



Cabinet Office

Guidance for General Grants

Minimum Requirement Nine: Annual Review and Reconciliation

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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

All government grants shall 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

Purpose

Minimum Requirement Nine: annual review and reconciliation and the guidance for general grants, set-out below, aims to ensure that there is an efficient and effective review and reconciliation of the grant scheme at the end of each financial year and also the end of the grant delivery period, providing scrutiny and identifying lessons learnt to apply to future policy making.

Grants Functional Standard: Key References

Mandatory requirements are defined by the word ‘shall’ in the Functional Standard. The ‘shalls’ for the management of grants related to this minimum requirement have been extracted from the 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
Governance Framework: Approvals	To facilitate governance and scrutiny, grant activity shall be justified and documented throughout the grant life cycle. Such justification should be in accordance with HM Treasury requirements (see <i>Green Book</i>). Justification may be documented either in the form of a business case or other proportionate format, which should be defined in the organisation’s grant governance and management framework.	Decisions should be made, and approvals given in a timely manner, in accordance with the organisation’s grant governance and management framework, financial management controls (including delegations of authority) and government policy.	4.2.2 Justification of grants <i>Also refer to: 5 Grant life cycle Green Book [4] 4.2.1 Decision making</i>	5
Supporting practices: Reporting and information	Key data on government grants shall be recorded in the grants information system and shall include the following data as a minimum: <ul style="list-style-type: none"> • value • delivery period • brief description of purpose • owning department • intermediary body (if any) Organisations shall report the status of grants as part of their annual report and resource account, in accordance with <i>GovS006, Finance</i> .	Reporting ensures management teams and interested parties are aware of the current status and outlook regarding all aspects of government grant management, as defined in the government functional standard for grants.	6.8 Reporting and information <i>Also refer to: GovS006, Finance</i>	16

Overview

Annual review and reconciliation

1. The purpose of this minimum requirement is to ensure effective annual and end of grant review as well as lessons learnt activity to confirm that the grant has been used for the intended purpose and value for money has been achieved. This will include consideration of delivery against pre-set Key Performance Indicators (KPIs)/ milestones/ outputs. This activity should result in a decision in line with the following:
 - continue the award of a grant for next financial year in line with existing plans;
 - increase or decrease funding for the next financial year;
 - re-define and agree amended outputs with grant recipients;
 - recover surplus funding or clawback where expenditure is inappropriate;
 - terminate the grant if performance is poor or outputs are not being met; or
 - undertake close down activities for the grant which has come to an end.

Key considerations during the annual review and reconciliation

2. Effective financial and performance management should have been undertaken through the year as set out under '[Minimum Requirement Eight: Performance and Monitoring](#)'. The purpose of the annual review and reconciliation is to ensure that monitoring activities are completed to a satisfactory standard, any necessary clawback activity is undertaken and to support consideration of value for money.
3. The grant funding organisation should conduct an objective assessment and financial reconciliation in relation to the scheme at the end of the financial year. *An example template for this purpose* is available from the [Grants Centre of Excellence \(CoE\)](#).
4. The annual review / evaluation should confirm that funds have been used for the purposes agreed in the grant agreement. The assessment will be informed by the financial and performance monitoring activities undertaken throughout the year.

Financial reconciliation

5. The financial reconciliation should:
 - ensure / confirm the value of the funding paid;
 - support an accurate assessment of actual expenditure against the budget and forecast through scrutiny of management accounts and financial statements;
 - provide a picture of spend throughout the year to support the reallocation of money in cases of overspend;
 - identify and track resource (RDEL) and capital (CDEL) expenditure, including depreciation and recovery of residual values in relation to fixed assets;

- facilitate the scrutiny of invoices to check expenditure incurred by the recipient was used for eligible costs (eligible and ineligible costs must be set out in the grant agreement); and
- be performed to ensure final payments are made and formal closure of the scheme including confirmation to the relevant parties, if outside of the grant agreement.

Clawback

6. Financial checks should identify any expenditure that is ineligible. Where applicable, this should be reconciled with the fraud risk assessment - [Minimum Requirement Seven: Risk, Controls and Assurance](#) - to support clawback due to fraud.
7. Annex 5.2 – Protecting the Exchequer interest (clawback) in [Managing Public Money](#) should be reviewed before considering steps for clawback.

Financial reporting

8. Accounting treatment is reviewed to confirm the scheme has been accounted for and allocated under the appropriate expenditure and budget category in line with grants policy and standards, for example capital grants to external bodies are treated as resource expenditure in the Statement of Comprehensive Net Expenditure, but as capital expenditure in budgets.
9. Ensure relevant International Accounting Standards (IAS) are applied correctly to reportable activities, for example [IAS 20 Accounting for government grants](#) and disclosure of government assistance.

Value for money (VfM)

10. The annual review and financial reconciliation should consider whether the funding achieved value for money. The business case should set out how the value for money will be assessed in relation to delivery and expectations. Further information on assessing value for money can be found in '[Minimum Requirement Four: Business Case Development](#)'.

Lessons learnt

11. As part of the annual review it is possible to informally record lessons learnt and best practice identified to support future policy making through grants. A [case study template](#) is available through the Grants Centre of Excellence, which can be used to record lessons learnt in a clear and simple way.
12. If applicable, incorporate findings from any formal evaluation of the risk, controls and assurance as well as lessons learnt to improve the risk management process.

Data sharing

13. The completion of the annual review and the outcomes should be recorded on the Government Grants Information System (GGIS).

Key individuals responsible for the requirement

14. The Senior Officer Responsible (SOR), with support from legal advisors and finance professionals, is responsible for ensuring that the review is undertaken with sufficient rigour to ensure that taxpayers' money is protected in line with Managing Public Money. See guidance for '[MR01. Senior officer responsible for a grant](#)' for further information on the role of the SOR.

Further Resources

15. In seeking to comply with this minimum requirement, and in addition to the references and resources highlighted earlier in this guidance, organisations may want to consider the following in particular:

- [HMT Publications - Consolidated Budgeting Guidance 2019 to 2020](#)
- [HMT Publications - The Government Financial Reporting Manual 2019 to 2020](#)
- [HMT Publications – Managing Public Money guidance](#)
- [HMT Publications – The Green Book](#)

16. Organisations should also make full use of wider resources available through the Grants Centre of Excellence and the Government Grants Academy.