- identifying business and financial risks
- assessing the significance of, and prioritising, the risks according to relevant criteria
- identifying the processes required to minimise extreme, high and medium risks to acceptable levels
- ensuring that there is appropriate risk awareness and staff training.

5.2 Develop the performance framework

Performance measures

Performance measures are explicit statements which define how the success of a program is to be assessed. They include the criteria or benchmarks that are to be used in judging the achievement of benefits. Having clear performance measures will help to reduce the burden in reporting.

Performance measures should collectively answer the questions:

- What was intended to be done?
- What has been done?
- How well was it done?
- Who is better off as a result of the program?

For a measure to be a valid means of tracking the expected benefits of an investment, it needs to meet the following criteria:

- **meaningful:** is there a direct relationship between meeting this measure and achieving the desired benefit?
- **attributable:** can it be reasonably claimed that meeting this measure is a direct result of the investment? Would the benefit happen without this investment?
- **quantifiable:** can you get the information you need? Is there an existing baseline measurement? Will it be practical and cost-effective to collect the measurement data?
- **tested:** has it been tested to ensure that it measures what you want it to measure (i.e. that it is valid) and that it measures accurately and consistently (i.e. that it is reliable). It also needs to be a credible measure in the eyes of the grant recipients so it can be useful to ask potential recipients to comment on a proposed performance measure.

Program success can be measured by:

- **input measures:** the inputs (cash and resources) to be consumed by the program.
- **output measures:** the extent to which the program's operational targets or milestones will be achieved
- **outcome measures:** the extent to which the program will meet the operational and strategic objectives of the funding department. Outcome measures relate to changes effected in the community or business.

CHECKLIST – PROGRAM DESIGN

Step 1: Target the program

- Will the program target the most appropriate benefit group/groups?
- Has information about the benefit group/s been gathered?

Step 2: Structure the program

- Have all relevant stakeholders been identified?
- Have eligibility and assessment criteria been developed which are clear and easily understood by potential applicants?
- Are they appropriate for the target benefit group/s?
- Will they be suitable for use by assessors?
- Have the types of projects been identified?
- Has an approach to grant disbursement been determined?
- Is the grant program based on an appropriate funding method?
- Have administration costs been capped at less than 5%?
- Is the program compliant with relevant legislation and regulations?
- Has an appropriate risk management process been undertaken?

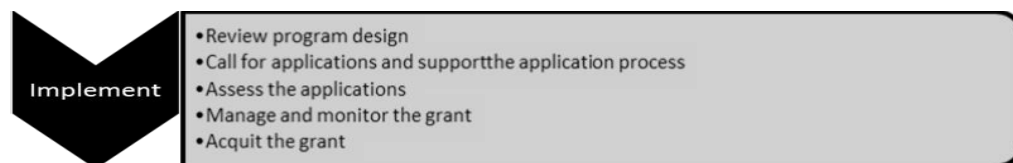
Step 3: Develop the performance and evaluation framework

- Has it been determined whether program success be measured by:
 - input: the cash and resources to be consumed by the program?
 - output: the extent to which the program's operational targets or milestones will be achieved?
 - outcomes: the extent to which the program will meet operational and strategic objectives?
 - a combination of the above?
- Have valid and quantifiable performance measures been developed?
- Have you ensured that there will be transparent and consistent reporting of progress and outcomes?
- Has information about performance required from grant recipients been identified?
- Has the evaluation framework and budget been determined?

6. Implement

How do I implement a grant program?

(For grant program managers and administrators)



This section on grant program implementation focuses on the practical aspects of day-to-day program and project management.

Step 1: Review program design and plan the grant program

The first step in successful implementation is to review the program design components to ensure there are no gaps and that information is up to date and to undertake detailed program planning. At this stage you will consider management and staffing, record keeping and communication planning.

Step 2: Call for applications and support the application process

The second step in implementing a grant program is to call for applications and support the application process. This involves developing guidelines and application forms, implementing the launch plan and supporting applicants.

Step 3: Assess the grant applications

The third step in implementation is to assess the grant applications received. Considering conflict of interest is important during assessment.

Step 4: Manage, monitor and close the grant

The next step in implementation is the formal agreement with the grant recipient and then to monitor their implementation of the project through to its completion and the grant's acquittal.

Use the **implementation checklist** to check all the important elements of this stage have been addressed.

6.1 Step 1: Review program design and plan the grant program

! Ensure Victorian Government Discretionary Grants Investment Principles 1 and 5 are met during this step.

Have you determined the management process and staffing for the grant program?

The roles and responsibilities of everyone involved in a grant program should be clearly defined to ensure robust governance and accountability frameworks are in place.

This is also the time to consider whether staff require training and are aware of relevant departmental procedures and support available.

Are appropriate record-keeping arrangements in place?

Good record keeping and compliance with the Public Records Act 1973 is essential to grant program development and implementation.

Make sure the corporate file is up-to-date and meets departmental records management policy and Public Records Office requirements. The file and electronic documents such as emails are official records which may be accessible under the Freedom of Information Act.

Have you reviewed eligibility and assessment criteria?

Eligibility criteria should be developed during program design. If it is a contestable grant program, they should be reviewed at this point for publication in the guideline documents. projects that represent value for money when measured against project objectives

Do you require a communication plan?

Contact your communications team to discuss developing a communications plan to support your grant program.

This plan will include key messages relating to the program, stakeholders, target audiences and how best to reach them, details regarding launching the initiative and any relevant protocols for branding and announcements.

Have you considered stakeholder relations?

Working effectively with internal and external stakeholders will help to deliver a successful grant program. Consulting with departmental finance, legal and communications staff should be integral to program development and implementation.

6.2 Step 2: Call for applications and support the application process

1 Ensure Victorian Government Discretionary Grants Investment Principles 1, 5 and 7 are met during this step.

Grant program guidelines

Develop clear and accessible guidelines which include policy guidance and objectives, administrative procedures, eligibility and assessment criteria, funding available and priorities, opening and closing dates, monitoring requirements, evaluation strategies and standard forms.

Think about assistance that should be provided to the target audience to help with their applications. Make sure that information is accessible to applicants from all backgrounds and that contact details for further information are included.

Check whether your department has processes, procedures and templates in place for the development of program guidelines.

Application forms

The application form must also be well designed and use clear, simple language and concise, relevant content. This will make these forms easy to use for potential applicants and will help make the processing and administration of submissions more efficient.

A good application form includes applicant's details (including ABN), project and financial details, assessment criteria, legal declaration, submission details and a documentation checklist.

Many departments now use online grant application processes. Check whether your department has processes in place for grant applications and forms.

Expression of Interest (EOI) process

A two stage or EOI process can be used prior to the acceptance of formal applications to identify or further define the target group, or to evaluate the capacity of the potential recipients.

An EOI process should only request the minimal information necessary for decision-making prior to inviting the submission of a more detailed, formal application.

6.3 Step 3: Assess the grant applications

Grant assessment is a formal decision-making process, involving the examination of each application in line with the eligibility and assessment criteria and the relevant risks.

Make sure the people involved in assessing the grant program are well briefed and understand their roles. Appoint an independent external reviewer if the grant is significant.

Assessment must be seen by all parties to be fair and to meet probity requirements. The use of standard assessment forms and a well-documented assessment process will assist with consistency, fairness and transparency. Any departure from the grant assessment process must be properly documented and should include reasons for the change, especially if it is associated with risk assessment.

During the design of your grant program, you will have determined the assessment model to be used. As you prepare to begin the assessment process, it is important to review the selected model and ensure it is appropriate for the applications received.

Conflict of interest

Consider any conflict of interest that may impact and whether there are appropriate strategies to manage any potential conflict of interest.

A conflict of interest is when a staff member or panel member has a personal, professional or business interest that may influence or interfere with the performance of their official duties. It may be current, potential or perceived (refer to the Victorian Public Service Code of Conduct for more information).

Have you checked the eligibility of applicants?

No matter which assessment model you have selected for your grant program, there are some common initial steps when checking for eligibility for grant funding:

- Check applicant ABNs - are they valid?
- Check applicants' legal standing. The status of incorporated associations and co-operatives should be verified with Consumer Affairs Victoria. The status of companies should be confirmed with ASIC.
- Check for completeness of applications and eligibility of applicants against published guidelines.

Once these checks are complete, a letter acknowledging receipt of the application can be sent to each applicant.

Have you determined how you will rate applications in a contestable program?

Consideration needs to be given to the method and scale of rating applications for contestable programs so as to distinguish their varying merit.

Numerical rating scales allow you to easily distinguish degrees of merit through an overall scoring of each application. Scores can be either a single score or a weighted score rating.

Have you undertaken a project risk assessment?

All risk assessment should be in line with the Australian Standard 4360 Risk Management, the [Victorian Government Risk Framework](#) and your department's riskplan.

The risk management process undertaken at the design phase will have identified the overall level of risk for the program and the management strategy. If this has identified any medium-to-high program risks, you will need a more rigorous assessment of the project level risk of individual grant applications.

Is a financial and organisational viability assessment of applicants required?

As part of the risk analysis process, it is sometimes necessary to undertake an assessment of an applicant's financial viability.

How will you provide feedback to successful applicants?

Check your departmental or program processes for notifying successful applicants.



better grants by design

How will you provide feedback to unsuccessful applicants?

Applicants often devote considerable personal time and effort to preparing their submissions and deserve honest and open feedback on how their applications were assessed. This feedback process can also provide suggestions and advice for future funding applications.

6.4 Step 4: Manage, monitor and close the grant

The funding agreement

A formal funding agreement with the recipient sets out the terms of the grant. The type of funding agreement will vary according to department or agency and the type of grant program. It may be a letter of offer, service-style agreement, comprehensive funding agreement or Memorandum of Understanding (MoU). Check what processes your department has in place.

All Victorian Government departments now use a common funding agreement when funding not-for-profit organisations. Information and templates in relation to this agreement can be accessed [here](#).

Funding agreements are legally enforceable documents and legal advice should be sought, particularly if there is not a standard agreement in place or if special terms and conditions are required.

Departments will have their own protocols for signing formal agreements.

The payment schedule

Payments may be made on a regular schedule, for example quarterly, or they can be linked to completion of significant milestones or to the cash flow requirements of the project. Payments for services are often made in advance.

It is important to establish a clear and transparent process to ensure that the recipient is fully aware of requirements, dates and consequences if milestones and other performance expectations are not met.

The payment schedule must be written into the funding agreement.

Monitoring the grant

You need to monitor progress of the project, to make payments as milestones are met, to assess and manage any risks that arise and to advise and support the grant recipient if there are unforeseen issues.

The extent and frequency of monitoring of the grant will depend on its value, complexity and risk profile.

Monitoring activities may involve a combination of site visits, regular check-in phone calls, membership of governance committee or steering group progress meetings, financial monitoring and progress reporting.

Reporting

When preparing the funding agreement reporting requirements should be kept simple and straightforward, especially for small grants. Carefully assess the level of reporting information you actually require. As grants increase in size, so too can the reporting requirements.

Identify the base requirement of data collection for progress and final acquittal to include in the reporting schedule. The reporting schedule should be then written into the funding agreement.

Grant acquittal

The acquittal is the close out stage of the project and involves the completion of a final report by the grant recipient, detailing how the grant monies were spent to deliver the required outputs. A satisfactory final report usually enables the final payment to be made to the recipient, effectively wrapping up the project.

The level of documentation required can vary from department to department, so check your department's reporting expectations.

CHECKLIST – IMPLEMENTATION

Step 1: Review program design and plan the grant program

- Has the program design been reviewed to ensure up to date?
- Have the roles and responsibilities of everyone involved been clearly identified?
- Have a corporate file and project manual been established?
- Are stakeholder relations on track?
- Has a communications plan been developed in consultation with your communications team?
- Has the assessment model been determined?

Step 2: Call for applications and support the application process

- Have you checked your department's processes for developing guidelines and application forms?
- Have clear and accessible guidelines been developed?
- Has a decision been made about running workshops or using other ways to assist applicants?
- Have frequently asked questions been developed for staff who may receive enquiries?
- Is the application form easy to follow and complete and accessible to people of all backgrounds?

Step 3: Assess the grant applications

- Have all applicants been notified that their grants have been received?
- Have all applications been recorded and retained securely?
- Have ineligible applications been identified?
- Are probity and conflict of interest checks in place?
- Have assessment forms and documents been developed?
- Have all proposed grants been approved by the appropriate delegate?
- Have the grant applicants been notified whether they have been successful or unsuccessful?
- Have announcement details been finalised?
- Has feedback been provided to applicants where appropriate?

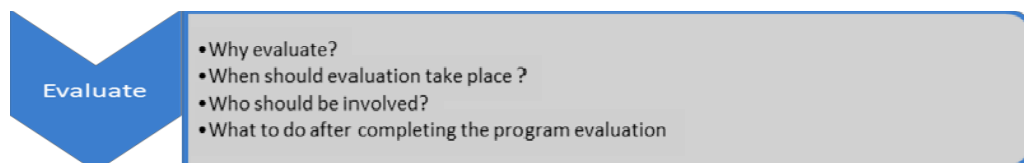
Step 4: Manage, monitor and close the grant

- Has a funding agreement been executed for each grant?
- Has the payment schedule been determined?
- Is the monitoring and reporting program in place?
- Are reporting requirements in place?
- Has the final report been provided?
- Has the grant been acquitted?

7. Evaluate

How do I evaluate a grant program?

(For grant program and project managers and grants administration staff)



Step 1: Why evaluate?

! Ensure Victorian Government Discretionary Grants Investment Principles **1, 5, 6 and 7** are met during this step.

An evaluation is essential to ensure that the government is making the best use of public monies. It will also help inform future policy decisions.

The purpose of evaluation varies. It may be to report achievements, inform strategic planning, argue for project expansion or further funding, improve project delivery and/or analyse funding distribution and impact.

During evaluation consider the following questions:

- Are the objectives and measures of the program still relevant and are they still aligned with government policy?
- Is the program achieving its intended result?
- Are the individual grants achieving the intended objectives of the program?
- Have the expectations underlying the case for the grant program been met?
- Are the project benefits sustainable or will further assistance be required?
- Were there unintended outcomes?

Project evaluation or program evaluation

Project outputs (i.e. the construction of a building) can usually be evaluated at the end of the project. Therefore project evaluation is part of the grant acquittal process.

The benefits of the project (i.e. the increased usage of the activities in the building) may take some time to become apparent. These benefits are usually the grant program outcomes and are measured as part of the program evaluation.

Step 2: When should evaluation take place?

There is no single 'right' time to evaluate a grant program. Given the long-term nature of many program goals, it is best to undertake periodic evaluations of a grant program.

Periodic reviews during the program can allow for refinement of objectives, assessment criteria, eligibility and the approach to monitoring to ensure the program meets objectives.

During program design, evaluation should be considered when identifying performance indicators, reporting requirements and data collection. The business case for the program will have established the desired outcomes and the program design identifies the mechanisms by which to monitor these over time.

A program risk assessment may also help determine the type and frequency of periodic evaluations.

Conducting a final evaluation at the end of the program will mean that you can feed information into programs which may follow, including other grant programs.

Step 3: Who should be involved?

Program managers, policy representatives, stakeholders and the grant recipients can all be involved in the program's evaluation.

It is usually desirable for evaluation to be undertaken by someone who has not been involved in the program. Decide if it would be better for the program to be evaluated by someone who has been involved but is able to play a critical and constructive role or by someone independent of the program.

If you choose to have the program evaluated by external contractors, carefully consider the extent of their independence and check that no conflicts of interest are likely to arise.

There are also benefits in jointly reviewing programs that have similar or common objectives. This can highlight possible duplication or conflicts and identify opportunities for consolidation of programs.

Step 4: What to do after completing the program evaluation

When you have completed the evaluation, decide how to share the information with others both within government and in the broader community.

This will help others involved in grant programs to benefit from your experience as well as enabling continuous improvement in the way grant programs are developed and implemented.

Resources

An easy to follow guide to evaluating programs is available from the Department of Treasury and Finance. It can be found in the Investment Planning and Evaluation section of the Department's website (www.dtf.vic.gov.au)

Use the **Program Evaluation checklist** to check all the important elements of this stage have been addressed.

CHECKLIST – PROGRAM EVALUATION

Step 1: Why evaluate?

- Have the main purposes of the evaluation been documented?
- Has the methodology for performing the evaluation been determined?

Step 2: When to evaluate?

- Has the program been regularly reviewed and the results documented?
- When will a final evaluation take place?

Step 3: Who should be involved in evaluation?

- Has it been decided who will be involved?
- Will external evaluators be involved?
- Have reviewers been briefed?
- Has potential conflict of interest been checked and strategies put in place if needed?

Step 4: What to do after completing the program evaluation

- Have the learnings been properly recorded to inform future policy and program development?
- How will the information gathered be used and shared?

Has the evaluation addressed the following?

- Did the grant program achieve what it set out to?
- What were the key learnings from the experience?
- Which projects worked and which did not and why?
- Was the business case realistic?
- How did the actual costs compare with the budget estimate?
- Was the program risk assessment adequate?
- How did forecast program objectives measure against actual program outcomes?
- How did the forecast benefits group measure against the actual benefit group? Were there any unexpected benefit groups to emerge?
- How effective was the management of the program?
- Is there continued relevance or appropriateness of the program?

