



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.

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## 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 general grants and that any decision taken not to compete a general grant opportunity is fully justified and made with the necessary approval.

## Grants Functional Standard: Key References

Mandatory requirements are defined by the word **shall** in the grants functional standard. The **shall** statements related to this minimum requirement have been extracted from the standard and are set out below. **Please note:** 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>Grant Life Cycle:</b> General Grants Life Cycle	When developing general grant models and criteria for assessing applications 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, except where the application is from a consortium) 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**).
  - **Criteria Based:** including Challenge Funds - where applicants compete against specific pre-published qualifying criteria for portions of available funding, which has been allocated for a particular purpose. These types of grant may be set-up as a challenge fund and repeat applications may be permitted, subject to the individual scheme design and guidance.
  - **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 (see paragraphs 35 to 38).
3. By default, government grants should be subject to an appropriate form of competition. It is well established that effective competition is a key mechanism for improving outcomes for beneficiaries and achieving the policy objectives through encouraging innovation. Competition can unlock efficiencies and improve the delivery of objectives by encouraging applicants to compete against each other for the available funding. This can lead to: lower costs, improvement in the quality of outcomes, greater levels of transparency, innovation and driving 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.<sup>1</sup>
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 complacency and diminishing returns on the investment, as well as stifling innovation due to a lack of motivation, which can present a reputational risk for government. Competition for funding can provide benefits, reducing these risks through incentivising innovation and continuous improvement in delivery. This scenario can also apply to competed grants where the competition was only carried out once at the

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<sup>1</sup> 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., assessing value in the delivery of grants may need to be measured in different terms, from those used to measure value in contract procurement.

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. It is good practice to document the rationale and approval for decisions on direct awards, to enable grant makers to justify decisions taken on awards of funding, if later challenged.

6. The senior officer responsible (SOR) for a grant is responsible for ensuring that funding under general grant schemes is awarded subject to open and fair competition, wherever competition is appropriate. Where a decision is taken to make a direct awards, the decision must be fully justified and approved, with a rationale provided, usually via the business case. It is important to seek expert input to these decisions, in particular from commercial, finance and legal professionals, as required, to secure advice on optimising the competition and mitigating risk. Advice on risk and mitigation should also be sought from counter-fraud experts, to inform the development of a fraud risk assessment. Where a direct award is made, it will be particularly important to have an appropriate financial and delivery monitoring and assurance regime in place, which is effective in incentivising continuous improvement and the delivery of outcomes, through the rigorous assessment of progress and the achievement of value for money. The monitoring and assurance regime should be aligned to a process of annual reconciliation, which includes a decision as to whether to continue delivery, make adjustments or discontinue delivery.
7. Further guidance on how to introduce appropriate and proportionate competition in the administration of government general grant schemes can be found in the guidance [Competition-in-Grants](#) found on the [grants Centre of Excellence](#).

## Timing and Engagement

8. 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 administered as part of the market engagement, application assessment and award stages of the scheme's lifecycle. Clear guidance should be provided for applicants on the design and administration of the competition, to ensure transparency and clarity of expectation, to reduce the risk of a later challenge. Applications for funding, received via a competition should be ranked, based on their assessment scores, so it is clear why awards have been offered or made to individual organisations.
9. It is beneficial to capture lessons from the administration of competition for grant funding and the 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. The best place to capture such innovation is via the impact evaluation.
10. When it comes to pre-market engagement, care should be taken not to provide any individual organisation or group of organisations with a competitive advantage at any

stage in the pre-market engagement process. This can be achieved through ensuring:

- the process is transparent, as far as possible;
- that information, where non-sensitive, is made publicly available, so all potential applicants have equal access; and
- individual schemes are not unfairly tailored to the needs of particular groups or organisations.

11. There are also competition requirements with regards to compliance with UK Subsidy Control, which must also be considered (see paragraphs 17 to 21).

## Find a Grant

12. Find a Grant is a service that makes it simpler, faster and fairer for any organisation or person across the UK to find and apply for government general grants.

13. In January 2023, following a formal cross-government write round, the Home Affairs Committee took the decision to mandate [Find a Grant](#) from 1 April 2023, for all exchequer-funded general grants, which are competed or criteria-based.

14. Whilst the mandatory requirement is applicable to most schemes, there are types of grant and other circumstances in which the requirement will not apply. This includes formula grants; grant in aid; Official Development Assistance grants administered by the Foreign, Commonwealth and Development Office (FCDO) and other government departments; and highly-sensitive grants, where the information cannot be made publicly available.

15. Departments must register on the system for individuals to be assigned administrator permissions. Once confirmed, users can login and begin creating grant adverts. All grant adverts will be published here: <https://www.find-government-grants.service.gov.uk/>.

16. Guidance on how to register and build an advert on the Find a Grant system is available to support new users. Users in central departments and grant making ALBs should contact the Government Grants Management Function (GGMF) team if they have any questions, including for access to the user guidance, using the following address:

[findagrant@cabinetoffice.gov.uk](mailto:findagrant@cabinetoffice.gov.uk)

## Subsidy Control

17. The UK subsidy control regime began on 4 January 2023. It enables public authorities, including devolved administrations and local authorities, to give subsidies that are tailored to their local needs, and that drive economic growth while minimising distortion to UK competition and protecting our international obligations.



18. A subsidy is where a public authority provides support to an enterprise that gives them an economic advantage, meaning equivalent support could not have been obtained on commercial terms. This could include, for example, a cash payment, a loan with interest below the market rate or the free use of equipment or office space. A fuller definition of a subsidy is provided in the [guidance and information on the UK subsidy control regime](#).
19. Subsidy control requirements should be considered early on in the design and development a grant scheme. This will help minimise the legal risks attached to financial assistance. Departments and their grant making ALBs should check if their grant scheme complies with the subsidy control requirements, before they make any payment. This will help protect from legal challenge, which could result in having to suspend a policy measure and recover money from recipients, because it was paid without complying with the subsidy control requirements.
20. Further help and support is provided in [Subsidy Control rules: quick guide to key requirements for public authorities](#). This step-by-step guide is for public authorities that are considering providing support that may be classed as a subsidy. Following the steps set-out in the guidance will help ensure that any such support provided is consistent with the requirements in the Act. However, this quick guide should not be used in isolation, those responsible for awarding subsidies should always ensure that they fully understand the subsidy control requirements and satisfy themselves that their policies or projects are compliant.
21. The above guidance does not cover subsidies or subsidy schemes subject to article 10 of the Northern Ireland Protocol. For further information, see Section 1 of the [guidance on the UK's international subsidy control commitments](#).
22. If in doubt, departments and ALBs should contact [subsidycontrol@beis.gov.uk](mailto: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

23. 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 also 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 award. 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;

- **assess 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 should be short-listed and the preferred applicant(s) selected based on a ranking derived from the assessment scores; and
- **market engagement:** is an important enabling activity of 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, refer to [Minimum Requirement Two: Governance, Approvals and Data Capture](#).

## Unsolicited Proposals

24. 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 before proceeding, including grants. 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. The principle of competition by default, as described in this guidance, is applicable to unsolicited proposals.

## Competition Assessment

25. The guidance below highlights issues to be considered and steps to be followed in assessing applications for funding, within a competition model. It should be noted that assessment criteria and the 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.

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

- the number and experience of assessors appointed for a particular scheme is proportionate to its size, risk, including 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 provided on the application form;
  - 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

27. For ease of administration, the assessment process can be divided into the following:

- I. **qualification criteria:** minimum requirements to qualify to apply to a scheme;
- II. **quality criteria:** bespoke to each grant, and where specific technical expertise is required to assess; and
- III. **financial criteria:** the fundamental financial information to support delivery.

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

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

<b>7</b>	<b>Code of Conduct</b>	Processes for handling vulnerable adults and children, Modern Slavery declaration, Health & Safety declaration. (See Further Resources below for the Grants Recipient Code of Conduct).
<b>8</b>	<b>Insurance</b>	Self-certification of ability to obtain the levels of insurance stipulated in the grant agreement.

29. Assessment criteria within the **quality criteria** can include but are not limited to:

	<b>Term</b>	<b>Description</b>
<b>1</b>	<b>Approach and methodology</b>	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.
<b>2</b>	<b>Cost Effectiveness</b>	An indicative cost, benefit structure for the project.
<b>3</b>	<b>Match funding</b>	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.
<b>4</b>	<b>Environmental assessment</b>	An environmental impact assessment for the proposed project.
<b>5</b>	<b>Credibility and experience</b>	A description of recent work undertaken to provide confirmation that the applicant has the ability to deliver the project as described above.

30. It is best practice to add weightings to the assessment 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:

<b>Criteria</b>	<b>Weighting %</b>
Approach and methodology	35
Cost effectiveness	30
Match funding	5
Environmental assessment	15
Capability and experience	15
<b>Total</b>	<b>100</b>

31. 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

32. 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 and feasibility in relation to delivery proposals. Under the challenge fund model, an amount of funding is made available and applications can be submitted to the fund in line with pre-published guidance, which could include 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, depending on the design of the individual scheme, provided they meet the assessment criteria in full and any award clears the funding authority's due diligence process.

33. Challenge funds can be particularly useful to drive collaboration across industry and academia, facilitate market creation, and generate new capability.

34. Features of a challenge fund can include:

- open competition;
- innovative, evidence-based proposals;
- proposals assessed based on a fixed scoring criteria;
- inclusion of match funding requirements;
- 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)

35. 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, there is a risk that value for money may be reduced, and the risk of a breach of subsidy control regulations could increase.

36. In such instances, a clear and defensible 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.

37. Examples of circumstances in which a direct award may be appropriate in the award of a general grant include:

- award to an organisation that is the **only** feasible option in the area that the grant is being set up to fund;
- an organisation which inhabits a demonstrably 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 applicants;
- 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 funding department;
- in the event of market failure.

38. The above list is not intended to be exhaustive.

## Further Resources

39. 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](#)

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