HM Government

Government Functional Standard

GovS 015: Grants

General Grants and Grant in Aid

This standard forms part of a suite of operational standards that set expectations for management within government. Standards may include both mandatory and advisory elements. The following conventions are used to denote the intention:

Term	Intention
shall	denotes a requirement: a mandatory element.
should	denotes a recommendation: an advisory element.
may	denotes approval.
might	denotes a possibility.
can	denotes both capability and possibility.
is/are	denotes a description.

The meaning of words is as defined in the Shorter Oxford English Dictionary, except where defined in the Glossary in **Annex B**.

It is assumed that legal and regulatory requirements are always met.

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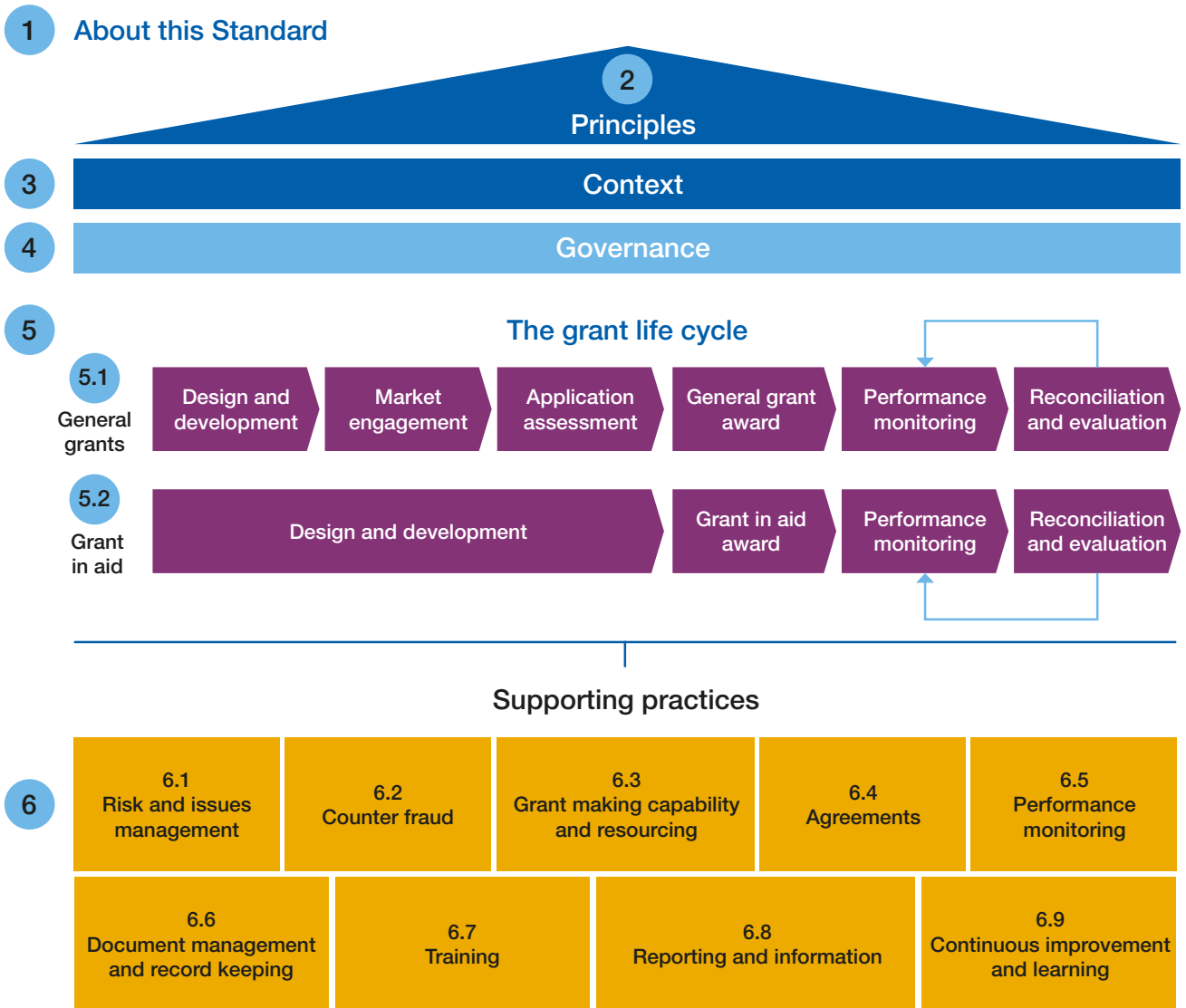| 6.6 Document management and record keeping | 6.7 Training | 6.8 Reporting and information | 6.9 Continuous improvement and learning |

Figure 1. Structure and scope of this standard.

1 About this government functional standard

1.1 Purpose of this government standard

The purpose of this government functional standard is to set expectations and drive consistency in the management of grants, and to promote efficient and effective grant making to ensure funding is used as intended and provides value for money through high-quality delivery.

This standard provides both direction and guidance for:

- permanent secretaries, directors general, chief executive officers of departmental arm's length bodies

- senior officers responsible for grant schemes and awards

- senior civil servants who have overall responsibility for departmental grants policy and their grants champions

- assurance and audit bodies

- grants managers and policy teams

This standard should also be of interest to grant recipients and to local authorities.

1.2 Scope of this government standard

This standard applies to the planning, delivery and ongoing management of Exchequer-funded government grants activity in all departments and arm's length bodies, including general grants and grant in aid.

Formula grants and gifts are outside the scope of this standard. Other areas may be excluded as a result of government policy.

Note: Formula grants are within the scope of the grants management function's remit.

1.3 Government standards references

The following standards are necessary for the use of this standard:

- GovS 002, Project Delivery

- GovS 006, Finance

- GovS 008, Commercial

- GovS 010, Analysis

- GovS 013, Counter Fraud

- GovS 014, Debt

2 Principles

At all times, those directing and managing grants at scheme and award level shall ensure:

- the application of this standard is proportionate and appropriate, and is reflected in the approach taken to governance, management frameworks and controls, having regard to an accepted balance of opportunity and risk

- the activities being funded are appropriately aligned to the government's and other appropriate policy objectives

- grants are made in the best interest of the public, the public purse, and operate in line with 'Managing Public Money'

- funding is administered with optimum efficiency, economy, effectiveness and prudence, to maximise value for public money

- that responsibilities and accountabilities are defined, mutually consistent, and traceable across all levels of management

- public service codes of conduct and ethics and those of associated professions are upheld

3 Context

3.1 Background information

There are several funding options available to the government, with grant funding a common choice. Government grant funding plays an important role domestically, in areas such as education, research, civil society and innovation, and abroad through international aid projects.

Grants can be used for a number of purposes including:

- providing financial subsidy to support something to happen

- supporting government policy initiatives

- funding research and development and innovation

- informing public policy

The management of grants varies depending on their intended purpose, the type of recipient, allocation method, underpinning legislation, and departmental policy-specific differences.

Funding is typically provided as a sum of money transferred permanently (though usually with an option to clawback for, among other things, misuse, or refund if not used at all) from a government department or its arm's length body, to a recipient (an entity that is separate from the funder). The funding is to be used in a manner that furthers the implementation of government and/or departmental policy or obligation, but does not otherwise provide a direct economic benefit to the funder. Normally this is delivered as a discrete funding package from the department's own estimate paid on evidence of the recipient's expenditure or qualification, in arrears (or in advance by exception), as set out in the terms of the grant agreement.

Grants are awarded under statute for an agreed purpose, and usually attach specific conditions (e.g. about project terms), or other detailed forms of departmental control. Government funding, which gives commercial entities an advantage over their competitors, can distort competition and is prohibited unless it is compatible with state aid rules or an appropriate exemption applies. Grants are outside the scope of VAT.

Grants are not gifts. As defined in 'Managing Public Money', they are made under legislation, are subject to conditions, with some expectation that delivery will achieve the furtherance of a policy objective.

3.2   Grant categories

The format in which a grant is issued, is mainly differentiated by how recipients apply for or are entitled to the funding. There can be multiple allocation methods under a grant scheme, but only one allocation method per grant award. Descriptions of each category of grant are given below.
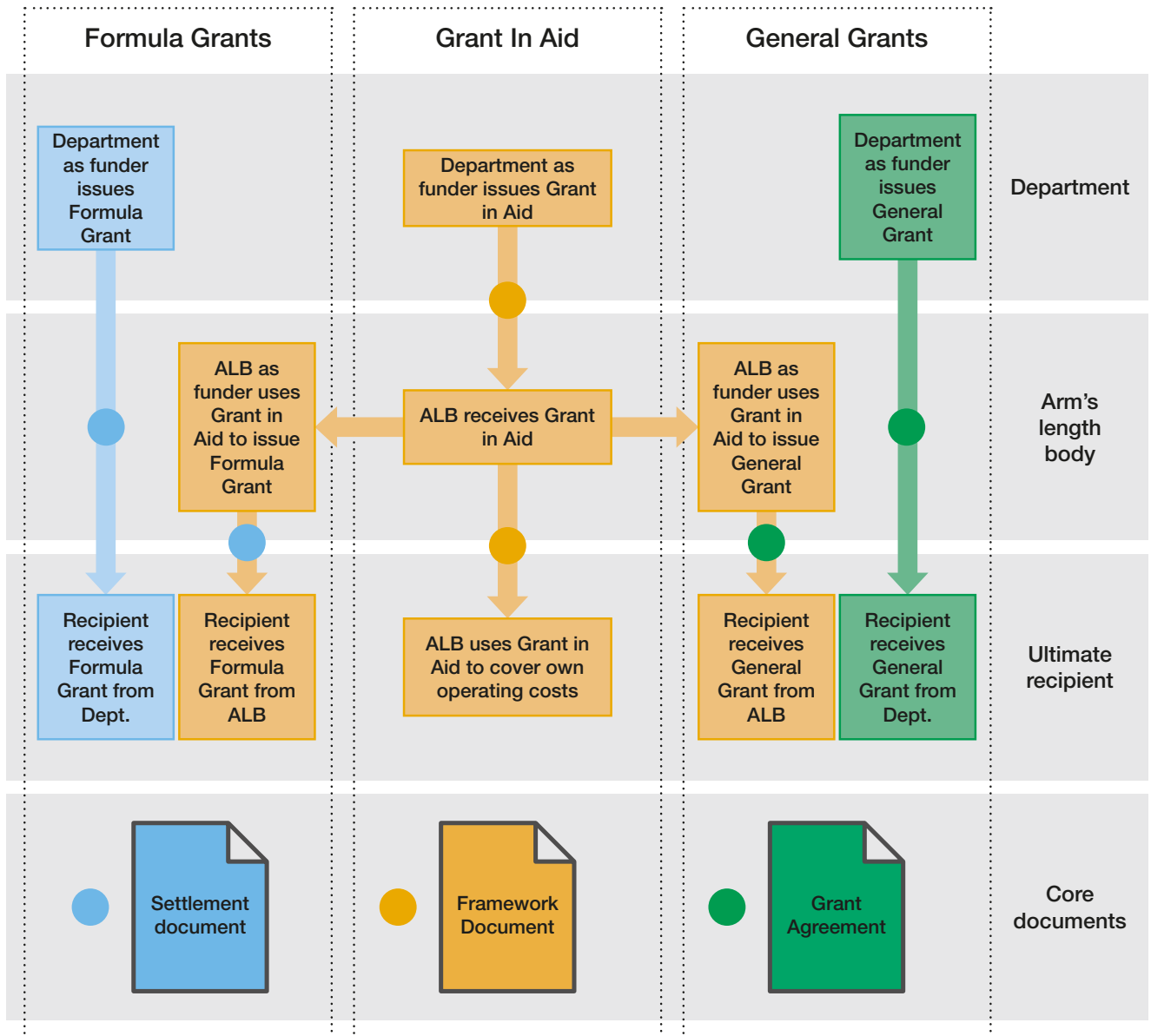
Figure 2: The relationship between different types of grant and the organisations involved

3.2.1   Formula grants

Formula grants are those calculated by way of a formula. This funding is provided, in recognition of specific criteria, by central government, for example, to local authorities, schools and the police and is included in the supply estimates and settlement. Funding is determined by factors relevant to the purpose, such as population and levels of pupils who receive free school meals.

Formula grants are defined prior to an organisation's budget being agreed and, as such, are included within the supply estimates and settlement letter (or equivalent).

3.2.2   Grant in aid

Grant in aid refers to funds which are allocated from one part of government to another part of government for non-specific purposes, for example, central government funding for the running costs of non-departmental public bodies (NDPBs). Grant in aid can be used by the recipient to fund general grants and exceptionally, formula grants, as defined in the funding agreement.

Grant in aid is defined prior to an organisation's budget being agreed and, as such, is included within the supply estimates and settlement letter (or equivalent) – see GovS 006, Finance.

3.2.3   General grants

General grants are those made by departments or their grant-making arm's length bodies, to outside bodies to reimburse expenditure on agreed specific items or functions, and paid only on statutory or common law conditions. They include 'competed', 'uncompeted' and 'criteria based' grants. General grants can also be in the form of a one-off payment, known as an endowment.

General grants are most commonly defined after an organisation's budget has been agreed.

3.3   General grant schemes and awards

There are two levels to consider in general grant funding. At the higher level are grant schemes, sometimes referred to as programmes, which can be used to denote a high level and overarching strategy or policy to which funding can be attached. A grant scheme comprises one or more awards, which are the ultimate payments of grant funding to recipients for a specific purpose or activity. Departments also make single awards, which do not come under an overarching scheme. Figure 3 illustrates the relationship between general grant schemes and awards.
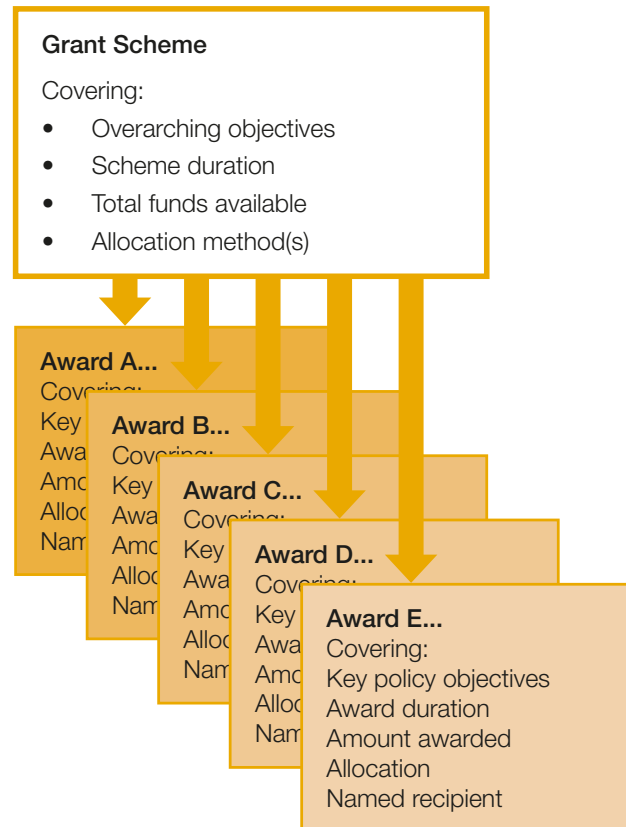

Figure 3: General grant schemes and awards

3.4 Support to grant managers

3.4.1 Grants centre of excellence

The grants management function is the centre of excellence for grants for the Government Finance Function and the Policy Profession – other functions such as Commercial also make use of the service. The grants centre of excellence has responsibility for this standard, including assessing compliance and the maturity of grant-making organisations, providing guidance for the implementation of the standard and providing support for better grant management by government departments.

3.4.2 Grants best practice network

The Cabinet Office grants management function hosts the grants best practice network. This primarily comprises grants champions from each department, grant managers and others within departments and their arm's length bodies who are involved in administering government grants. The role of the network includes (but is not limited to):

- providing a platform for networking and the sharing of best practice

- acting as a forum for discussion on the governance of grants

- provision of a place to workshop and trial new policies and practices relating to grant management

3.4.3 Grants champion

Each department has a grants champion who is responsible for representing their department as the first point of contact, and disseminating information from the Cabinet Office grants management function, managing data requests and helping to promote adherence to this functional standard. The role is reviewed periodically in response to feedback from post holders.

4　Governance

4.1 Governance framework

Grants governance comprises authorising, directing, empowering and overseeing the management of funding. The governance of grant-making activities shall be an integrated part of the organisation's overall governance arrangements.

The governance framework shall be:

- established in compliance with government and departmental policies and directives, and with this standard

- referenced from the accounting officer's system statement [1]

See GovS 006, Finance.

Each organisation shall have a senior officer accountable for its grant funding and a defined and established governance framework which:

- complies with government and organisational policies and directives, and with this standard

- defines which activity should be included and how it should be managed

- should be periodically reviewed to ensure it is still valid

The governance framework should include organisational policies (if any), financial authority limits, decision making roles and rules, degree of autonomy, assurance needs, reporting structure, accountabilities and responsibilities. It should also include management frameworks for undertaking the practices in sections 4, 5 and 6 of this standard.

Note: 'organisation' is the generic term used to describe a government department, arm's length body, or any other entity within the scope of a functional standard.

4.2   Approvals

4.2.1   Decision making

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. Alternative choices should be agreed against defined criteria and in consultation with stakeholders and subject matter experts. Decisions should be recorded in the business case (or equivalent document).

Decisions might relate to:

- choice of funding mechanism

- approval of business justification

- approving an uncompeted award

- approving a grant award recommendation

- authorising payments

- approving a grant extension or change

- claims and dispute resolution

- suspending or terminating a grant award

- clawback

Decisions may be conditional provided responsibility for fulfilling such conditions is assigned. Decisions should be:

- holistic, taking account of the external context, policy considerations, potential negative impact and the relevant functional standards

- communicated to the relevant stakeholders

Analysis relating to decisions should be undertaken in accordance with GovS 010, Analysis.

Finances should be managed in accordance with GovS 006, Finance.

4.2.2   Justification of grants

To facilitate governance and scrutiny, grant activity shall be justified and documented throughout the grant life cycle (see section 5). Such evaluation should be in accordance with HM Treasury requirements (see Green Book [2]). 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.

The business case (or equivalent document), should be developed progressively for each grant in three steps through the life cycle (see section 5):

- strategy: idea formulation

- design: developing the detail of the grant model

- final approval: including policy and financial approval

If required, subsequent approval shall be obtained in accordance with HM Treasury and Cabinet Office policy and spend controls [11] – see GovS 006, Finance.

4.3 Assurance

4.3.1 Assurance framework

Assurance is the systematic set of actions necessary to provide confidence to senior officers and stakeholders that work is controlled, on track to deliver and aligned with policy or the department's strategy.

Ongoing and continuous monitoring should support the understanding of whether and how the risk profile is changing and the extent to which internal controls are operating as intended. It should also provide reasonable assurance over the management of risks to an acceptable level in the achievement of organisational objectives (see 6.5).

Organisations should have a defined and consistent approach to the management of risks, the design and implementation of internal controls and the provision of assurance over grants management, operating on at least three separate and defined levels, which should be applied proportionately to the risk and value of the grant activity. Typically, these should include:

- 1st line: carried out by, or on behalf of, the operational management that own and manage risk

- 2nd line: carried out by, or on behalf of, those who have no first line responsibilities, but oversee management of the risk to ensure the first line of defence is properly designed, in place and operating as intended

- 3rd line: carried out by independent audit, or other independent body, to provide senior management with an objective opinion on the effectiveness of governance, risk management and internal controls, including the effectiveness of the second and first lines of defence

Additional assurance can be provided by other independent bodies such as the National Audit Office – see Annex 2 of the Orange Book [12].

4.3.2 New general grants

It is recommended that new grants, which are of high-value, high-risk or novel and contentious, should be considered by an independent panel (the New Grants Advice Panel, see 4.4.6) to verify the efficiency and effectiveness of the proposed grant and the balance of opportunities with risks associated with losses from fraud and error (see 6.2).

The decision as to which grants are referred rests with the senior officer responsible for a grant or as defined in the organisation's management framework.

The advice given by the panel is for consideration by the grant-making department, its acceptance is not mandatory, although if the advice is rejected, justification should be provided. Advice from the panel shall not detract from the accountabilities of those being advised.

4.4 Roles and responsibilities

Government grants should be afforded the appropriate level of scrutiny by the grant owning department, to ensure this functional standard is being adhered to and grant funding is being administered effectively. The following roles are essential to the management of grant funding, and while organisations may change the titles and division of responsibilities, they shall have (at a minimum) the roles outlined in the following section.

4.4.1 Senior officer accountable for grants across government

The senior officer accountable for grants across government is accountable to the Chief Executive of the Civil Service, for the development and implementation of cross-government grants policy and practice and should:

- provide leadership and direction with the aim of improving practice across government

- develop grant-related policy

- provide guidance, products and training to improve the efficiency and effectiveness of grants administration and reduce losses from fraud and error, via the centre of excellence

- develop products to improve the quality and robustness of grant agreements

- annually publish the status of grants (see 6.8)

The senior officer accountable for grants across government should work in collaboration with financial and commercial colleagues.

4.4.2 Accounting officer

The accounting officer is the senior official in a central government organisation who is accountable to Parliament and the public for high standards of probity in the management of public funds. Within most arm's length bodies, this role is carried out by the chief executive officer or equivalent office holder. The holder of this role is responsible for ensuring that:

- the estimate(s), including grants, presented to Parliament for the department's annual expenditure (consolidating its arm's length bodies) are within the statutory powers and within the government's expenditure plans;

- use of resources is within the ambit of the vote and consistent with the estimate(s) and shall answer to Parliament for stewardship of these responsibilities

4.4.3 Senior officer accountable for finance in an organisation

The senior officer accountable for finance in an organisation is responsible to the accounting officer for leadership of financial responsibilities within the organisation. He or she should ensure that the information on which decisions about the use of resources are based is reliable.

See GovS 006, Finance.

Note: Annex 4.1 of 'Managing Public Money' [4] explains the role and responsibilities of the senior officer responsible for finance.

4.4.4 Senior officer accountable for an organisation's grants

The senior officer accountable for an organisation's grants is accountable to the senior officer accountable for finance. They are responsible for ensuring that the financial requirements for grant schemes and awards are implemented, in full, within the department and its arm's length bodies, if any, and depending on the management arrangements in place. In particular:

- providing leadership and direction for grant-making activity within the organisation

- ensuring the implementation of grant-related policy and compliance to this standard

- ensuring the required outcomes from grant-making activities are realised, at an acceptable level of risk and cost

- engaging, at senior level, with those accountable for all grant-making activity in the organisation

- providing advice and guidance to senior officers accountable for a grant and their teams

Note: this role is often undertaken by the senior officer accountable for finance in an organisation but can be undertaken by others with senior management accountabilities, such as the commercial director, although the senior officer accountable for finance retains overall accountability.

4.4.5   Senior officer responsible for a grant

The senior officer responsible for a grant is accountable to the senior officer accountable for grants in an organisation for ensuring that their assigned grant:

- is within the organisation's remit

- is covered by empowering legislation, which has provisions that adequately cover the activity being funded

- meets the organisation's objectives

- delivers the projected outcomes

- realises the required benefits

The senior officer responsible for a grant is further accountable for justifying the need for the grant and for ongoing governance, in particular:

- oversight of the governance and approval to ensure due regard is given to priority areas, including compliance with this functional standard and ensuring they have appropriate budget cover

- approval of the grant agreement and its terms and conditions

- approval of the due diligence model and fraud risk assessment and mitigation strategy (see 6.1 and 6.2)

- ensuring details of the grant are entered on to the government grants information system (GGIS, see 6.8)

- reporting to the Cabinet Office as required

- oversight and approval of annual reviews in relation to grants which cover multiple years

Note: a senior officer responsible for a grant is usually at senior civil service level, however, in some cases a Grade 7 or senior executive officer who has appropriate delegated authority can be appropriate.

Note: this role is often referred to in departments as the senior responsible owner (SRO).

4.4.6   New Grants Advice Panel

The New Grants Advice Panel (NGAP) is an independent, cross-government expert panel coordinated and chaired by the Cabinet Office. The panel should focus on and increase scrutiny and assurance in relation to government grant spend, where that is defined as higher risk. The panel should meet regularly with the objective of:

- increasing the efficiency of grant making

- improving the effectiveness of grants

- mitigating losses from fraud and error

4.4.7   Grant manager

The grant manager is accountable to the senior officer responsible for a grant for the day-to-day management and administration of grants, in line with this functional standard and associated government and organisational policies, including:

- design and development

- market engagement

- application assessment

- due diligence and fraud risk checks

- funding award

- performance and financial monitoring

- performance improvement action planning

- financial reconciliation

- evaluation and sharing learning

The individual acting as the grant manager may change as the grant proceeds through its life cycle (see 5).

Note: the holder of this role is likely to be a member of the commercial, finance or policy profession.

Note: this role is often referred to as a grant maker.

4.4.8   Specialist roles

Other specialist roles should be defined to suit the needs of the grant-making activity being undertaken. This can be for managing a variety of aspects of grant-making practice, such as legal and commercial aspects, in accordance with this functional standard and the organisation's grant governance and management framework. Specialist roles can also relate to the need for domain experience and expertise related to the purpose of the grant.

Such roles may be either advisory as part of a team or may take a leadership or executive role with accountability assigned.

4.4.9   Use of third parties

Employment of agents from other sectors to undertake grant-making activity on behalf of the organisation should be subject to approval in accordance with the commercial approval framework (see GovS 008, Commercial), where delivery is via a commercial delivery framework. Where delivery is via an arm's length body, delivery should be in accordance with guidance in 'Managing Public Money' [4], in particular Annex 7.2: 'Drawing up Framework Documents'. Such agents should be skilled and competent to carry out their tasks. Clear allocation of responsibilities and, where appropriate, indemnity against costs should be established.

4.5   Governance constraints

Those accountable for the management of grants shall comply with GovS 006, Finance and in particular with the most current version of the following documents:

- 'Managing Public Money' [4]

- 'Global Design Principles' [7]

5　Grant life cycle

5.1　The life cycle of government grants

The grant life cycle provides a framework for the management of grants. It comprises six main steps that should be reflected in an organisation's governance and management framework. The degree to which each step is applied should depend on the category of grant being administered (see 3.2) and associated risks. The life cycle is shown in Figure 4.
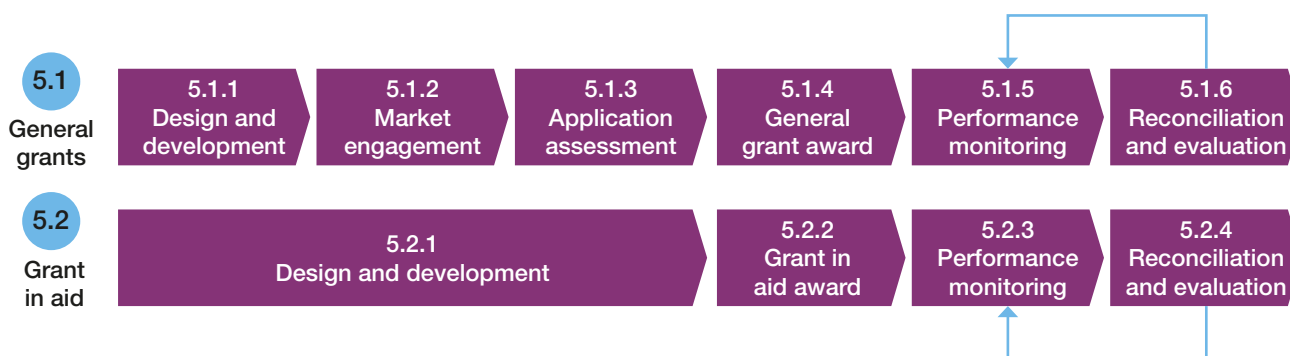
5.1 General grants	5.1.1 Design and development	5.1.2 Market engagement	5.1.3 Application assessment	5.1.4 General grant award	5.1.5 Performance monitoring	5.1.6 Reconciliation and evaluation
5.2 Grant in aid	5.2.1 Design and development			5.2.2 Grant in aid award	5.2.3 Performance monitoring	5.2.4 Reconciliation and evaluation

Figure 4: Life cycle for general grants and grant in aid

5.2　General grants life cycle

5.2.1　Design and development

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 (for example, rather than a commercial contract) and then to develop a grant model which is robust, proportionate and which will deliver value for money.

Policy requirements and outcomes should be confirmed by the senior officer accountable for the grant and defined in consultation with policy makers and other relevant stakeholders and specialists.

An initial analysis of the options and associated risks should be undertaken to enable and confirm the effective appraisal and selection of the optimum mechanism to deliver the intended outcome. Justification for choosing a particular option should be documented and should take account of:

- characteristics of the requirement and demand analysis
- opportunities and constraints in the recipient market
- findings from market analysis and engagement
- risks
- how the grant should be managed

Options should be chosen to maximise competition unless there is a clear justification for an uncompeted award.

Analysis should be conducted in accordance with GovS 010, Analysis.

When developing general grant models and criteria for assessing individuals and organisations 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.

Where applicable, a pre-qualification questionnaire, covering a comprehensive list of risk indicators should be developed to support effective engagement with potential applicants (see 5.2.2).

Details of the grant shall be entered on to the government grants information system (see 6.8) as soon as approval to develop the strategy has been given.

A robust business case (or equivalent document), proportionate to the level of expenditure and risk shall be developed (see 4.2.2).

A proportionate counter fraud strategy should be developed to identify and mitigate any risks (see 6.2).

Once a business case has been developed, it shall be approved, where it meets the requirements of the organisation's governance and approvals process (see 4.2.2).

5.2.2 Market engagement

The purpose of early market engagement is to support the development of an active pool of appropriate applicants, as well as ensuring that the grant is publicised and the opportunity made available to the potential recipients, leading to healthy and appropriate competition for funding and delivering value for money.

Where significant collaboration or market creation is required, departments should consider the use of a challenge fund to drive appropriate engagement.

The pool of potential recipients should be identified and engaged to confirm the likely demand and format of the grant.

Care should be taken not to provide any individual organisation or organisations with a competitive advantage. All relevant information should be made available to all eligible applicants and grants should not be unfairly tailored to the needs of particular groups or organisations.

The business case should be refined, if necessary, and the delivery plan and sourcing strategy developed.

An assessment of the risk of breaching state aid rules, which could arise from grant funding, should be undertaken. Advice should be sought from legal specialists and the findings recorded in the business case. Grant-making organisations should ensure that their policy measures and projects comply with the rules. They should think about state aid early and seek advice to avoid problems and save time.

Once the strategy is approved the formal requirement, draft agreement, application form and assessment criteria should be developed and approved.

The Cabinet Office Model Grant Funding Agreement (MGFA) [10] should be used for general grants, except where the grant is so specialist that alternative terms and conditions would apply.

If applicable, the competition for the grant should be advertised and launched along with any questions from applicants and the associated responses. Responses to subsequent questions from applicants related to the scheme should be communicated to all applicants, for example, in a frequently asked questions document.

Government grants should be advertised and competed by default. Exceptions may be approved where competition would not be appropriate, for example when:

- 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

- 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 awarding department

- in the event of market failure

If a decision is taken to award an uncompeted grant, detailed supporting evidence should be provided in the business case.

5.2.3   Application assessment

The purpose of application assessment is to identify the appropriate recipients, in line with the pre-agreed and publicised assessment criteria of the grant, and to reduce the likelihood of inefficiency and fraud.

Following the completion of the assessments and before award of the grant, the assessor should arrange for the due diligence checks to be undertaken on the selected applicant(s), to inform award decisions. Consideration of potential fraud risk should form a part of this process (see 6.2). The use of a formal pre-qualification questionnaire should be considered, which tests applicants against a list of key risk indicators.

Once the assessment of applicants is complete, successful applicants should be sent a 'grant offer' letter. Unsuccessful applicants should receive a notification letter. Consideration should be given to providing feedback to unsuccessful applicants on the reasons why the application was unsuccessful.

5.2.4   General grant award

The purpose of the grant award step is to formally make the award of funding to applicants that are successful via a competition, or via a direct award where a robust rationale has been approved.

The grant agreement (see 6.4.1) should be finalised, including performance metrics and supporting documents such as a grant management plan and performance management record.

Once the draft grant agreement has been signed off for use and tailored to the particulars of the scheme, authorised representatives of the funding organisation and the grant recipient shall sign a copy of the grant agreement, identifying the named accountable individual for the recipient organisation.

Once a grant agreement has been signed:

- payment mechanisms (such as purchase orders) should be set up

- documentation relating to the agreement should be securely stored (see 6.6) and information system updated (see 6.8)

5.2.5   Performance monitoring

Throughout delivery, regular reviews of activity, risk and expenditure should be conducted and actions taken to address any issues or concerns identified (see 6.5).

Data and documentation should be securely stored (see 6.6) and information system updated (see 6.8) as required.

5.2.6   Reconciliation and evaluation

The purpose of the reconciliation and evaluation step is to establish that value for money has been achieved.

The reconciliation is to confirm that the delivery objectives have been achieved and that the funding has been used for the intended purpose and managed appropriately. Expenditure is assessed and any surplus funding identified and considered for recovery.

The evaluation aims to assess the impact of the funding and its success in delivering against the associated policy objectives.

5.2.6.1 Reconciliation

A financial reconciliation shall be undertaken towards the end of each financial year and at the end of the delivery period, taking into account delivery against the key performance indicators (KPIs), milestones, and/or outputs or outcomes defined in the grant agreement. Payments should be reconciled with declared expenditure.

At each year-end, the person undertaking the reconciliation should make a recommendation to the senior officer responsible for a grant, based on the reconciliation findings and other available evidence. The recommendations may include (but are not limited to) any of the following:

- continuing in line with existing plans
- increasing or decreasing funding for the subsequent financial year
- re-defining and agreeing outcomes
- clawing back surplus funding
- terminating the grant

Such recommendations should be considered for implementation by the senior officer responsible for a grant.

If the grant award is to be closed, the governments grants information system should be updated (see 6.8) and relevant documents archived (see 6.6).

5.2.6.2 Evaluation

The senior officer responsible for a grant should commission an evaluation of the delivery of the scheme in relation to its specific policy objectives. The scope and scale of the evaluation, together with who should undertake the evaluation, should be determined by the nature, value and importance of the grant scheme, for example:

- basic internal assessment of delivery and outcomes
- formal evaluation by an external provider
- full evaluation, impact assessment and peer review

Any lessons learnt and good practice identified during the delivery of the grant should be shared (see 6.9).

Note: The Magenta Book contains guidance on evaluation [13].

5.3   Grant in aid life cycle

5.3.1   Design and development

Grant in aid is used to fund arm's length bodies. The purpose of design and development is to define the requirement for grant in aid and set the high-level direction for the use of the funds.

Policy requirements and outcomes should be confirmed by the senior officer accountable for the grant, and defined in consultation with policy makers and other relevant stakeholders and specialists.

An initial analysis of the options and associated risks should be undertaken to enable the effective appraisal and selection of the optimum mechanism to deliver the intended outcome.

Justification for choosing a particular option should be documented and should take account of:

- characteristics of the requirement and demand analysis

- risks

- how the grant should be managed

Analysis should be conducted in accordance with GovS 010, Analysis.

When developing a grant in aid model, consideration shall be given to combinations of risk indicators, which could affect the value of the award, or whether the grant should be awarded at all.

A robust business case (or equivalent document), proportionate to the level of expenditure and risk, shall be developed (see 4.2.2), which includes a proportionate counter fraud strategy to mitigate any risks (see 6.2).

Details of the grant shall be entered on to the government grants information system (see 6.8) as soon as approval to develop the scheme has been given.

Once a business case has been developed, it shall be approved where it meets the requirements of the organisation's governance and approvals process (see 4.2.2).

5.3.2   Grant in aid award

The purpose of grant award is to formally enable the transfer of funding to the recipient.

The framework document or equivalent document (see 6.4.2) shall set out the finalised requirements for administering the funding, including the key metrics and management information, together with any supporting documents such as a grant management plan or a strategy document, and a performance management record.

Once agreed:

- the authorised representatives of the funding organisation and the recipient organisation shall sign a copy of the agreement

- the documentation relating to the agreement should be securely stored (see 6.6) and the information system updated (see 6.8)

5.3.3   Performance monitoring

Throughout delivery, regular reviews of activity, risk and expenditure should be conducted and actions taken to address any issues or concerns identified (see 6.6).

Data and documentation should be securely stored (see 6.6) and government grants information system updated (see 6.8), as required.

5.3.4   Reconciliation and evaluation

5.3.4.1 Reconciliation

The purpose of reconciliation and evaluation is to confirm that the funding organisation's delivery is in line with the terms of the framework document (or equivalent).

A financial reconciliation shall be undertaken towards the end of each financial year, which should take into account expenditure against the agreed categories, including administration costs, and delivery against the key performance indicators (KPIs), milestones, and/or outcomes defined in the framework document. Payments should be reconciled with declared expenditure.

The recommendations may include (but are not limited to) any of the following:

- continuing in line with existing plans

- increasing or decreasing funding for the subsequent financial year

- re-defining and agreeing outcomes

- clawing back surplus funding

- terminating the grant

Such recommendations should be considered for implementation by the senior officer responsible for a grant.

Where a grant in aid scheme is to be closed, the government grants information system should be updated (see 6.8) and relevant documents archived (see 6.6).

5.3.4.2 Evaluation

The senior officer responsible for a grant should commission an evaluation of the delivery of the scheme in relation to its specific policy objectives. The scope and scale of the evaluation should be determined by the delivery organisation and agreed by the funding authority. It should take into account the nature, value and importance of the scheme, for example:

- basic internal assessment of delivery and outcomes

- formal evaluation by an external provider

- full evaluation, impact assessment and peer review

The evaluation should consider whether the delivery of specific interventions failed to meet, met or exceeded the objectives set out in the framework document.

Any lessons learnt and good practice identified during the delivery of the grant should be shared (see 6.9).

6 Supporting practices

6.1 Risk and issue management

The purpose of risk and issue management is to ensure government grants are awarded and completed successfully in support of government policy or organisational objectives, taking into account the extent of identified threats and opportunities. The balance of overall opportunity and risk should be managed in accordance with the Orange Book [12].

A risk is an uncertainty of outcome (positive or negative).

An issue is a relevant event that has happened (or is inevitable), was not planned and requires management action.

Risks and issues should be:

- identified, assigned an owner and evaluated

- responded through mitigating actions to eliminate, reduce or avoid consequences or reduce the possibility of occurrence; risks may be accepted

- monitored to resolution and closed when no longer valid

- Risk controls should be reviewed to ensure they are still effective.

Grant-related risks might relate to:

- the ability of the market to provide the quantity and quality of activity required

- poor performance by recipients

- use of funding for a purpose other than that which was intended

- failure of a recipient to meet all or part of their obligations

Organisations shall ensure effective risk management is established in their assurance and governance processes. Risk registers should be defined, maintained and regularly reviewed by the organisation's senior officers who are accountable for grant activities.

Risk registers should include key risks and associated mitigations.

6.2   Counter fraud

The purpose of a counter fraud strategy for a scheme is to ensure that government funding and assets awarded through grants, are awarded to appropriate organisations and are used for their intended purposes.

Counter fraud should be planned and managed in accordance with GovS 013, Counter Fraud.

The risk of fraud shall be considered in relation to grant awarding and management activities. A counter fraud strategy specific to each scheme shall be developed appropriate to the identified risks. This strategy should be reviewed annually and proactive actions taken to improve the likelihood of identifying and preventing fraud.

If identified fraud and losses should be reported and appropriate and proportionate action taken to recover the losses.

6.3   Grant-making capability and resourcing

The management of grant-making capability, capacity, resourcing and competency ensures that an organisation has the right resources and skills in place when needed.

Organisations should have in place an operating model capable of delivering the scope of this standard, including a pipeline of planned and future grant making and related activities necessary to manage and respond to risks and issues.

The resource baseline should include the target cost of the organisation's function, staff grade mix and resourcing plan in the context of its scope, which should include administration costs.

Grant-making activity should be planned in sufficient time to enable resources, including local and domain expertise where needed, to be identified and mobilised.

Grant-making work should be assigned to people who are competent and experienced, to carry out their assigned role (see 6.7). The appropriate level and number of specialists, who are trained and have proven competency, should be assigned to work on the development of each grant.

6.4   Agreements

The purpose of an agreement pertaining to a grant is to ensure that:

- the government's objectives in relation to a grant are clear

- funding is used for the purpose intended

- activity and expenditure can be monitored

- action can be taken early to suspend payment or terminate activity, where the grant is failing against its objectives

- surplus funding is recovered

General grants shall be covered by a grant agreement (see 6.4.1).

Grant in aid shall be covered under a framework document or equivalent (see 6.4.2).

6.4.1   Grant agreement (general grants)

Each general grant award shall be subject to a defined agreement between the grant-making body and the recipient and should be proportionate to the value of the grant being awarded and shall be underpinned by appropriate legislation. A grant agreement should be justified (see 4.2.2) and based on the content of the business case and written to ensure that the funding is used as intended. The agreement should include as a minimum:

- the purpose for which funding is to be used

- details of approved activity

- intended outcomes

- legal expectations

- eligible and ineligible expenditure

- required milestones

- financial and performance monitoring requirements

- clawback arrangements

- insurance

- audit and assurance requirements

- specific conditions

Where outcomes cannot be specified, for example, in the case of innovation grants where the outcomes cannot be foreseen, there should be an unambiguous articulation of the purpose of the award, such as:

- why the research is being undertaken

- the required activity

- the aims and objectives

These should be linked to a monitoring regime to ensure that funding can be stopped if delivery does not match expectation or the aims are unlikely to be met.

Note: a model grant funding agreement is available from the grants centre of excellence on request, including variants for high and low value grants [10].

6.4.2   Framework document (grant in aid)

The framework document (or equivalent) defines the governance in relation to the relationship between the awarding body and the recipient organisation, including the management of grant in aid. The references to the management of the grant in aid, in the framework document, should be proportionate to the value of the grant being awarded. A framework document should comply with this functional standard, be justified (see 4.2.2) and include:

- the purpose of the award with key targets and objectives

- defined governance framework (see 4.1) including legal relationships, conduct, responsibility to Parliament (if any), plans for evolution and successor activities

- decision making (see 4.2.1)

- financial management

Note: for detail on framework documents see 'Managing Public Money' [4], clause 7.

6.5   Performance monitoring

The purpose of performance monitoring is to ensure value for money is achieved for the outcomes delivered and to hold the award recipient to account for the delivery of the intended outcomes and/or outputs. Reports should be submitted to the grant-owning department, in line with the terms of the framework document.

Throughout delivery, the grant manager should conduct regular reviews of activity, risk and expenditure and take timely actions to address any issues or concerns identified. Monitoring should include a focus on detecting fraud (see 6.2) by tracking that grants achieve their intended outcomes and providing assurance that expenditure is within the eligible expenditure terms outlined in the applicable agreement.

The counter fraud strategy (see 6.2) should be reviewed throughout the life of the grant to ensure it is relevant and appropriate. If necessary, any inappropriately used funds or assets should be considered for clawback.

6.6   Document management and record keeping

Document management and record keeping ensures necessary information, documentation, data and other records (both physical and electronic) are securely stored, distributed and retrievable when needed to support and evidence grant management practices.

Information, documents, data and records relating to grants and which need to be managed should be defined.

Information shall be retained to meet statutory and government requirements, in accordance with organisational information retention policies and legal requirements.

Records and data relating to a specific grant should be readily available during the currency of that grant.

6.7   Training

In performing their roles, and in meeting this standard, those undertaking grant management should have the appropriate level of support and shall have completed basic training to perform their role effectively. Such training should include knowledge of applicable sources of further guidance and the identification of empowering legislation underpinning individual grant schemes.

Note: An eLearning package: Introduction to Managing Government General Grants, designed to help grant managers comply with the above training requirement, is available on Civil Service's preferred learning platform; see GovS 003, Human Resources.

6.8   Reporting and information

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 this standard.

The purpose of the government grants information system is to facilitate the recording and reporting of grant information across government, providing accurate data to help departments and arm's length bodies to manage their grant portfolios efficiently and effectively, while helping to actively reducing the risk of fraud, through data.

Key data on government grants shall be recorded in the system and shall include the following data as a minimum:

- value
- delivery period
- brief description of purpose
- owning department
- intermediary body (if any)
- recipient name

The overall status of government grants should be published annually, in line with the government's internal standard, in the form of the government grants register, by the senior officer accountable for grants across government.

Note: some sensitive grants may be withheld from the GGIS entirely by departments, or certain sensitive information may be redacted at the time of publication on GOV.UK

Organisations shall report the status of grants as part of their annual report and resource account, in accordance with GovS 006, Finance.

Grant recipients shall report on their grants in accordance with their grant or framework document, as appropriate.

6.9   Continuous improvement and learning

Continuous improvement ensures government grant-making practices, at government and organisational levels, become more efficient and effective, delivering improved outcomes.

At the start of each step in the grant life cycle (see 5), those involved should identify and apply relevant lessons from previous work. Throughout the grant life cycle, lessons, including feedback from grant recipients, should be captured, evaluated and shared to facilitate continuous improvement.

Organisations should have a continuous improvement plan in place as part of their overall grant-making strategy and plan.

Progress should be reported regularly to relevant stakeholders. Organisations should collaborate to facilitate continuous improvement including:

- accessing best practice

- sharing lessons learned

- peer reviewing grant-making practices

- completing periodic assessments of current practices using a defined maturity framework

Organisational leaders and owners of standards, processes, methods, policy notes, tools and training should update their knowledge sources and communicate learning as appropriate.

A. References

ID	Description
1	HM Treasury, Accounting officer system statements; 2017: https://www.gov.uk/government/collections/accounting-officer-system-statements
2	HMT Green Book: guidance on how to appraise and evaluate policies, projects and programmes. https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent
3	The 'How To' guidance, which supports this Functional Standard, is published on gov.uk, here: https://www.gov.uk/government/publications/grants-standards
4	HM Treasury, Managing Public Money; 2013 https://www.gov.uk/government/publications/managing-public-money
5	Grants hub: https://grantshub.civilservice.gov.uk/DataSolutionLogin
6	Cabinet Office Grants Management Function, Code of Conduct for Recipients of Government General Grants https://www.gov.uk/government/publications/supplier-code-of-conduct
7	An Introduction to Managing Government General Grants can be accessed on the government's preferred learning platform, here *(Note: you should be logged into CSL before clicking the link, for it to work)*: https://identity.learn.civilservice.gov.uk/login
8	Government Finance Function, Global Design Principles; 2018: https://www.gov.uk/government/publications/finance-global-design-principles
9	The 360Giving Standard https://www.threesixtygiving.org/support/standard/
10	The Cabinet Office Model Grant Funding Agreement (MGFA) is available on the grants centre of excellence: https://grantshub.civilservice.gov.uk/DataSolutionLogin
11	Cabinet Office, Cabinet Office controls, 2018: https://www.gov.uk/government/collections/cabinet-office-controls
12	HMT Orange Book: Management of risk principles and concepts: https://www.gov.uk/government/publications/orange-book
13	HMT Magenta Book: Guidance on what to consider when designing an evaluation. https://www.gov.uk/government/publications/the-magenta-book

B. Glossary

Term	Definition
Annual government grants register	The Cabinet Office publishes the government grant register on GOV.UK in March each year, in order to fulfil the government's transparency commitment. Basic data is published covering formula grants at scheme level and general grants at scheme and award level. The data is sourced from the government grants information system (GGIS).
Arm's length body (ALB)	These are public bodies, which are distinct entities that are separate from, but carry out discrete functions on behalf of departments, while still being controlled or owned by them or accountable to them. They include executive agencies, non-departmental public bodies and non-ministerial departments. More information on classification of public bodies can be found here: **https://www.gov.uk/government/publications/classification-of-public-bodies-information-and-guidance**
Challenge fund	A challenge fund is a pot of funding that has pre-published criteria attached to it. Organisations can apply to the fund and will receive a grant where they meet the published criteria. Challenge funds often have several rounds of applications. This would be considered competed funding.
Clawback	The concept that where an asset financed by public money is sold, all or part of the proceeds of the sales should be returned to the Exchequer. Clawback can also apply when the purpose for which a general grant is given is not fulfilled.
Competed grant	Funds for which applications are invited and evaluated, with awards made based on the outcome of the application.
Criteria-based grant	Used to disseminate grant funding based on specific qualifying criteria, e.g. grants to assist those affected by floods.
Endowment	An endowment is a usually paid as a one-off grant to enable the recipient to set up a fund from which to draw down over a number of years. Sometimes called a 'dowry'.
Formula grant	Grants calculated by way of a formula (e.g. grant funding provided by central government to local authorities, schools and the police, which is determined by factors such as population and levels of pupils who receive free school meals).
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, while remaining legally distinct. They include competed, uncompeted and criteria based grants.
Gift	Gifts include all transactions economically equivalent to free and unremunerated transfers from department to others.

Term	Definition
Government grants information system (GGIS)	Part of the Grants Hub, the GGIS is the central database for all government grants.
Grant agreement	The grant agreement provides a legal framework and sets out details of the grant including what the funding is to be used for, what expenditure is expressly eligible and ineligible, together with details of the payment model, performance and monitoring regime, termination and clawback provision, and financial reconciliation.
Grant award	A level down from a grant scheme. A grant award is made to meet one of the objectives of the grant scheme. Grant awards can be made to organisations and individuals.
Grant in aid	These funds are allocated from one part of government to another part of government. For example, central government funding for the running costs of non-departmental public bodies (NDPBs).
Grant scheme	Grant schemes are created to deliver a specific policy area, generally providing for a number of individual awards that sit within the scheme.
Outcomes	The result of change, normally affecting real-world behaviour or circumstances. Outcomes are desired when a change is conceived. Outcomes are achieved as a result of the activities undertaken to effect the change. They are the manifestation of part or all of the new state conceived in the blueprint.
Outputs	A specialist product (the tangible or intangible artefact) that is produced, constructed or created as a result of a planned activity and handed over to users.
State aid	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.
Uncompeted grant	A grant that is awarded to a single organisation or individual without a competition, for example, where there is only a single organisation that has the capability of delivering the objectives. Grant in aid is not part of this category because although it can strictly be defined as uncompeted, it should be categorised as a grant in aid. Often referred to as a 'direct award'.

C. General grants – minimum requirements

1. Senior officer responsible for a grant

All government grants shall have a named senior officer responsible for a grant with clearly defined responsibilities throughout the lifetime of the grant.

Note: this role is often referred to in departments as the senior responsible owner (SRO).

2. Approvals and data capture

Departments shall ensure they have a robust grants approval process to approve spend over £100,000, and that details of all current grant schemes and awards are available on the government grants information system (GGIS).

3. New Grants Advice Panel

New government grants, including those that are high risk and novel and contentious, as well as those undergoing a step change in scope or funding, should be considered for submission to the New Grants Advice Panel for scrutiny and advice from subject experts.

4. Business case development

A robust business case, proportionate to the level of expenditure and risk, shall be developed for all government grants. This should be scrutinised and approved in stages, as part of grants approval process, in line with the guidance in 'Managing Public Money'.

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.

6. Grant agreements

All government grants shall be awarded through robust grant agreements, proportionate to the value of the grant and which reflect the Functional Standard for government grants, in line with guidance in 'Managing Public Money'. All government grant agreements shall include terms of eligible expenditure.

7. Risk, controls and assurance

All government grants shall be subject to timely and proportionate due diligence, assurance and fraud risk assessment.

8. Performance and monitoring

All government grants should have outputs agreed and longer-term outcomes defined, wherever possible, to enable active performance management, including regular reviews and adjustments where deemed necessary.

9. Annual review and reconciliation

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.

10. Training

All those involved in the development and administration of grant awards should undertake core training in grant management best practice.