



Cabinet Office

# Guidance for General Grants

Minimum Requirement Eight: Performance and Monitoring

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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. [Managing Public Money](#) and local guidance within government grant making organisations is applicable to those categories, and minimum requirements may be developed in future.
- ▶ 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 grant expenditure.
- ▶ This guidance should be read in conjunction with the wider set of minimum requirements guidance documents (including the introduction). Further information and tools supporting this guidance can be found online through the [grants Centre of Excellence \(CoE\)](#). 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 should have performance measures agreed and longer-term outcomes defined, wherever possible, to enable active performance management, including regular reviews and adjustments where deemed necessary.

## Purpose

**Minimum Requirement Eight:** performance and monitoring, is designed to ensure that there is active performance and financial management of the grant, after it has been awarded. Active management of the grant is essential to minimise the risk of financial loss and to ensure risks to delivery are effectively managed, in order to support full achievement of the objectives and outcomes, to maximise the value for money obtained from the expenditure.

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## Grants Functional Standard: Key References

Mandatory requirements are defined by the word **shall** in the grants functional standard. The **shall** statements related to this minimum requirement have been extracted from the standard and are set out below. **Please note:** 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>Supporting practices:</b> Reporting and information	Grant recipients <b>shall</b> report on their grants in accordance with their grant or framework document, as appropriate.	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 Grants Functional Standard.	6.8 Reporting and information	21
<b>Supporting practices:</b> Reporting and information	Organisations <b>shall</b> report the status of grants as part of their annual report and resource account. GovS 006, Finance <b>shall</b> be followed.	[As above]	6.8 Reporting and information  <i>Also refer to: GovS006, Finance</i>	21

## Overview

### What is performance monitoring?

1. Performance monitoring is an ongoing process and should include several checkpoints over the course of the delivery period: a full performance review and financial reconciliation should also take place annually, for multi-year schemes, and at the end of the delivery period for all schemes.
2. The minimum expectation under this standard is that to enable effective monitoring and evaluation, all grant schemes and awards should have indicative performance measures (KPIs and/ or milestones) and longer-term outcomes defined, which form a binding part of the grant agreement, where this is possible, for example:
  - the purpose of the grant is clearly described;
  - the policy aims and objectives and performance measures, such as milestones for successful delivery, are clearly defined;
  - explicit eligible expenditure terms are defined (see guidance in [Minimum Requirement Six: Grant Agreements](#)); and
  - financial performance is measured against the agreed budget and activity profile for the activities being funded.
3. Where performance measures genuinely cannot be specified, for example, in the case of innovation grants where the outcomes cannot be foreseen, there should be a very clear articulation of what the grant is awarded for, the required activity and the aims and objectives: these should be linked to an appropriate monitoring regime, to ensure that funding can be suspended or terminated, where delivery does not match defined expectations.
4. The process of defining performance measures and outcomes, and the associated monitoring and assurance regime, should be proportionate to the value of the grant, in line with an assessment of financial delivery risk, including fraud risk, and considered in the context of the organisation's risk appetite.

### The performance and financial management regime

5. Recommended activities for performance and financial monitoring might include:
  - regular financial returns such as **statements of grant usage** which require reporting of expenditure by eligible expenditure category, and are linked to the release of future tranche payments;
  - regular checkpoint meetings to discuss progress against a pre-agreed schedule;
  - regular monitoring visits to the grant recipient;
  - peer review and impact evaluation of delivery;
  - review of supporting documentation and other evidence from the grant recipient;
  - the use of technology, such as time-stamped digital photos and the use of video call functionality on mobile phones, to undertake virtual tours of remote sites to assess progress;
  - a requirement for the submission of pre-defined performance delivery reports, in

- line with a schedule of agreed dates; and
- an end of grant or annual performance delivery and financial report.

6. It will be for the funding authority, (this will be the department or an ALB administering the funding under a framework document), to define the assurance, performance and financial monitoring regime for individual schemes. The details should be recorded in the business case and form a part of the grant agreement terms and conditions.

### Performance management toolkit

7. A performance management toolkit is available via the [grants Centre of Excellence \(CoE\)](#) to support the development of performance management models.

### What should performance monitoring include?

8. The monitoring process should include a range of key performance measures, which align with wider organisation policy objectives. In all cases, it should include metrics and supporting evidence tailored to the scheme objectives and required outcomes, and the intended purpose and agreed activity under individual grant awards.

9. This process should include monitoring of general expenditure against the agreed budget for the activity, due diligence checks, supporting evidence of progress against objectives and a review of the pre-agreed timeline. In the event of slippage, the monitoring process may include penalties such as the withholding of funds until the grant recipient recovers within tolerance (where performance tolerances are defined in the grant agreement).

10. The process should include the monitoring of fraud risk and embedding identified fraud into lessons learnt – see [Minimum Requirement Seven: Risk, Controls and Assurance](#).

11. Eligible expenditure will be defined by the scheme requirements – [Minimum Requirement Six: Grant Agreements](#) includes examples and guidance. It is good practice for the grant recipient to be required to pay invoices directly, the funding organisation should not take responsibility for paying any invoices on behalf of the recipient. The grant recipient should also ensure appropriate controls are in place for financial management, in line with the terms of the grant agreement, and ensure that compliance with relevant regulations and statutory requirements is incorporated within their internal management processes.

### Key considerations for performance monitoring

12. The grant recipient is required to submit relevant data for reporting purposes in line with the pre-agreed schedule, set out in the grant agreement. This is to ensure that progress is monitored and any risks or delays are reported as soon as they are identified, to maintain transparency and enable appropriate remedial action to be identified and managed. The grant recipient must also report any suspected or confirmed irregularities to the authority, such as identified fraud or misuse of funding, as soon as it is identified. Details of the reporting process should be set out in the grant agreement.

13. The authority should reserve the right to amend or update performance measures required for reporting purposes, in line with policy changes arising during the funding period. Any changes and the reasons for them should be discussed and agreed with the grant recipient, before proceeding - see guidance on Post Award at paragraph 20 of [Minimum Requirement Six: Grant Agreements](#).
14. In the event that the grant recipient is not able to provide sufficient information to evidence their delivery, the authority should reserve the right to suspend payments until the situation has been rectified. Any remedial action should be completed within a specified number of days (as determined by the grant agreement or the grant funding organisation), to bring delivery back on track and enable the release of any withheld payments or where delivery is not recoverable within tolerance, enable the recovery of surpluses via offsetting against future payments.
15. Payment arrangements should be set out in the payment schedules of the grant agreement. The authority should reserve the right to make changes, where appropriate, to reflect any performance issues identified. Where payments are made upfront – where justified and approved via a formal governance route – they should generally be released within 30-days of the date the grant agreement is signed.
16. In the event of a breach of the terms and conditions of the grant agreement, any remedial action will be determined by the grant funding organisation – this may include payment suspension, termination and payment recovery – depending on the nature of the breach. The grant agreement should include information on breach, with clear expectations and details of associated penalties – the [Cabinet Office Model Grant Funding Agreement](#) includes clauses on breach, together with guidance for their use.

## Evaluation

17. Evaluation is defined within the HM Treasury [Magenta Book](#) as a systematic assessment of the design, implementation and outcomes of an intervention, such as the delivery of policy outcomes via grant funding. Evaluation involves understanding how an intervention is being, or has been, implemented and what effects it has, for whom and why. It identifies what can be improved and estimates a scheme's overall impact and cost-effectiveness.
18. Evaluation is important to government activities and provides various benefits in relation to capturing learning and providing assurance. Of particular importance is the role evaluation plays in gathering or generating evidence that can demonstrate an intervention's outcomes and wider impacts. With grant funding it provides justification for the awarding of Exchequer funds, tying in the outcomes being funded to the policy intent.
19. Evaluation usually consists of three elements that can be assessed individually or together to form a more comprehensive evaluation:



- **process evaluation:** which is typically focused on assessing whether an intervention is being implemented as intended, whether the design is working, what is working more or less well and why;
- **impact evaluation:** an objective test of what changes have occurred, the scale of those changes and an assessment of the extent to which they can be attributed to the intervention; and
- **value for money (VfM) evaluation:** a comparison of the benefits and costs of the intervention (for more information on VfM please refer to [Minimum Requirement Four: Business Case Development](#)).

20. **Note:** To drive an increase in the number and quality of evaluations the [Evaluation Task Force](#) has developed a [Government Evaluation Registry](#) on GOV.UK providing a new home for all government evaluations. From 2 April 2024, it will be a mandatory requirement for all planned, live and completed government evaluations to be registered on the site. This includes evaluations of grants schemes.

21. The Registry, will share learnings across government and demonstrate better transparency and accountability for taxpayer money. The Registry will be accessible to the public for view-only access, enabling members of the public to search and browse Government evaluations.

22. Full guidance on evaluation can be found within the HM Treasury [Magenta Book](#). Further advice and guidance are also available from the Cabinet Office [Evaluation Task Force](#).

### Value Added Tax

23. Grants do not attract Value Added Tax (VAT) by virtue of not requiring *consideration* in exchange for funding. Care must be exercised when defining outcomes and requirements of recipients to ensure that this does not become so specified and onerous to the grant that it constitutes consideration, potentially making the award subject to VAT.

24. The Tax Centre of Excellence has produced a guidance note on grants and VAT, which outlines the key differences between grants and contracts. This document can be accessed from the government finance function [OneFinance website](#) here: [Tax Centre of Excellence](#) (you need to be registered on and logged into One Finance, to access the Tax Centre of Excellence). There are also resources on the [grants CoE](#).

### Further Resources

25. In adhering to this minimum requirement, and in addition to the references and resources highlighted, organisations may want to consider the following:

- [HMRC internal manual VATSC06300](#) contains further detailed information on consideration in grants.

26. Organisations should also make full use of wider resources available through the [grants Centre of Excellence \(CoE\)](#).