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## **1. Introduction**

- 1.1 Recent years have seen a significant trend away from direct grant provision by central government to local government. We are witnessing the emergence of an ever increasing number of grant funds through which local authorities are required to channel applications or submit bids as a means of maximising funding opportunities e.g. National Lottery, SRB, City Challenge, Home Office funds and opportunities available through Britain being a member of the European Community. All the evidence suggests that this trend is set to continue.
- 1.2 We recognise that, to achieve our goal in achieving best value, we need to combine economy, efficiency and effectiveness in the services we provide. Indeed there will be increased pressure on our financial position in the years to come with the need to keep close control over spending to minimise the use made of balances. Good use of external funding sources can reduce that pressure and allow us to continue developing our services for the benefit of local people. However, external funding is not and should not be considered as a means of simply reducing the Council's core expenditure, as funding bodies are committed to the principle of additionality.
- 1.3 The purpose of this strategy is to set out the principles, processes and procedures for ensuring maximum use is made of the funding opportunities available to the Council be it as a potential recipient or supplier of funds and, once they have been secured, that the funded project is properly managed. The implementation of such a strategy was recommended in the Internal Audit Report on External Funding issued in November 2006.
- 1.4 The Strategy is focused on the Council and its own procedures. However, those procedures do not exist in isolation. They impact on other internal procedures and they on it. The nature of local government activities and responsibilities now and indeed those of other public bodies is such that account needs to be taken, within those procedures, of the wider partnership implications.
- 1.5 This document also sets out general information on the various alternative sources of funding and advice on putting together a suitable bid for funding.
- 1.6 In our community wellbeing role we also fund a number of community and leisure groups through the Grant Aid Scheme.

## **Part 1 - Strategy/Strategic Elements**

### **2. Scope**

#### **2.1 Definition**

2.1.1 External Funding could be defined as any money which the Council secures extra to its annual allocation from central government or would normally be available to it, and the money it raises through council tax, fees and charges, either by itself or in partnership. Typically these resources might be secured through competitive bidding.

#### **2.2 Projects**

2.2.1 As external funding is defined as being extra to its annual allocation, it is assumed that the majority of activities which external funding is sought for can be defined as distinct projects. Inevitably there will be occasions when external funding is sought for an existing service or activity, but the fixed term nature of external funding often dictates a time limited, distinct project. For the purposes of this guide the definition of a project is taken as:

2.2.2 A distinct piece of work to be carried out, which is additional to the usual day-to-day activity of the organisation.

#### **2.3 The Benefits of External Funding**

2.3.1 Organisations in the Epping Forest District bring in a significant amount of external funding each year. This provides the opportunity to run trial projects, deliver services in targeted areas, address new agendas and engage in activities with partners, which would otherwise be restricted by a lack of core funds. The Government in particular, has been increasingly linking specific funding pots to policy initiatives, in an attempt to improve performance in key areas, and it is anticipated that the number of areas in which organisations are bidding for funds will increase further. This will inevitably lead to more people within organisations becoming involved in bidding for funds and utilising the benefits of external resources.

#### **2.4 Performance Framework and Strategic Objectives**

2.4.1 It is important that all external funding should be clearly linked to one or more of the Council's key policy objectives. Opportunist bids for funding can often result in predetermined aims not being achieved because staffing and other resources are diverted to objectives which are not corporate and are not priorities. This means that external funding proposals must be reflected in service plans through to the Council Plan (and, if necessary, the Community Strategy) and throughout the performance management framework. Similarly, the expected funding must be properly reflected in the annual process for compiling Council budgets and monitoring expenditure.

#### **2.5 Legal Implications**

2.5.1 Award of grant usually comes with conditions. It is necessary to be aware of these conditions and the legal liabilities which follow. Further information on the legal implications is set out in Appendix B.

## 2.6 Role of External Funding Working Party

The External Funding Working Party has a vital role to play in coordinating the external funding process. Further information on this role is set out in Appendix A.

## 2.7 The Responsibilities of External Funding

2.7.1 Once external funding has been secured, there are a number of ongoing responsibilities which organisations will need to be aware of, whether they are the co-ordinator of a particular fund, or just delivering a service which has been funded through external sources:

### (a) Not Just Free Money

Any money which comes from an external source will have 'strings attached'. External funding is often viewed by budget holders as an increase in a core budget and is spent without regard to the aims or rules of the fund. It is important when using external funding that everyone involved in the spending of the money, delivery of the activity and management of the process is aware of their responsibilities and that the money is part of a 'deal' for which the organisation must fulfil its part.

### (b) Budget and Financial Control of External Funding

The funding provided from external sources should be recorded as a DDF item as part of the initial budget planning process. Once the external funding has been secured it should be managed in the same way as any other Council CSB/DDF budget by being incorporated with the budget for the related Service area. The relevant Spending Control Officer (SCO) will receive monthly financial monitoring reports, together with transaction reports, and will need to monitor and report on significant variations relating to the project, in accordance with financial regulations.

Any conditions attached to the grant will need to be targeted, monitored and any necessary actions, recorded so that verification can be made to the external funder as necessary.

Any external funding will be accompanied by terms and conditions specifying how the funding should be used, but existing organisational policies and procedure will be overriding and will not be replaced.

The project will ultimately be audited as there will need to be confirmation that the organisation's procedures have been followed.

### (c) Monitoring

Frequently, when securing external funding, there will be a series of targets or outputs to be achieved with it. This is effectively what the funding body has purchased from the organisation with their grant. Ensuring that these targets and outputs are delivered to the satisfaction of the funder, is often the most complex part of using external funding. The appropriate monitoring procedures need to be put in place to track progress from the beginning, otherwise funding can be lost and the organisation's reputation damaged.

#### **(d) Reporting**

The funders providing external resources will have a regular reporting schedule, which needs to be adhered to. Providing them with the correct information when required should always be the responsibility of a named individual. It is also important that the appropriate reports are circulated internally to allow others to monitor the project's progress and link it to the organisation's performance management framework.

#### **(e) Continuity**

Owing to the nature of external funding and the opportunities it presents, the person writing the initial bid may not be the same person managing the resultant budget, delivering the activity or monitoring and reporting back to the funding body. This can lead to any of the problems identified above being exacerbated, especially if someone involved in the project moves on. It is therefore important that everyone involved in externally funded projects is fully aware of the responsibilities for monitoring, reporting and budget management, and duly records the position at any given time.

### **2.8 External Funding - Problems and Opportunities**

2.8.1 Progress has been made in recent years towards increasing the external funding attracted to the Epping Forest District. There are however, a number of issues potentially occurring across organisations which need to be addressed if the funding secured is to be maximised. These can include:

#### **(a) Competing Bids**

Competing bids can sometimes come from organisations working in the same field or even from within different parts of the same organisation. The latter limits everyone's chances of success and can ultimately damage the reputation of particular organisations with key funders.

#### **(b) Strategic Direction**

Bids are sometimes being submitted to funders without due consideration of appropriate priorities or strategic direction. This leads to bids not having sufficient demonstrable support or which are opportunist in nature, shifting the focus of work away from the Council's priorities.

#### **(c) Sustainability**

Bids can be submitted where the consequences of securing the funding have not been fully thought through. This can lead to problems during the delivery of projects and puts pressure on organisational budgets to 'rescue' projects or provide continuation funding.

#### **(d) Delivery**

The Council may be securing external funding without a full appreciation of the requirements placed on it by the funding body or its responsibilities for monitoring and reporting.

**(e) Match or Joint Funding**

Often the criteria for funding schemes encourage contributions from other sources. Indeed, obtaining match or joint funding might be a compulsory requirement in some instances and could certainly be the difference between whether or not a scheme gets the go-ahead. So it is important to be both mindful of and realistic about the availability of match funding prior to the development and submission of bids.

Some or all of these issues may need to be addressed within individual organisations and across the District as a whole, to enable the external funding brought in to be maximised and to ensure the effectiveness of how it is utilised, once secured.

**(f) Risk Analysis**

It is vital that a full risk assessment is carried out of the consequences of an external funding bid not being successful. This assessment should include identified risks (vulnerability, trigger, consequences) the risk matrix and an action plan, samples of which are attached at Appendices F-H, using an example of a funding bid in respect of homelessness prevention.

### **3. Objectives**

3.1 To achieve the aim of optimising funding opportunities it will be necessary to:

- Research and report on all areas of funding development.
- Liaise with and maintain relationships with other agencies and internal service users to develop an information base against which future levels of funding activity can be assessed.
- Establish effective information communication systems with internal and external groups regarding funding.
- Develop the processes and procedures through which we can secure the maximum level of funding for the Epping Forest District community.
- Establish an information database on funding opportunities.
- Develop a fund finding advisory service to establish sources of and secure external funding.
- Provide a knowledge base on fund availability and access to information on application procedures.
- Assist with project management, identify additional opportunities and help generate innovative ideas.

#### **4. Reflecting Strategic Priorities**

- 4.1 The Local Strategic Partnership Community Strategy outlines a collective vision for the District over the next 20 years. The District Council has committed itself to deliver aspects of this joint action through its own policies and strategies, evaluation progress through its Performance Management Framework. External funding can be of valuable assistance in achieving strategic priorities, as it introduces additional resources to enable higher levels of quality to be achieved or timescales accelerated.

## Part 2 - Toolkit

### 5. Sources of Funds

#### 5.1 General

5.1.1 There is a wide range of *potential* funders to a particular project, each with different characteristics, each having a different motivation, each with their own preferred way of giving, each having different criteria and a route by which they can be assessed. It is important for the fundraiser to have a clear idea of their project, of whom they plan to approach and how they propose to attract support.

Broadly speaking, the sources can be broken down into the following types:

- National Lottery
- Other Government Funds
- European Funding
- Grant-making Trusts
- Sponsorship

#### (a) National Lottery

Further information on how the Lottery operates and opportunities arising through the different distributors is set out in Appendix C.

#### (b) Government Grants

Grants from government represent an increasingly important potential source of funding. It should be remembered that government grants are primarily designed to meet departmental policy and objectives and programme outcomes. These should be reflected in the published criteria for particular grants. Applications will therefore be expected to demonstrate clearly how they will help departments achieve their objectives. Another important and constraining aspect is that government funding works to an annual timetable ruled by the financial year running from 1 April to 31 March.

The different grants and financial support received can, generally speaking, be categorised, according to the government departments or non-departmental public bodies responsible. The main forms the support takes are in funding programmes, grant-in-aid, special initiatives and service contracts. Further information on the various Government Grants is set out in Appendix D attached.

#### (c) European Funding

The EU provides a huge amount of money for social and economic development in member states. The biggest proportion is available through the Social Fund, which goes to regional and local government, regional regeneration initiatives, learning and

skills councils and voluntary organisations. The top 500 charities receive significant amounts annually from Europe.

There are three main types of funding available from the EU.

- *Structural Funds.* The most important of these are the European Social Fund (ESF) and the European Regional Development Fund (ERDF). These are controlled by member governments and need to be matched by funding from within the UK.
- *Budget line funding.* There are some 150 further budget lines which offer opportunities for voluntary organisations to apply for funding, although eligibility is not necessarily limited to the voluntary sector.
- *Contract and research funding.* This is for specific work which the European Commission wishes to commission, on its own or on behalf of another government. This work is usually put out to tender and can support research across a range of issues in the areas of health, environment, socio-economic affairs, energy, transport and medicine. Getting money from Europe can be a long, slow and painstaking process. There is increasing competition for the available funds, and the programmes, priorities and guidelines are constantly changing. Each year, the EU agrees its budget. The budget year runs from 1 January to 31 December and it is important to keep up to date and to make contact as early as possible, ideally a full year in advance. Although the budget is adopted in December, it has been under discussion for the whole of the preceding year and so it is never too early to begin your research, although you will be unable to apply until an official invitation to tender has gone out. Where matching funds are required, it is necessary to ensure these are committed before an application is made.

#### **(d) Trusts**

Further information on how trusts operate and on some of the trusts active in the District is set out in Appendix E.

### **5.2 How grant decisions are made**

5.2.1 Most trusts respond to the requests they receive for support, rather than seeking out projects they would like to support. So the first stage in the grant-making process is receiving a proposal from an applicant. What happens next depends on the size of the trust. Larger trusts will have a procedure for assessing applications, which could include:

- the trust director or a specialist grants officer assessing the application and making a recommendation;
- a site visit or a meeting with the applicant;
- engaging a consultant to investigate and report (which would only be done for very large applications).

5.2.2 A report with recommendations is prepared for the trustees, with the final decision being made at the next trustees' meeting. Some of the very large trusts allow their staff discretion to decide smaller grants without reference to the trustees.

5.2.3 Smaller trusts tend to do everything through the trustees. They read all the applications they receive, reject clearly inappropriate ones and discuss together which they will support based on the information in your application.

**(f) Commercial Sponsorship**

Many businesses are prepared to sponsor events for either philanthropic reasons, to generate good public relations or to increase sales within a specific market. Care needs to be taken by the Council in seeking private sector sponsorship to avoid any possible conflict of interest or potential challenge, for example, in relation to potential future planning applications. Similarly, the Council would wish to avoid association with products or services not considered to be in the best interest of the health of our community i.e. Alcohol and Tobacco.

## **6. Putting Together a Suitable Bid**

### **6.1 Principles and Stages**

6.1.1 Once a project has been clearly and fully formulated, a bid for resources needs to be made. This section sets out the key principles of a good funding bid and offers tips on how best to write a bid to maximise the chances of its success. The principles covered are relevant to almost all types of bids and funding sources.

6.1.2 Preparing a bid can be looked at in five stages:

- Planning the bid
- Writing the application
- Preparing the financial package
- Preparing supporting documentation
- Submission of the bid

### **6.2 Planning the Bid**

6.2.1 When preparing a bid for external funding it is vital that you plan thoroughly for each step in the process. Poor planning will inevitably lead to problems further along, or at the end of the process, could compromise the quality of the bid or even prevent its submission.

6.2.2 Key elements of the planning process include:

#### **(a) Reading the guidance**

Although an obvious point, it is often something that is overlooked until someone sits down to actually write the bid. Bidding guidance regularly contains a number of steps which applicants must go through prior to submitting a bid. Applicants may be requested to submit an initial outline of proposals, undergo eligibility checks or submit an expression of interest prior to receiving further detailed guidance on the final bid. Careful consideration of what steps the funder requires can have a great impact on the timing of a bid. It is essential to read the guidance thoroughly prior to embarking on a funding bid.

#### **(b) Step by step planning/timetabling**

Planning out the various steps in the process, in the form of a project plan should provide clarity on what is required. This is especially important when preparing the bid involves co-ordinating the contributions of many individuals or organisations. Ensuring that the process is mapped out against an appropriate timetable is also important, as slippage often leads to key elements being overlooked or the opportunity to review the bid prior to submission being lost.

#### **(c) Tactics**

Depending on the funding body or the type of arrangements being used to stimulate bids, there may be an issue of how much to request. Calls for projects where large amounts of money are available over a long period of time may allow more speculative or aspirational projects to be submitted, where overbidding is almost expected. Bids to smaller, more focused funds will demand a more realistic approach, requiring a demonstration of value for money and clear budgeting.

Unless the amount to bid for becomes a tactical issue, the best approach to follow is to be realistic and bid for the actual cost of a project. An unrealistically high or low bid may lead to an unnecessary failure.

**(d) Find out what you are likely to get**

Depending on the funding body, there may be an opportunity to discuss the proposals with them at an early stage. This can often lead to advice as to how much they are likely to put into a project (either as a % or an actual amount), subject to a suitable bid being submitted. Formal discussions with funders on the scale or a bid are often met with diplomatic, non-committal responses, but informal advice is increasingly forthcoming as funders seek to avoid raising expectations and prevent unnecessary preparatory work and bid submissions.

**(e) Bids by more than one organisation**

In circumstances where a project involves bids from more than one partner organisation, it is often advantageous to find out details of the partners' submission(s) and, moreover, the amounts others are bidding for. Working arrangements between organisations often dictate how much information is likely to be shared prior to bids being submitted. Working together to ensure complementary bids is usually beneficial to all parties.

**(f) Bids involving submissions to more than one funding body**

Where projects require the submission of bids to more than one funder, the requirements of each funder should be assessed together. Ensuring that all documentation produced meets the standards of all funders, should save time and effort. Planning the submission of multiple bids to meet the deadlines of different funders will also be crucial as each may depend on the others to commit themselves first.

**(g) Assessment Criteria**

Where scoring or other criteria are to be used by funders to assess projects, it may be possible to obtain those before writing the application. Where available, these will give an indication of what each question specifically needs to address.

## **6.3 Writing the Application**

6.3.1 When writing a funding bid there are a few key points to remember, regardless of how the application form is structured or what supporting documentation is requested. These can be summarised as follows:

- never forget that to make a case for the funder to invest in the project – they must get something out of it in return.
- bids should present as a sensible business case ie the funder is being given the opportunity to purchase a set of outputs for their requested contribution. This must represent value for money for the funder.
- back up the case with appropriate facts and statistics, as this will be the only way they will be convinced that there is a need for the project.

- there can be a tendency when bid writing to plead poverty or make things look as bad as possible. This needs to be balanced up by offering a solution to the problems rather than just appealing for money. Pleading total poverty might jeopardise an otherwise potentially successful application. Once the need for the project has been demonstrated, the focus of the bid should be what the project is going to achieve.
- bids will always be assessed against the organisational priorities of the funder. Bids should aim to reflect these priorities throughout the application.
- management arrangements and how the project is to be delivered are often as important as what is being delivered. Funders need to know that their money is going to be managed effectively.
- demonstrable partnership bids are often more appealing to funders than those from a single applicant.

6.3.2 When completing an application form there is usually a set of core issues which need to be addressed, however the questions are constructed or phrased. Although the guidance notes provided with an application form will set out what is required in respect of each question, there are a number of good practice points to consider when deciding how to answer each of the following typical questions:

**(a) What are the project aims and objectives?**

Generally have one clear strategic aim for the project and up to six more specific objectives as to how the aim will be achieved.

**(b) Project description**

Describe the project in detail by considering the five Ws eg **what** is being delivered; **who** is delivering it; **why** is it being delivered; **where** is it being delivered; and **when** is it being delivered. The project description must show a clear progression from activity to achievement of outputs.

**(c) What is the need for the project?**

Alongside the obvious demonstration of why the project is needed, the bid needs to demonstrate why their funding is needed to solve the problem.

**(d) What is the strategic context of the project?**

List strategies and quote which sections link to specific elements of the project. Use most relevant national, regional, sub-regional and local strategies to demonstrate links at all levels.

**(e) What consultation has taken/will be taking place?**

The bids needs to give the funder confidence that the bid has the full support of the community, and that they will have some ongoing input into the project. Demonstrate all consultation, including partner organisations, and not just the wider community.

**(f) What measures will be in place to enable successful monitoring?**

The bid needs to show how activity can be tracked from action to output/outcome. How monitoring information is to be used also needs to be explained.

**(g) What are the outputs and outcomes of the project?**

The funder wants to see what practical outputs can be directly achieved as well as what the overall outcomes will be for the area, and how the two are linked.

**(h) What alternative options have been considered and why have they been rejected?**

Outline other methods of delivering the same types of outputs/outcomes and conclude why the chosen option demonstrates better value for money. Capital projects sometimes require costed options to be included.

**(i) What is the exit/continuation strategy for the project?**

Demonstrate how the funder's money will not have been wasted if the project comes to an end. If the project is to continue, sustainability needs to be demonstrated without compromising the need for the money in the first place.

**(j) Identify potential risks to the project?**

Identify risks and outline contingencies in relation to: legal; financial; management; organisational capacity; funding package; consents required etc.

**(k) How does the project offer value for money?**

Demonstrate how the unit costs for outputs compare favourably with other projects or alternative ways of achieving them or explain the reasons why, if they don't.

**(l) How does the project complement existing/planned activity?**

Show how the project adds value and how funding would provide for the additional element. It is also important in some cases to demonstrate statutory support for the project and show where the line between statutory provision and added value exists.

## **6.4 Preparing the Financial Package**

6.4.1 The finances of a project are often the area scrutinised the most, yet are often poorly defined or thought through when putting a bid together. As with writing the application form, there are a number of key principles to consider when developing the financial information for a project:

- develop a clear cash flow to demonstrate the organisation can afford to take the project on, remembering that most grants are paid in arrears.
- the funding package for a project needs to be complete. Bids should never be submitted unless the other sources of funding for the project have been defined and that all contributions added together will meet the total project cost. This may need to be evidenced with copies of other funders' offer letters.

- all matched funding for the project should be included, indicating whether it is cash or in kind. The degree to which the matched funding is secured will strengthen or weaken the case for the project considerably.
- all financial tables must add up correctly and must match project cost tables exactly, thereby guarding against any unnecessary delays in the application process.
- external funding can be in respect of purely capital items, purely revenue items, or a combination of both. Where necessary the bid should differentiate between capital and revenue items, as it is common practice for funders to offer successful projects a capital allocation and a revenue allocation, with little flexibility between the two.
- 'double funding' should be avoided. The bid should be clear as to who is paying for what and that the funding being requested is not available from anywhere else.

## 6.5 Preparing Supporting Document

6.5.1 Depending on the size and type of bid being made, a number of supporting documents may be required. Generally, any large capital project will require a business plan to demonstrate long term sustainability. This should contain similar information to the application form, but in greater detail. Although the exact requirements of a business plan are usually defined by the funding body, the standard format for a business plan is as follows:

- Executive Summary
- Introductory Statement
- Purpose of the Project
- Project Description
- Target Area and Population
- Analysis of Need
- Current Provision
- Sustainable Delivery
- Organisational Information
- Management Arrangements
- Key Partners
- Timetable/Project Plan
- Finance
- Assumptions
- Monitoring and Evaluation
- Risk Assessment
- Links to other Activity
- Community Participation
- Marketing Plan
- Forward Strategy

6.5.2 Funders may also ask for documents such as constitutions and accounts as well as job descriptions and professional indemnity certificates.

## 6.6 Submission of the Bid

- 6.6.1 Once a bid has been written there are usually a number of processes to go through prior to submission. This will normally be the Head of Service in consultation with the Head of Finance. However, reference also needs to be made to the District Council's Contract Standing Orders and Financial Regulations in terms of "thresholds"; and any specific requirements of the funding body in terms of the necessary signatories. The most important of these is to get the bid read through by a 'critical friend' to ensure that the questions have been answered fully, and in accordance with the guidance. Time needs to be allowed for this to take place and for any comments or revisions to be incorporated. As bids which are poorly planned are often completed and submitted right on the deadline, this is often an area where mistakes and inaccuracies are overlooked, leading to a weakened bid.
- 6.6.2 The bid will need to be signed by the appropriate person within the organisation prior to submission. This can cause delays if the appropriate person is unaware of the project or is unavailable at the time the signature is required. Good planning at the start of the bidding process should ensure that this does not occur. Liaise with the signatory well in advance to identify and set aside a date and time for the bid to be signed.
- 6.6.3 On top of any internal approval required before the bid can be submitted, the funder may require further approvals from other partner organisations. They may also require letters of confirmation to be produced by other parties contributing funding to the project. Again, time for this needs to be incorporated into the overall bidding timetable.
- 6.6.4 Although funders will state that presentation is not important in their assessment of a bid, it is a key element in convincing them that the bid is part of a co-ordinated approach, from a professional organisation and that the bid fits within the organisation's overall framework. The quality of the presentation required will be dictated in most cases by the size of the bid and the amount of supporting documentation accompanying it. The better the presentation, the greater the clarity of bid and the less the likelihood of unnecessary queries and delays.
- 6.6.5 Basic advice to follow would include:
- Allow time for submissions to be professionally printed;
  - Front covers should be presented in a corporate style, in keeping with other linked documents;
  - Supporting documentation should be presented in a style in keeping with the bid document to reinforce the impression that the project has been well considered;
  - Photos, maps, diagrams, tables and other supporting information should be used where appropriate, particularly where they strengthen the bid.

## **Ten Tips for Successful Bid Writing**

- **Read the guidance carefully**
- **Talk to the funding body**
- **Find out what others are doing**
- **Match the funders priorities**
- **Develop strong management arrangements**
- **Make sure it adds up**
- **Get someone else to look at it, but not too late**
- **Make sure it's complete**
- **Presentation does matter**
- **Provide relevant supporting documents**

## **7. Project Management of Successful Bids**

### **7.1 Introduction**

- 7.1.1 Once a bid has been submitted and notification of success has been received, there are a number of issues which need to be considered by the organisation before progressing with the project.

### **7.2 Accepting an Offer**

- 7.2.1 Before accepting an offer of external funding, the arrangements for managing the project should all be in place and the appropriate people involved in its management and delivery should be fully aware of what they are taking on. Using the correct project development processes up to this point would ensure that these issues have already been addressed.
- 7.2.2 Once an offer letter has been received, it will need to be signed and returned to the funding body before the project can begin, and no expenditure should be committed prior to this. Offer letters received should also be signed by someone with the appropriate financial authority within an organisation, and not just by person submitting the original bid.

### **7.3 Financial Management**

- 7.3.1 Organisations receiving external funding should ensure that they are subject to the same processes as the organisation's normal expenditure, enabling consistent, robust financial management. Depending on the financial systems in place within individual organisations there are likely to be a number of issues which project managers will need to address before funding can actually be committed, including preparing budget forecasts and securing internal approval for cash flow, when grants are to be claimed in arrears.

### **7.4 Cost Centres**

- 7.4.1 A specific cost centre or budget code should be established for each project, within the organisation's budget management structure, to enable project activity and expenditure to be easily identifiable when required for interim claims or monitoring exercises. A summary should be produced as part of the preparatory work for subsequent financial years budget indicating grants being sourced, a contact officer, their service area, a description of the grant and the sum requested/approved. This summary could be used to assist in reporting on and reviewing the external funding strategy, as well as informing the budgetary process

### **7.5 Grant Conditions**

- 7.5.1 Although any external funding secured will be accompanied by terms and conditions specifying how the funding should be used, these should not replace existing organisational policies and procedures. Procurement is often an area where funding guidance will specify a particular process by which contracts should be awarded or equipment purchased, but these should be viewed as being in addition to, and not instead of, standard organisational procurement practice.

## 7.6 Monitoring

- 7.6.1 Once a project has commenced, there will be strict monitoring procedures to be followed, which will require the involvement of everyone working on the project. The processes to be followed will be stipulated in the grant offer letter and are likely to revolve around the achievement of outputs or outcomes. These requirements can only be satisfied if a robust system is put in place to track activity and expenditure through to demonstrable results, and this should also be developed prior to commencing any expenditure.

## 7.7 Double Counting

- 7.7.1 As most externally funded projects require the recording of outputs, and some projects will involve more than one funding source, it is important to be clear about which grant is achieving which results. In general, the same outputs should not be reported to multiple funding sources as being achieved by their funds alone. This is known as 'double counting', and is a particular problem when using more than one source of government funding, as the results reported to each funder will be aggregated at regional or national level to present a distorted picture.
- 7.7.2 Some funders will use a formula based approach to determine what their 'share' of the project's outputs are, depending upon the proportion of the total funding they have put in.

## 7.8 Audit

- 7.8.1 The monitoring and financial management procedures prescribed by a funder within an offer letter, will allow a certain amount of discretion and flexibility for delivery organisations in how they design and apply their own local systems. In most cases, however, the project will ultimately need to be audited by the organisation's external auditors or by someone appointed by the funder. This audit will need to confirm that the organisation's procedures have been followed throughout and that the processes used are appropriate for the scale of activity occurring as a result of the project.

## 7.9 Evaluation

- 7.9.1 Once a project has been completed, there may be a requirement to carry out, or commission an evaluation. Although some of the focus will be on whether the project met all of its output targets and spent the required amount of funding, it should primarily look at the overall impact of the project and ask the question **was it worthwhile?** In the interests of impartiality and to avoid any potential conflict of interest which may come about through an organisation evaluating its own projects, it is standard practice to have projects evaluated by an external body.
- 7.9.2 One cost-effective way of doing this is to invite a partner organisation to evaluate a project, with a reciprocal arrangement in place to give an independent view of their projects when required. Although not appropriate in every case, this is often a cost-effective way of carrying out a project evaluation, and one which can avoid the expensive background research and familiarisation work needed by specialist consultants.

**External Funding Checklist - Issues to be Considered  
(For Lead Officers use only)**

	<b>Establishing Initial Controls</b>	<b>Tick</b>
1.	Approval for the project should be received from the funding organisation before any spending is committed	
2.	A budget holder/project manager should be clearly identified	
3.	One cost centre should be established for each project, within the organisation's budget management structure	
4.	A financial coding structure should be set up to match the budget headings in the contract with the funding organisation	
5.	An annual budget of all expected expenditure and receipt of grant should be produced	
6.	All project procurement should be carried out in line with the organisation's financial regulations	
7.	Identify key elements of the funding scheme and ensure that they are clearly understood by all those responsible for incurring expenditure, including: <ul style="list-style-type: none"> <li>• Definitions of eligible expenditure</li> <li>• Any different rates at which expenditure will be reimbursed</li> <li>• The limit/cap on funding</li> <li>• The financial information to collect in evidence of claims</li> <li>• The non-financial evidence, i.e. proof of outputs that must be collected</li> <li>• The timetable for submission of claims, and the possible penalties for delayed submissions</li> <li>• Other terms and conditions of the grant, e.g. publicity requirements</li> <li>• Establish systems for identifying any changes to the terms of the grant</li> </ul>	
	<b>Ongoing Monitoring</b>	<b>Tick</b>
8.	Regular budget management reports will be produced as per normal revenue and capital expenditure, and should be completed by the relevant budget manager	
9.	All estimates of grant income due should be based on forecasts of activity rather than maximum entitlement	
10.	Maintain a claims register and review regularly against timetable to ensure up-to-date	
11.	Monitor outputs of the project against the predicted levels	
12.	Report any changes to the project as necessary	
	<b>Matched Funding</b>	<b>Tick</b>
13.	Monitor matched funding expenditure in line with expected amounts	
14.	Report any significant changes to the awarding body. If for any reason the match funding amounts change, then it is likely that the grant will need to be changed in line with this	
15.	Match funding letters of confirmation should be maintained on the project files for audit purposes	