3.6 Grants Management

Policy Statement

The Province of Nova Scotia (Province) is accountable for ensuring public monies are prudently spent for the purposes intended. This policy formalizes the grant management requirements and provides guidelines for the design, administration, reporting, and monitoring of grants.

Definitions

GRANT

An authorized transfer of funds and/or tangible capital assets, which may or may not include eligibility criteria and/or stipulations, to assist a third-party recipient for a pre-established purpose.

DISCRETIONARY GRANT (GL 861100[1])

Grant by which the grantor (i.e., government) has the discretion to determine whether a particular applicant receives funds.

STATUTORY (NON-DISCRETIONARY) GRANT (GL 863100[1])

Grant by which the recipient, formula, or pre-established criteria is specifically stated in the legislation authorizing the grant.

PROGRAM GRANT (GL 865100[1])

Grant that has both discretionary and non-discretionary properties and is therefore recognized independently. Grant terms are not stated in legislation; however, the grant does relate to costs under an approved funding agreement or program of a department. Although there is a certain level of discretion to amend or terminate a program grant, doing so could result in a deviation from the delivery of core programs and/or put at risk a department's ability to meet its mandate or adhere to funding agreements.

ELIGIBILITY CRITERIA

Conditions that must be met before funding is issued, specifying what a recipient must be or must do to receive a grant.

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1   There are other grant GLs that foster additional grant categorizations such as Formula Grants (GL 863200) and Basic Assistance (GL 864300); however, for the purposes of this policy, the primary grant types have been noted above.

STIPULATIONS

Conditions that must be met after funding is issued, specifying how a recipient must use grant funds or the actions it must perform to keep the funds.

Policy Objectives

The objective of this policy is to provide guidance on best practices for the design, administration, and monitoring of compliance when overseeing grant activities, while ensuring they are accounted for consistently and accurately. This will provide departments with clarity to achieve consistency and improved governance while simultaneously providing enough flexibility to accommodate the many different types of grants provided across government.

Application

This policy applies to all grants and transfer payments of the Province's departments, agencies, boards, and commissions of the General Revenue Fund (hereinafter referred to as "departments").

Organizations outside of the General Revenue Fund but within the Government Reporting Entity[2] are encouraged to adopt a policy that allows for the accurate and consistent reporting of grants relating to external recipients, if applicable. This policy should comply with the entity's generally accepted accounting framework.

Policy Directives

SCOPE

The following transactions are excluded from this guidance:

- Inter-entity grants such as base funding grants (e.g., departmental grant to any entity listed in Schedule 10 of the Public Accounts)
- Flow-through grants where funding guidelines are primarily driven by agreements with the Federal Government (or other external parties) and
- Fee-for-service arrangements

Determining whether a transfer is a grant or fee-for-service arrangement requires professional judgment. To assist with this decision, please see Appendix 3.6-A

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2   For definition, see Corporate Administrative Policy Manuals, 200 Budgeting and Financial Management, Chapter 4, Policy 4.1 Government Reporting Entity.

GRANT LIFECYCLE

Grant programs are to have a clear purpose, support departmental initiatives, and be connected to the achievement of a public policy objective. Properly managing grant programs is essential to ensuring good governance and oversight. Appropriate resources and clearly assigned roles and responsibilities will ensure ownership and accountability. Effective grant management is also achieved by having a proper internal control system in place, which involves:

- Preparing policies and procedures

- Selecting and using information systems to assist in managing grants

- Providing grant management training to staff and recipient organizations

- Coordinating programs with similar goals and purposes

Grants management encompasses the processes and administrative work that happen throughout the grant lifecycle. This generally includes setting up the grant, reviewing applications, ensuring eligibility of recipients, disbursing grant funds, and ensuring those funds are spent as intended. The lifecycle can be split up into 3 distinct and often recurring phases:
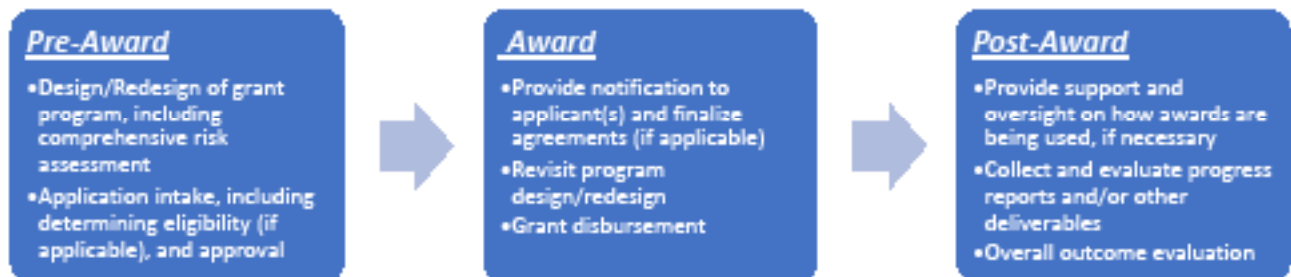
PRE-AWARD PHASE

GRANT PROGRAM DESIGN – CORE ELEMENTS

Departmental management that oversee grant programs will be ultimately responsible for their design. The design should be driven by a performance management strategy and comprehensive risk analysis, which includes both the risk to the Province as well as the risk to the recipient and/or ultimate beneficiary. This process should be documented and should include an assessment of the risks and mitigations to support

the likelihood of the program accomplishing its goals and objectives. It is also not just a one-time process and should be reviewed and updated accordingly, should the program continue, to adequately manage any new or changing risks.

While assessing and applying design elements, factors such as the risk/reward to the Province (i.e., balancing the impact and likelihood of the identified risk with the cost of reducing the risk), materiality of the dollar amount(s), and the potential for redundancy (i.e., can the identified risk be adequately addressed through other accountability requirements) should all be considered. It is important to note that within the main categories of grants (discretionary, non-discretionary, and program), the scope of individual grant conditions and rigor of the overall process is likely to vary.

The level of conditions may range anywhere from non-existent to a more rigorous process that includes, for example, a detailed analytical selection of recipients, analysis of alternative funding options, specific reporting requirements, and accountability mechanisms that show how funds were used in alignment with the grant program's objectives. The level and type of conditions and risk tolerance should match the circumstances for which the grant is being provided. For instance, a grant program design for certain vulnerable populations may not require a signed agreement or reporting requirements given the urgency of funding and the nature of the individual recipients. Although with no signed agreement, the Province is at a greater risk of the project not being completed as intended and/or will not be able to recover funding, this weaker accountability and acceptance of risk may be required to achieve certain outcomes. These types of circumstances are viewed as rare and must be documented and justified through reasonable, deliberate decisions. To aid with this documentation, it is recommended that a process and/or checklist be created and kept to support accountability in these cases. There should also be a level of consistency in requirements and expectations for similar groupings of programs, including consideration of materiality.

In anticipation for urgent grants or grant programs (e.g., pandemic grant programs, emergency grants, etc.), departments should create protocols and template agreements and/or commitment letters, which could be adjusted efficiently and effectively without adding undue risk. For clarity, the Province's fiscal capacity should not be considered the sole rationale to advance a grant and any increase in risk associated with a particular grant/grant program should be justified.

When designing a grant program that would benefit private sector stakeholders, potential trade implications should be considered. Where appropriate, the Department of Intergovernmental Affairs should be consulted to undertake a trade compliance

risk assessment. The Government of Canada and the Government of Nova Scotia are parties to multiple trade agreements which have disciplines on government financial contributions to the private sector. A breach of trade commitments could result in costly disputes and/or financial impacts on export-oriented businesses.

Examples of best practice grant design elements can be found in Appendix 3.6-B, and for additional assistance in developing agreement protocols, there are also examples of Terms and Conditions in Appendix 3.6-C for further consideration.

Application and Approval

Application and approval processes should be clear and consistent, while ensuring any reasoning and/or assumptions are well documented. The grant selection process should be transparent and have a certain amount of rigor for accountability purposes. The application requirements on applicants and recipients should not be unduly burdensome but supportive of the department's accountability and evaluation responsibilities.

AWARD PHASE
Administration

The following administrative best practices should be considered by departmental management in addition to their own internal practices, if applicable:

1. Signed agreements should be received prior to the release of funding.
2. Funding should not be disbursed until required eligibility criteria have been satisfied.
3. Multi-year funding would benefit recipients by creating financial security for planning and strategic purposes and reduce the administrative burden of an annual application process. One-time funding may be helpful for addressing resource gaps or pilot projects.
4. Additional grants should not be provided if accountability requirements are outstanding for a previous grant unless extenuating circumstances exist and are well documented.
5. If grant payments are to be made at certain times, ensure that during the Pre-Award Phase the terms and conditions are consistent with this (i.e., progress report deadline should be in advance of when payment is expected to be sent).

Provide clear communication on timing of funds and ensure funds are issued on time by setting a service standard for distribution of funds (e.g., payment within 14 calendar days of agreement being signed).

6. Develop practical assessment tools for each stage of the grant process.

7. When using third party grant administrators, ensure that there are signed agreements with clear expectations, reporting requirements, and conflict of interest guidelines. If a request for proposal (RFP) or other acceptable competitive procurement processes are not used for the selection of grant administration services, document reasoning.

8. Establish a process to screen discretionary grant requests.

9. Establish a process for identifying the maximum amount payable to any recipient annually or in total, or the maximum payable with respect to any initiative or project, as applicable (see Appendix 3.6-D on Stacking Limits).

10. Identify and document relevant general ledger and cost centre codes and record transactions consistently.

11. For any reporting requirements, either for eligibility or post-grant evaluation, a pre-established plan should be in place to ensure a reasonable evaluation will be conducted. Applicants should provide a work plan that outlines accountability mechanisms and how funds will be used in alignment with the grant's objectives.

12. If administrative duties are to be administered by a third party, an appropriate agreement should be in place between the administrator and the department, including:
    o Expectations/guidelines to govern the administration of the program
    o Clear accountability requirements
    o Regular evaluations to determine if goals and objectives of program is being met in an efficient and cost-effective manner
    o Costing of the administrative services, if any.

13. If there are exceptions or amendments made to the original grant program design, the rationale should be clearly documented in the files.

POST-AWARD PHASE
Monitoring and Support

After grant funding has been awarded, the department must then oversee the recipient's reporting compliance in accordance with the agreement. This process extends across the life of the grant and involves reviewing and/or auditing reporting

requirements submitted by the recipient to ensure that all requirements are being met. Departmental staff may also perform on-site visits, if applicable.

This process should be driven by the performance measurement strategy for ongoing performance management of the grant program set in place as part of the program design. The information received along with the other review activity should help to assess if the program is achieving the objectives and expected outcomes. This ongoing monitoring ties directly to the evaluation, which is key to enable departments to assess the effectiveness and efficiency of the program.

Upon the completion of the grant end date and all the closeout requirements, including the review of any final reporting requirements, the grant and/or grant program can then be evaluated.

Evaluation

The first step in the evaluation process is to revisit the goals and objectives that had been established. This likely will include items such as:

o Best practice criteria (e.g., impact on economy, number of jobs created, number of individuals/businesses assisted, other ranking based on targeted objectives, etc.)
o Broadest population impacted

The evaluation process is set up for success by ensuring that the objectives are specific and measurable in the design phase. Departments should be able to address questions such as:

o Was the grant or grant program successful? Did it operate as intended?
o Did the grant accomplish what was intended?
o Were the objectives and expected outcomes met? Do they continue to support the department's mandate and related strategic outcomes throughout the period?
o Have more efficient and/or effective ways to achieve the objective(s) materialized?
o To what extent are the current performance monitoring mechanisms meeting accountability needs?

As part of the ongoing performance management strategy, departments should consider if any adjustments are required to risk assessment and/or program design. All considerations and reasoning should be documented.

OTHER CONSIDERATIONS

In considering the completeness of grants, departments should be aware of the following conditions that may lead to grant recognition, as defined in the Public Sector Accounting Standards:

1) PS 3041 - Portfolio Investments

- 3041.17 - When the terms associated with a government's portfolio investment are so concessionary that the substance of the transaction is that all or a significant part of the investment is in the nature of a grant, the grant portion of the transaction should be recognized as an expense when the investment is made.

2) PS 3050 – Loans Receivable (re: forgivable loans and concessionary terms)

- Forgivable loans
i. 3050.17 - When an amount is advanced with forgivable conditions, it should be accounted for as a grant unless it meets the definition of a loan receivable and there is sufficient evidence of a reasonable expectation of its recovery.

ii. 3050.18 - A forgivable loan is one which includes, in the terms of the loan agreement, conditions under which the principal and any accrued interest would be forgiven. A conditional grant is one that may be recoverable because it has conditions that can trigger repayment. Conditional grants should be accounted for in accordance with GOVERNMENT TRANSFERS, Section PS 3410.

- Loans with Significant Concessionary Terms
i. 3050.20 - When the terms of a loan are so concessionary that the substance of the transaction is that all or a significant part of the loan is more in the nature of a grant, the grant portion of the transaction should be recognized in the statement of operations as an expense when the loan is made.

As part of the finalization of grant agreements, management should consider whether there are any changes in the substance of the control relationship with the recipient – see Policy 4.1 "Government Reporting Entity" (Policy Guidelines) for further guidance.

Policy Guidelines

Each grant and/or grant program should be evaluated individually and is likely to require the use of professional judgement. To the extent that program terms and conditions include unique clauses, such as indemnities, it would be advised to consult

with Government Accounting. Best practices in grant design indicate that all grants should:

- Align with the core business and goals of the division/department
- Be included in the division/department's priority setting and planning cycle
- Avoid overlap or duplication with other grants in the same division/department
- Embed performance measures for monitoring during the life cycle of the grant
- Use standard terminology across all grants
- Have a process for determining which organizations are most suitable for funding
- Have a process for determining how to solicit, select, and award grants
- Be transparent
- Achieve value for money

Accountability

Departments/Program Areas are responsible for the design, administration, and monitoring of compliance of grant programs.

Financial Advisory Services units are responsible for the consistent and accurate financial planning, budgeting, forecasting, and reporting of grants, supported by sufficient audit evidence.

Government Accounting is responsible for providing guidance and advice relating to the appropriate accounting treatment for grants.

Monitoring

Departments/Program Areas are responsible for implementing, and complying with, this policy. Government Accounting and Financial Advisory Services units are responsible for monitoring the application, performance, and effectiveness of this policy.

References

Public Sector Accounting Standards - PS 3400 Revenues

Public Sector Accounting Standards - PS 3410 Government Transfers

Appendices

Appendix 3.6-A   Grant vs Fee-For-Service Arrangement

Appendix 3.6-B   Grant Program Design – Example Core Elements

Appendix 3.6-C   Grant Program Design – Example Terms and Conditions

Appendix 3.6-D   Stacking Limits

Enquiries

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Department of Finance and Treasury Board

902-424-2079

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Appendix 3.6-A

"Grant" vs "Fee-For-Service Arrangement"

This appendix should only be used to assist in determining whether a transfer is a grant or fee-for-service arrangement. For examples of core elements and terms and conditions to include in a department's contribution agreements, please see Appendices 3.6-B and 3.6-C.

Characteristics Supporting "Fee-For Service":

- They are exchange transactions where goods or services are provided to a payor for consideration. These transactions include performance obligations arising directly from a payment or promise of consideration by a payor (PS 3400).
- Fee-for-service is when parties make promises to deliver a product or service in exchange for consideration.
- Legally bound to produce results as part of a contractual relationship (i.e., could take legal action to recoup funding agreed upon if results are not achieved).
- Fee-for-service should go through normal procurement process.
- Don't necessarily get payment up front.

Characteristics supporting "Grant":

- They are non-exchange transfers to an individual, external organization, or other government where the transferring government does not:
o receive goods or services directly in return, as would occur in a purchase or sales transaction;
o expect to be repaid in the future, as would be expected in a loan; or
o expect a direct financial return, as would be expected in an investment.
- Can be a contractual relationship, but generally the Province simply grants funds for a specific purpose.
- In the grant model, a government provides cash to an individual or organization who then delivers the necessary service to fill a social need. Funding relationships give all the power to the granting body, which sets the terms and format of the application and budget and sets the parameters about how, what and when deliverables are to be met.

- Once the grant is awarded, the money is provided as agreed upon (up-front or over time). However, then there are typically reporting requirements to document activities, expenditures, variations in budget and requests.
- Costs are incurred to fulfill the grant reporting requirements (in staff time and resources); these costs may not be covered by the grant. However, if there is an allowance for reporting or administration, the amount can be limited (by dollar and/or percentage of funding) and documented within the contribution agreement.
- When an entity applies for grant funding, they typically don't sell goods or services directly to the Province as would occur in a purchase / sale or other exchange transaction (i.e. they don't create demand; they simply meet an existing demand).

Final thoughts:

Use the above characteristics to guide your decision on whether an arrangement is a grant or fee-for-service. Although each scenario may have performance obligations, they are somewhat different in that under fee-for-service, they are enforceable promises to provide specific goods or services to a specific payor, while under grants, they are eligibility criteria to qualify for funding or stipulations to keep the funding. Another way to differentiate is that a fee-for-service contract usually requires invoices (including HST) for services rendered to be submitted, while grants normally have specific reporting requirements on how the money was spent.

Appendix 3.6-B

Examples of Core Elements

Core elements in assessing and documenting a grant program could include, but are not limited to:

1. The goals and objectives of the program with linkages to the department's mandate and related strategic outcomes. This element should also consider how the program's success is defined with related risks, including project specific risks and fraud considerations, that could impact success.

2. The feasibility of harmonizing the program being created or redesigned, with other grant programs within the department and, to the extent possible, with other departments.

3. The identification of:

a) All parties to the agreement, including contact information

b) Eligible recipients or category of recipients

c) Nature and type of initiatives to be considered eligible under the grant program

d) Method to be used to determine the amount a recipient will be eligible to receive and whether the grant payments include or exclude HST, depending on the type of recipient

e) Eligible and non-eligible expenditures and maximum threshold for each eligible expenditure, if applicable.

4. The ongoing performance management strategy of the grant program, including the specific and measurable performance indicators as well as the data requirements.

- The assessments should consider if the grant or grant program was completed as approved (i.e., accountability) but also that the program achieved the objectives and outcomes as expected. Periodic evaluation should be completed where the program is ongoing in nature.

5. The rationale used in the selection of the appropriate grant payment mechanism taking into account the characteristics of the public policy issue to be addressed, specific program objective or outcome, level of funding, type of recipients, and nature and level of risks. In particular, the following should be considered:

a) Providing funding up front without stipulations may be appropriate when the amount can be determined in advance and eligibility criteria and information obtained before payment provide assurance that the grant will be used for the purpose for which it is provided. Examples include entitlements or formula-based grants.

b) Providing funding with stipulations may be appropriate when the department deems it necessary to monitor progress and results, receive an accounting of the use of funds from the recipient, and have the right to conduct an audit of the grant funds or to request some other type of certification or audit assurance from the recipient.

c) A grant that provides up-front multi-year funding may be appropriate when the financial stability and accountability of the recipient has been demonstrated and is deemed helpful for the recipient to meet objectives involving the implementation of longer-term plans, undertaking multi-year commitments, or matching leveraged funding from the public and private sectors.

6. Repayment clauses

a) Conditions exist that determine the amount and timing of repayment where the grant program is wholly or partially repayable (including residuals).

b) Repayment clauses when reporting requirements are not fulfilled or grant is not being used for its intended purpose.

7. Where it is determined that there will be stages of eligibility, one or a combination of the following should be used:

a) pre-determined performance expectations or milestones, with clarity on when they would be considered achieved;

b) reimbursement of eligible expenditures; or

c) a costing formula.

The choice of approach should reflect the risk associated with the grant program and the known capacities of the recipients.

8. Whether there is a need to establish any rights to the use of intellectual property created by recipients through their use of grant payments and, if so, the basis for establishing such rights.

9. When the grant program is to be administered by a third-party, determine whether selection will occur through market competition and document reasoning (e.g., emergency situations may require a timely selection). Funding can be made available through:

a) open competitive calls for applications

b) targeted competitive requests for applications

c) non-competitive closed applications

10. A clause that reflects the obligations of the parties with respect to privacy and personal information (FOIPOP and Privacy Impact Assessment).

11. Where possible, incorporate other government priorities, such as Inclusion, Diversity, Equity, Accessibility, etc.

Appendix 3.6-C

Grant Program Design – Example Terms and Conditions

All agreements should have a set of basic terms and conditions with the ability to adjust for project specific requirements. If terms and conditions vary significantly amongst programs, the reasoning should be understood and documented. The following terms and conditions should be considered when designing grant programs and contribution agreements:

1. The specific legal and policy authorities for the grant program and, where applicable, any legislative requirement to seek Governor in Council approval.

2. The purpose and objectives of the grant program with clear linkage to departmental and government objectives, and an identification of expected results with performance measures and indicators for monitoring, reporting, and evaluation.

3. The nature and type of initiatives or projects that are considered eligible.

4. Expenditures that are considered eligible in determining the amount of funding. Eligible expenditures may be described either generally as those expenditures necessary to support the purpose of the funding or specifically in terms of the type and nature of expenditures that are to be funded.

o If general descriptions are used the department is inherently accepting more risk as to interpretation. This would not be recommended if strict interpretations are envisioned by the department.

o If the program allows for in-kind support (i.e., donated materials or volunteers' time) as part of project expense reporting, guidance should be documented regarding the process for valuing (e.g., fair value) and verifying (e.g., claim form and/ or third-party confirmation) these disclosures.

o Taxes paid should either be excluded from grant calculations or only accepted as a valid recoverable expense to the extent that the recipient is not able to recover such expenses through other HST credits.

5. Identification of the basis on which final payments and any progress payments are to be made, which is to be one or a combination of the following:

o achievement of pre-determined performance expectations or milestones — a description of the performance expectations or milestones is to be provided

o   reimbursement of eligible expenditures

o   a costing formula — the nature of the formula is to be described.

6. A description of the information required in a request for funding from an applicant and the criteria that will be used to assess funding applications and ongoing eligibility criteria.

7. A general description of the information that will be requested from recipients in financial and performance reporting, including information on results achieved to support the program's performance measurement strategy and departmental reporting and timelines for submitting reporting requirements. Consider requiring the following information for reporting:

o   Financial reporting, level of reporting detail could vary depending on the size of grant allocation

o   Outputs, which could be standardized by sector (e.g., number of clients served, established key performance indicators with benchmarking)

o   Outcomes and impacts should be required for larger grants, and encouraged but not required for smaller grants

8. Best practice suggests that departments should have an additional mechanism in place to assess whether the recipient organizations have the capacity to account for funds and report on outcomes.

9. Maintaining records for a specific period after the close of the grant year in the event of an audit or other request.

10. Confidentiality and conflict of interest clauses.

11. Any other condition or requirement that is appropriate for the grant program, such as but not limited to:

o   Instructions on how to account for interest earned on contributed funds

o   Option and conditions for early termination

o   Termination of the funding agreement, and other remedies and procedures, if the recipient is not in compliance with the funding agreement

o   Third-party insurance requirements, general or prescriptive

o   Indemnification clauses

o   Limit on admissible administrative costs that may be incurred by the recipient and paid from grant funding (e.g., administrative costs of X% are allowed to be incurred as part of the grant funding)

Appendix 3.6-D

Stacking Limits

Stacking limits establish a maximum level of total government funding that is to be permitted under a transfer payment program for any activity, project, or initiative of a recipient. Setting a stacking limit of less than 100% means that a recipient's activity, initiative, or project will not be funded completely by government funding; some portion will have to be funded by the recipient or non-government sources. When a stacking limit is set at 100%, there is no stacking restriction on funding from government sources.

1. Departmental managers are responsible to consider if a stacking limit is appropriate in the terms and conditions for a grant program. This would establish the maximum permitted level of total provincial government funding under that program for any one activity, initiative, or project.
2. Departmental managers are to consider the following types of federal, provincial, and municipal funding toward the same project in calculating total government funding for any one initiative or project of a recipient:

- all government grants/ contributions being considered by the applicant;
- all new investment in the recipient's business in the form of capital stock or equity from a Crown corporation or government department or agency in the proportion the new investment bears to the total investment being made;
- rebates and subsidies, including interest cost rebates, triggered by the supported project;
- forgivable loans; and
- investment tax credits to which the applicant would be entitled, if applicable.