



Cabinet Office

Guidance for General Grants

Minimum Requirement Five: Competition for Funding

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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

Minimum Requirement	4
Purpose	4
Grants Functional Standard: Key References	5
Overview	6
Timing and Engagement	7
Subsidy Control	7
Open Competition	8
Competition Assessment	9
Grant Assessment Criteria	10
Challenge Funds	12
Direct Awards (uncompeted)	12
Further Resources	13

Minimum Requirement

Government grants should be **competed by default**; exceptions may be approved where competition would not be appropriate. Detailed supporting evidence for any direct award decision should be provided in the approved business case.

Purpose

Minimum Requirement Five: Competition for Funding and the guidance for general grants set out below aims to ensure that value for money is optimised through effective competition of all grants on a regular basis, and that any decisions not to compete a grant are justified and have been made with the necessary approval.

Grants Functional Standard: Key References

Mandatory expectations ('shall') for management of grants related to this minimum requirement have been extracted from the 'Grants Functional Standard' which can be accessed 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
Grant Life Cycle: General Grants Life Cycle	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.	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, and then to develop a grant model which is robust, proportionate and which will deliver value for money.	5.2.1 Design and development	13

Overview

1. Competition is a process through which recipients apply for grant funding, with assessment undertaken against pre-set, weighted and published criteria; applications are assessed by the grant making organisation with awards made based on the results.
2. Broadly, there are three approaches for general grants – further detail is provided on each category in later sections.
 - **Open competition** - where applicants (usually as unconnected recipient entities) compete against each other for a single grant, in response to a published advert and pre-published award criteria. This type of competition can be open to all potential applicants where there are no restrictions on who can apply (**full competition**), or open only to a select range of potential applicants where there are restrictions on who can apply (**closed competition**).
 - **Challenge funds** - where applicants compete against pre-published criteria for portions of a funding envelope, which has been allocated for a particular purpose (repeat bids may be permitted).
 - **Uncompeted (or 'direct') award** - by exception, a grant may be awarded without competition - in such instances, strong justification must be provided in the business case and approved at the appropriate level in the organisation.
3. By default, government grants should be subject to competition. It is well established that effective competition is a key mechanism for improving outcomes for beneficiaries and thereby achieving the policy objectives to which the funding is linked. Competition unlocks savings and improves performance by encouraging applicants to compete against each other for the available funding. This can lead to: lower prices, improving the quality of outcomes, introducing greater levels of transparency, promoting innovation and enabling the achievement of value for money.
4. The difference between what is paid and what would have been paid in the absence of competition, represents a saving that can be reinvested elsewhere. These benefits will, in general, outweigh the costs.¹
5. For uncompeted grants, there is a risk that they may be rolled-over for several years, providing funding to the same recipient for a prolonged period. This leads to a risk of diminishing returns on the investment and stifling innovation, which can present a reputational risk for government. Competition for funding can provide benefits through reducing these risks. Furthermore, a robust audit trail will enable grant makers to provide award justification if later challenged. This scenario can also apply to competed grants where the competition was only carried out once at the beginning of a multi-year grant. It is beneficial for grant making organisations to consider periodically re-running competitions for grants that continue across multiple years.

¹ Evidence from studies of commercial procurement supports the idea that increasing competition results in a reduction in cost, to provide the same output, though caution must be exercised because there is not a direct correlation between grants and contracts, i.e. measuring value in the delivery of grants may need to be measured in different terms, from those used to measure value in procurement.

6. The Senior Officer Responsible (SOR) for a grant is responsible for ensuring that funding under a grant scheme is awarded subject to competition, or that any direct award is appropriately justified and approved, usually via the business case. It is important to consider seeking relevant expertise, as required, to provide advice on optimising the competition and mitigating risk, for example, legal input may be required and commercial input helpful. Input from counter fraud experts should also be requested, to inform the development of a fraud risk assessment. Where a direct award is made, it will be important to have an appropriate financial and delivery monitoring regime, to enable the assessment of progress and value for money achieved, aligned to annual reconciliation, which includes a decision as to whether to continue delivery.

Timing and Engagement

7. Competition should be considered during the design and development stage of the grants lifecycle, with plans set out in the business case (see [Minimum Requirement Four: Business Case Development](#)). The competition should be run during the market engagement stage, and proposals assessed during application assessment stage. Funding may be awarded via a grant agreement to the successful applicant, based on the results of the assessment. It is good practice for transparency, to rank applications received, based on their assessment scores, so it is clear why awards have been offered to individual organisations.
8. It is beneficial to capture lessons from the competition and assessment of grant applications to inform future competitions, for example, if an applicant highlights a new market technique that increases value for money for a particular process, and this is delivered throughout the grant, it should be reflected in future calls for applications – taking care not to infringe any copyright or intellectual property rights that may exist.
9. Care should be taken not to provide any individual organisation or organisations with a competitive advantage at any stage in the pre-market engagement process - ensuring the process is transparent, as far as possible, will help to ensure this. All relevant information should be made available to all eligible applicants and schemes should not be unfairly tailored to the needs of particular groups or organisations. There are also competition requirements with regards to compliance with UK Subsidy Control, which must also be considered (see below).

Subsidy Control

10. UK subsidy control rules replaced EU State Aid rules following the end of the transition period from the UK's exit from the European Union and guidance has been published for public authorities explaining the subsidies chapter of the Trade and Cooperation Agreement between the UK and the EU, World Trade Organisation rules on subsidies, and other international commitments: [Guidance on the UK's international subsidy control commitments](#).
11. EU State aid rules continue to apply, only in limited circumstances:
 - aid that is granted within scope of the Northern Ireland Protocol, and
 - the disbursement of outstanding Structural Funds payments.

12. Organisations should also be aware of [UK-EU Trade and Cooperation Agreement \(TCA\)](#) and the [World Trade Organisation's Agreement on Subsidies and Countervailing Measures \(ASCM\)](#).
13. In general terms, and for the purposes of our international commitments, a subsidy is a measure which:
- is given by a public authority. This can be at any level – central, devolved, regional or local government or a public body;
 - makes a contribution (this could be a financial or an in kind contribution) to an enterprise, conferring an economic advantage that is not available on market terms. Examples of a contribution are grants, loans at below market rate, or a loan guarantee at below market rate or allowing a company to use publicly owned office space rent free. An enterprise is anyone who puts goods or services on a market. An enterprise could be a government department or a charity if they are acting commercially; and
 - affects international trade. This can be trade with any World Trade Organisation member or, more specifically, between the UK and a country with whom it has a Free Trade Agreement. For example, if the subsidy is going towards a good or a service which is traded between the UK and the EU this could affect trade between the EU and the UK. Please note that you are not being asked whether the subsidy could harm trade but merely whether there could be some sort of effect. Subsidies to truly local companies or a small tourist attraction are unlikely to be caught as this is unlikely to affect international trade.
14. A subsidy within scope of the UK-EU Trade and Cooperation Agreement (TCA) must meet the [principles](#) (step 3) set out in article 366 of the TCA.
15. If in doubt, departments and ALBs should contact subsidycontrol@beis.gov.uk or their organisation's local subsidy control team for further advice. Further contacts can be found [on GOV.UK](#).

Open Competition

16. There are a number of key steps in the competition process:
- **define your requirements:** specify what you require, including assessment criteria, as clearly as possible prior to starting a competition. This will enable you to compare like for like once applications are received and to award funding to the best proposals in the most effective way;
 - **grant agreement terms and conditions:** in public sector competitions it is common practice to publish the assessment criteria and a proposed form of the terms and conditions early in the process and to invite feedback at that stage;
 - **set the rules of the process:** it is important to define the rules of the process from the outset, including timings to give certainty to applicants and drive efficiency. It should be stated in communications for a grant scheme that applications will be subject to proportionate impact evaluation at an appropriate point in the delivery period, with a view to obtaining best value for money. It should be made clear that the grant making organisation is under no obligation to accept any application or make an award of funding, and it is recommended that costs incurred in submitting an application are defined as *ineligible expenditure* under the terms of the grant.

Therefore, it is important to consider how to minimise costs for prospective applicants, in compiling the application, for example, by setting word limits on applications forms. Consideration should always be given to the principle of proportionality;

- **asses potential delivery partners:** the assessment of applications should be against pre-defined and published assessment criteria. It is important that appropriate risk and due diligence checks are carried out at this time (see [Minimum Requirement Seven: Risk, Controls and Assurance](#) for more information). Once assessed, the applications are short-listed and the preferred applicant(s) selected based on that ranking; and
- **market engagement:** is an important enabling activity for competition. Strong market engagement can result in higher volumes of better applications and increase the level of innovation for any given grant. For more information, please refer to [Minimum Requirement Two: Governance, Approvals and Data Capture](#).

17. Where a government grant making organisation receives an unsolicited proposal from an organisation, which is in line with departmental policy and for which funding is available, and which the department is considering funding, a range of options should be considered, including grants, before proceeding. This consideration should include whether a competition is the appropriate model for awarding funding, in line with the guidance in this document. Evidence of the process undertaken with regards to unsolicited proposals, should be recorded in an appropriate place, such as the business case. Proposals of this nature are outside normal business and should proceed only by exception and with a clear and auditable decision process.

Competition Assessment

18. The guidance below highlights issues to be considered and steps to be followed in assessing applications for funding within a competition. It should be noted that assessment criteria and process followed can be the subject of a request under the Freedom of Information Act, and as such, due care must be taken to ensure compliance with the guidance set-out in this document.

19. The key principles to be considered during the assessment of grant applications are:

- the number of assessors appointed for a particular scheme is proportionate to its size, risk, and whether the grant is novel or contentious - depending on the value and complexity of the grant, a minimum of two assessors is recommended (a lead assessor and a senior official to validate the results);
- assessors are selected based on their abilities, skills and experience;
- consensus meetings are scheduled to discuss and agree scores – these should be chaired by officials with experience of administering grant funding;
- assessors should conduct systematic, evidence-based assessments of proposals;
- assessors should be asked to complete a non-disclosure agreement, conflict of interest form, and be required to disclose any conflicts to the senior officer responsible (SOR) for the scheme - if the risk is considered acceptable and they proceed with the assessments, the conflict(s) should be clearly articulated in reports of the assessment results;
- evidence based reasons should be recorded to support all assessment scores – this helps to ensure consistency and fairness - assessors should conduct the

- assessment and communicate its results in a way that clearly respects all interested parties; and
- results of the assessment may be used to provide feedback to successful and unsuccessful applicants - assessor comments must be:
 - completed for every answer;
 - specific to the applicant's response and documentation, and free from bias;
 - suitable for public use, non-discriminatory and factual, avoiding statements that cannot be clarified or justified; and
 - presented in a constructive way when used as feedback.

Grant Assessment Criteria

20. For ease of administration, the assessment process can be divided into the following:
- a) **qualification criteria:** minimum requirements to qualify to apply;
 - b) **quality criteria:** bespoke to each grant, and where specific technical expertise is required to assess; and
 - c) **financial criteria:** the fundamental financials of delivery.

21. Assessment criteria within the **qualification criteria** can include but are not limited to:

	Term	Description
1	Application model	Structure, role, and details for all parties within a specific entry.
2	Grounds for mandatory/ discretionary exclusions	Such as participation in a criminal organisation, conviction for corruption fraud, money laundering or terrorist financing, etc. (See Further Resources below)
3	Legal entity and economic and financial position	Description of the organisation and its legal standing, statement of turnover, profit and loss, financial position, statement of cash flow, etc.
4	Technical and Professional Ability	Track record of delivery including recent experience.
5	General Declarations	Resource availability, timeline availability, agreement to no eligible/ approved expenditure, agreement to the publication of delivery details, etc.
6	Conflicts of interest	Declaration of any conflicts of interest that could compromise the conduct of the particular project.
7	Code of Conduct	Processes for handling vulnerable adults and children, Modern Slavery declaration, Health & Safety declaration. (See Further Resources below for the Grants Recipient Code of Conduct)

8	Insurance	Self-certification of ability to obtain the levels of insurance stipulated in the grant agreement.
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22. Assessment criteria within the **technical criteria** can include but are not limited to:

	Term	Description
1	Approach and methodology	The approach and methodology for delivery - sufficient detail must be provided to allow the assessors to understand what work is proposed and the likelihood of success.
2	Cost Effectiveness	An indicative cost, benefit structure for the project.
3	Match funding	A description of any additional matched funding sources that have been secured or applied for and what they will be used for and how they will provide additional value.
4	Environmental assessment	An environmental impact assessment for the proposed project.
5	Credibility and experience	A description of recent work undertaken to provide confirmation that the entree has the ability to deliver the project as described above.

23. It is worth considering whether to add weightings to the criteria, as part of the details of the scheme, to signal their relative importance and help applicants to focus their efforts appropriately. It is important that care should be taken on the numerical scores and that policy teams consult experts when considering any weightings. An example for a technical criterion could be:

Criteria	Weighting %
Approach and methodology	35
Cost effectiveness	30
Match funding	5
Environmental assessment	15
Teams capability and experience	15
Total	100

24. Examples for assessment criteria within the **financial criteria** are:

- unit cost for delivery with breakdown to include, for example, staff costs, delivery costs, fixed costs; and
- use of external benchmark costs/ market prices, to set the requested funding in the market context.

Challenge Funds

25. A *challenge fund* is a competitive process under a grant scheme, used to disburse funding to a range of projects, based on a set of pre-published criteria – challenge funds include an assessment of quality, in relation to delivery proposals. Under the challenge fund model, a funding envelope is made available and applications can be submitted in line with pre-published guidance, which could include an application rounds at regular intervals, or the opportunity to submit an application at any time, until the funding is exhausted or the scheme is discontinued. Repeat applications are usually acceptable, provided they meet the assessment criteria in full and any award clears the awarding body's due diligence process.
26. Challenge funds can be particularly useful to drive collaboration across industry and academia, facilitate market creation, and generate new capability.
27. Features of a challenge fund can include:
- open competition;
 - innovative / evidence-based proposals;
 - proposals assessed based on a fixed scoring criteria;
 - match funding;
 - local solutions;
 - a governance structure that incorporates a stakeholder panel to approve funding decisions.
 - an explicit public purpose;
 - grant recipients selected competitively on the basis of advertised rules and processes;
 - significant discretion over formulation and execution of proposals; and
 - sharing risks with the grant recipient.

Direct Awards (uncompeted)

28. Government grants should be competed by default. However, there are circumstances in which a grant may be awarded directly to one or more recipients, without undertaking a competition. It is important to note that without competition, value for money may be reduced, and the risk of a breach of subsidy control regulations could increase.
29. In such instances, strong justification, complete with detailed supporting evidence for the decision, must be provided in the business case and approved at the appropriate level in the organisation, via a formal approval process (see [Minimum Requirement Four: Business Case Development](#)). It is recommended that legal advice is sought on the risks associated with direct awards.
30. Examples of circumstances in which a direct award may be appropriate include awarding a grant:
- to an organisation that is the only provider in the area that the grant is being set up to fund;
 - to an organisation which inhabits a unique position offering a particularly specialist function;

- when the value of the grant is low and the cost of approaching the market through a competition would clearly exceed the benefit to be gained from competition between suppliers;
- when 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 grant award department;
- in the event of market failure.

Further Resources

31. In adhering to these minimum requirements, and in addition to the references and resources highlighted earlier in this guidance, organisations may want to consider the following in particular:
 - The [Grants Recipient Code of Conduct](#)
32. Organisations should also make full use of wider resources available through the ['grants Centre of Excellence'](#).