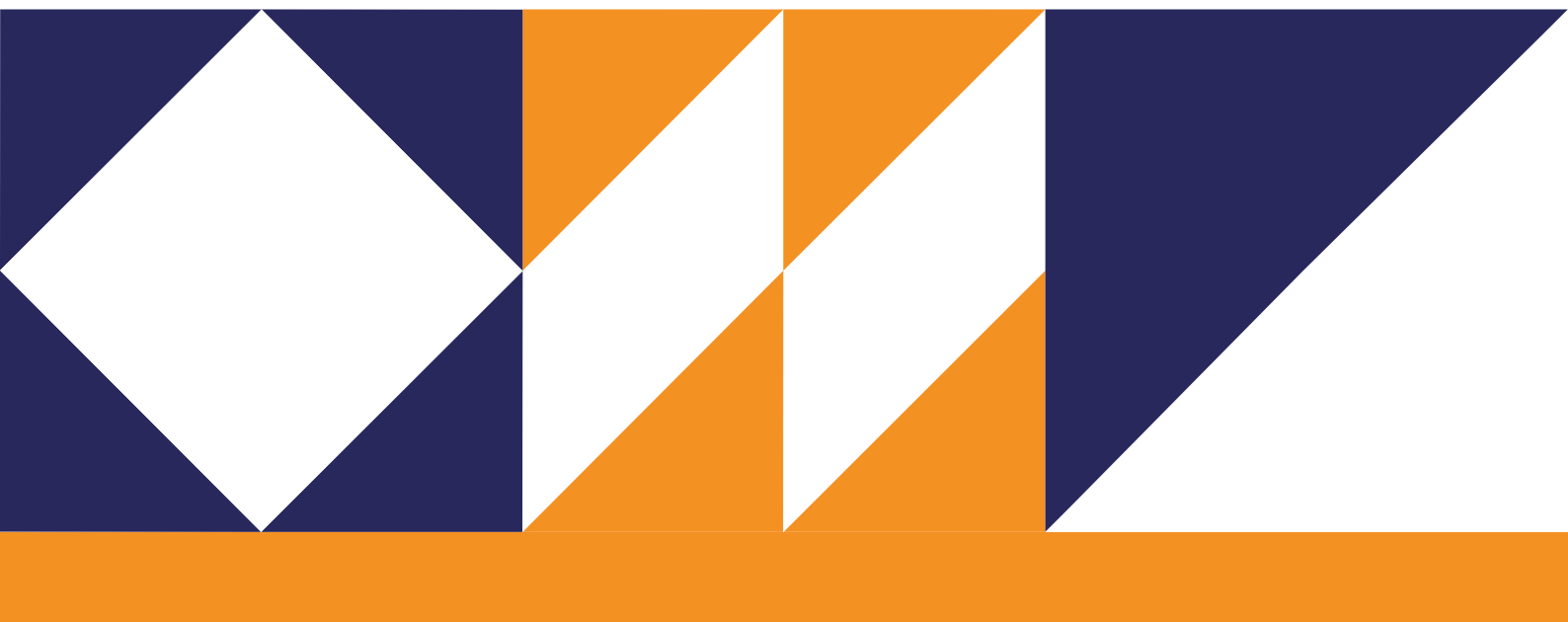




HM Government

Government Functional Standard



GovS 015: Grants

Version: 2.0
Date issued: 21 July 2021

Approved



This functional standard is part of a suite of management standards that promotes consistent and coherent ways of working across government, and provides a stable basis for assurance, risk management and capability improvement.

The suite of standards, and associated guidance, can be found at **GOV.UK/government/collections/functional-standards**.

Functional standards cross-refer to each other where needed, so can be confidently used together.

They contain both mandatory and advisory elements, described in consistent language (see the table below).

Term	Intention
shall	denotes a requirement: a mandatory element.
should	denotes a recommendation: an advisory element.
may	denotes approval.
might	denotes a possibility.
can	denotes both capability and possibility.
is/are	denotes a description.

The meaning of words is as defined in the Shorter Oxford English Dictionary, except where defined in the Glossary in Annex B.

It is assumed that legal and regulatory requirements are always met.

Version 2.0 of this standard replaces the previous edition [version 31, January 2020]. The main changes, which reflect input from users of the previous version, are as follows:

- New Grants Advice Panel has changed to Complex Grants Advice Panel
- State aid has been updated to subsidy control
- The grants pipeline control has been added

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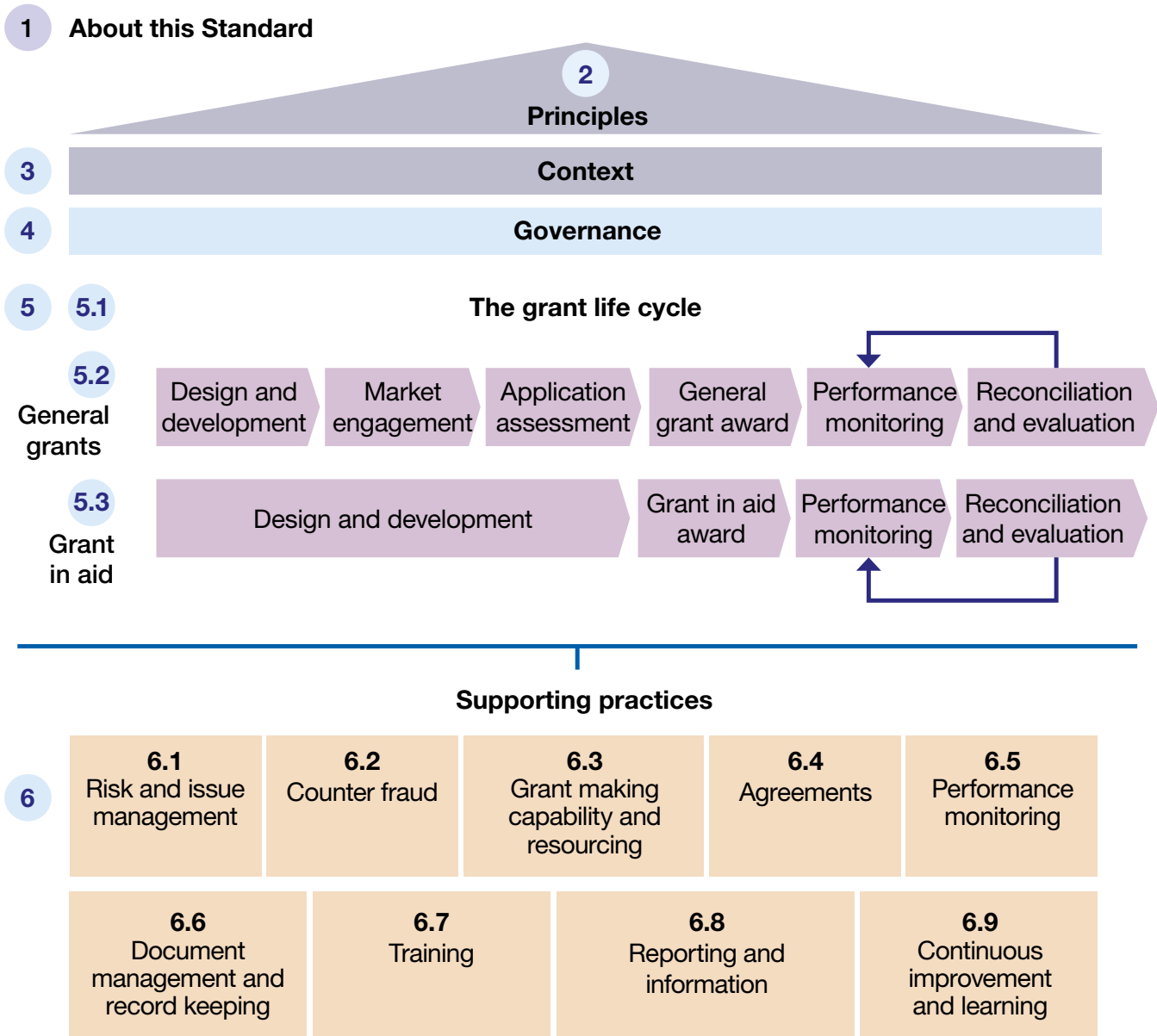


Figure 1 Structure and scope of this functional standard

1. About this government functional standard

1.1 Purpose of this government standard

The purpose of this government functional standard is to set expectations for the management of grants, and to promote efficient and effective grant making to ensure funding is used as intended and provides value for money through high-quality delivery.

This standard provides direction and guidance for:

- permanent secretaries
- directors general
- chief executive officers of arm's-length bodies
- senior officers responsible for grant schemes and awards
- policy teams
- senior civil servants who have overall responsibility for departmental grants policy and their grants champion
- assurance and internal audit teams and bodies
- and grant managers to ensure effective and efficient grant making

1.2 Scope of this government standard

This standard applies to the planning, delivery and management of Exchequer-funded government grants activity in all departments and arm's-length bodies, including general grants and grant-in-aid.

This standard applies to government departments and their arm's-length bodies. Other public sector organisations devolved or local might find this standard useful.

Note: an organisation, in the context of government functional standards, is the generic term used to describe a government department, arm's-length body, or any other entity that is identified as being within scope of a functional standard.

The structure of the standard is shown in Figure 1.

1.3 Government standards references

The following standards are directly necessary for the use of this standard:

GovS 003: Human Resources

GovS 006: Finance

GovS 008: Commercial

GovS 010: Analysis

GovS 013: Counter Fraud

GovS 014: Debt

A functional standard supports achievement of the outcomes sought by an organisation. It sets expectations for what needs to be done and why, relating to the functional work within its scope, in order to achieve those organisational outcomes. This makes it easier for a function to provide and maintain succinct, aligned and targeted requirements and guidance explaining how activities should be done.

For expectations relating to management of a function across government, and management of functional standards, GovS 001, Government Functions shall be followed.

2. Principles

Those engaged in managing grants at scheme and award level shall ensure:

1. grants objectives are aligned to government policy and organisational objectives;
2. the application of this standard is proportionate and appropriate, and is reflected in the approach taken to governance, management frameworks and controls, having regard to an accepted balance of opportunity and risk;
3. grants are made in the best interest of the public, the public purse, and operate in line with 'Managing Public Money' [2];
4. funding is administered with optimum efficiency, economy, effectiveness and prudence, to maximise value for public money;
5. responsibilities and accountabilities are defined, mutually consistent, and traceable across all levels of management; and
6. public service codes of conduct and ethics and those of associated professions are upheld.

3. Context

3.1 Background information

This section provides essential background information for the use of this functional standard.

There are several funding options available to the government, with grant funding a common choice. Government grant funding plays an important role domestically, in areas such as education, research, civil society and innovation, and abroad through international aid projects.

Grants can be used for a number of purposes including:

- providing financial subsidy to support something to happen
- supporting government policy initiatives
- funding research and development and innovation
- informing public policy

The management of grants varies depending on their intended purpose, the type of recipient, allocation method, underpinning legislation, and departmental policy-specific differences.

Funding is typically provided as a sum of money transferred permanently (though usually with an option to clawback for, among other things, misuse, or refund if not used at all) from a government department or its arm's-length body, to a recipient (an entity that is separate from the funder). The funding is to be used in a manner that furthers the implementation of government and/or departmental policy or obligation, but does not otherwise provide a direct economic benefit to the funder. Normally this is delivered as a discrete funding package from the department's own estimate paid on evidence of the recipient's expenditure or qualification, in arrears (or in advance by exception), as set out in the terms of the grant agreement.

Grants are awarded under statute for an agreed purpose, and usually attach specific conditions (e.g. about project terms) or other detailed forms of departmental control. Government funding, which gives commercial entities an advantage over their competitors, can distort competition and is prohibited unless it is compatible with subsidy control rules [2] or an appropriate exemption applies. Grants are outside the scope of VAT.

Grants are not gifts. As defined in 'Managing Public Money' [3], they are made under legislation, are subject to conditions, with some expectation that delivery will achieve the furtherance of a policy objective.

3.2 Grant categories

The format in which a grant is issued, is mainly differentiated by how recipients apply for or are entitled to the funding. There can be multiple allocation methods under a grant scheme, but only one allocation method per grant award. Descriptions of each category of grant are given below.

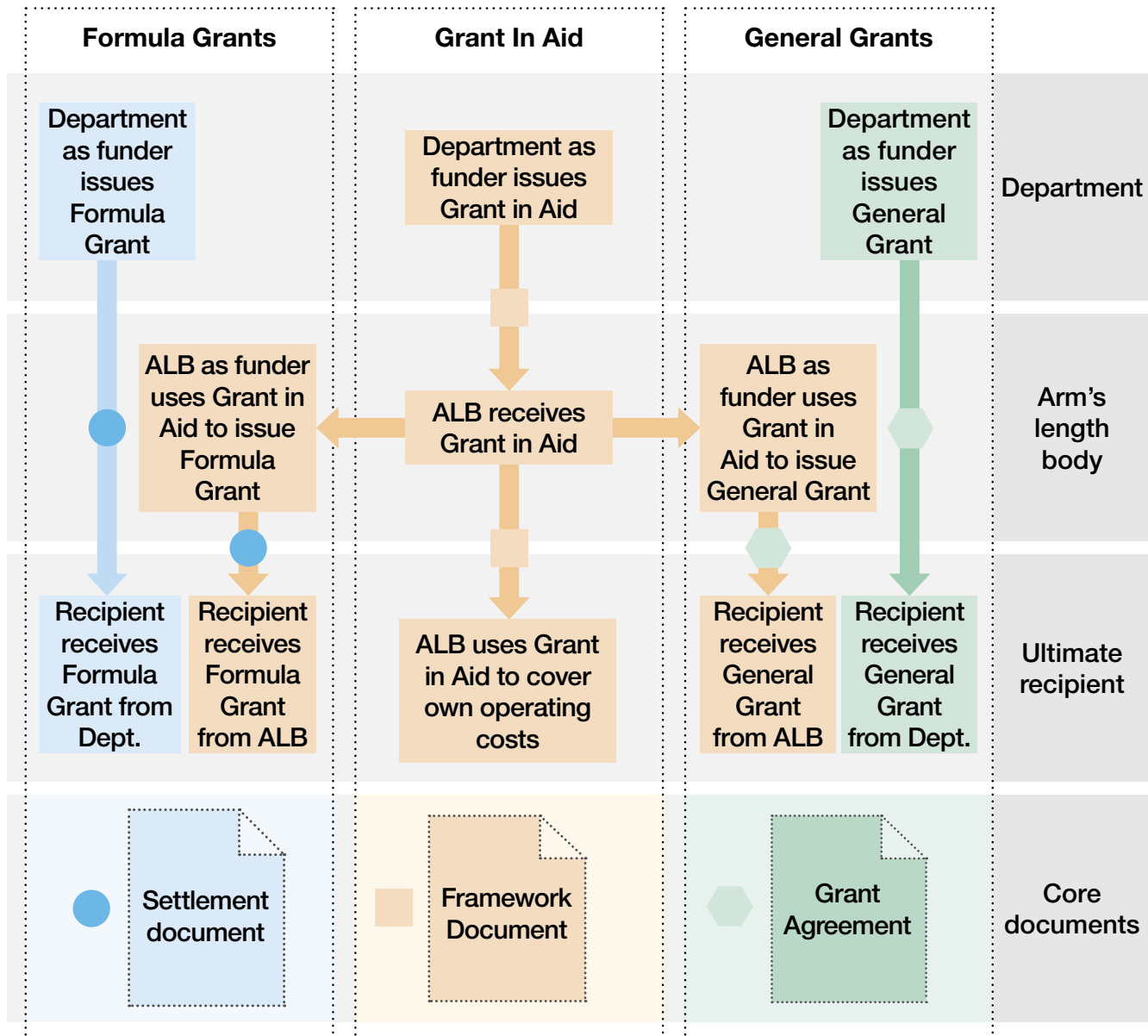


Figure 2 The relationship between different types of grant and the organisations involved

3.2.1 General grants

General grants are those made by departments or their grant-making arm's-length bodies, to outside bodies to reimburse expenditure on agreed specific items or functions, and paid only on statutory or common law conditions. They include 'competed', 'uncompeted' and 'criteria-based' grants.

General grants can also be in the form of a one-off payment, known as an endowment. General grants are most commonly defined after an organisation's budget has been agreed.

3.2.2 Grant-in-aid

'Grant-in-aid' refers to funds which are allocated from one part of government to another part of government for non-specific purposes, for example, central government funding for the running costs of non-departmental public bodies (NDPBs). Grant-in-aid can be used by the recipient to fund general grants and exceptionally, formula grants, as defined in the funding agreement. Grant-in-aid is defined prior to an organisation's budget being agreed and, as such, is included within the supply estimates and settlement letter, with which, GovS 006, Finance shall be followed.

3.2.3 Formula grants

Formula grants are those calculated by way of a formula. This funding is provided, in recognition of specific criteria, by central government, for example, to local authorities, schools and the police and is included in the supply estimates and settlement. Funding is determined by factors relevant to the purpose, such as population and levels of pupils who receive free school meals.

Formula grants are usually defined prior to an organisation's budget being agreed and, as such, are included within the supply estimates and settlement letter (or equivalent).

3.3 General grant schemes and awards

There are two levels to consider in general grant funding. At the higher level are grant schemes, or programmes, which can be used to denote a high level and overarching strategy or policy to which grants are a part of.

Within a grant scheme there are 'awards', which are the grant funding payments to recipients for a specific purpose or activity. Organisations can also make awards which do not come under an overarching scheme or programme.

Figure 3 illustrates the relationship between general grant schemes and awards.

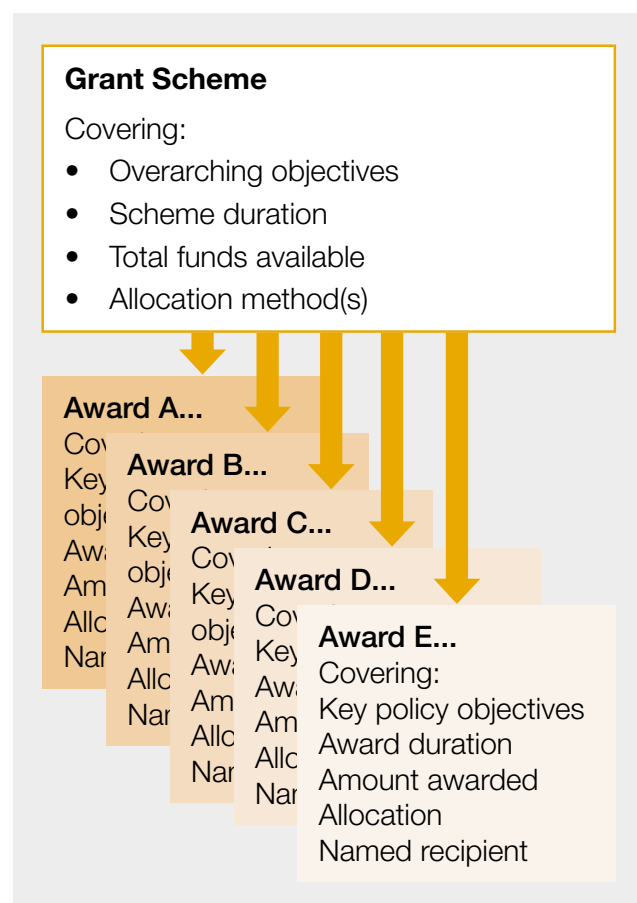


Figure 3 General grant schemes and awards

3.4 Grant Minimum Requirements

This standard is augmented by the grants guidance 'Minimum Requirements', that provide more detail about requirements, and context regarding how they might be met [1] which can be found in more detail on GOV.UK. The Minimum Requirements cover:

- senior officer responsible for a grant
- approvals and data capture
- complex grants advice panel
- business case development
- competition for funding government grants should be competed by default
- grant agreements
- risk, controls and assurance
- performance and monitoring
- annual review and reconciliation
- training

4. Governance

4.1 Governance and management framework

4.1.1 Overview

Governance comprises prioritising, authorising, directing, empowering and overseeing management, and assuring and reviewing performance for grants.

A governance and management framework shall be definite and established for the management of grants across government as a whole, and in government organisations, and comply with government and organisational policies and directives.

The governance and management framework should include the authority limits, roles and rules for making business decisions, degrees of autonomy, assurance needs, reporting structure, and accountabilities and responsibilities, together with the appropriate management practices, processes and associated documentation needed to meet this standard.

GovS 006, Finance shall be followed, and those accountable for the management of grants shall comply with the following documents:

- 'Managing Public Money' [2]
- 'Global Design Principles' [4]

4.1.2 Governance and management framework across government

The governance and management framework across government should include:

- mandatory policies, processes, data and other requirements, together with associated guidance
- requirements for tracking and reporting performance in organisations

- guidance and provision of expert support, training and assurance

4.1.3 Governance and management framework in an organisation

The governance of grants related functional work within an organisation should be an integrated part of that organisation's overall governance. A governance and management framework shall be defined and established (see 4.1.1), to set out the activities needed to manage grants in the organisation to meet this standard. The governance and management framework should:

- reflect organisational policies (if any) and expected standards of behaviour
- define how required activities should be managed (see sections 5 and 6)
- be periodically reviewed to ensure it is still valid

Minimum Requirements for grants should be followed.

Each department shall have a senior officer accountable for its grant funding (see 4.4.5), and the governance and management framework shall be referenced from the accounting officer's system statement [5].

4.2 Decision making

4.2.1 Overview

Decisions relating to grants management should be made, and approvals given in a timely manner, in accordance with the organisation's grant governance and management framework. Government policy and financial management controls (including delegations of authority) should be complied with. Decisions should be made by assessing options against defined criteria and in consultation with stakeholders and subject matter experts. Decisions should be recorded in the business case (or equivalent document).

Decisions might relate to:

- choice of funding mechanism
- approval of business justification
- approving an uncompleted award
- approving a grant award recommendation
- authorising payments
- approving a grant extension or change
- claims and dispute resolution
- suspending or terminating a grant award
- clawback

Decisions should be conditional where appropriate provided responsibility for fulfilling such conditions is assigned.

Decisions should be:

- holistic, taking account of the external context, policy considerations, potential negative impact and the relevant functional standards
- communicated to the relevant stakeholders

Cabinet Office expenditure controls require central government bodies to obtain expenditure approval from Cabinet Office ministers, or provide evidence of appropriate internal approval, based on professional advice from relevant functions, before certain expenditure is made or committed. Organisations should take advice from relevant functions well in advance of planned expenditure, and comply with expenditure controls guidance [7].

The Grants Management Function should take advice from other functions where necessary.

4.2.2 Justification of grants

To facilitate governance and scrutiny, grant activity shall be justified and documented throughout the grant life cycle (see section 5). Such evaluation should be in accordance with HM Treasury requirements (see Green Book [6]). Justification may be documented either in the form of a business case or other proportionate format, which should be defined in the organisation's grant governance and management framework.

The business case (or equivalent document), should be developed progressively for each grant in three steps through the life cycle (see section 5):

- strategy: idea formulation
- design: developing the detail of the grant model
- final approval: including policy and financial approval

If required, subsequent approval shall be obtained in accordance with HM Treasury, Cabinet Office policy and spend controls [7] and GovS 006, Finance shall be followed.

4.3 Assurance

4.3.1 Assurance framework

The purpose of assurance is to provide, through a systematic set of actions, confidence to senior leaders and stakeholders that work is controlled and supports safe and successful delivery of policy, strategy and objectives. Government grants should be afforded the appropriate level of scrutiny by the grant owning department, to ensure this functional standard is being adhered to and grant funding is being administered effectively.

Continuous monitoring should support the understanding of whether and how the risk profile is changing and the extent to which internal controls are operating as intended. It should also provide reasonable assurance over the management of risks to

an acceptable level in the achievement of organisational objectives (see 6.5).

Organisations should have a defined and established approach to assurance, which should be applied proportionately to the risk and value of the activity, and integrated with the organisation's overall assurance framework. Typically, assurance should be on at least three separate and defined levels including:

- 1st line: carried out by, or on behalf of the operational management that own and manage risk
- 2nd line: carried out by, or on behalf of senior management, independent of operational management, but oversee management of the risk to ensure the first line of defence is properly designed, in place and operating as intended
- 3rd line: carried out by independent audit, or other independent body, to provide senior management with an objective opinion on the effectiveness of governance, risk management and internal controls, including the effectiveness of the second and first lines of defence

The work of internal and external assurance providers should be planned to minimise disruption to other work, avoiding overlaps with other assurance activities and duplication of effort, whilst remaining rigorous and meeting the needs of stakeholders. Where assurance includes formal review activity, the customer for the review should be clearly identified.

The requirements of the *Orange Book: management of risk – principles and concepts*, should be met [8].

4.3.2 New general grants

It is recommended that new grants, which are high-value, high-risk, novel, contentious or repercussive, should be considered by an independent panel (the Complex Grants Advice Panel, see 4.4.6) to provide advice from experts on the efficiency and effectiveness of the proposed grant and the balance of opportunities versus risks associated with losses from fraud and error (see 6.2). Referral to the panel is mandatory for new grant schemes that are referenced in the government's manifesto commitments.

With the exception of schemes related to manifesto commitments, the decision as to which schemes are referred rests with the senior officer responsible for a grant, with advice from the Grants Management Function, or as defined in the organisation's management framework.

The advice given by the panel is for consideration by the grant-making organisation - its acceptance is not mandatory, although if the advice is rejected, justification should be provided, in particular for recommendations applicable to schemes referred on a mandatory basis, related to manifesto commitments.

Advice from the panel shall not detract from the accountabilities of those being advised.

4.4 Roles and accountabilities

4.4.1 Overview

Roles and accountabilities shall be defined in the organisation's governance and management framework and assigned to people with appropriate seniority, skills and experience. This should include, but is not limited to: the activities, outputs or outcomes they are responsible for, and the person they are accountable to.

The following roles are essential to the management of grant funding, and while organisations may change the titles and division of responsibilities, they shall have

(at a minimum) the roles outlined in the following section.

4.4.2 Senior officer accountable for grants across government

The senior officer accountable for grants across government is accountable to the chief operating officer of the Civil Service, for the development and implementation of cross-government grants policy and practice and should:

- provide leadership and direction with the aim of improving practice across government
- develop grant-related policy
- provide guidance, products and training to improve the efficiency and effectiveness of grants administration and reduce losses from fraud and error, via the grants Centre of Excellence
- develop products to improve the quality and robustness of grant agreements
- annually publish the status of grants (see 6.8)

The senior officer accountable for grants across government should work in collaboration with Government Finance Function and Government Commercial Function colleagues.

Note: this role is performed by the same person who leads the Grants Management Function across government, and GovS 001, Government Functions shall be followed, which sets common expectations for managing government functions and functional standards.

4.4.3 Accounting officer

The permanent head of a government department is usually its Principal Accounting Officer.

An organisation's Accounting Officer is accountable (via a Principal Accounting Officer where appropriate) to Parliament and the public for the stewardship of

public resources, ensuring they are used effectively and to high standards of probity.

The Principal Accounting Officer generally appoints the most senior executive in the arm's-length bodies within the department's ambit as an Accounting Officer.

The holder of this role is responsible for ensuring that:

- the estimate(s), including grants, presented to Parliament for the department's annual expenditure (consolidating its arm's-length bodies) are within the statutory powers and within the government's expenditure plans
- use of resources is within the ambit of the vote and consistent with the estimate(s) and
- shall answer to Parliament for stewardship of these responsibilities

4.4.4 Senior officer accountable for finance in an organisation

The senior officer accountable for finance in an organisation is responsible to the accounting officer for leadership of financial responsibilities within the organisation.

The holder of this role is responsible for ensuring that:

- the information on which decisions about the use of resources are based is reliable
- financial leadership
- maintaining strong and effective policies to control and manage the use of resources in the organisation

GovS 006, Finance shall be followed.

Note: 'Managing Public Money' [2] explains the role and responsibilities of the senior officer responsible for finance.

4.4.5 Senior officer accountable for an organisation's grants

The senior officer accountable for an organisation's grants is accountable to the senior officer accountable for finance. They are responsible for ensuring that the financial requirements for grants schemes and awards are implemented, in full, within the departments and its arm's-length bodies (if any) and depending on the management arrangements in place. In particular:

- providing leadership and direction for grant-making activity within the organisation
- ensuring the implementation of grant-related policy and compliance with this standard
- ensuring the required outcomes from grant-making activities are realised, at an acceptable level of risk and cost
- engaging, at senior level, with those accountable for all grant-making activity in the organisation
- providing advice and guidance to senior officers accountable for a grant and their teams

Note: this role is often undertaken by the senior officer accountable for finance in an organisation but can be undertaken by others with senior management accountabilities, such as the commercial director, although the senior officer accountable for finance retains overall accountability.

4.4.6 Senior officer responsible for a grant

The senior officer responsible for a grant is accountable to the senior officer accountable for grants in an organisation for ensuring that their assigned grant:

- is within the organisation's remit
- is covered by empowering legislation, which has provisions that adequately cover the activity being funded
- meets the organisation's objectives
- delivers the projected outcomes
- realises the required benefits

The senior officer responsible for a grant is further accountable for justifying the need for the grant and for ongoing governance, in particular:

- oversight of the governance and approval to ensure due regard is given to priority areas, including compliance with this functional standard and ensuring they have appropriate budget cover
- approval of the grant agreement and its terms and conditions
- approval of the due diligence model and fraud risk assessment and mitigation (see 6.1 and 6.2)
- ensuring details of the grant are entered on to the government grants information system (see 6.8)
- reporting to the Cabinet Office as required
- oversight and approval of annual reviews in relation to grants which cover multiple years

Note: a senior officer responsible for a grant is usually at senior civil service level, however, in some cases a grade 7 or senior executive officer who has appropriate delegated authority can be appropriate.

Note: this role is often referred to in departments as the senior responsible owner (SRO).

4.4.7 Grants champion

Each department shall appoint a grants champion who is accountable to the senior officer accountable for an organisation's grants and responsible for representing their department as the first point of contact on grant related matters.

The holder of this role is responsible for:

- disseminating information from the Grants Management Function
- managing data requests
- helping to promote compliance with this functional standard

The post holders are provided with a job description, which defines objectives, role and responsibilities. This role is reviewed periodically in response to feedback from stakeholders.

4.4.8 Grant manager

The grant managers in an organisation are accountable to the senior officer responsible for a grant for the day-to-day management and administration of grants, in line with this functional standard and associated government and organisational policies, including:

- design and development
- market engagement
- application assessment
- due diligence and fraud risk
- funding award
- performance and financial monitoring
- performance improvement action planning
- financial reconciliation
- evaluation and sharing learning

The individual acting as the grant manager may change as the grant proceeds through its life cycle (see 5).

Note: the holder of this role is likely to be a member of the commercial, finance or policy profession. This role is often referred to as a grant maker.

4.4.9 Specialist roles

Other department and organisation specialist roles should be defined to suit the needs of the grant-making activity being undertaken. This can be for managing a variety of aspects of grant-making practice, such as legal and commercial, in accordance with this functional standard and the organisation's grant governance and management framework. Specialist roles can also relate to the need for domain experience and expertise related to the purpose of the grant. Such roles may be either advisory as part of a team, or may take a leadership or executive role with accountability assigned.

4.5 Support to grant managers

4.5.1 Complex Grants Advice Panel

The Complex Grants Advice Panel is an independent, cross-government panel of experts, co-ordinated and chaired by the Cabinet Office, responsible for providing advice and recommendations on design and administration for applicable schemes, to the senior officer responsible for a grant. The Complex Grants Advice Panel is accountable to the senior officer accountable for grants (see 4.4.2). The panel forms part of the Cabinet Office Grants Pipeline Control [9] and referral to the panel is mandatory for new grant schemes that are referenced in the government's election manifesto document, and strongly recommended for high-value, high-risk, novel, contentious or repercussive schemes. The panel should meet regularly with the objective of:

- increasing the efficiency of grant making
- improving the effectiveness of grants
- mitigating losses from fraud and error

4.5.2 Use of third parties

Employment of agents from other sectors to undertake grant-making activity on behalf of the organisation should be subject to approval in accordance with the commercial approval framework where delivery is via a commercial delivery framework. GovS 008, Commercial shall be followed. Where delivery is via an arm's-length body, delivery should be in accordance with guidance in 'Managing Public Money' [2]. Such agents should be skilled and competent to carry out their tasks. Clear allocation of responsibilities and, where appropriate, indemnity against costs should be established.

5. Grant life cycle

5.1 The life cycle of government grants

The grant life cycle provides a framework for the management of grants. It comprises six main steps that should be reflected in an organisation's governance and management framework. The degree to which each step is applied should depend on the category of grant being administered (see 3.2) and associated risks. The life cycle is shown in Figure 4.

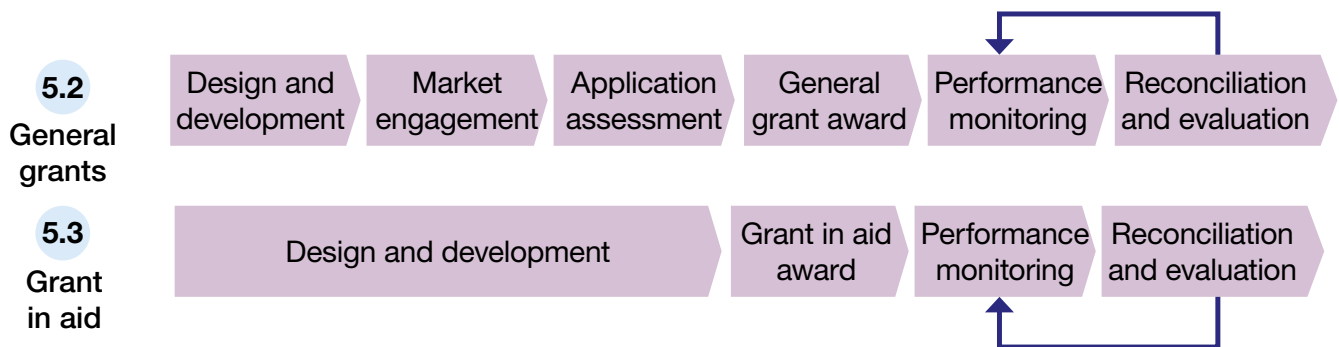


Figure 4 Life cycle for general grants and grant-in-aid

5.2 General grants life cycle

5.2.1 Design and development

The purpose of design and development is firstly to define the requirement for the use of a general grant as the appropriate mechanism to meet the policy objective (for example, rather than a commercial contract) and then to develop a grant model which is robust, proportionate and which will deliver value for money.

Policy requirements and outcomes should be confirmed by the senior officer accountable for the grant and defined in consultation with policy makers and other relevant stakeholders and specialists.

An initial analysis of the options and associated risks should be undertaken to enable and confirm the effective appraisal and selection of the optimum mechanism to deliver the intended outcome. Justification for choosing a particular option should be documented and should take account of:

- characteristics of the requirement and demand analysis
- opportunities and constraints in the recipient market
- findings from market analysis and engagement
- risks
- how the grant should be managed

Options should be chosen to maximise competition unless there is a clear justification for an uncompleted award.

GovS 010, Analysis shall be followed when conducting analysis.

When developing general grant models and criteria for assessing individuals and organisations for a grant award, consideration shall be given to combinations of risk indicators, which could affect the value of the grant, or even whether the grant should be awarded at all.

Where applicable, a pre-qualification questionnaire covering a comprehensive list of risk indicators should be developed to support effective engagement with potential applicants (see 5.2.2).

Details of the grant shall be entered on to the government grants information system (see 6.8) as soon as approval to develop the proposal has been given.

A robust business case (or equivalent document), proportionate to the level of expenditure and risk shall be developed (see 4.2.2).

A proportionate assessment of fraud risk shall be undertaken, including an assessment of mitigating actions (see 6.2).

Once a business case has been developed, it shall be approved, where it meets the requirements of the organisation's governance and approvals process (see 4.2.2), and details of the approval shall be entered into the government grants information system, in line with the requirements of the grants pipeline control process guidance.

5.2.2 Market engagement

The purpose of early market engagement is to support the development of an active pool of appropriate applicants, as well as ensuring that the grant is publicised and the opportunity made available to potential recipients, leading to healthy and appropriate competition for funding and delivering value for money.

Where significant collaboration or market creation is required, organisations should consider the use of a challenge fund to drive appropriate engagement.

The pool of potential recipients should be identified and engaged to confirm the likely demand and format of the grant.

Care should be taken not to provide any individual organisation or organisations with a competitive advantage. All relevant

information should be made available to all eligible applicants and grants should not be unfairly tailored to the needs of particular groups or organisations.

The business case should be refined, if necessary, and the delivery plan and sourcing strategy developed.

An assessment of the risk of breaching UK subsidy control rules [3], which could arise from grant funding, should be undertaken. Advice should be sought from legal specialists and the findings recorded in the business case. Grant-making organisations should ensure that their policy measures and projects comply with the rules. They should think about subsidy control early and seek advice to avoid problems and save time.

Once the strategy is approved the formal requirement, draft agreement, application form and assessment criteria should be developed and approved.

The Cabinet Office Model Grant Funding Agreement (MGFA) [10] should be used for general grants, except where the grant is so specialist that alternative terms and conditions would apply.

If applicable, the competition for the grant should be advertised and launched along with any questions from applicants and the associated responses. Responses to subsequent questions from applicants related to the scheme should be communicated to all applicants, for example, in a frequently asked questions document.

Government grants should be advertised and competed by default. Exceptions may be approved where competition would not be appropriate, for example when:

- awarding a grant to an organisation that is the only provider of the service that the grant is being set up to fund
- awarding a grant to an organisation which inhabits a unique position or offers a particularly specialist function

- if the value of the grant is low and the cost of approaching the market through a competition would exceed the benefit to be gained from competition between suppliers
- there is extreme urgency, where such urgency was not foreseeable and was not as a result of any action or inaction on the part of the awarding department
- in the event of market failure

If a decision is taken to award an uncompleted grant, detailed supporting evidence should be provided in the business case.

5.2.3 Application assessment

The purpose of application assessment is to identify the appropriate recipients, in line with the pre-agreed and publicised assessment criteria of the grant, and to reduce the likelihood of inefficiency and fraud.

Following completion of the assessments and before awarding the grant, the assessor should arrange for due diligence checks to be undertaken on the selected applicant(s), to inform award decisions. Consideration of potential fraud risk should form a part of this process (see 6.2). The use of a formal pre-qualification questionnaire should be considered, which tests applicants against a list of key risk indicators.

Once the assessment of applicants is complete, successful applicants should be sent a 'grant offer' letter. Unsuccessful applicants should receive a notification letter. Consideration should be given to providing feedback to unsuccessful applicants.

5.2.4 General grant award

The purpose of the grant award step is to formally make the award of funding to applicants that are successful via a competition, or via a direct award where a robust rationale has been approved.

The grant agreement (see 6.4.1) should be finalised, including performance metrics and supporting documents such as a grant management plan and performance management record.

Once the draft grant agreement has been signed off for use and tailored to the particulars of the scheme, authorised representatives of the funding organisation and the grant recipient shall sign a copy of the grant agreement, identifying the named accountable individual for the recipient organisation.

Once a grant agreement has been signed:

- payment mechanisms (such as purchase orders) should be set up
- documentation relating to the agreement should be securely stored (see 6.6) and government grants information system updated (see 6.8)

5.2.5 Performance monitoring

Throughout delivery, regular reviews of activity, risk and expenditure should be conducted and actions taken to address any issues or concerns identified (see 6.5).

Data and documentation should be securely stored (see 6.6) and government grants information system updated (see 6.8) as required.

5.2.6 Reconciliation

The purpose of the reconciliation and evaluation step is to establish that value for money has been achieved.

The reconciliation is to confirm that the delivery objectives have been achieved and that the funding has been used for the intended purpose and managed appropriately. Expenditure is assessed and any surplus funding identified and considered for recovery.

A financial reconciliation shall be undertaken towards the end of each financial year and at the end of the delivery period, taking

into account delivery against the key performance indicators (KPIs), milestones, and/or outcomes defined in the grant agreement. Payments should be reconciled with declared expenditure.

At each year-end, the person undertaking the reconciliation should make a recommendation to the senior officer responsible for a grant, based on the reconciliation findings and other available evidence. The recommendations may include (but are not limited to) any of the following:

- continuing in line with existing plans
- increasing or decreasing funding for the subsequent financial year
- re-defining and agreeing outcomes
- clawing back surplus funding
- clawing back funding that has been claimed or used fraudulently. GovS 014, Debt shall be followed
- terminating the grant

Such recommendations should be considered for implementation by the senior officer responsible for a grant. If the grant award is to be terminated or comes to a natural end, the government grants information system should be updated (see 6.8) and relevant documents archived (see 6.6).

5.2.7 Evaluation

The aim of the evaluation is to assess the impact of the funding and its success in delivering against the associated policy objectives. The evaluation model should be defined and agreed during the design and development step of the grants life cycle.

The senior officer responsible for a grant should commission an evaluation of the delivery of the scheme in relation to its specific policy objectives. The scope and scale of the evaluation, together with who should undertake the evaluation, should be determined by the nature, value and importance of the grant scheme, for example:

- basic internal assessment of delivery and outcomes
- formal evaluation by an external provider
- full evaluation, impact assessment and peer review

Any lessons learnt and good practice identified during the delivery of the grant should be shared (see 6.9).

Note: The Magenta Book contains guidance on evaluation [11].

5.3 Grant-in-aid life cycle

5.3.1 Design and development

Grant-in-aid is used to fund arm's-length bodies. The purpose of design and development is to define the requirement for grant-in-aid and set the high-level direction for the use of the funds.

Policy requirements and outcomes should be confirmed by the senior officer accountable for the grant, and defined in consultation with policy makers and other relevant stakeholders and specialists.

An initial analysis of the options and associated risks should be undertaken to enable the effective appraisal and selection of the optimum mechanism to deliver the intended outcome.

Justification for choosing a particular option should be documented and should take account of:

- characteristics of the requirement and demand analysis
- risks
- how the grant should be managed

GovS 010, Analysis shall be followed when conducting analysis.

When developing a grant-in-aid award, consideration shall be given to combinations of risk indicators, which could affect the value of the award, or whether the grant should be awarded at all.

A robust business case (or equivalent document), proportionate to the level of expenditure and risk, shall be developed (see 4.2.2), which includes reference to the assessment of fraud risks and mitigating actions (see 6.2).

Details of the grant shall be entered on to the government grants information system (see 6.8) as soon as approval to develop the scheme has been given.

Once a business case has been developed, it shall be approved where it meets the requirements of the organisation's governance and approvals process (see 4.2.2).

5.3.2 Grant-in-aid award

The purpose of grant award is to formally enable the transfer of funding to the recipient.

The framework document or equivalent document (see 6.4.2) shall set out the finalised requirements for administering the funding, including the key metrics and management information, together with any supporting documents such as a grant management plan or a strategy document, and a performance management record.

Once agreed:

- the authorised representatives of the funding organisation and the recipient organisation shall sign a copy of the agreement
- the documentation relating to the agreement should be securely stored (see 6.6) and the government grants information system updated (see 6.8)

5.3.3 Performance monitoring

Throughout delivery, regular reviews of activity, risk and expenditure should be conducted and actions taken to address any issues or concerns identified (see 6.6).

Data and documentation should be securely stored (see 6.6) and government grants information system updated (see 6.8), as required.

5.3.4 Reconciliation

The purpose of reconciliation and evaluation is to confirm that the funding organisation's delivery is in line with the terms of the framework document (or equivalent).

A financial reconciliation shall be undertaken towards the end of each financial year, which should take into account expenditure against the agreed categories, including administration costs, and delivery against the key performance indicators (KPIs), milestones, and/or outcomes defined in the framework document. Payments should be reconciled with declared expenditure.

The recommendations may include (but are not limited to) any of the following:

- continuing in line with existing plans
- increasing or decreasing funding for the subsequent financial year
- re-defining and agreeing outcomes
- clawing back surplus funding
- clawing back funding that has been claimed or used fraudulently. GovS 014, Debt shall be followed
- terminating the grant

Such recommendations should be considered for implementation by the senior officer responsible for a grant.

Where a grant-in-aid scheme is to be terminated, the government grants information system should be updated (see 6.8) and relevant documents archived (see 6.6).

5.3.5 Evaluation

The senior officer responsible for a grant should commission an evaluation of the delivery of the scheme in relation to its specific policy objectives. The scope and scale of the evaluation should be determined by the delivery organisation and agreed by the funding authority. It should take into account the nature, value and importance of the scheme, for example:

- basic internal assessment of delivery and outcomes
- formal evaluation by an external provider
- full evaluation, impact assessment and peer review

The evaluation should consider whether the delivery of specific interventions failed to meet, met or exceeded the objectives set out in the framework document.

Any lessons learnt and good practice identified during the delivery of the grant should be shared (see 6.9).

6. Supporting practices

6.1 Risk and issue management

The purpose of risk and issue management is to ensure government grants are awarded and completed successfully in support of government policy or organisational objectives, taking into account the extent of identified threats and opportunities.

The balance of overall opportunity and risk should be managed in accordance with the Orange Book [8].

Risks and issues should be:

- identified, assigned an owner and evaluated
- responded through mitigating actions to eliminate, reduce or avoid consequences or reduce the possibility of occurrence; risks may be accepted
- monitored to resolution and closed when no longer valid
- Risk controls should be reviewed to ensure they are still effective.

Grant-related risks might relate to:

- the ability of the market to provide the quantity and quality of activity required
- poor performance by recipients
- use of funding for a purpose other than that which was intended
- failure of a recipient to meet all or part of their obligations

Organisations shall ensure effective risk management is established in their assurance and governance processes. Risk registers should be defined, maintained and regularly reviewed by the organisation's senior officers who are accountable for grant activities.

Risk registers should include key risks and associated mitigations.

6.2 Counter fraud

The approach to counter fraud for grant schemes should be aligned with the organisation's counter fraud strategy and supported by an assessment of fraud risk which includes actions to prevent, detect and correct fraud. The purpose of this approach is to ensure that government grant funding in respect of policy delivery and the purchase or improvement of assets is awarded safely and used for its intended purpose.

When planning and managing Counter Fraud, GovS 013, Counter Fraud shall be followed.

An assessment of fraud risk shall be undertaken for every scheme proportionate to the value, sector and required activity of the scheme, and supported by mitigating actions appropriate to the identified risks. This assessment should be reviewed regularly and proactive actions taken to improve the likelihood of identifying and preventing fraud. Prevented and detected losses from fraud and error should be reported and appropriate and proportionate action taken to recover losses.

6.3 Grant-making capability and resourcing

The management of grant-making capability, capacity, resourcing and competency ensures that an organisation has the right resources and skills in place when needed.

Organisations should have in place an operating model capable of delivering the scope of this standard, including a pipeline of planned and future grant making and related activities necessary to manage and respond to risks and issues.

The resource baseline should include the target cost of the organisation's function, staff grade mix and resourcing plan in the context of its scope, which should include administration costs.

Grant-making activities should be planned in sufficient time to enable resources, including local and domain expertise where needed, to be identified and mobilised.

Grant-making work should be assigned to people who are competent and experienced, to carry out their assigned role (see 6.7). The appropriate level and number of specialists, who are trained and have proven competency, should be assigned to work on the development of each grant.

6.4 Agreements

The purpose of an agreement pertaining to a grant is to ensure that:

- the government's objectives in relation to a grant are clear
- funding is used for the purpose intended
- activity and expenditure can be monitored
- action can be taken early to suspend payment or terminate activity, where the grant is failing against its objectives
- fraudulently claimed, misused or surplus funding is recovered

General grants shall be covered by a grant agreement (see 6.4.1).

Grant-in-aid shall be covered under a framework document or equivalent (see 6.4.2).

6.4.1 Grant agreement (general grants)

Each general grant award shall be subject to a defined agreement between the grant-making body and the recipient and should be proportionate to the value of the grant being awarded and shall be underpinned by appropriate legislation. A grant agreement should be justified (see 4.2.2) and based on the content of the business case and written to ensure that the funding is used as intended. The agreement should include as a minimum:

- the purpose for which funding is to be used

- details of approved activity
- intended outcomes
- legal expectations
- eligible and ineligible expenditure
- required milestones
- financial and performance monitoring requirements
- payment suspension, termination and clawback arrangements
- insurance
- audit and assurance requirements
- specific conditions

Where outcomes cannot be specified, for example, in the case of innovation grants where the outcomes cannot be foreseen, there should be an unambiguous articulation of the purpose of the award, such as:

- why the research is being undertaken
- the required activity
- the aims and objectives

These should be linked to a monitoring regime to ensure that funding can be stopped if delivery does not match expectation or the aims are unlikely to be met.

Note: a model grant funding agreement is available from the grants Centre of Excellence on request, including variants for high and low value grants [10].

6.4.2 Framework document (grant-in-aid)

The framework document (or equivalent) defines the governance in relation to the relationship between the awarding body and the recipient organisation, including the management of grant-in-aid. The references to the management of the grant-in-aid, in the framework document, should be proportionate to the value of the grant being awarded. A framework document should comply with this functional standard, be justified (see 4.2.2) and include:

- the purpose of the award with key targets and objectives
- defined governance and management framework (see 4.1) including legal relationships, conduct, responsibility to Parliament (if any), plans for evolution and successor activities
- decision making (see 4.2.1)
- financial management

Note: for detail on framework documents see 'Managing Public Money' [2].

6.5 Performance monitoring

The purpose of performance monitoring is to ensure value for money is achieved for the outcomes delivered and to hold the award recipient to account for the delivery of the intended outcomes. Reports should be submitted to the grant-owning department, in line with the terms of the grant agreement or framework document.

Throughout delivery, the grant manager should conduct regular reviews of activity, risk and expenditure and take timely actions to address any issues or concerns identified. Monitoring should include a focus on detecting fraud and error (see 6.2) by tracking that grants achieve their intended outcomes and providing assurance that expenditure is within the eligible expenditure terms outlined in the applicable agreement.

The assessment of fraud risk (see 6.2) should be reviewed throughout the life of the grant to ensure it is relevant and appropriate. If necessary, any inappropriately used funds or assets should be considered for clawback.

6.6 Document management and record keeping

Document management and record keeping ensures necessary information, documentation, data and other records (both physical and electronic) are securely stored, distributed and retrievable when needed to support and evidence grant management practices.

Information, documents, data and records relating to grants and which need to be managed should be defined.

Information shall be retained to meet statutory and government requirements, in accordance with organisational information retention policies and legal requirements.

Records and data relating to a specific grant should be readily available during the currency of that grant.

6.7 Training

In performing their roles, and in meeting this standard, those undertaking grant management should have the appropriate level of support and shall have completed basic training to perform their role effectively. Such training should include knowledge of applicable sources of further guidance and the identification of empowering legislation underpinning individual grant schemes.

Note: An eLearning package: Introduction to Managing Government General Grants, designed to help grant managers comply with the above training requirement, is available on Civil Service's preferred learning platform. GovS 003, Human Resources shall be followed.

6.8 Reporting and information

Reporting ensures management teams and interested parties are aware of the current status and outlook regarding all aspects of government grant management, as defined in this standard.

The purpose of the government grants information system is to facilitate the recording and reporting of grant information across government, providing accurate data to help departments and arm's-length bodies to manage their grant portfolios efficiently and effectively, while helping to actively reducing the risk of fraud, through data.

Key data on government grants shall be recorded in the system, in line with Grants Management Function guidance, and shall include the following data as a minimum:

- value
- delivery period
- brief description of purpose
- owning department
- intermediary body (if any)
- recipient name

The overall status of government grants should be published annually, in line with the government's internal standard, in the form of the government grants statistics, by the senior officer accountable for grants across government.

Note: some sensitive grants may be withheld from the government grants information system entirely by departments, or certain sensitive information may be redacted at the time of publication on GOV.UK

Organisations shall report the status of grants as part of their annual report and resource account. GovS 006, Finance shall be followed.

Grant recipients shall report on their grants in accordance with their grant or framework document, as appropriate.

6.9 Continuous improvement and learning

Continuous improvement ensures government grant-making practices, at government and organisational levels, become more efficient and effective, delivering improved outcomes.

At the start of each step in the grant life cycle (see 5), those involved should identify and apply relevant lessons from previous work. Throughout the grant life cycle, lessons, including feedback from grant recipients, should be captured, evaluated and shared to facilitate continuous improvement.

Organisations should have a continuous improvement plan in place as part of their overall grant-making strategy and plan.

Progress should be reported regularly to relevant stakeholders. Organisations should collaborate to facilitate continuous improvement including:

- accessing best practice
- sharing lessons learned
- peer reviewing grant-making practices
- completing periodic assessments of current practices using a defined maturity framework

Organisational leaders and owners of standards, processes, methods, policy notes, tools and training should update their knowledge sources and communicate learning as appropriate.

A. References

All references are correct at the time of publication, users should check for updated versions.

I.D.	Description
1	Cabinet Office, <i>Minimum Requirements</i> ; (2021)
2	HM Treasury, <i>Managing Public Money</i> ; (2013)
3	GOV.UK <i>Guidance on the UK's international subsidy control commitments</i> ; (2021)
4	Government Finance Function, <i>Global Design Principles</i> ; (2018)
5	HM Treasury, <i>Accounting officer system statements</i> ; (2017)
6	HM Treasury Green Book, <i>Guidance on how to appraise and evaluate policies, projects and programmes</i>
7	Cabinet Office, <i>Cabinet Office controls</i> ; (2018)
8	HM Treasury Orange Book, <i>Management of risk principles and concepts</i>
9	Grants Centre of Excellence, <i>Grants Pipeline Controls Framework</i> ; (2021)
10	Grants Centre of Excellence, <i>The Cabinet Office Model Grant Funding Agreement (MGFA)</i>
11	HM Treasury Magenta Book: <i>Guidance on what to consider when designing an evaluation</i>

B. Glossary

See also the **common glossary of definitions** which includes a list of defined terms and phrases used across the suite of government functional standards. This glossary includes the term and definition.

Term	Definition
arm's-length body (ALB)	<p>Central government bodies that carry out discrete functions on behalf of departments, but which are controlled or owned by them. They include executive agencies, non-departmental public bodies, and government-owned companies.</p> <p>More information on classification of public bodies can be found on GOV.UK</p>
assurance	<p>A general term for the confidence that can be derived from objective information over the successful conduct of activities, the efficient and effective design and operation of internal control, compliance with internal and external requirements, and the production of insightful and credible information to support decision making. Confidence diminishes when there are uncertainties around the integrity of information or of underlying processes.</p>
challenge fund	<p>A challenge fund is a pot of funding that has pre-published criteria attached to it. Organisations can apply to the fund and will receive a grant where they meet the published criteria. This would be considered competed funding.</p>
clawback	<p>The concept that where an asset financed by public money is sold, all or part of the proceeds of the sales should be returned to the Exchequer. Clawback can also apply when the purpose for which a general grant is given is not fulfilled.</p>
competed grant	<p>Funds for which applications are invited and evaluated, with awards made based on the outcome of the application.</p>
criteria-based grant	<p>Used to disseminate grant funding based on specific qualifying criteria, e.g. grants to assist those affected by floods.</p>
defined (way of working)	<p>In the context of standards, 'defined' denotes a documented way of working which people are expected to use. This can apply to any aspect of a governance or management framework for example processes, codes of practice, methods, templates, tools and guides.</p>
endowment	<p>An endowment is a usually paid as a one-off grant to enable the recipient to set up a fund from which to draw down over a number of years. Sometimes called a 'dowry'.</p>

Term	Definition
established (way of working)	In the context of standards, ‘established’ denotes a way of working that is implemented and used throughout the organisation. This can apply to any aspect of a governance or management framework for example processes, codes of practice, methods, templates, tools and guides.
formula grant	Grants calculated by way of a formula (e.g. grant funding provided by central government to local authorities, schools and the police, which is determined by factors such as population and levels of pupils who receive free school meals).
general grants	Grants made by departments or their grant-making arm’s-length bodies to outside bodies to reimburse expenditure on agreed items or functions, and often paid only on statutory conditions. They include competed, uncompleted and criteria-based grants. These grants are closely related in administration to contract procurement, whilst remaining legally distinct.
gift	Gifts include all transactions economically equivalent to free and unremunerated transfers from department to others.
governance	Governance defines relationships and the distribution of rights and responsibilities among those who work with and in the organisation. It determines the rules and procedures through which the organisational objectives are set, and provides the means of attaining those objectives and monitoring performance. Importantly, it defines where accountability lies throughout the organisation.
governance and management framework	A governance and management framework sets out the authority limits, decision making roles and rules, degrees of autonomy, assurance needs, reporting structure, accountabilities and roles and the appropriate management practices and associated documentation needed to meet this standard.
government grants information system	Part of the Grants Hub, the government grants information system is the central database for all government grants.
government grants statistics	The Cabinet Office publishes the government grants statistics on GOV.UK in March each year, sourced from the government grants information system, in order to fulfil the government’s transparency commitment. The statistics cover formula grants at scheme level and general grants at scheme and award level.
grant agreement	A grant agreement provides a legal framework and sets out details of the grant including what the funding is to be used for, what expenditure is expressly eligible and ineligible, together with details of the payment model, performance and monitoring regime, termination and clawback provision, and financial reconciliation.

Term	Definition
grant award	A grant award is made to meet one of the objectives of the overarching grant scheme. Grant awards can be made to organisations, registered and unregistered entities and individuals.
grant-in-aid	Regular payments by departments to outside bodies (usually NDPBs) to finance their operating expenditure.
grant scheme	Grant schemes are created to deliver a specific policy area, generally providing for a number of individual awards that sit within the scheme.
high-risk grants	High risk schemes would be classed as 'level 1' and are defined by value: generally, schemes with a value of £10m and above.
organisations	An organisation, in the context of government functional standards, is the generic term used to describe a government department, arm's-length body, or any other entity that is identified as being within scope of a functional standard.
outcomes	The result of change made by set activities, normally affecting real-world behaviour or circumstances.
outputs	A specialist product (the tangible or intangible artefact) that is produced, constructed or created as a result of a planned activity and handed over to users.
plan	A plan sets out how objectives, outcomes and outputs are to be delivered within defined constraints, in accordance with the strategy.
risk	Risk is the effect of uncertainty on objectives. Risk is usually expressed in terms of causes, potential events, and their consequences.

Term	Definition
subsidy	<p>Subsidy means financial assistance which:</p> <ul style="list-style-type: none"> (i) arises from the resources of the parties, including: <ul style="list-style-type: none"> (A) a direct or contingent transfer of funds such as direct grants, loans or loan guarantees; (B) the forgoing of revenue that is otherwise due; or (C) the provision of goods or services, or the purchase of goods or services; (ii) confers an economic advantage on one or more economic actors; (iii) is specific in so far as it benefits, as a matter of law or fact, certain economic actors over others in relation to the production of certain goods or services; and (iv) has, or could have, an effect on trade or investment between the parties. <p>More information on UK subsidy control can be found on GOV.UK.</p>
strategy	<p>A strategy outlines longer term objectives, outcomes and outputs, and the means to achieve them, to inform future decisions and planning.</p>
uncompeted grant	<p>A grant that is awarded to a single organisation or individual without a competition, for example, where there is only a single organisation that has the capability of delivering the objectives. Often referred to as a 'direct award'.</p> <p>Grant-in-aid is not part of this category.</p>

