



National Audit Office



REPORT

Government's general grant schemes

Cross-government

SESSION 2024-25
HC 126

Key information

What government grants are

Government grants are transfers of funds to individuals, businesses, non-profit organisations or other parts of government, subject to conditions, with the expectation that they will be used to further a policy objective or promote the public good.

Government awards grants, for example, to:

- fund local authorities to build new houses;
- accelerate the transition from fossil fuels to renewable energy;
- fund research and innovation;
- promote the economic development of developing countries; and
- support individuals and business affected by major economic shocks, such as those that impact the cost of living.

There are three types of grant:



General grants: support policy objectives which the market alone may not deliver and fund the voluntary and charitable sectors.



Formula grants: calculated based on a formula and given to organisations such as local authorities, schools and the police.



Grant-in-aid: payments from one part of government to another for non-specific purposes, such as central government funding for the running costs of arm's-length bodies.

This report focuses on general grants. In 2022-23:

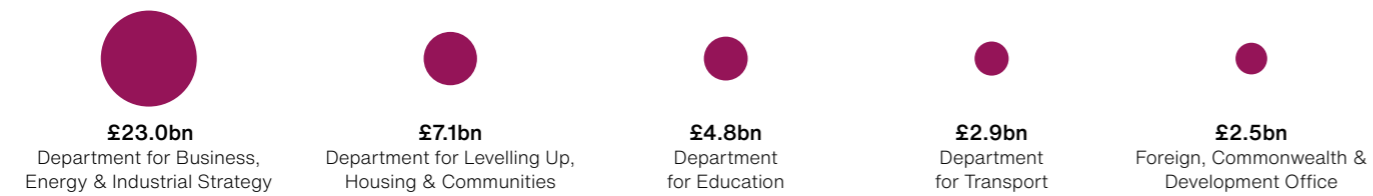
Central government's expenditure on general grants was:



This represented 4% of central government's expenditure for the year



The departments that disbursed the most general grants were:



The main areas of activity funded by general grants were:



The main recipients of general grants were:



The Government Grants Management Function has improved the transparency of grant funding and supported the improvement of government's grant-making

The Cabinet Office established the Government Grants Management Function in 2018 to improve the effectiveness and efficiency of grant funding across government. It has introduced a range of tools, training and guidance to support grant practitioners:



Data: database of government grants, annually published grants register and statistics.



Functional standard: sets expectations for grant management across government.



Capability: annual or biannual self-assessments by departments.



Tools: Find a Grant, Apply for a Grant, Spotlight (a due diligence tool).

Good grant management can generate significant savings

Government estimates that good grant management can generate potential savings of up to 4% of the value of each general grant scheme.

This represents up to **£1.9 billion** of annual savings, based on 2022-23 figures.

Further opportunities remain



Capability

- Reducing variations across departments
- Improving grant practitioners' capability



Evaluation

- Proportionate, robust plans for monitoring and evaluating grant schemes



Online tools

- Moving away from manual processes
- Greater uptake of central tools



Learning

- More sharing of good practice and experiences among grant practitioners within central and local government



Simplification

- Greater use of multi-year schemes
- Consolidating grant schemes

Summary

Introduction

1 Grants are one of a range of funding types that government can use to provide funding to businesses, non-profit organisations, individuals and other parts of government. We define grants as transfers of funds to third parties, subject to specific conditions, with the expectation that these will be used to further a policy objective or promote the public good. Other funding types include contracts, where funds are transferred in exchange for the provision of goods or services; benefits, where funds are transferred to support individuals in line with wider policy objectives; and loans, where it is usually assumed that the funds will be repaid with interest, either after a certain amount of time or after a specific event.

2 There are three types of grant.

- **General grants** support government to secure policy objectives which the market alone may not deliver, such as technological innovation and scientific research. They also provide funding for the voluntary and charitable sectors, for example, to deliver sports facilities, support creativity and culture and help citizens claim benefits. They can be:
 - awarded to all applicants that meet certain criteria (criteria-based grants), such as the Energy Bills Support Scheme (Great Britain) which provided a £400 discount to domestic electricity billpayers to help with their energy bills over winter 2022-23;
 - awarded directly to specific organisations or individuals (direct award grants), such as funding to the National Park Authorities to conserve and enhance natural beauty and provide opportunities for people to enjoy it; or
 - awarded to the winners of a competitive award process (competed grants), such as the Medicines and Diagnostics Manufacturing Transformation Fund, which funded selected companies to bring medicine manufacturing to the UK.
- **Formula grants** are calculated using a formula and given to organisations such as local authorities, schools and the police. Funding is determined by factors relevant to the grant's purpose, such as population size or number of pupils who receive free school meals.
- **Grant-in-aid** consists of payments by one part of government to another for non-specific purposes, such as central government funding for the running costs of arm's-length bodies. Recipients can use grant-in-aid to fund general grants to other organisations and individuals and, exceptionally, formula grants.

3 In 2022-23, central government's expenditure on grants, excluding grant-in-aid, was £155.6 billion, 14% of government's expenditure for the year. Of this:

- 70% by value (£108.8 billion) was spent on formula grants, and
- the remaining 30% by value (£46.8 billion) was spent on general grants, which accounted for 90% of the number of grant schemes.

The main areas supported through general grants were:

- general public services (£21.9 billion), for example through the Energy Bills Support Scheme (Great Britain, £11.5 billion) which provided energy discounts to households, and the Social Care Grant (£2.3 billion), which supported local authorities to provide social care;
- housing and community amenities (£7.2 billion); and
- economic affairs (£6.8 billion), which cover sectors such as agriculture and transport.

General grant spending increased significantly in real terms during the COVID-19 pandemic (from £39.4 billion in 2019-20 to £155.6 billion in 2020-21). It has since decreased but is still higher than pre-pandemic levels.

4 We last reported on government grants in 2014.¹ We found that government had given less attention to grants than to other funding mechanisms, despite grant funding being higher in value. At that time, the effectiveness of government grant funding was impacted by a lack of coordination and by the centre of government lacking information on the grant schemes it was operating. We also found that some departments were using grants without systematically considering alternatives, that departments did not consistently evaluate the implementation and outcomes of their grant schemes, and that government did not offer any central source of training and guidance on grants.

5 In 2018, the Cabinet Office established the Government Grants Management Function (the Grants Management Function), previously the Grants Efficiency Programme, to improve the effectiveness and efficiency of grant funding across government. The Grants Management Function estimates that good grant management could generate potential savings of up to 4% of the value of each scheme. This would represent up to £1.9 billion of annual savings, based on 2022-23 figures. By improving grant management, government is more likely to achieve its objectives and to do so more cost-effectively, reduce bureaucracy, reduce fraud, and make it easier for organisations and individuals to access the support they are entitled to.

¹ Comptroller and Auditor General, *Government grant services*, Session 2014-15, HC 472, National Audit Office, July 2014.

Scope of this report

6 We examined how effective central government is at designing and delivering general grant schemes, and whether it uses lessons learned from past schemes to improve future delivery, including:

- which areas of the grant lifecycle, from design to evaluation, offer the greater opportunities for improvement;
- what opportunities there are for improving coordination, reducing duplication and consolidating grant awards;
- how effective the Grants Management Function is at giving grant practitioners (that is, officials involved in designing and administering grant schemes) tools to improve the quality and efficiency of their work; and
- what examples of good practice there are that could be taken up more widely.

7 We did not examine grants-in-aid, formula grants, grants awarded by local government and the devolved administrations, and grants to overseas entities, including official development assistance. While we examined specific grant schemes as part of this work, we did not assess the value for money of individual schemes. Appendix One sets out our audit approach and evidence base.

Key findings

Progress

8 **Since we last reported, government has improved the transparency of grant funding.** In 2014, we found that the Cabinet Office did not have information on the grant schemes government was operating. In response, the Cabinet Office developed the Government Grants Information System (GGIS), a database which captures information about grant funding across government. The Cabinet Office collates these data to inform its annually published grants register and grants statistics. These show how departments and arm's-length bodies use grants as a funding mechanism. The Grants Management Function has worked with departments to improve the quality and completeness of grants data, but noted that several departments upload data to GGIS only after the grants have been paid, limiting its ability to support grant schemes. The Grants Management Function does not track how much it costs to administer different schemes or the balance between costs and benefits of different schemes. It does not consider that the benefits of collecting these data would be proportionate to the costs of collecting them (paragraphs 1.7 to 1.10, 3.3 and 3.12).

9 The Grants Management Function has supported the improvement of government's grant-making by developing a functional standard for grants, issuing guidance, offering training and delivering tools for grant administration (Figure 1 overleaf). The Grants Management Function introduced a functional standard for grants in 2021 setting out government's expectations for grant management across government. It monitors compliance by coordinating departments in self-assessing their ability to manage grants effectively against the standard. The Grants Management Function has launched a range of tools, including Find a Grant, Apply for a Grant, and Spotlight, a tool that carries out due diligence checks on grant applicants. Its Complex Grants Advice Panel (CGAP) offers expert advice on how government's highest priority, risk and value grant schemes are designed, developed and managed. The Grants Management Function also established the Grants Centre of Excellence, an online repository of guidance and best practice; introduced the Government Grants Community of Practice to enable practitioners to share ideas and best practice; and delivers training (paragraphs 2.2 to 2.4, 2.6, 3.2 and 3.3, and Figure 9).

10 The Grants Management Function reports that its support has led to financial and other benefits. For example, it estimates that the savings it delivered from 2020-21 to 2022-23 by helping grant schemes comply with government's requirements for general grants range between £166 million and £332 million (Figure 1). This estimate has been audited by the Government Internal Audit Agency using a sampling methodology. The work of CGAP is well-received by government organisations. In 2023-24, 78% of the 417 recommendations it made to grant schemes were accepted or partially accepted. Of the 46 responses to a feedback form (as of March 2024), 85% agreed that CGAP's recommendations would impact on the design and development of their schemes. The Grants Management Function's learning and development offer has helped fill a gap and is well-subscribed. The Function does not know the number of grant practitioners across government, so it cannot estimate the proportion of them it has supported (paragraphs 2.3, 2.4, 3.5 and 3.6).

Capability

11 Although grant capability has improved, there remains significant variation between departments, and some of the departments with the highest level of grant spending have the most scope for improvement. Government's grant capability (that is, its ability to manage grants effectively to ensure that value for money is achieved, based on departments' compliance with the functional standard for grants) has improved since 2018-19. However, the gap between the most and least capable departments has widened since 2018-19, and several departments with the highest grant spending consistently have some of the lowest self-assessment scores. Departments' latest self-assessments of capability are due to be completed by August 2024 (paragraphs 2.6 to 2.9 and Figure 10).

Figure 1

Benefits of the Government Grants Management Function's support to grant practitioners

The Government Grants Management Function has identified a range of benefits from its support to departments and arm's-length bodies

Support	Description	Benefits
Cash savings estimated by the Government Grants Management Function		
Spotlight	An online due diligence tool to automate pre- and post-award checks to highlight risk, economic crime and national security concerns and to inform effective risk-based grant-making decisions on the allocation of funding.	Savings of £8 million in 2022-23 from stopping suspicious payments, saving grant administrators' time and providing a cheaper service than its competitors. Over £1 billion in savings during the COVID-19 pandemic.
Functional standard and requirements for grants	The functional standard, introduced in 2021, sets out government's expectations for grant management across government. It builds on 10 minimum requirements for general grants, first issued in 2016.	Savings between £166 million and £332 million from 2020-21 to 2022-23, audited by the Government Internal Audit Agency using a sampling methodology, from helping grant schemes comply with government's requirements for general grants. Further unaudited savings between £34 million and £68 million in 2023-24. ¹
Complex Grants Advice Panel (CGAP)	Offers expert advice on how the government's most complex and highest priority, risk and value grant schemes are designed, developed and managed. In 2023-24, CGAP advised 62 schemes with a total value of £38.6 billion.	
Expert support	Readiness assessments of grant schemes, which set out to what extent they meet government's requirements for each stage of the grant lifecycle.	
Grant Applicant Portal	Find a Grant: an online portal launched in April 2022 to standardise the advertising of government general grants in a single location. Apply for a Grant: an online tool, launched in November 2022, to create online grant application forms.	No benefits realised up to March 2023. Future benefits of up to £270 million were estimated in June 2023 for both tools, due to lower grant application and administration costs, reduced fraud and error, and decommissioning duplicate services. As the take-up of these tools has been lower than projected, these benefits may not be realised in full.
Examples of wider benefits (not quantified by the Government Grants Management Function)		
Grant capability self-assessments	Since at least 2018-19, departments which manage grants and arm's-length bodies with a large grant portfolio have carried out annual or biannual self-assessments of their compliance with the functional standard and minimum requirements. Internal auditors validate the self-assessment scores. Departments set out action plans to improve their capability. They regularly discuss progress with the Government Grants Management Function.	Most departments' self-assessment scores have increased from 2018-19 to 2021-22, indicating an improvement in grant capability. The median score has increased from 46% in 2018-19 to 66% in 2021-22.
Training	Provides training, including online grant awareness training and an accreditation programme for grant practitioners involving a five-day residential course.	The learning and development offer has helped fill a gap and is well-subscribed. The Government Grants Management Function cannot estimate the proportion of practitioners across government who attend as it lacks a baseline number of grant practitioners across government.

Notes

- 1 The Government Grants Management Function calculated these savings by tracking to what extent the grant schemes that it advised have improved their compliance with the functional standard, and assigning a monetary value to each improvement.
- 2 We have not audited the Government Grants Management Function's benefit estimates.

Source: National Audit Office review of Cabinet Office documents and training modules, and interviews with government officials

12 Government's grant management strategy for 2023-2025 recognises that improving capability and reducing variation in compliance with the functional standard are areas for development. To improve capability, several departments have set up internal teams to manage grants, provide training and guidance to grant practitioners and gain assurance on grant spending. The Grants Management Function, along with other government functions, is developing plans to manage catastrophic risks, setting out actions in the event of these risks materialising (paragraph 2.10 and Figure 9).

Efficiency

13 Government could reduce the costs of grant administration, both to itself and to grant recipients, by reducing duplication and minimising manual processes. Some schemes still use manual application processes, which are time-consuming and costly for applicants and administrators. They increase the risk of error, fraud and duplication of funding. While departments use Find a Grant to advertise their grant schemes because it is mandatory, some officials we spoke to raised concerns about the quality of its search results. Only 5% of eligible schemes were advertised on Apply for a Grant as of April 2024. The Grants Management Function told us that this is because Apply for a Grant is not mandated, and departments focused on other priorities. While the Grants Management Function worked with several departments to develop Apply, some departments told us that other systems work better than Apply and that they are achieving savings by using a commercial system for managing both grants and commercial contracts (paragraphs 3.3 to 3.7 and 3.12).

14 Departments and arm's-length bodies run multiple grant schemes with similar objectives, often with little coordination. For example, local authorities can fund their local cultural strategy through grants from Arts Council England, the Department for Culture, Media & Sport, Historic England, the National Lottery Community Fund and other bodies. Local authorities must submit separate applications to each scheme, using different application portals, and report different performance indicators to different funders, even when the schemes support similar outcomes. This places additional pressure on already stretched resources. It increases administration costs for both funders and recipients and, for competed schemes, local authorities' application costs. Grant practitioners told us that grant schemes are often run for short timescales, such as one year. This makes it difficult for recipients to make long-term plans, achieve value for money and demonstrate impact (paragraphs 3.11, 3.12 and 3.14).

15 Work is underway across government to simplify the range of available grants.

The Department for Levelling Up, Housing & Communities (DLUHC) aims to streamline the funding landscape by identifying and consolidating central government grants to local government.² DLUHC told us that, as of May 2024, £357 million had been consolidated across a range of departments. DLUHC has also issued a set of funding simplification principles that departments need to consider before seeking approval for new funding to local authorities. Other departments and arm's-length bodies, such as the Home Office and the Environment Agency, are planning to review and consolidate their grants offer. Consolidating schemes managed by multiple organisations is harder than consolidating schemes managed by a single organisation. It requires organisations to agree on a shared vision, clear responsibilities and accountabilities, and effective governance and decision-making (paragraphs 3.13 to 3.21).

16 Government can do more to reduce overpayments of grants due to fraud and error.

Where there have been measurement exercises conducted and reviewed by the Cabinet Office, the estimated level of loss from overpayments on each scheme has ranged from less than 0.1% to 10.2%.³ The Grants Management Function estimates that 20% of the annual savings it could achieve through better grant management (up to £1.9 billion based on 2022-23 figures) can be achieved through improvements in risk, control and assurance to reduce overpayments. One of the minimum standards for grants, set by the Cabinet Office in 2016, is that all grant schemes are subject to a timely and proportionate fraud risk assessment. However, not all schemes have carried out a fraud risk assessment, most schemes have not measured actual losses, and, where measurements have been carried out, they have been of variable quality. Government has increased its efforts to reduce fraud since the COVID-19 pandemic and major new grant schemes are now required to carry out an initial fraud impact assessment before they formally start. Where there is a significant risk of fraud and error, the Public Sector Fraud Authority will advise schemes to carry out a full fraud risk assessment and to plan a fraud loss measurement exercise (paragraphs 3.22 to 3.24).

² On 9 July 2024, DLUHC was renamed the Ministry of Housing, Communities & Local Government. However, we refer to DLUHC throughout this report, as that was the name in use at the time of our fieldwork.

³ Comptroller and Auditor General, *Tackling fraud and corruption against government*, Session 2022-23, HC 1199, National Audit Office, March 2023.

Learning

17 Departments still do not consistently evaluate the implementation and outcomes of their grant schemes. Evaluations help officials understand whether grant schemes are delivering what is intended, decide which schemes should be continued, expanded, improved or stopped, and identify learning points that can be applied to improve delivery. In the most recent maturity self-assessments undertaken by grant-giving departments and arm's-length bodies, the lowest-scoring areas were skills and experience of grant makers, assurance, evaluation and counter-fraud. Through its work performing readiness assessments to monitor the compliance of 54 grant schemes with the functional standard for grants as of January 2024, the Grants Management Function found that the lowest scoring area was evaluation. Monitoring also scored lower than average. Grant practitioners told us that evaluation is the aspect of the grant cycle that has the most room for improvement, as there is a tendency for officials to move on to the next scheme without learning lessons from the previous one. We have also seen good practice examples in grant evaluation. For instance, the analysts evaluating the Department for Work & Pensions' Household Support Fund worked collaboratively with the policy and delivery teams to ensure that the evaluation met their needs. Since April 2024, all planned, live, and completed government evaluations must be registered on the Evaluation Registry. Given the ever-growing number of evaluations that are expected to be added to the registry, a significant challenge will be how grant practitioners can interrogate this database to learn lessons valuable to their own grant management (paragraphs 2.12 to 2.18 and Figure 12).

18 Individual departments apply learning from their past grant schemes to improve grant delivery, but more could be done to share learning across departments. For example, based on local authorities' feedback on previous rounds of the Household Support Fund, the fourth round allowed for a portion of the funding to be used for advice services. It also gave local authorities greater flexibility on how to distribute the funding, in order to accommodate the wide range of households who struggle with the rising cost of living. While the Grants Management Function facilitates sharing of best practice, grant practitioners would welcome more opportunities to learn from each other (paragraph 2.17 and Figure 13).

Conclusion on value for money

19 Government has made significant progress in addressing the issues we raised in our 2014 report. The Grants Management Function has developed a wide range of guidance, tools, support, training and best practice sharing that cover all stages of the grant lifecycle. Departments have made progress improving capability and begun to realise efficiencies in grant-making, reporting a year-on-year increase in median grant capability between 2018-19 and 2021-22. However, grant-making is not consistently delivering value for money across departments as significant variations in capability persist.

20 Grant-making departments and arm's-length bodies can simplify the grants landscape by combining schemes and awards, which government has started doing for grants to local authorities. There is more that the Grants Management Function and departments can do to improve grant-making, achieve efficiencies, support grant practitioners and enhance user experience. This includes identifying the barriers to the take-up of shared digital tools; addressing these barriers to achieve less reliance on manual processes and greater consistency in grant-making across government; further developing capability; and placing more emphasis on planning proportionate monitoring and evaluation as part of grant design. These changes could save money for both government and grant recipients and help ensure that the tens of billions of pounds government spends each year on general grants provide optimal value for money.

Recommendations

21 These recommendations aim to support the Grants Management Function, grant-giving departments and arm's-length bodies to further improve the effectiveness and efficiency of grant funding.

To achieve greater efficiencies in grant making, the Grants Management Function should:

- a** work with departments to gain a better understanding of the reasons for the lower-than-expected take-up of Apply for a Grant, address any significant concerns, and then consider mandating all central government grant schemes which are open to applications to either use Apply for a Grant for new schemes, or explain the reasons for non-compliance; and
- b** work with the Public Sector Fraud Authority and departments to improve the coverage of initial fraud impact assessments, fraud risk assessments and measurement exercises for grant schemes, as a precursor to supporting government bodies to reduce overpayments.

To simplify the grant landscape:

- c** DLUHC, working with departments, should build upon its ongoing work to consolidate grants schemes for local government, and the Grants Management Function should work with departments to consolidate grant schemes across government where appropriate to deliver better outcomes.

To maximise the usefulness of government's grants data:

- d** the Grants Management Function should work with departments to ensure that grants data are uploaded to the Government Grants Information System in a timely manner before the grants are awarded, and kept up to date throughout the life of each scheme.

To improve grant practitioners' capability, the Grants Management Function should work with departments to:

- e** promote take-up of the learning and training opportunities available, including mandating the managers of large, complex or novel grant schemes to have achieved the grants licence to practice or have an equivalent level of practical experience in grant-making; and
- f** explore further opportunities to share good practice, resources and experiences among grant practitioners within central and local government, such as holding in-person network meetings outside of London, and making training and guidance available to local government grant practitioners.

To achieve greater, proportionate monitoring and evaluation of grant schemes, the Grants Management Function should:

- g** continue to work with the Evaluation Task Force to encourage departments to develop proportionate and robust evaluation plans during the grant design phase, including more frequent tracking of the benefits and efficiencies generated by individual schemes; and
- h** work with departments and the Evaluation Task Force to explore different approaches to identifying, sharing and using lessons learned, to inform and improve the design of future grant schemes.