



Cabinet Office

# Guidance for General Grants

Minimum Requirement Nine: Annual Review and Reconciliation

Version: 2

Date Issued: 31 August 2021

### Important note

- ▶ This guidance applies only to general grants made by departments and their arm's length bodies (ALBs) using Exchequer funding. It does not apply to formula grants or grant in aid. [Managing Public Money](#) and local guidance within government grant making organisations is applicable to those categories, and minimum requirements may be developed in future.
- ▶ Organisations' primary concern when administering grants is to have due regard to the 'Grants Functional Standard' (GovS 015) and the key documents referred to within it including [Managing Public Money](#). Nothing in this guidance is intended to contradict or supersede these. Furthermore, this guidance is not intended to be an additional spending control - departments retain accountability for decisions on grant expenditure.
- ▶ This guidance should be read in conjunction with the wider set of minimum requirements guidance documents (including the introduction). Further information and tools supporting this guidance can be found online through the [grants Centre of Excellence \(CoE\)](#). Further references and resources are highlighted throughout. It should also be read alongside organisations' internal guidance, where available, which will provide the departmental policy context.
- ▶ This guidance should be approached on a 'comply or explain' basis. It is important to consider flexibility and proportionality in adhering to the minimum requirements. As such there may be some specific instances where the requirements may not be met in full. In these instances, appropriate justification should be recorded within the business case or equivalent approval documents.

## **Contents**

<b>Minimum Requirement</b>	<b>4</b>
<b>Purpose</b>	<b>4</b>
<b>Grants Functional Standard: Key References</b>	<b>5</b>
<b>Overview</b>	<b>5</b>
Annual review and reconciliation	6
Key considerations during the annual review and reconciliation	6
Financial reconciliation	6
Clawback	7
Financial reporting	7
Value for money (VfM)	7
Lessons learnt	7
Information management	8
Key individuals responsible for the requirement	8
<b>Further Resources</b>	<b>8</b>

## Minimum Requirement

All government grants shall be **reviewed annually at a minimum** with a focus on financial reconciliation, taking into account delivery across the period, resulting in a decision to continue, discontinue or amend funding.

## Purpose

*Minimum Requirement Nine:* annual review and reconciliation and the guidance for general grants, set-out below, aims to ensure that there is an efficient and effective review and reconciliation of the grant scheme at the end of each financial year, for multi-year schemes, and also the end of the grant delivery period, providing scrutiny and identifying lessons learnt through formal evaluation, to apply to future policy making. The purpose of the reconciliation and evaluation step is to establish that value for money has been achieved, to confirm that the delivery objectives have been achieved, that the funding has been used for the intended purpose and managed appropriately and to assess the impact of the intervention and capture and share learning.

## Grants Functional Standard: Key References

Mandatory requirements are defined by the word ‘shall’ in the Grants Functional Standard. The ‘shalls’ for the management of grants related to this minimum requirement have been extracted from the Standard which can be accessed here [on GOV.UK](https://www.gov.uk).

*Please note that in some cases the information has been paraphrased for conciseness - refer to the standard itself for the full version.*

Area	Requirement(s)	Context	Reference	Page
<b>Governance Framework: Approvals</b>	To facilitate governance and scrutiny, grant activity <b>shall</b> be justified and documented throughout the grant life cycle. Such justification should be in accordance with HM Treasury requirements (see <i>Green Book</i> ). 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.	Decisions should be made, and approvals given in a timely manner, in accordance with the organisation’s grant governance and management framework, financial management controls (including delegations of authority) and government policy.	4.2.2 Justification of grants  <i>Also refer to: 5 Grant life cycle Green Book [4] 4.2 Decision making.</i>	8
<b>Supporting practices: Reporting and information</b>	Key data on government grants <b>shall</b> be recorded in the grants information system and <b>shall</b> include the following data as a minimum: <ul style="list-style-type: none"> <li>• value;</li> <li>• delivery period;</li> <li>• brief description of purpose;</li> <li>• owning department;</li> <li>• intermediary body (if any).</li> </ul> <p>Organisations <b>shall</b> report the status of grants as part of their annual report and resource account, in accordance with <i>GovS006, Finance</i>.</p>	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 the government Grants Functional Standard.	6.8 Reporting and information  <i>Also refer to: GovS006, Finance.</i>	21

## Overview

### Annual review and reconciliation

1. The purpose of this minimum requirement is to describe the process for undertaking effective annual review and reconciliation in accordance with HMT Handbook on financial [HMT Handbook on financial regularity](#), with the aim of ensuring that grant funding is used for the intended purpose in line with the grant agreement and the authority delegated by Parliament. This will include consideration of delivery against the performance measures and outcomes defined in the grant agreement. Annual or end of grant reconciliation should result in one of the following decisions depending on the findings:
  - continue the award of a grant for next financial year in line with existing plans;
  - increase or decrease funding for the next financial year;
  - re-define and agree amended outcomes with grant recipients;
  - recover surplus funding or clawback where misuse is identified;
  - termination of the award if performance consistently below tolerance or quality thresholds are not met; or
  - deploy exit plan activities for awards which come to a natural end.

### Key considerations during the annual review and reconciliation

2. Regular and effective financial and performance management should be undertaken throughout the delivery period, described under [Minimum Requirement Eight: Performance and Monitoring](#). The purpose of annual review and reconciliation is to:
  - assess delivery and expenditure, versus payments made, across the delivery period;
  - ensure funding has been used as intended;
  - identify any performance shortfalls, which may lead to surplus funding;
  - identify any misuse of funding or fraudulent activity;
  - instigate funding clawback where required;
  - inform the impact evaluation; and
  - support the consideration of the value for money achieved from the scheme.
3. The authority should conduct an objective assessment of delivery and undertake financial reconciliation at the end of each financial year, for multi-year schemes, and at the end of the delivery period for all schemes. An example template for this purpose is available from the [grants Centre of Excellence \(CoE\)](#).

### Financial reconciliation

4. The financial reconciliation should:
  - confirm the value of the funding paid;
  - support an accurate assessment of actual expenditure against the budget and forecast through scrutiny of management accounts and financial statements;
  - provide a picture of spend throughout the year to support the reallocation of money in cases of overspend;

- identify and track resource (RDEL) and capital (CDEL) expenditure, including depreciation and recovery of residual values in relation to fixed assets funded wholly or in part by the grant award;
- facilitate the scrutiny of invoices to check expenditure incurred by the recipient was used for eligible costs (eligible and ineligible categories shall be set out in the grant agreement); and
- be performed to ensure final payments are made and formal closure of the scheme including confirmation to the relevant parties, if outside of the grant agreement.

### Clawback

5. Regular delivery and financial monitoring and annual reconciliation should identify any expenditure that is ineligible and assist with the identification of funding misuse. Where applicable, this should be reconciled with the fraud risk assessment - [Minimum Requirement Seven: Risk, Controls and Assurance](#) - to support the identification of funding that is to be recovered due to the calculation of a surplus or where fraud or misuse are identified.
6. Annex 5.2 – Protecting the Exchequer interest (clawback) in [Managing Public Money](#) should be consulted before considering taking steps to recover funding identified for clawback under the terms of the grant agreement.

### Financial reporting

7. Accounting treatment is reviewed to confirm the scheme has been accounted for and allocated under the appropriate expenditure and budget category in line with grants policy and standards, for example, capital grants to external bodies are treated as resource expenditure in the Statement of Comprehensive Net Expenditure, but as capital expenditure in budgets.
8. Ensure relevant International Accounting Standards (IAS) are applied correctly to reportable activities, for example [IAS 20 Accounting for government grants](#) and disclosure of government assistance.

### Value for money (VfM)

9. The annual review and financial reconciliation exercise should include an assessment of value for money from the scheme. The business case should set out how the value for money will be assessed in relation to delivery of performance measures and outcomes. Further information on assessing value for money can be found in [Minimum Requirement Four: Business Case Development](#).

### Lessons learnt

10. As part of the annual review it is possible to informally record lessons learnt and best practice identified to support future policy making through grants. A [case study template](#) is available through the [grants Centre of Excellence \(CoE\)](#), which can be used to record lessons learnt in a clear and simple way.
11. If applicable, incorporate findings from any formal evaluation of the risk, controls and assurance as well as lessons learnt to improve the risk management process.

### Information management

12. The completion of the annual and end of delivery review and reconciliation, including the outcomes of the reconciliation process, should be recorded as part of documenting the scheme in line with your organisation's information management policy.

### Key individuals responsible for the requirement

13. The Senior Officer Responsible (SOR), with support from legal advisers, finance and commercial professionals, is responsible for ensuring that the performance is reviewed regularly and financial reconciliation is undertaken with sufficient rigour to ensure that taxpayers' money is protected in line with Managing Public Money and the guidance under the Grants Functional Standard and Minimum Requirements for General Grants. See guidance for [Minimum Requirement One: Senior officer responsible for a grant](#) for further information on the role of the SOR.

### Further Resources

14. In seeking to comply with this minimum requirement, and in addition to the references and resources highlighted earlier in this guidance, organisations may want to consider the following in particular:

- [HMT Publications - Consolidated Budgeting Guidance;](#)
- [HMT Publications - Government Financial Reporting;](#)
- [HMT Publications – Managing Public Money;](#)
- [HMT Publications – The Green Book.](#)

Organisations should also make full use of wider resources available through the [grants Centre of Excellence \(CoE\)](#).