



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, although guidance for the latter grant will be developed in the future. 'Managing Public Money' and local guidance within organisations will continue to apply until then.
- ▶ 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 all grant expenditure.
- ▶ This guidance should be read in conjunction with the wider set of 'Minimum Requirements' guidance documents (including the Introduction). Further information about how to apply this guidance can be found in the following document: '**Grant Scheme Readiness: a guide to designing and developing a new government grant scheme**', available online through the '[Grants Centre of Excellence \(GCOE\)](#)'. 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 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 [here on 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
<b>Grant Life Cycle:</b> General Grants Life Cycle	When developing general grant models and criteria for assessing individuals and organisations for a grant award, consideration <b>shall</b> be given to combinations of risk indicators, which could affect the value of the award, or 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	9

## Overview

1. Competition is the process through which recipients apply for grant funding, with assessment undertaken against pre-set 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 (**close competition**).
  - **Challenge funds** - where applicants compete against pre-published criteria for portions of a pot of funding, which has been earmarked 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 competed. 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 recipients to compete against each other for the funds available, 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. There are significant benefits to running a competition, related to reducing 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. 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 diminishing returns on the investment, a stifling innovation and can present a reputational risk for government. Introducing competition for funding can provide non-quantifiable benefits through reducing these risks. Furthermore, a robust audit trail will enable grant makers to provide award justification if later challenged. This scenario can sometimes also apply to competed grants, where the competition was only carried out once at the beginning of a multi-year grant. It has proven beneficial for grant making organisations to consider periodically re-running competitions for grants that continue across multiple years. For example, grants that may have been

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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. measuring value in the delivery of grants may need to be measured in different terms, from those used to measure value in procurement.

competed in the first year should not automatically be renewed year-on-year without re-running a competition, to ensure that value for money continues to be maximised.

6. The Senior Officer Responsible (SOR) for a grant is responsible for ensuring that the grant is competed, or that a direct award 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.

## 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 winning / successful bidder (with the application that has won on its merit).
8. It is beneficial to capture lessons from the competition and assessment of grant applications, to inform future competitions. 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 calls for applications.
9. Care should be taken not to provide any individual organisation or organisations with a competitive advantage at any stage – ensuring the process is transparent, as far as is 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 State Aid regulations, which must also be taken into account (see below).

## State Aid

10. State aid is any advantage granted by public authorities through state resources on a selective basis to any organisations that could potentially distort competition and trade in the European Union (EU).
11. The definition of state aid is very broad because 'an advantage' can take many forms. It is anything which an undertaking (an organisation engaged in economic activity) could not get on the open market.

## State aid rules

12. State aid rules can (among other things) apply to the following:
  - Grants;
  - Loans;
  - Tax relief / tax breaks, including enhanced capital allowances; and
  - the use or sale of a state asset for free or at less than market price.

13. The rules can apply to funding given to charities, public authorities and other non-profit making bodies where they are involved in commercial activities.
14. In principle, state aid is not allowed in the EU. However, some state aid is beneficial to the economy and supports growth and other policy objectives. State aid can be given to support a wide variety of activities including research and development, environmental protection and aid for small to medium-sized businesses. The state aid rules allow for good aid, which is necessary to deliver growth and other important objectives.
15. The UK supports the need for effective state aid rules to prevent distortion of competition and to create an open and competitive market in the EU on which UK firms can fairly compete and grow.

### Resources

- More information on policy can be found here:  
<https://www.gov.uk/guidance/state-aid>
- The State Aid the Basics guide:  
<https://www.gov.uk/government/publications/state-aid-the-basics>

### State aid contacts

16. The BEIS state aid team is responsible for state aid across the whole of government including local and regional government and the devolved administrations. The team can help public authorities to:
  - understand the state aid issues involved in the design and development of your assistance;
  - advise on how to reduce and manage this risk; and
  - advise on alternative options.
17. Please read the [State aid self assessment](#) (PDF, 223KB, 2 pages) if you are planning to fund a project, and contact BEIS at [sapt@beis.gov.uk](mailto:sapt@beis.gov.uk).
18. The BEIS state aid team is only able to provide advice to public authorities and funding bodies.

### Further help

19. The following organisations can provide help to public authorities and other organisations using public funding:
  - [Department for Environment, Food and Rural Affairs \(Defra\)](#) state aid teams for guidance on application of the rules to agriculture, fisheries and aquaculture.
  - Department for Transport (DfT) for guidance on application of the rules on state aid for transport: [Stateaid-Transport@dft.gov.uk](mailto:Stateaid-Transport@dft.gov.uk).
20. Although state aid is not devolved, each of the devolved administrations has their own state aid unit that can provide advice and guidance:
  - [Scottish government](#)
  - [Welsh government](#)
  - Northern Ireland Executive State aid team: [stateaid@economy-ni.gov.uk](mailto:stateaid@economy-ni.gov.uk)

## Open Competition

21. 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. This gives certainty to applicants and drives 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.
- **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 are short-listed and the preferred applicant(s) selected based on that ranking.

22. **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](#)'.

23. 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 by exception.



## Competition Assessment

24. 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 can be the subject of a request under the Freedom of Information Act, as such, due care must be taken to ensure compliance with the guidance set-out in this document.
25. 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 using statements that cannot be clarified or justified; and
    - presented in a constructive way when used as feedback.

## Grant Assessment Criteria

26. 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.

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

<b>Application model</b>	Structure, role, and details for all parties within a specific entry.
<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)
<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.
<b>Technical and Professional Ability</b>	Track record of delivery including recent experience.
<b>General Declarations</b>	Resource availability, timeline availability, agreement to no eligible/ approved expenditure, agreement to the publication of delivery details, etc.
<b>Conflicts of interest</b>	Declaration of any conflicts of interest that could compromise the conduct of the particular project.
<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>Insurance</b>	Self-certification of ability to obtain the levels of insurance stipulated in the grant agreement.

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

<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>Cost Effectiveness</b>	An indicative cost, benefit structure for the project.
<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>Environmental assessment</b>	An environmental impact assessment for the proposed project.
<b>Credibility and experience</b>	A description of recent work undertaken to provide confirmation that the entree has the ability to deliver the project as described above.

29. 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 should consult experts when considering any weightings. An example for a technical criteria could be:

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

30. 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

31. 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 pot of funding is made available and applications can be submitted in line with pre-published instructions, 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.

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

33. Features of a challenge fund can include:

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

34. Other common features include a focus on innovation, match funding, and local solutions. Specific characteristics of challenges funds can include:

- provides grants or subsidies;
- with an explicit public purpose;
- with grant recipients selected competitively;
- on the basis of advertised rules and processes;

- who retain significant discretion over formulation and execution of their proposals;
- share risks with the grant recipient.

## Direct Awards (uncompleted)

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, value for money may be reduced, and the risk of a breach of state aid regulations could increase.
36. 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.
37. Examples of circumstances in which a direct award may be appropriate include awarding a grant:
- to an organisation that is the only provider of the service 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

38. 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:
- Guidance on the application of Public Contract Regulations can be used as a reference:  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/551130/List\\_of\\_Mandatory\\_and\\_Discretionary\\_Exclusions.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/551130/List_of_Mandatory_and_Discretionary_Exclusions.pdf)
  - The Grants Recipient Code of Conduct:  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/771152/2019-01-15\\_Code\\_of\\_Conduct\\_for\\_Grant\\_Recipients\\_v.1.01.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/771152/2019-01-15_Code_of_Conduct_for_Grant_Recipients_v.1.01.pdf)
39. Organisations should also make full use of wider resources available through [Grants Centre of Excellence and the Government Grants Academy](#).