

## 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.*

### 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 functional 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 functional 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 expectation under this Standard is that as a minimum, a financial reconciliation should be undertaken towards the end of each financial year, which should take into account delivery against pre-set key performance indicators (KPIs)/ milestones/ outputs and which results in a recommendation in line with at least one of the following:
  - continue in line with existing plans;
  - increase or decrease funding for the subsequent financial year;
  - re-define and agree outputs;
  - recover surplus funding; and
  - terminate the grant.

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## **Senior Responsible Owner (SRO) responsibilities**

7. The SRO role will be to ensure that the review is undertaken with sufficient rigour to ensure that taxpayers' money is protected, in line with guidance in Managing Public Money. See guidance for standard 1 for further information on the role of the SRO.

## **Performance Monitoring**

### **What is Performance monitoring?**

8. Performance monitoring is an ongoing process and should include several checkpoints over the course of the funding period/ grant lifecycle, although a full holistic overview should also be included annually.

### **What should Performance monitoring include?**

9. The monitoring process should include a range of Key Performance Indicators (KPIs) and metrics, which align with the wider organisation. In some cases it may include metrics and supporting evidence tailored to the Department/ Ministry's objectives and the individual grant award's intended impact. The monitoring process may involve some variances according to whether the Grant recipient is in the private or public sector.
10. This should include monitoring of payments, relevant due diligence checks, supporting evidence of progress against the business case and pre-agreed timeline. In the event of non-adherence to the agreement, the monitoring process may include penalties or the withholding of funds until the Grant Recipient is compliant.
11. The type of expenditure which will be funded by the grant is deemed to be eligible if the funds disbursed will be directly relevant to the project's purposes and meets certain conditions. A key point to note is that the recipient cannot accumulate payments in anticipation of grant funding being paid, only after they have been incurred, as the release of funds to the recipient is subject to satisfactory performance and reporting requirements being met. Additionally, any eligible expenditure claimed must be VAT free as this can be claimed back from HMRC directly.
12. Other types of eligible expenditure include external service providers or suppliers such as auditors and accountants, as well as retainer fees paid for any building work carried out. The Grant Recipient is required to pay their invoices directly, as the Grant Authority should not take responsibility for paying any supplier invoices. The Grant Recipient should also ensure that appropriate controls on financial management and compliance with relevant regulations are incorporated into the process. The Grant Recipient is therefore required to conduct any necessary due diligence or use all relevant avenues to ensure that its suppliers will deliver the product/ service it has requested from them to the required standard and are compliant with the necessary code of conduct.

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### **Key consideration during performance monitoring**

13. The Grant Recipient is required to submit relevant data for reporting purposes in line with the pre-agreed schedule within the Grant agreement. This is with a view to ensure that current progress is monitored and any risks or delays are reported on ahead of time to maintain transparency. The Grant Recipient must also flag any suspected or already established irregularities to the Grant Authority such as error and fraud as soon as known to the Grant recipient.
14. The Grant Authority should reserve the right to amend/ update the performance indicators (KPIs, metrics) required for reporting purposes during the funding period and request any further data and supporting evidence on an as needed basis.
15. In the event that the Grant Recipient is not able to provide sufficient and correct data and evidence to support monitoring, the Grant Authority reserves the right to withhold payments until this has been done. This should be completed within a specific number of days (as determined within the grant agreement) from the reporting milestone passed to ensure reporting and payments are completed in a timely manner according to the project schedule. The Grant Recipient is required to ensure that all funding is spent according to the purpose initially outlined or inform the Grant Authority in case of any required changes and of any income earned from the project which is being funded with the Grant.
16. Grant funders typically make payment arrangements in half-yearly instalments, although they should reserve the right to make changes to this schedule if appropriate. Payments should be released within 30 days of the date a grant has been approved to be disbursed to the recipient.
17. In the event of non-adherence to the agreement signed with the Grant Recipient, there may be action in relation to breach of the terms. This may cause the agreement to be terminated ahead of the full span of the projected funding period. Further to this, the Grant Recipient must confirm that there is no conflict of interest related to the receipt of funds. Should any of the terms of the agreement be broken, the Grant Authority reserves the right to recover the grant funds disbursed. This may also include the Grant Recipient being liable to request the money back from its suppliers in the event that it is liquidated.