

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.*

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.

What?

6. The minimum expectation with regards to this Standard is that consideration should be given to competing the award of all general grants, and that consideration should form part of the business case. Direct awards should be made by exception, with strong justification provided in the Business Case and approved at the appropriate level within the department.

Rationale for Standard Five

7. Why? Competition is vital in achieving value for money, cost effectiveness, and reducing risk within grants. The benefits of competition have been clearly proven to outweigh the costs of competition within procurement and should be supported throughout the grant-making process. Studies from procurement have shown that increasing competition results in a 2-15% reduction in cost to provide the same output. This is especially important when spending taxpayers' money.

Government Functional Standard for General Grants Guidance

8. Some of the benefits of competition in the grants making process include:
 - **Value for money:** through increasing competition a department can reduce the cost paid to the grant recipient for the same output. The difference between what was paid and what would have been paid, in the absence of competition, represents a cash-releasing saving that can be reinvested elsewhere.
 - **Cost effectiveness:** greater scrutiny of funds and performance due to interests held by third parties, better delivery, and higher quality outputs.
 - **Risk reduction:** there is a risk that uncompleted grants can roll on for multiple years to the same recipient, offering poor returns on investment and presenting reputational risks. Increasing competition will provide a non-quantifiable benefit through reducing this risk. Furthermore a robust audit trail will enable grant makers to provide award justification if later challenged.

Examples of Competed Awards

- full competition where organisations compete against each other for a single grant, in response to a published advert and pre-published award criteria; or
- 'Challenge Funds' where applicants compete against pre-published criteria for portions of a pot of funding, which has been earmarked for a particular purpose and where repeat bids are permitted.

Direct Awards

9. By default, government grants should be competed. By exception, a grant may be awarded without competition. Examples include:
 - awarding a grant to an organisation that is the only provider of the service that the grant is being set up to fund;
 - awarding a grant to an organisation which inhabits a unique position or offers a particularly specialist function;
 - awarding a grant to an organisation which has a track record of excellence in a particular area;
 - if the value of the grant is low and the cost of approaching the market through a competition would exceed the benefit to be gained from competition between suppliers;
 - there is extreme urgency, where such urgency was not foreseeable and was not as a result of any action or inaction on the part of the grant award department; or
 - in the event of market failure.

How to run a competition

- **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 to the best applicants in the most effective way.

Government Functional Standard for General Grants Guidance

- **Grant agreement terms and conditions:** in public sector competitions, it is common practise to publish the assessment criteria and a proposed form of the terms and conditions early in the process and to invite comments at that stage. This can give a clear indication of the grant applicants' approach to risk and liability. This also presents the grant maker with the opportunity to begin considering outputs and outcomes for monitoring performance later in the process.
- **Set the rules of the process:** it is important to define the rules of the process from the outset, including timings. This gives certainty to applicants and drives efficiency. It should be stated in the document that applications will be evaluated with a view to obtaining best value for money. It should be made clear that you are not obliged to accept any grant application or award any grant and you should expressly disclaim all responsibility for application costs. Be mindful of not requiring prospective applicants to commit too many resources in compiling the application when they are in competition, for example, by setting word limits on applications forms. Consideration should always be given to the principle of proportionality.
- **Evaluate potential delivery partners:** the evaluation of applications should be carried out by a pre-agreed evaluation team, using pre-defined assessment criteria. It is important that appropriate risk and due diligence checks are carried out at this time (see standard seven - Due Diligence and Fraud Risk for more information). Once scored, the applicants are then ranked and the preferred grant recipient(s) selected based on performance against the pre-defined assessment criteria.

Best practice

10. It is important to consider periodically re-running competition for grants that roll on across multiple years. For example, grants that may have been competed in the first year should not automatically be renewed year on year without re-running a competition to ensure value for money.
11. In the case of receiving an unsolicited proposal from an organisation for a grant, alternative funding options should be considered as well as instigating a competition before awarding a grant. Evidence of the process should be recorded in the appropriate place.
12. Market engagement is an important enabling activity for grant competition. Strong market engagement can result in higher volumes of better applications and increase the level of competition for any given grant. For more information, please refer to standard two - Governance, Approvals and Data Capture for more information.

Challenge Funds

13. A Challenge Fund is a competitive financing process to disburse grant funding to a range of projects, based on a set of pre-published criteria. There will usually be

Government Functional Standard for General Grants Guidance

a pot of funding available and applications can be submitted at any time, or in line with a published schedule of regular deadlines, until the funding is exhausted or the scheme is discontinued. Repeat applications are usually acceptable, provided they meet the criteria.

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

15. Features of a challenge fund can include:

- open competition;
- innovative/ evidence-based proposals;
- proposals evaluated based on a fixed scoring criteria; and
- a governance structure that incorporates a stakeholder panel to approve funding decisions.

16. Other common features include a focus on innovation, leveraging other resources, and local solutions. Specific characteristics of challenges funds can include:

- provides grants or subsidies;
- with an explicit public purpose;
- between independent agencies;
- with grant recipients selected competitively;
- on the basis of advertised rules and processes;
- who retain significant discretion over formulation and execution of their proposals; and
- share risks with the grant provider.

Case Study

An example of a challenge fund is the Industrial Strategy Challenge Fund, a fund focusing on investing £1 billion in cutting-edge technologies to create jobs and raise living standards, focusing on the following areas of innovation:

- healthcare and medicine;
- robotics and artificial intelligence;
- batteries for clean and flexible energy storage;
- self-driving vehicles;
- manufacturing and materials of the future; and
- satellites and space technology.

17. More information can be accessed here:

<https://www.gov.uk/government/news/business-secretary-announces-industrial-strategy-challenge-fund-investments>

Government Functional Standard for General Grants Guidance

Evaluation of Grant Proposals

18. The assessment of grant proposals is a crucial element in developing a robust competition process. The guidance below is to assist departments by highlighting the sorts of issues and steps that can be followed with the flexibility to amend to make it more relevant to specific types of grants. Please note that evaluation scoring and rationale is potentially liable to FOI requests, and due care must be accordingly afforded.

Key Assessment Principles

19. The key principles suggested to be followed during the process of grant proposal evaluation:

- number of evaluators appointed for a particular proposal is proportionate to its size, its risk, and whether the grant is novel or contentious. Depending on the value and complexity of the grant, a minimum of two evaluators is suggested (a lead and someone more senior to check their work);
- evaluators are selected based on their abilities, skills and experience appropriate to undertake the tasks proposed in the evaluation;
- consensus meetings are scheduled to discuss and agree respective scores from the evaluators and could be chaired by the departmental grants champion, or someone with significant grants experience;
- evaluators conduct systematic, evidence-based evaluations of the grants proposal;
- before given access to individual applications evaluators could be asked to complete a non-disclosure agreement, conflict of interest form and should disclose any conflicts to the SRO. If the risk is considered acceptable and they proceed with the evaluation, the conflict(s) should be clearly articulated in reports of the evaluation results;
- reasons for negative or critical conclusions from an evaluation should be explicitly stated, evaluations sometimes produce results that harm client or stakeholder interests. Knowing that evaluations may negatively affect the interests of some stakeholders, evaluators should conduct the evaluation and communicate its results in a way that clearly respects all interested parties; and
- the rationale included in the comments field is an important part of the evaluation as it is the only way to prove that your evaluation has been fair and unbiased. Your rationale may also be used to debrief successful and unsuccessful competitors. Your rationale must be:
 - completed for every answer;
 - specific to the applicant's response and documentation;
 - suitable for public use, non-discriminatory and factual. Avoiding using statements that you are unable to clarify or justify; and
 - constructive feedback.

Government Functional Standard for General Grants Guidance

Dos:

- do allow plenty of time to become familiar with the grant application and the Evaluation Criteria and to read, consider and score for each application;
- only use the scores as indicated in the evaluation criteria i.e. don't try to use a score somewhere between the ones indicated, but use the score value and support it with comments why you have made this score in relation to the evaluation criteria that has been set;
- do provide constructive comments as far as possible, these should be used to provide feedback to the entrants to help improve future applications. Comments should say why they have or not have met all the evaluation criteria and which ones;
- do check the summary at the end where you can see how you have scored and commented on all submissions for each application. Consider the consistency of your comments in relation to the evaluation criteria. If not sure what you meant or why you scored that way, go back and have another look at them and edit your score or comment; and
- do consider a challenge meeting to address the evaluation findings. A summary of the individual evaluator's scores and comments will be distributed to all panel members prior to the consensus meeting.

Don'ts:

- don't try to do your review at the last minute;
- don't cross compare applications, assess each part based only on the evaluation criteria as set;
- don't spot something you wish had been added to the evaluation criteria and score it higher at expense of others;
- don't forget that all application documents are confidential - so if you make print outs - manage this accordingly and destroy when done; and
- don't discuss your review or the results of the consensus with anyone - even after the grants are awarded.

Grant Evaluation Criteria

20. It is possible to split grants into the following:

- a) the qualification 'envelope' - minimum requirements to qualify to apply;
- b) the technical 'envelope' - bespoke to each grant, and where specific technical expertise is required to evaluate; and
- c) the commercial 'envelope' - the fundamental financials of the output.

21. Evaluation criteria within the **qualification envelope** can include but is not limited to:

Government Functional Standard for General Grants Guidance

Application model	Structure, role and details for all parties within a specific entry
Grounds for mandatory/ discretionary exclusions	E.g. participation in criminal organisation, conviction for corruption fraud, money laundering or terrorist financing etc. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/551130/List_of_Mandatory_and_Discretionary_Exclusions.pdf
Economic and Financial Standing	Audited accounts, statement of turnover, profit and loss, financial position, statement of cash flow etc.
Technical and Professional Ability	Recent experience and grant agreement examples
General Declarations	Resource availability, timeline availability, agreement to no unsolicited spending, agreement to the publication of grant results etc.
Conflicts of interest	Declaration of any conflicts of interest that could compromise the conduct of the particular project
Code of Ethics	Processes for handling vulnerable adults and children, Modern Slavery declaration, Health & Safety declaration
Insurance	Self-certification of ability to obtain the levels of insurance stipulated in the grant agreement

22. Evaluation criteria within the **technical envelope** can include but is not limited to:

Approach and methodology	The approach and methodology for delivering the Project. Sufficient detail must be provided to allow the evaluators to understand what work is proposed and the likelihood of success.
Cost Effectiveness	An indicative cost benefit structure for the project
Complementary funding	A description of any additional funding sources that have been secured / applied for, where they are coming from, and what they will be used for
Environmental assessment	An environmental impact assessment for the proposed project
Teams capability and experience	A description of recent work undertaken to provide confirmation that the entrant has the ability to deliver the project as described above.

23. Consider publishing weighting of criteria as part of the Invitation to Apply (ITA) to help your competition entrants focus their efforts appropriately. An example for a technical envelope could be:

Government Functional Standard for General Grants Guidance

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

24. Examples for evaluation criteria within the **commercial envelope** are:

- £ per tonne Co2 removed (Lowest is best);
- £ per house built (Lowest is best); and
- Expected increase in local economy (Highest is best).

The Role of Lessons Learnt

25. It is important to utilise what is learnt from the evaluation of one grant proposal in the future evaluation of grant proposals. For example, if one competition entrant highlights a new market technique that increases the Value for Money for a particular process and this is delivered throughout the project, it should be reflected in future Invitation To Apply.