

## Fact sheet

### Value for Money and Grants Administration

Achieving value for money is important to ensure the benefits of grants are maximised for the people of NSW.

#### What is value for money?

- Determining value for money in grants administration requires an assessment of the lifetime benefits of a grant opportunity against its lifetime costs.
- These costs and benefits will be affected by a range of factors including how they are distributed among groups within the community and the efficiency with which outcomes are achieved. The appropriateness and effectiveness of the grant in achieving its intended purpose, compared with alternative options, should also be a consideration.
- Value for money assessments guide the prioritisation of resources towards initiatives that maximise net social benefits and use taxpayer money to best effect.
- A cost-benefit analysis offers the most comprehensive means of assessing value for money; it incorporates the complete range of expected benefits and costs across the grant lifecycle. It can consider economic, social, cultural and environmental benefits and costs, as well as their distribution across the community.

#### How and when should value for money be considered in administering a grant?

- Value for money should be a key consideration across the grant lifecycle, from its initial design through to implementation and evaluation.
- The Grants Administration Guide (**Guide**) **requires** that value for money is considered at the following stages:

Stage	Guide Requirements	Guide Ref
Planning and designing grant opportunities	To inform decisions about whether a grant opportunity should proceed, officials must demonstrate at the planning and design stage how it will deliver <b>value for money</b> by identifying expected lifetime benefits and costs. <sup>1</sup> This should include consideration of all benefits and costs – economic, social, cultural and environmental – both monetary and non-monetary. A cost-benefit analysis offers the most comprehensive means of assessing value for money as it incorporates the complete range of expected benefits and costs across the grant lifecycle.	5.5

<sup>1</sup> In the case of one-off or ad hoc grants, this requirement may be satisfied in the brief to the decision-maker on the merits of the grant (see section 6.3.1 of the Guide, which sets out the requirements for briefing the decision-maker).

Stage	Guide Requirements	Guide Ref
Assessment and decision-making	Officials must provide written advice to the decision-maker which, among other things, includes the merits of the proposed grant or grants having regard to the grant guidelines (if any), the selection criteria and the key principle of achieving <b>value for money</b> .	6.3.1
Assessment and decision-making	A Minister or an official who approves or declines a grant must record the decision in writing, including the reasons for the decision (and any departure from the recommendation of officials) having regard to the grant guidelines (if any) and the key principle of achieving <b>value for money</b> , and manage these records in accordance with the requirements of the State Records Act.	6.3.2

- In alignment with the above requirements, section 10.3A(2) of the *Government Sector Finance Act 2018* (NSW) requires that a Minister must not approve a grant to which the Guide applies unless satisfied that the grant is an efficient, effective, economical and ethical use of money, and achieves **value for money**.
- The Guide also provides best practice guidance on achieving value for money throughout a grants process (see section 5.5) and recommends that value for money is specifically addressed at the following stages:

Stage	Best practice guidance	Guide Ref
Planning and designing grant opportunities Assessment and decision-making	Officials should consider value for money at both the individual grant level and in respect of the overall grant opportunity. (Although the Guide acknowledges that consideration at the individual grant level may not be practicable for high-volume grants such as those for emergency relief).	5.5
Monitoring and acquitting grants	Officials should monitor individual grants as well as the overall grant opportunity.  Monitoring is an ongoing and systematic process of collecting and analysing information about a grant opportunity, for the purpose of: tracking progress of grant activities; establishing whether funds were dispersed correctly and used for intended purposes; and assessing outcomes, benefits and <b>value for money</b> .	6.6.1
Grants evaluation	Following the implementation of a grant opportunity, officials should implement an outcomes evaluation to assess if and how it led to intended changes and met objectives. The outcome evaluation can also inform an economic evaluation, which assesses <b>value for money</b> .	6.7

## How is value for money assessed?

- The approach taken to assess value for money should be proportionate to the value and risk of the grant, and the capability of the applicant.
- A number of Treasury Policy and Guidelines Papers provide guidance that assists in determining value for money. In particular:

\*TPG22-04 Submission of a Business Case requires business cases for NSW Government investments over a certain value.<sup>2</sup> A business case involves the comparison of feasible options for achieving the policy objectives, including consideration of the costs, benefits and risks of each option. Business cases are good practice for smaller proposals, in particular where there is potential for significant impact on the community, economy or environment.

\*TPG23-08 NSW Government Guide to Cost Benefit Analysis requires all business cases to include a cost-benefit analysis (CBA). A CBA offers the most comprehensive means of assessing value for money; it incorporates the complete range of expected benefits and costs across the grant lifecycle. It can consider economic, social, cultural, and environmental benefits and costs, as well as their distribution across the community.

TPG22-22 Policy and Guidelines: Evaluation sets out mandatory requirements, recommendations, and guidance for agencies to plan for and conduct evaluations. The guidelines state that, regardless of the size of an initiative, it is good practice to plan for monitoring and evaluation. They provide recommendations for tailoring evaluation to the size, strategic significance and risk of an initiative. The guidelines require that, for government investments of significant size, including grants, evidence of costs, outcomes, benefits, and value for money are to be reported.

- For smaller or time-critical grant opportunities, value for money may be assessed with more streamlined approaches, such as a rapid CBA. **Agencies should liaise with NSW Treasury to determine if a rapid CBA value for money assessment is most appropriate.**
- Where it is not practicable to quantify or monetise benefits, other appraisal methods may also be considered, such as a cost-effectiveness analysis.
- Where a full CBA has been replaced with a partial, or rapid, one, provision should be made within the program for an ex-post evaluation including a CBA.

*\* While these NSW Government Guidelines are not mandatory for smaller grant opportunities, they provide helpful guidance for officials.*

## FAQs about value for money

- **Does value for money have to be included in the selection criteria for every grant opportunity?**  
Value for money is an essential consideration in grants administration. However, this does not mean that each and every grant application must be assessed against a value for money criterion in each and every grant opportunity. As the Guide acknowledges, this may not be practicable for high-volume grants such as emergency relief grants.
- **If value for money is not included in the selection criteria, how is value for money considered?**  
Where value for money is not contemplated in the selection criteria for a particular grant opportunity, it is still an essential consideration for the grant opportunity as a whole. For example, officials must provide written advice to the decision-maker which, among other things, includes the merits of the proposed grant or grants having regard to the grant guidelines (if any)

<sup>2</sup> A cost-benefit analysis (CBA) is a mandatory part of a business case, which is required for capital, recurrent and ICT proposals with an estimated total cost of \$10 million or higher: *TPG23-08 NSW Government Guide to Cost-Benefit Analysis*. Note, this cost threshold is set by Treasury's Submission of Business Cases (TPG22-04), p. 5.

and the key principle of achieving value for money. This may be done by outlining the overall value for money considerations that informed the design of the grant opportunity.

- **In what ways could support be available to grant applicants as they consider value for money?**  
Officials can consider what support and resources might assist applicants to make assessments in a cost-effective manner. This may include providing guidance on how to capture data and identify key benefits and costs, or providing CBA templates and logic models.  
  
Officials can also work collaboratively with grantees to ensure a shared understanding of the objectives and intended outcomes and benefits of grants, and the approach to monitoring these. Officials can consider what support or resources might assist grantees to identify and monitor grant outcomes and benefits.
- **What metrics are available to assess value for money?**  
In a CBA, the benefit–cost ratio (**BCR**) and the net present value (**NPV**) are key metrics to indicate whether the quantified benefits outweigh the quantified costs of the initiative. Decision-makers can also consider non-monetary benefits and costs, distributional analysis, and the appropriateness of the proposed grant activity in meeting government objectives.

This Fact Sheet supports understanding of the value for money considerations set out in the Guide (see section 5.5) and should be read alongside that section.

#### Contact us

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