



Cabinet Office

Guidance: Government Functional Standard for General Grants

July 2018

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**Government Functional Standard for General Grants
Guidance**

Foreword

Government grants policy and process has come a long way since the introduction of the minimum standards in December 2016. I am very grateful for the huge effort that departments have made to adopt and apply the minimum standards within their day-to-day grant management. I am pleased that the standards have been embedded within our maturity model, to help drive process improvements across the board, and I appreciate the efforts so many departments have made to increase their compliance and maturity levels.

Many of you will already be aware that we have made some changes to the minimum standards, in order to bring them in line with the Cabinet Office 'Standard for Standards'. It is the aim of this policy to ensure consistency for departments in how all Government Functional Standards are presented. The intent is to introduce a common lexicon, definitions, and formatting, and also cross-reference between standards where it is appropriate to do so.

This change means that the 'minimum standards' have been replaced by a single 'Government Functional Standard for General Grants'. In practice, however, the ten standards that departments have adopted remain intact, and are included within the Government Functional Standard for General Grants. The timing of this change has helpfully coincided with our plan to refresh the existing standards guidance. It has given us an opportunity to strengthen and improve the support we aim to provide in this document, taking into account the valuable feedback that colleagues in departments have provided since 2016, and also factoring in new evidence from the recent standards compliance checks and from our accelerator programme.

The guidance has been improved to continue to assist departments and their Arm's Length Bodies in promoting effective grant making, and ensuring that taxpayers' money, awarded through government grants, is properly agreed and spent.

Once again, I'd like to express my thanks to departments for all the efforts made to date and I hope colleagues will join me in welcoming this refreshed guidance and that you find it to be user friendly and informative. There is still a great deal we can accomplish, and I look forward to continue working with colleagues across government to ensure that we get the very best out of government grants funding.

Penny Horner-Long

**Deputy Director
Cabinet Office, Grants Management Function**

The Government Grants

Managing Public Money:

1. Departments' primary concern when administering grants is to have due regard to the guidance set out in Managing Public Money; nothing in this document is intended to contradict or override that guidance.
2. This standard is not intended to be an additional spending control; departments retain accountability for decisions on all grant expenditure.

Important note on scope:

3. This standard applies only to **general grants** made by departments and their Arm's Length Bodies (ALBs) using Exchequer funding.
4. It does not apply to **formula grants** or **Grant-in-Aid**.
5. The term 'general grants' is broadly defined below, to assist identification:

General Grants: grants made by departments or their grant making ALBs to outside bodies to reimburse expenditure on agreed items or functions, and often paid only on statutory conditions. These are the grants, which are most closely related in administration to contract procurement, whilst remaining legally distinct.

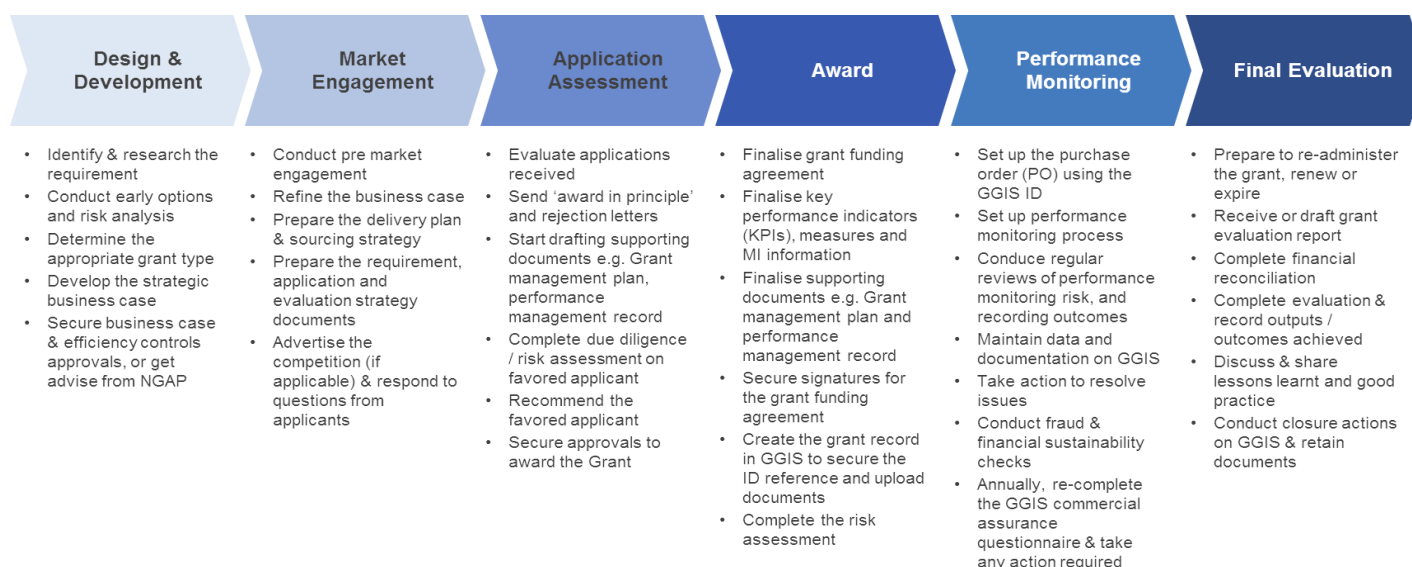
Best Practice for the Standard

6. This standard seeks to promote effective grant making and has been mutually agreed with departments. John Manzoni, Chief Executive of the Civil Service, welcomes departments' application of the government functional standard for general grants, to ensure the effectiveness of their general grant making.
7. The delivery of the standard will be on a '**recommended best practice**' basis, which means departments will:
 - adopt the recommended approach as defined by the Cabinet Office in guidance; or
 - clearly demonstrate how their existing approach, policies and practices will fully deliver against each particular standard, in an equally effective way.

The Six Step Process for Government Grant Making

End to End Journey Checklists for grant management

8. Despite significantly varying policy objectives across government, the accepted high-level process through which grants are administered is outlined below, including typical sub-process steps.
9. This six-step grant making process is enabled by departments' individual governance models, the capacity and capability of grant administration teams, and use of technology and insight from data sources such as the Government Grants Information System (GGIS) and any relevant documentation available from the Grants Centre of Excellence.



10. Details of the six step grant making process are outlined below,

Step 1 - Design and Development: during the design and development stage, policy proposals are received, external consultation can be sought (see the section on Early Market Engagement within Standard Two - Governance, Approvals and Data Capture), and the strategic business case for a grant is developed and signed off. This initial stage requires grant-makers to critically assess whether the proposal should progress based on a rigorous assessment of Value for Money. When grant schemes are set up well from the very beginning, with input from experts from policy, finance, commercial, legal, etc., Value for Money can be achieved and the potential for fraud and loss throughout the rest of the grant making process is reduced.

Step 2 - Market Engagement: this stage of grant making process serves to support the development of an active pool of applicants, as well as ensuring that the grant is publicised and the opportunity made available to the right potential recipients, leading to healthy and appropriate competition for funding and delivering cost effective outcomes. The benefits of appropriate competition have been clearly proven to

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outweigh the costs of competition and should be supported throughout the grant making process. If a grant requires significant collaboration or market creation consider the use of a Challenge Fund to drive appropriate engagement (see the section on Challenge funds in Standard Five - Competition for Funding).

Step 3 - Application assessment: pre-award, departments will review grant applications, and due diligence checks (see the section on Standard Seven - Due Diligence and Fraud Risk for more information on due diligence) will inform award decisions. Weaknesses in the application assessment may result in a significant risk of fraud and loss to departments. At this stage in the process, the development of a formal pre-qualification questionnaire (PQQ) should be considered, which will test against an exhaustive list of risk indicators and is consistently applied in practice. An adequate grant screen will result in awards being made to appropriate recipients, resulting in fraud and loss reduction. It also enables grant makers to identify riskier grants and take the necessary steps to manage that risk appropriately throughout the grant-lifecycle.

Step 4 - Award: the award stage is critical because the grant funding agreement and performance measures, which will govern delivery, are agreed between both parties – these should be based on the work done at the Business Case stage and should ensure above all that the grant is used as intended. Performance monitoring requirements and legal expectations should be outlined clearly in order to enhance the effectiveness with which grants can be monitored i.e. providing the facility, through setting and agreeing clear expectations at the outset, to hold the grant recipient to account for the delivery of the intended outputs.

Step 5 - Performance Monitoring: throughout the performance monitoring stage, regular reviews of agreed measures - and expenditure shall be conducted and actions taken to address any concerns identified. By actively monitoring delivery, departments can detect fraud, track that grants will achieve their intended outputs and provide assurance that expenditure is within the eligible expenditure terms outlined in the grant agreement.

Step 6 - Final Evaluation: at the end of a grant's life, an evaluation of the grant should be conducted, financial payments reconciled and lessons learnt disseminated.

The Government Functional Standard for General Grants

11. The **Minimum Standards for Government Grants** and supporting guidance were published on gov.uk in December 2016.¹ Since that date, the standards have been incorporated within a 'Government Functional Standard for General Grants', which includes the ten original Standards. The Standard is applicable to *general grants* made by departments and Arm's Length Bodies (ALBs), either wholly or partly using Exchequer funding. The Standard aims to ensure that departments deliver consistency, regularity and propriety in administering government grant funding.

Government Functional Standard for General Grants

1. Senior Responsible Owner

All government grants shall have a named Senior Responsible Owner (SRO) with clearly defined responsibilities throughout the lifetime of the grant.

2. Governance, Approvals and Data Capture

Departments shall ensure they have a robust grants approval process to approve spend over £100k, and that details of all current grant schemes and awards are available on the Government Grants Information System (GGIS).

3. New Grants Advice Panel

New government grants, including those that are high risk, novel and contentious, as well as those undergoing a step change in scope or funding, should be considered for submission to the New Grants Advice Panel (NGAP) for scrutiny and advice from subject experts.

4. Business Case Development

A robust business case, proportionate to the level of expenditure and risk, shall be developed for all government grants. This should be scrutinised and approved in stages, as part of grants approval process, in line with the guidance in Managing Public Money.

5. Competition for Funding

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.

6. Grant Agreements

All government grants shall be awarded through robust grant agreements, proportionate to the value of the grant and which reflect the Government Functional Standard for General Grants, in line with guidance in Managing Public Money. All government grant agreements shall include terms of eligible expenditure.

¹ The Government Functional Standard and supporting guidance are published here:

<https://www.gov.uk/government/publications/grants-standards>.

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7. Due Diligence and Fraud Risk

All government grants shall be subject to timely and proportionate due diligence and fraud risk assessment.

8. Performance and Monitoring

All government grants should have outputs agreed and longer-term outcomes defined, wherever possible, to enable active performance management, including regular reviews and adjustments where deemed necessary.

9. Annual Review and Reconciliation

All government grants should 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.

10. Training

All those involved in the development and administration of grant awards should undertake core training in grant management best practice.

Key requirements at-a-glance

12. The following table provides a short checklist of requirements for each of the standards. These should be taken as a non-exhaustive list, and can be enhanced by departments to ensure they go beyond the minimum requirements for compliance.
13. Please note: for each '**key requirement**' listed below, the principle of '**recommended best practice**' applies. This means departments will adopt the recommended approach as defined by the Cabinet Office or clearly demonstrate how their existing approach, policies and practices will fully deliver against each particular standard, in an equally effective way. As such, the key requirements may not be delivered in full in all cases, where appropriate justification exists and is recorded. Flexibility and proportionality also play an important role in meeting the standards, as set out in the individual standards guidance documents. These key requirements underpinned an initial self-assessment of maturity, by departments, and a programme of background monitoring undertaken by the Cabinet Office in year one of the standards (2017). The monitoring checks will be repeated, applying the same key requirements in late 2018.

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Standard		Key Requirement
1	SRO	<ul style="list-style-type: none"> Named SRO - name entered on to GGIS at scheme level.
2	Approvals	<ul style="list-style-type: none"> Grant details recorded on the GGIS at an early stage (see the Memorandum of Understanding for departments for more information on timings). Record evidence of funding/ business case approval at strategic, design and final stage (also NGAP where appropriate). Record evidence of expert input – finance, commercial, policy, audit, etc. Risk rating, (low, medium or high), recorded on the GGIS for each grant scheme.
3	NGAP	<ul style="list-style-type: none"> Record referral, advice received and responses on the GGIS.
4	Business Case	<ul style="list-style-type: none"> A business case exists, which covers purpose, context, change, options, affordability, value for money and management – proportionate to value and risk.
5	Compete by Default	<ul style="list-style-type: none"> Justification for the chosen model, competed or direct award, recorded in the Business Case.
6	Grant Agreement	<p>Terms and conditions exist and cover:</p> <ul style="list-style-type: none"> a clear description of the scheme/ aims and objectives of the grant; a clear description of how money should be spent; eligible expenditure terms, which prohibit paid for lobbying and improper expenses; data protection policy; audit/ assurance; agreed outputs/ KPIs/ milestones; financial and activity based reporting and validation; State Aid compliance; payment model which reflects need and provides terms for suspension and claw-back and grant termination; and evaluation and lessons learned.
7	Due Diligence	<ul style="list-style-type: none"> Details and outcomes of due diligence and fraud risk assessments are recorded in the Business Case.
8	Outputs/ Outcomes	<ul style="list-style-type: none"> Defined outputs/ longer term outcomes are recorded as part of the grant agreement and the Business Case. Where outputs are not or cannot be defined, justification is recorded in the Business Case.
9	Reviews	<ul style="list-style-type: none"> Details of the annual review and its outcomes recorded on the GGIS.
10	Training	<ul style="list-style-type: none"> All grant makers are registered on the Grants Hub to ensure access to training, guidance and best practice. No person is involved in administering grants without having had basic training in grants administration.

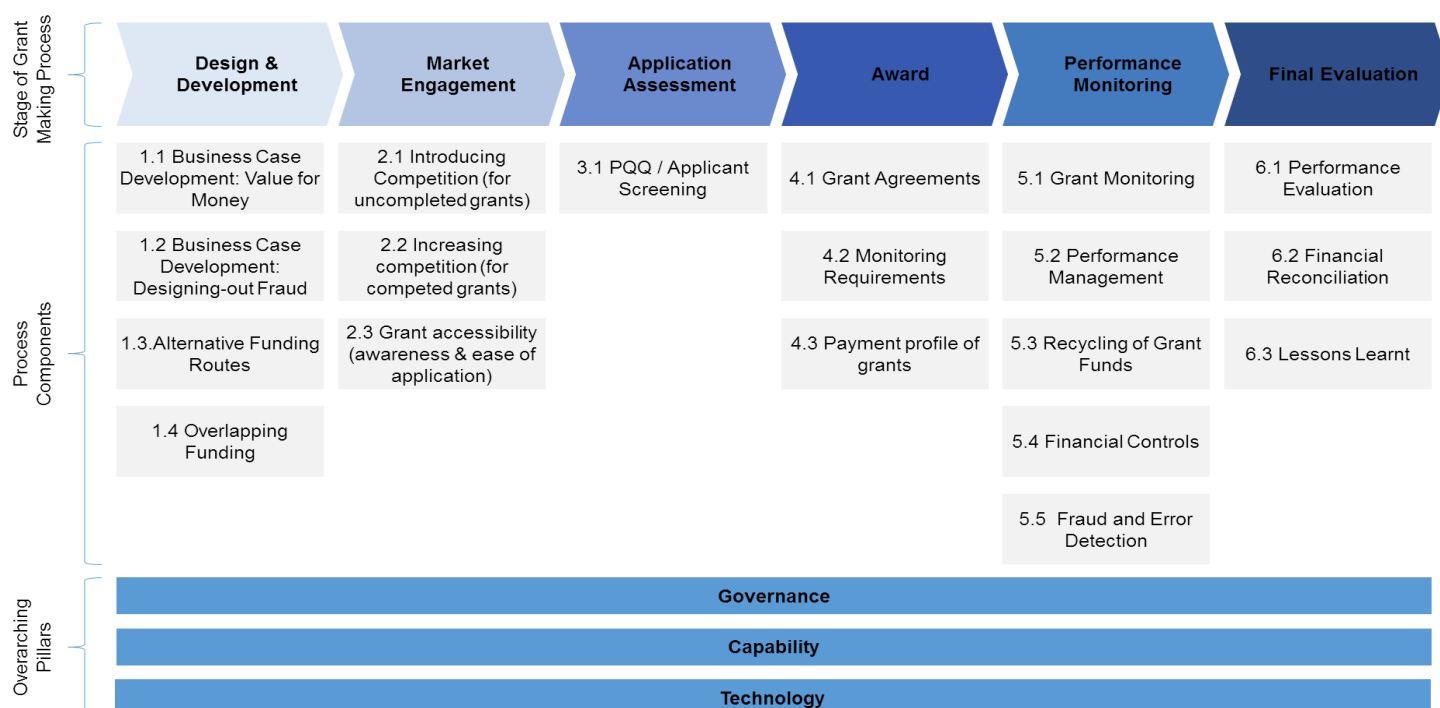
Assessing Maturity in Grant Making

14. The Cabinet Office Grants Management Function has developed a maturity assessment model, which is intended to be an framework to set requirements across departments to assess grant making maturity. This framework is created at a high level to be applicable to all departments, however, it is recognised that there will be

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nuances within each department in relation to their specific grant making process and that departments may have their own tailored form of the maturity assessment.

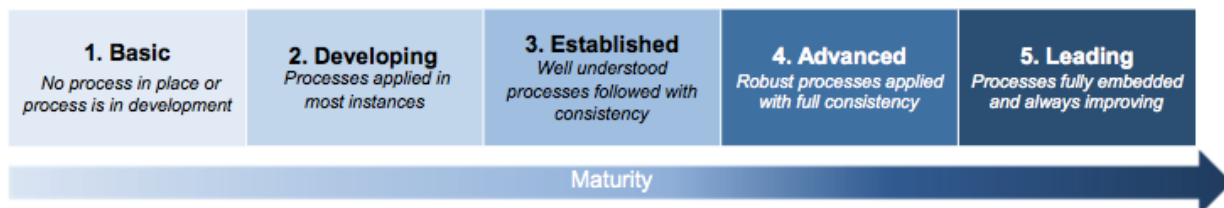
15. Departments are encouraged to regularly refer back to this framework to assess their progress and this will be how the Grants Management Function assess grant making processes in future. This maturity framework is intended to be a living document that will adapt and evolve over time. The maturity spectrum should be incorporated within annual reviews for full effect.
16. The maturity assessment framework is structured around the six steps of the grant making process, split out into its sub-process components, and underpinned by the overarching enabling pillars (please see graphic below for further details).



17. In order for departments to assess where they are within each of the process areas, guidance is provided in on the grants hub: <https://grantshub.civilservice.gov.uk/DataSolutionLogin> describing each level of maturity for each corresponding sub-process area within the six-stage grant making process.

18. There are five levels of achievement in the model. It is important to note that a maturity level of '2. Developing' is considered as meeting the Government Functional Standard for General Grants. Where a maturity level of '1. Basic' is identified in any of the sub process areas, this is considered a high-risk area for a department. In such an instance, the department is strongly encouraged to address this risk and take action to move that process/ sub process area to at least a '2. Developing' in the shortest practical timescale – see the graphic below.

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19. It is also important to note that the '5. Leading' maturity level is not an expectation for departments. It is intended to be aspirational in nature, as a gold standard practise in grant making both nationally and internationally.

Government Grants Administration: responsibility assignment matrix

20. The matrix below provides a high-level snapshot of job roles and key tasks for grants administration and provides an illustration of where responsibility falls.

Key:

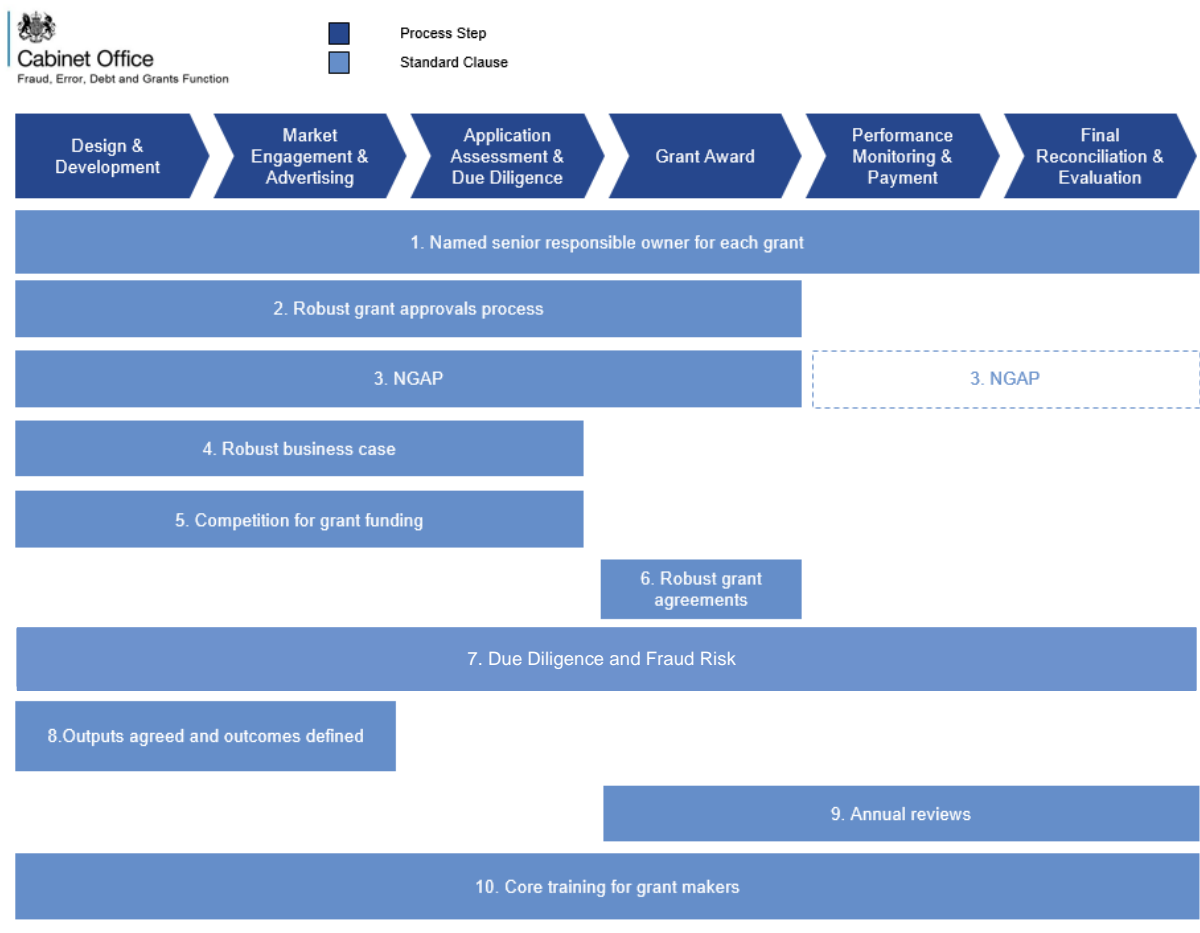
R = Responsible
A = Accountable
C = Consulted
I = Informed

Tasks	Roles					
	SRO	Finance	Commercial	Policy/ALB	Legal	Audit
GGIS*	A	I	I	R	I	I
Policy Development	A	A	C	R	C	I
NGAP: Referral/ Advice	A	I	I	R	I	I
Business Case	A	A	C	R	C	I
Grant Agreement	A	A	R	R	C	C
Monitoring/ Assurance	A	A	C	R	I	C
Reporting	A	I	I	R	I	I
Evaluation	A	C	I	R	I	I

* This refers to the input of information to the system.

Mapping between the Standard and the Six Step Process

21. The guidance document previously explains the ten standards (that are found within the Government Functional Standard for General Grants) and the six-step process for grant making. There is a clear link between the two, which is important for the grant makers to consider throughout the grant life cycle. The diagram below highlights how the ten standards align to the six step grant making process.



Types of Grants and Context

Types of grants and upfront information

22. There are a number of different types of Government grants available comprising of: Formula Grants, Grant in Aid, and General Grants. It is important to differentiate between these, as only General Grants are within scope for this guidance. A summary of each grant type is outlined below.

Formula Grants:

23. Formula Grants are where recipients receive an amount calculated by formula. The department divides up a finite pot of available grant funds (which is determined in the spending reviews) between those organisations satisfying the formula criteria. Additionally:

- the formula is set by legislation and regulations and funds are awarded per that formula;
- often Formula Grants are awarded to local government / authorities and local government public bodies, for example, grant funding provided by Central Government to Local Authorities which is determined by factors such as population;
- by their nature Formula Grants are non-competitive, unlike General Grants which should be competitive by default; and
- Formula Grants are out of scope of the Standard.

Grant in Aid:

24. Payments from a sponsoring or home department (from its own departmental estimate) to directly fund a public body (usually Non Departmental Public Bodies). Usually for the financing of a range of activities that the public body chooses within broad parameters agreed with the department. Typically Grant in Aid does not impose the same detailed controls over day-to-day expenditure as would be the case under a general grant award (though the departmental accounting officer is usually still accountable for the public body). Grant in Aid is out of scope of the Standard.

General Grants

25. The Standard specifically applies to general grants. They are a relatively flexible means of funding activities for the public good and/or in support of departmental policy. The department provides the funds, and can remain at arm's length to the recipient and the outputs whilst still being able to maintain sensible performance management and financial control over the use of the grant funds. These types of grants can be subdivided into competed awards, direct awards that are uncompetes, criteria grants and Section 31 (s.31) grants, more information is provided below:

- **Competitive:** all general grants should undergo a competition process by default, except where a Direct Award can be justified. Please refer to Standard Five - Competition for Funding for more information;

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- **Direct Award:** in some circumstances, a general grant may undergo a non-competition route. Please refer to Standard Five for more information;
- **Criteria Grants:** these grants are usually not competed, as they are created with set qualifying criteria. As long as the applicant meets the required criteria, the recipient receives the funding, e.g. grants to assist those affected by flooding; and
- **Section 31 Grants:** some general grants to Local Authorities may be eligible to be handled under the procedure established within section 31 of the Local Government Act 2003. These are for direct or indirect awards, and allow for specific conditions to attach. The process eliminates the need for future legislation to empower spending, and can (within very specific circumstances) include ring-fencing if there is agreement from the Ministry for Housing Communities and Local Government (MHCLG). MHCLG is responsible for oversight of this process, and must be consulted before utilising the s.31 process. For more information contact the s.31 team: Section31Grant@communities.gsi.gov.uk.

Application of Functional Standard to other organisations

26. Some departments have ALBs and other types of public bodies that carry out activities on their behalf. Usually departments will have a Memorandum of Understanding or Framework Agreement with each ALB that will cover the nature of the relationship, the form of accountability, how the ALB is funded, and details of the activities the ALB will engage in. If an ALB or public body is awarding grants that are themselves drawn from Exchequer funding, then the Functional Standard shall apply.
27. Departments are responsible for making sure that where applicable the General Grants administered via ALBs, using Exchequer funding, are consistent with the functional standard for government general grants.
28. For more information on what constitutes an ALB (and other forms of public body) please review the guidance on classification of public bodies that can be found here: <https://www.gov.uk/government/publications/classification-of-public-bodies-information-and-guidance>
29. The annual Cabinet Office publication that lists the current ALBs can be accessed via gov.uk. The most recent version can be found here: <https://www.gov.uk/government/publications/public-bodies-2017-report>
30. Another (though less regularly updated) list that also includes other forms of public bodies can be accessed on gov.uk here: <https://www.gov.uk/government/organisations>

Guidance on the Government Grants Centre of Excellence (CoE)

"The launch of the Grants Centre of Excellence marks a step forward as we seek to reduce risk and improve the effectiveness of grant funding across government. The CoE can help build the capability we need to manage grants effectively across government, supported by our financial leaders."

John Manzoni – Chief Executive of the Civil Service

Mike Driver - Chief Financial Officer and Head of the Government Finance Function

What is the Centre of Excellence?

31. Grant award, management and administration is the latest area of government activity for which a cross-government Finance Centre of Excellence (CoE) is being established – in line with the Finance Transformation Programme. The Finance Operating Model aimed to develop a modern, collaborative finance function that delivers quality services more effectively and efficiently, and a core component of this are the various Finance COEs.
32. After operating as the lead on cross-departmental policy co-ordination on government grants, the Cabinet Office Grants Management Function has now taken on the responsibility as the Grants CoE. This is accessible via the Grants Hub which can be found here <https://grantshub.civilservice.gov.uk/DataSolutionLogin> and OneFinance which can be found here <https://www.epims.ogc.gov.uk/OneFinance/>. Under the first phase of its introduction, the CoE will provide a repository of best practice and resources, covering: guidance; training; administration tools; access to networks; and sources of further support and guidance. The second phase (which is being developed during 2018) will provide support in the form of detailed service design.

Key benefits:

- **improving the quality of outcomes:** supporting the raising of standards across Government;
- **building resilience:** sharing skilled, experienced staff across departmental boundaries;
- **efficiencies:** in the use of scarce resources, and in reducing spend on external consultants for these activities;
- **focal point for departments:** in improving grant award and administration – delivering the Government's ambition to increase efficiency, improve effectiveness and reduce losses from fraud and error;
- **coordinate and focus activity:** the development of supporting products, provision of expert advice and sharing of best practice – seeking input from and reaching a wider audience; and
- **integrated and effective working:** between finance and policy colleagues to ensure a rigorous approach which maximises value for money.

Additional Priorities

Applying standards to EU grants

- 33. European Union (EU) funding is managed according to strict rules to ensure there is significant control over how funds are managed and that the money is spent in a transparent, accountable manner. Most of the EU funding to the UK is managed by UK government departments and regional authorities, which also have responsibility for conducting checks and annual audits.
- 34. EU funding to the UK is also expected to follow EU funding rules and principles.
- 35. After the UK's planned exit of the EU, it is expected that the Government Functional Standard for General Grants will apply to any UK Exchequer funded programmes, schemes and awards that replace those current funded by the EU, where they are administered as General Grants.

Code of Conduct

- 36. All departments are expected to demonstrate the highest standards of professional conduct and to take into consideration the public interest. Ethical behaviour plays a vital role in ensuring public trust in the grant making process and upholding the reputation of the government departments.
- 37. Please refer to Standard Four - Business Case Development for further information.
- 38. It is also important to ensure that public money is not granted to recipients that fall short of the ethical standards that departments require of them when carrying out the activities being funded. Departments are encouraged to make the necessary checks of potential recipients to ensure they have in place processes to safeguard against any number of ethical issues that will vary depending on the nature of the grant and the activities to be funded. These may include: misuse of funds, conflicts of interest, or even ensuring that vulnerable adults and children are protected. A code of conduct for grant recipients is currently under consideration, for on gov.uk.

Government Commercial Function

- 39. It is important to note that Grant funding is different from contract procurement. One key consideration is whether or not the department is purchasing a product or service, or if it is merely supporting an activity that aligns with departmental policy. There are several other differences that range from compliance with procurement rules through to the treatment of VAT, all of which will impact on whether grant funding or contract procurement is the best funding option. For more information please refer to Managing Public Money guidance which can be accessed here: <https://www.gov.uk/government/publications/managing-public-money> and the high level guidance note on Grants and Alternative Funding Options, which can be located on the grants hub: <https://grantshub.civilservice.gov.uk/DataSolutionLogin>.
- 40. In some instances it may be possible, and prove useful, for departments to learn from some of the government commercial function's work for the benefit of grants funding.

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Two recent examples of this have been shared by colleagues from the Department for Education. These include:

- Matching the Functional Standard to elements of the Maturity Matrix to the Commercial Operating Standards – their findings are that there is a lot of synergy with only slight deviations in emphasis; and
- Contract Manager People standards can be leveraged for Grant Manager People Standards. Professionalisation of Contract Managers programme (to avoid duplicate cost and effort).

41. In any event, care should be exercised when looking at these sorts of instances, specifically to ensure that grant funding does not take on so many characteristics of contract procurement so as make it indistinguishable.

42. Below are two other examples that may prove to be of use to departments:

Duplicate funding

Within grant funding it is important to review the information available on the Government Grant Information System (GGIS), which has searchable fields of data including: recipients, objectives, and even locations (allowing for geographical analysis of grant spending reaching specific areas). When considering grant funding, departments should use the GGIS as part of their market engagement and due diligence processes.

GGIS may also support departments considering alternative options, and access can be requested by emailing the Grants Management Function mailbox here:

grants-management-function@cabinetoffice.gov.uk.

Competition bid-rigging toolkit

The Competition and Markets Authority has created a toolkit for analysing potential bid rigging and other anti-competitive behaviour. Whilst this is designed with Commercial contracts in mind, it is of use and applicable to Grants funding, especially within competed awards. For more information follow this link:

<https://www.gov.uk/government/news/cma-launches-digital-tool-to-fight-bid-rigging>

Annex A

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