

A Brief Guide to Grant Giving

What this guide covers

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In this guide, we use the term '**grants**' to cover grants, funding or donations by charities to others.

Charities can give grants in different circumstances and for different reasons, as long as it advances their charitable purposes, is in line with their **governing document** and the 2005 Act.

For example, some charities:

- are set up specifically to fund community projects
- provide grants to individuals based in other countries to fund their education
- provide services directly and provide a percentage of their income in grants
- are set up to provide grants for any charitable purpose.

The Charity Trustee duties: As Charity Trustees, you need to be clear about what your charity wants to achieve and how grant giving to an organisation or individual will help achieve that. Where your charity gives grants you must make sure, these grants advance your **charitable purposes**.

To be a charity in Scotland you must meet **The Charity Test**. In order to meet the charity test your organisation must have only charitable purposes and its activities must provide public benefit in Scotland or elsewhere. Where a charity gives grants, this is a way they can provide **public benefit**, the second requirement of the charity test.

Fundraising activities are the ways in which a charity generates money or goods for the grants. Giving the grants is how the charity provides public benefit.



Key questions to ask if you are giving or intend to give grants:

If you are applying to become a charity you should try to cover all these points in your application.

1. Allocations criteria: How will you allocate the grants?

- ✓ Will you choose who to give grants to or will you invite applications?
- ✓ Will you make grants only to other organisations or directly to individuals?
- ✓ Will grants be made specifically to Scottish registered charities, UK registered charities and/or to unregistered organisations that have charitable purposes?
- ✓ How will you make people or organisations aware that grants are available?
- ✓ Will you have an application form? If not, how would a potential beneficiary make a request for grant funding?
- ✓ Will you have a sliding scale for grant funding or will all applications be met in full?
- ✓ If there is not enough funding to meet all the applications, how will you decide which applications have the greater merit?
- ✓ Do you have an allocations policy for grant giving?

2. Assessing applications: How will you decide who gets a grant and who doesn't?

- ✓ Are there any set criteria under which the charity would make or refuse a grant request?
- ✓ How will you assess whether the grant would pose reputational risks your charity?
- ✓ How will you carry out appropriate checks on the proposed recipient?
- ✓ Will you compare your charity's purposes with those of the proposed recipient?
- ✓ What terms and conditions will you have for restricting how the grant is spent?
- ✓ What written agreement or contract will you have with the recipient? This is particularly important when giving grants to non-charities.

3. Monitoring Process: How will you make sure that the grant is only used for the purposes for which it was given?

- ✓ What steps will you take to monitor how your charity's money is used?
- ✓ Is there a monitoring policy in place so to make sure grants are used appropriately?
- ✓ How will this be monitored on an on-going basis?
- ✓ What kind of audit trail will you have to show how the grant is spent in line with your terms and conditions?
- ✓ Will you evaluate how the grant has been used and how your charitable purposes have been advanced?
- ✓ How will you recover the grant if it is not spent in accordance with your charity's terms and conditions?
- ✓ **If the recipient is overseas:**
 - Will any representative of the charity be visiting the country to check on progress?
 - Will you be using banking facilities to move funds? If not, how will you move funds?
 - How will you provide evidence of partnership agreements with organisations in the region?

Having a **monitoring policy** shows how you will:

- assess whether the grant is being spent on the activities or items agreed
- identify if there are any issues with how the grant is being spent
- gather information on the activities you fund
- identify what impact your grant giving activity has and how it advances your charitable purpose(s).

By having a robust monitoring policy in place, you as **Charity Trustees** can show what efforts you make to ensure that your charitable purposes are being advanced and that the funds are being spent properly. This also demonstrates that you are fulfilling your **trustee duties under the 2005 Act**.

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