



National Audit Office



REPORT

Government's general grant schemes

Cross-government

SESSION 2024-25
HC 126



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Government's general grant schemes

Cross-government

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 23 July 2024

This report has been prepared under Section 6 of the
National Audit Act 1983 for presentation to the House of
Commons in accordance with Section 9 of the Act

Gareth Davies
Comptroller and Auditor General
National Audit Office

9 July 2024

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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:

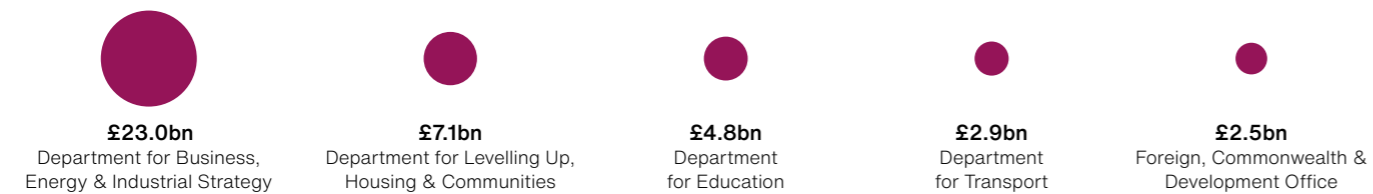
Central government's expenditure on general grants was:



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.

Part One

The government grant landscape

1.1 This part sets out:

- what government grants are;
- roles and responsibilities for managing government grants;
- data on government grants; and
- how government uses grant funding.

What government grants are

1.2 Grants are one of a range of funding types that government uses 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.

1.3 Government awards grants for a range of purposes, such as funding local authorities to build new houses; accelerating the transition from fossil fuels to renewable energy; funding research and innovation; promoting the economic development of developing countries; and supporting individuals and businesses affected by major economic shocks, such as those that impact the cost of living.

1.4 There are three types of government grant.

- **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 the number of pupils who receive free school meals.

- **General grants** allow government to achieve 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. **Figure 2** overleaf provides examples of general grant schemes. Grant recipients may receive advance funding or reimbursement for their expenditure. They are not usually permitted to make a profit.
- **Grant-in-aid** refers to 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 this funding to fund general grants to other organisations and individuals and, exceptionally, formula grants.

Roles and responsibilities for managing government grants

1.5 Figure 3 on pages 19 and 20 sets out the roles and responsibilities for grant management across government. The main organisations involved are as follows.

- **The Government Grants Management Function (the Grants Management Function)**, part of the Cabinet Office, which supports the improvement of grant management across government. Its annual running costs are about £1.5 million and, in December 2023, it employed 51 full-time equivalent staff. It supports grant practitioners by providing guidance, advice, training, tools and opportunities for sharing best practice, and by supporting the continuous improvement of grant-making bodies (covered in Parts Two and Three). The Grants Management Function works with the Commercial Function to ensure effective collaboration, greater alignment, and efficiencies in the management of grants and contracts.
- **Grant-giving organisations**, such as departments, arm's-length bodies and local authorities, which fund grant schemes and deliver them either directly or through other organisations. For instance, Arts Council England manages the Music Education Hub scheme on behalf of the Department for Education. As of May 2024, it was supporting 114 Music Hub lead organisations to deliver music education throughout England.
- **Grant recipients**, such as individuals, businesses and non-profit organisations. They should use the funding in accordance with their grant agreement and may have to report back to the grant-giving organisations on progress.

Figure 2

Examples of general grant schemes and expenditure in 2022-23

Government uses general grants for a wide range of purposes

Grant scheme	Funding department	Purpose	Expenditure in 2022-23 ²
			(£mn)
Energy Bills Support Scheme (Great Britain)	Department for Business, Energy & Industrial Strategy (BEIS) ³	To provide a £400 discount to domestic electricity billpayers to help with their energy bills over winter 2022-23.	11,532
Energy Bill Relief Scheme (Great Britain and Northern Ireland)	BEIS ³	To provide a discount on wholesale gas and electricity prices to all non-domestic customers whose gas and electricity prices were significantly inflated due to global energy prices.	5,539
Homes for Ukraine	Department for Levelling Up, Housing & Communities ⁴	To provide safe housing and access to public funds for Ukrainians seeking refuge following the Russian invasion in February 2022.	1,008
City Region Sustainable Transport Settlements	Department for Transport	To create a more consolidated and devolved model of transport funding and deliver improvements for users.	1,002
Innovate UK	BEIS ³	To support business-led innovation in all sectors, technologies and UK regions, helping them grow through the development and commercialisation of new products, processes and services.	948
Household Support Fund	Department for Work & Pensions	To support those most in need to help with global inflationary challenges and the rising cost of living.	842
Private Finance Local Authority & Voluntary Aided School Revenue Grant	Department for Education	To maintain the condition of selected repaired schools.	752
National Parks Funding 2022-2025	Department for Environment, Food & Rural Affairs (Defra)	To conserve and enhance natural beauty, wildlife and cultural heritage and to promote opportunities for the public to enjoy the National Parks.	63
Air Quality Grant	Defra	To improve air quality in certain areas, reduce particulate matter, and improve knowledge and understanding of air quality.	11
Medicines and Diagnostics Manufacturing Transformation Fund	BEIS ³	To increase manufacturing capacity in medicines, medical diagnostics and medical technology.	9

Notes

- 1 General grants support government to secure policy objectives which the market alone may not deliver, such as technological innovation and scientific research, and fund the voluntary and charitable sectors.
- 2 Figures are rounded to the nearest million.
- 3 The Department for Business, Energy & Industrial Strategy ceased to exist in February 2023. Its functions were split into the Department for Business & Trade, the Department for Energy, Security & Net Zero, and the Department for Science, Innovation & Technology (DSIT). DSIT became the funding department for Innovate UK.
- 4 On 9 July 2024, the Department for Levelling Up, Housing & Communities was renamed the Ministry of Housing, Communities & Local Government.

Source: National Audit Office review of Cabinet Office, *Government grants register 2022 to 2023* and other government documents

Figure 3

Roles and responsibilities for government general grants

Many organisations across government provide grants to recipients and are supported by the Government Grants Management Function (the Grants Management Function)

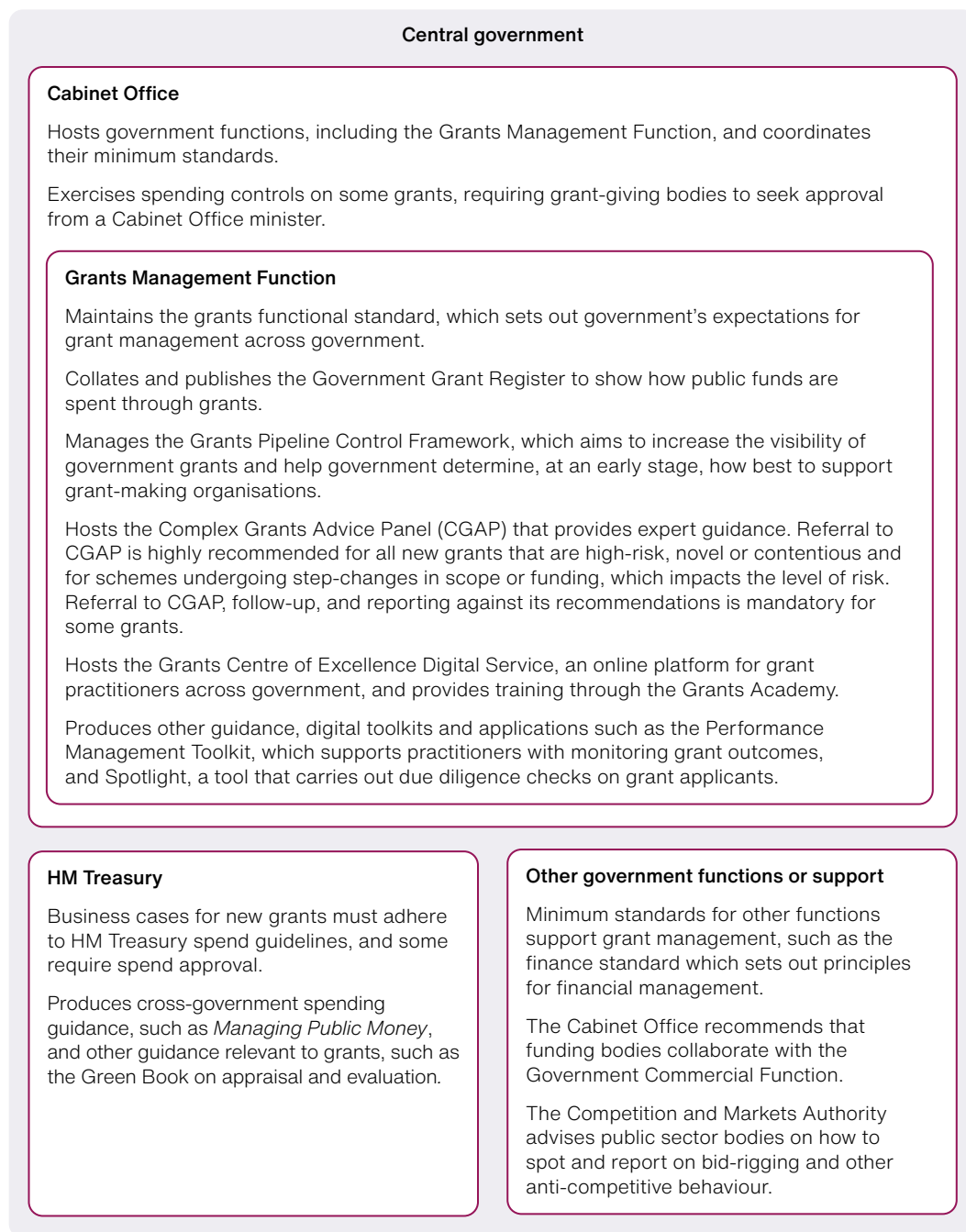
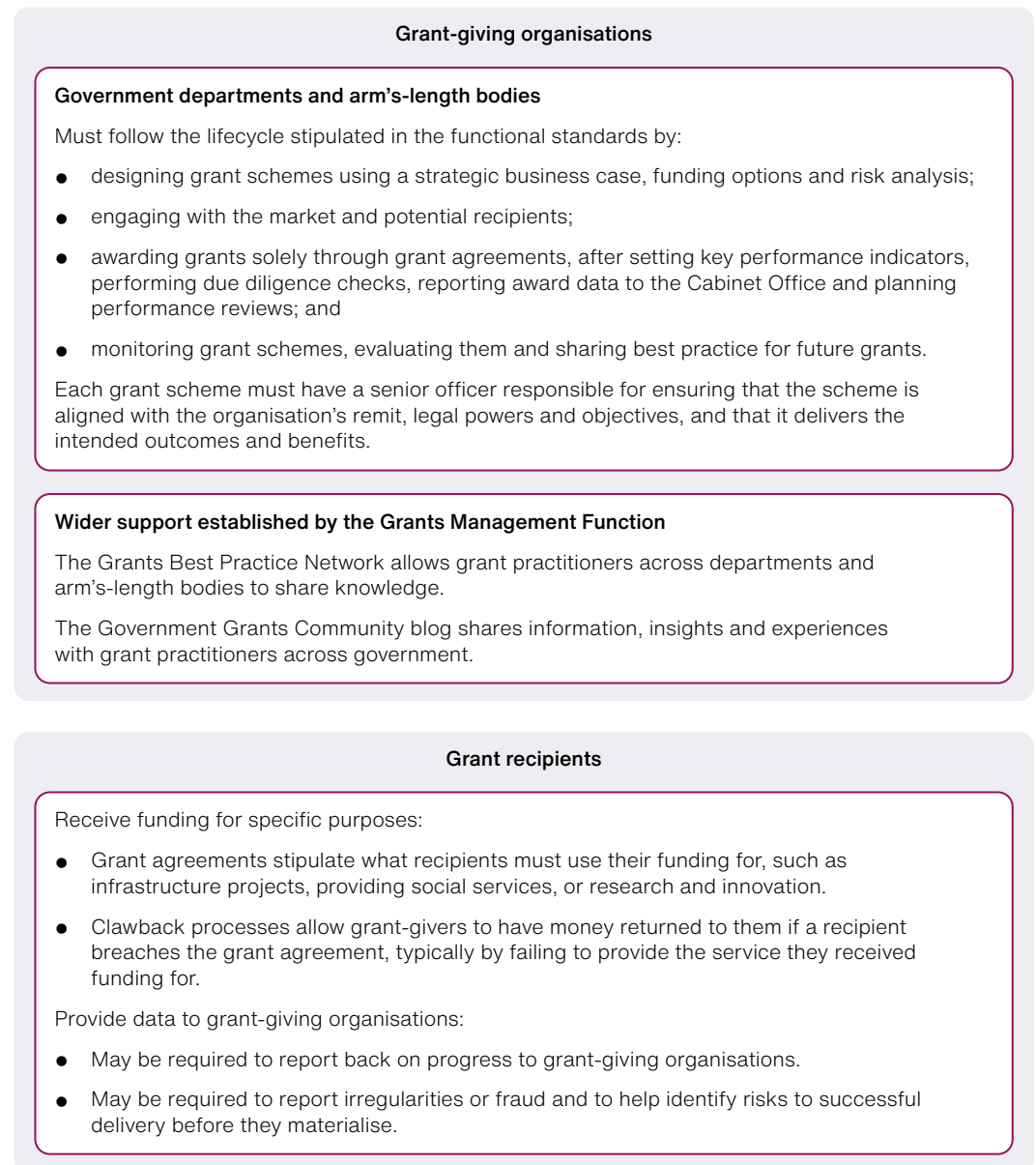


Figure 3 *continued*

Roles and responsibilities for government general grants

**Note**

- 1 General grants support government to secure policy objectives which the market alone may not deliver, such as technological innovation and scientific research, and provide a funding route for the voluntary and charitable sectors.

Source: National Audit Office analysis of government documents

1.6 Grant managers in government organisations may sit within commercial, finance, operations or policy teams. While grant management is one of the 32 recognised civil service professions, officials often manage grants alongside other roles. Large grant schemes are more likely to have full-time grant managers. Some departments, such as the Cabinet Office, the Department for Education and the Department for Transport, have a dedicated team that oversees grant management and supports grant practitioners. At least one department, the Department for Business & Trade, is transitioning its grant delivery to a single team, which will oversee all its grant schemes.

Data on grants

1.7 When we last reported on grant management in 2014, we found that the effectiveness of grant funding was impacted by the lack of data held by the centre of government on grant schemes.⁴ Following the collapse of Kids Company in 2015, the Committee of Public Accounts made several recommendations about the management of government grants, including setting up a register of all government grants.⁵

1.8 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, since 2021, grants statistics to show how departments and arm's-length bodies use public funds as a funding mechanism. For example, they set out how much each department is spending on grants and the types of activity being funded.

1.9 The scheme and award values of government grants published annually on GOV.UK are a combination of the actual values of grants paid out, when provided by departments, and budget values (the total amount that could be paid out), when departments do not provide actual values. The proportion of the grant scheme and award figures that are based on actual values varies from year to year. For example, it was 74% in 2021-22 and 47% in 2022-23.

1.10 The Grants Management Function has worked with departments to improve the quality and completeness of grants data. However, it noted that several departments upload data to GGIS only after the grants have been paid. This limits the effectiveness of tools that draw on GGIS data, such as Spotlight, and the Grants Management Function's ability to support departments before the grants are paid.

⁴ Comptroller and Auditor General, *Government grant services*, Session 2014-15, HC 472, National Audit Office, July 2014.

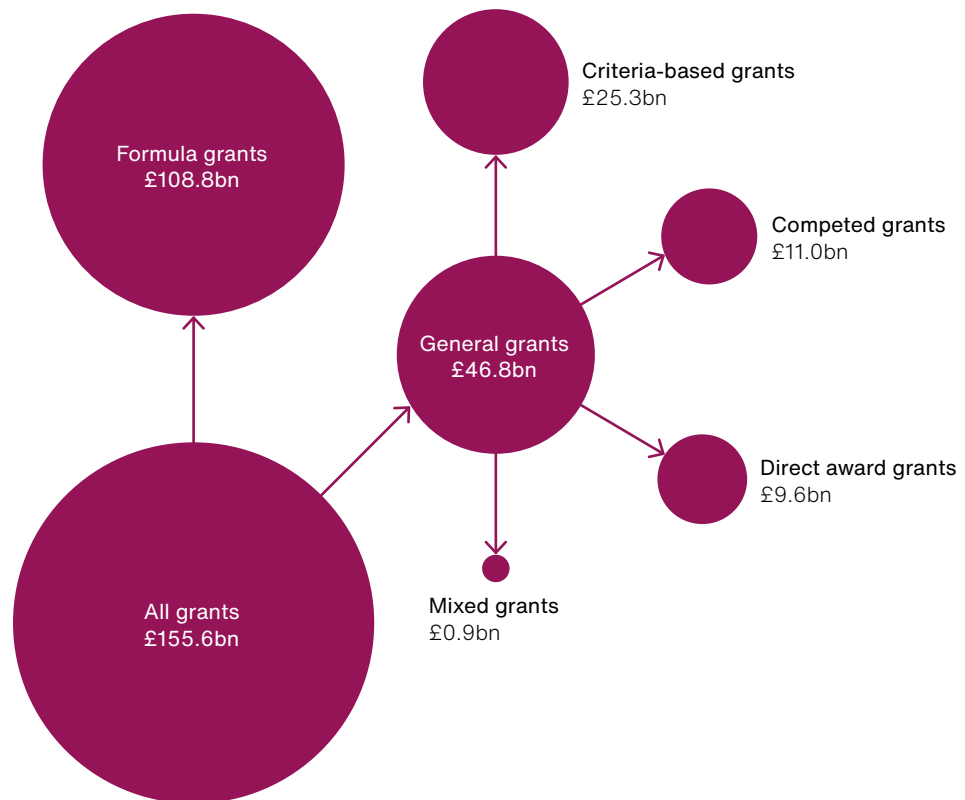
⁵ Committee of Public Accounts, *The Government's funding of Kids Company*, Eighth Report of Session 2015-16, HC 504, November 2015.

How government uses grant funding

1.11 Central government's expenditure on grants in 2022-23, excluding grant-in-aid, was £155.6 billion, representing 14% of government's expenditure for the year (**Figure 4**). Formula grant schemes were 10% of all schemes (177 out of 1,709 schemes) but accounted for 70% of government's grant expenditure (£108.8 billion). General grants (1,532 general schemes) accounted for the remaining 30% (£46.8 billion). General grants are allocated to recipients in four ways.

Figure 4
Central government grant expenditure, 2022-23

General grants accounted for 30% of all central government grants in 2022-23



Notes

- 1 The area of each bubble is proportional to its financial value.
- 2 General grants support government to secure policy objectives which the market alone may not deliver, such as technological innovation and scientific research, and provide a funding route for the voluntary and charitable sectors. Formula grants are calculated using a formula.
- 3 Criteria-based grants are awarded to all applicants that meet certain criteria. Competed grants are awarded to the winners of a competitive award process. Direct award grants are awarded directly to specific organisations or individuals. Mixed grants use multiple disbursement mechanisms, such as criteria-based and a competition.

Source: National Audit Office analysis of Cabinet Office, *Grants Statistics Bulletin 2022 to 2023* and *Government grants register 2022 to 2023 – scheme and award data*

- £25.3 billion was disbursed to all applicants that met certain criteria (criteria-based grants).
- £11.0 billion was awarded to the winners of a competitive award process (competed grants).
- £9.6 billion was awarded directly to organisations or individuals, such as when only one organisation had the required knowledge and expertise to deliver a specific intervention (direct award grants).
- £0.9 billion was awarded through schemes which used multiple award mechanisms.

1.12 General grant spending increased significantly during the COVID-19 pandemic (**Figure 5** overleaf), as grants played an important role in the UK government's response. Although government spending on general grants has since decreased, in 2022-23 it was still about 19% higher than pre-pandemic levels (after adjusting for inflation). However, the percentage of total government spend that general grants account for (4% in 2022-23) has broadly returned to pre-pandemic levels.

1.13 General grants data for 2022-23 showed the following.

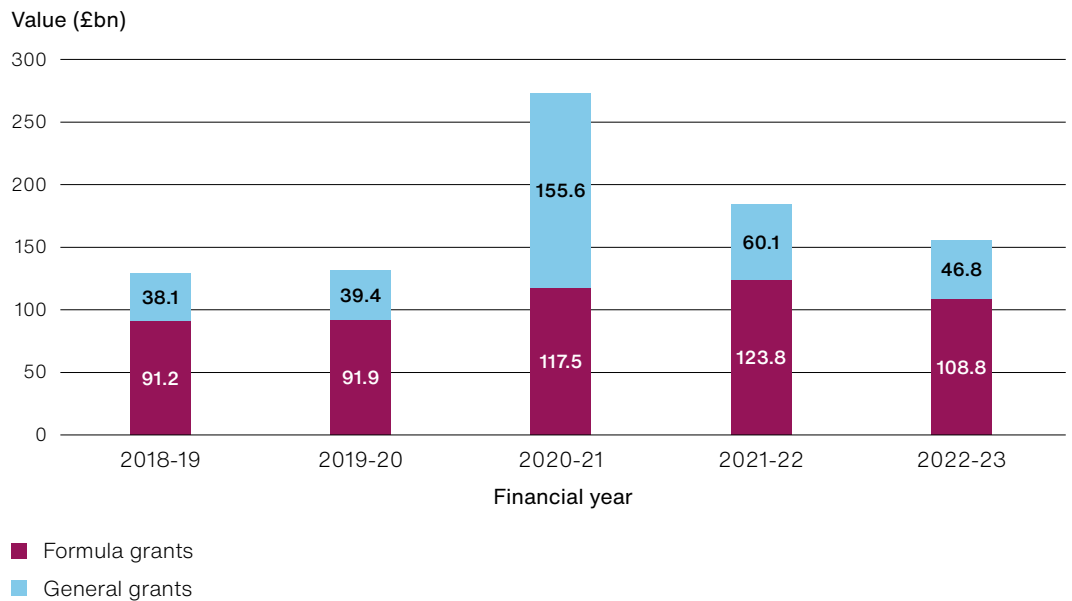
- The largest funder was the then Department for Business, Energy & Industrial Strategy (**Figure 6** on page 25), accounting for almost half of total grant spend.
- The main areas supported across government (**Figure 7** on page 26) were:
 - general public services (totalling £21.9 billion), such as the Energy Bills Support Scheme (Great Britain, £11.5 billion) which provided non-repayable energy discounts for eligible households, and the Social Care Grant (£2.3 billion) which supported local authorities under pressure to provide social care;
 - housing and community amenities (£7.2 billion); and
 - economic affairs, which cover industries such as agriculture and transport (£6.8 billion).
- The 10 largest schemes accounted for approximately half of general grant spend.
- There were over 66,000 awards, with a median award size of £30,000.⁶
- The main grant recipients were UK companies (£20.9 billion); UK public bodies such as local authorities (£14.2 billion); UK education institutions (£3.9 billion); international organisations (£3.0 billion), and others, including individual and charities (£2.8 billion).⁷

⁶ The median size has been rounded to the nearest thousand pounds. It only includes awards awarded to organisations and excludes those awarded to individuals.

⁷ Values do not sum to the total grant expenditure figure of £46.8 billion in 2022-23 because they are based on actual spend, whereas the total grant expenditure figure is partly based on budget values.

Figure 5
Central government grant expenditure, 2018-19 to 2022-23

Grant spending increased significantly during the COVID-19 pandemic



Notes

- 1 General grants support government to secure policy objectives which the market alone may not deliver, such as technological innovation and scientific research, and provide a funding route for the voluntary and charitable sectors. Formula grants are calculated using a formula.
- 2 The large increase in grant expenditure in 2020-21 was the result of COVID-19 recovery grants. For example, the Expanded Retail Discount formula grant, worth £9.6 billion in 2020-21, compensated local authorities for business rate losses. The Coronavirus Job Retention general grant, worth £60.7 billion in 2020-21, supported employers who could not maintain their workforce because their operations were affected by the COVID-19 pandemic.
- 3 Figures are in 2022-23 real terms.

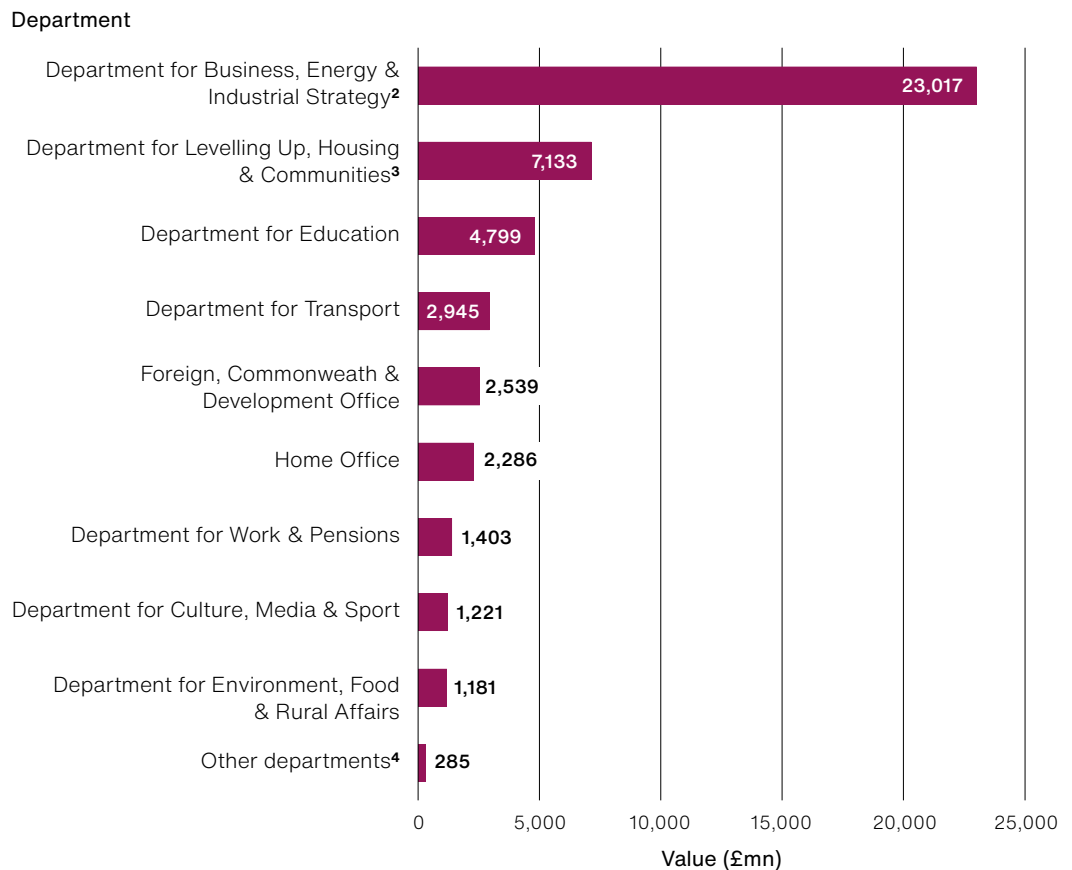
Source: National Audit Office analysis of Cabinet Office data

1.14 Figure 8 on page 27 shows the geographical distribution of general grants awarded to local authorities in England. It shows that some urban authorities in the North of England receive more general grant funding per person than other areas. In comparison, general grants to companies in England (excluding government companies) are concentrated in London, the South East and the West Midlands, each of which received over £3.5 billion general grant funding in 2022-23, amounting to around £500 to £700 per person. The East of England, North East and North West were awarded the least general grant funding to companies in 2022-23 (totalling £731 million across these three regions, amounting to around £38 to £55 per person). This likely reflects the geographic concentration of capital-intensive commerce and industry.

Figure 6

Central government expenditure on general grants by department, 2022-23

The largest funder in 2022-23 was the then Department for Business, Energy & Industrial Strategy

**Notes**

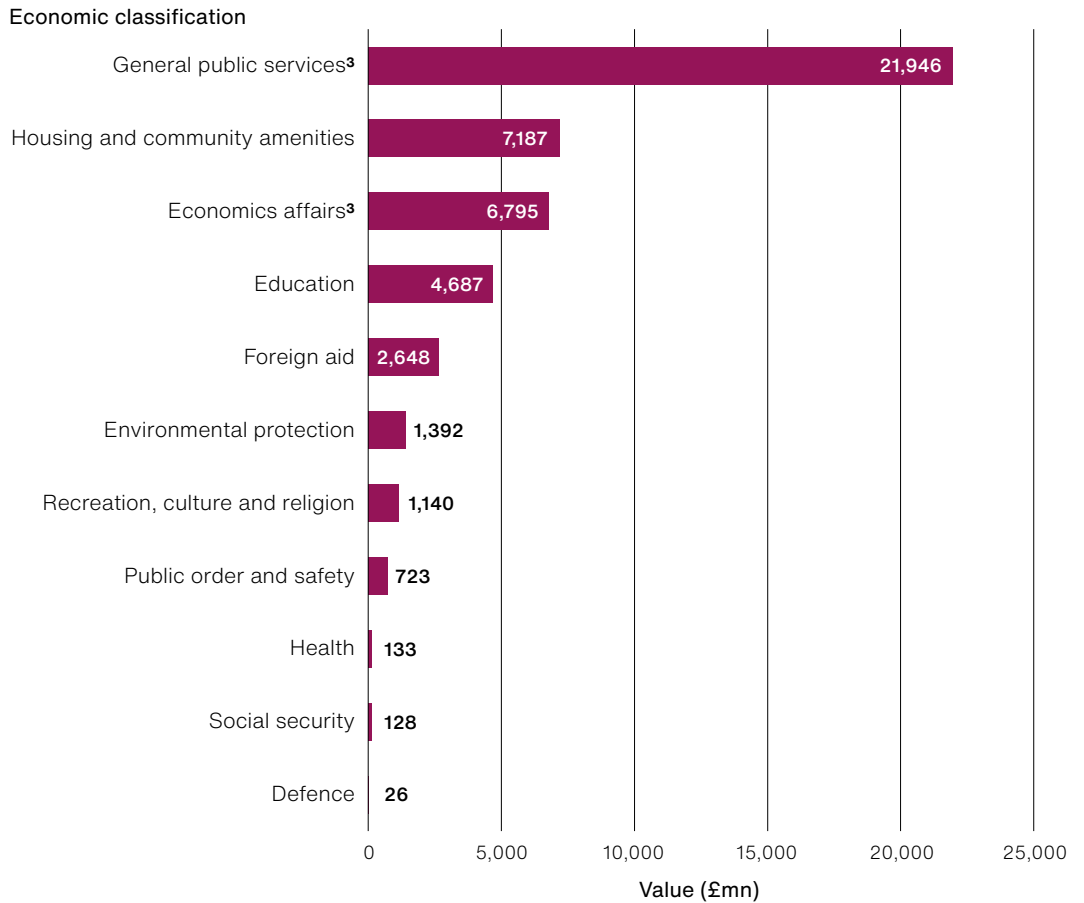
- 1 General grants support government to secure policy objectives which the market alone may not deliver, such as technological innovation and scientific research, and provide a funding route for the voluntary and charitable sectors.
- 2 The Department for Business, Energy & Industrial Strategy ceased to exist in February 2023. Its functions were split into the Department for Business & Trade, the Department for Energy, Security & Net Zero, and the Department for Science, Innovation & Technology.
- 3 On 9 July 2024, the Department for Levelling Up, Housing & Communities was renamed the Ministry of Housing, Communities & Local Government.
- 4 Other departments include the Ministry of Justice (£127 million), the Department for Health & Social Care (£124 million), the Ministry of Defence (£20 million), the Cabinet Office (£6 million), the then Department for International Trade (£4 million), HM Treasury (£2 million) and HM Revenue & Customs (£2 million).
- 5 Values are rounded to the nearest million.

Source: National Audit Office analysis of Cabinet Office, *Government grants statistical tables 2022 to 2023*

Figure 7

Central government expenditure on general grants by economic classification, 2022-23

In 2022-23, almost half of general grant funding was spent on general public services



Notes

- 1 General grants support government to secure policy objectives which the market alone may not deliver, such as technological innovation and scientific research, and provide a funding route for the voluntary and charitable sectors.
- 2 This figure uses the classification of the functions of government, which defines the broad objectives of government activity.
- 3 Examples of general public services include 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, and the Social Care Grant, which supported local authorities under pressure to provide social care. Economic affairs cover sectors such as agriculture and transport.
- 4 Values are rounded to the nearest million.

Source: National Audit Office analysis of Cabinet Office, *Government grants statistical tables 2022 to 2023*

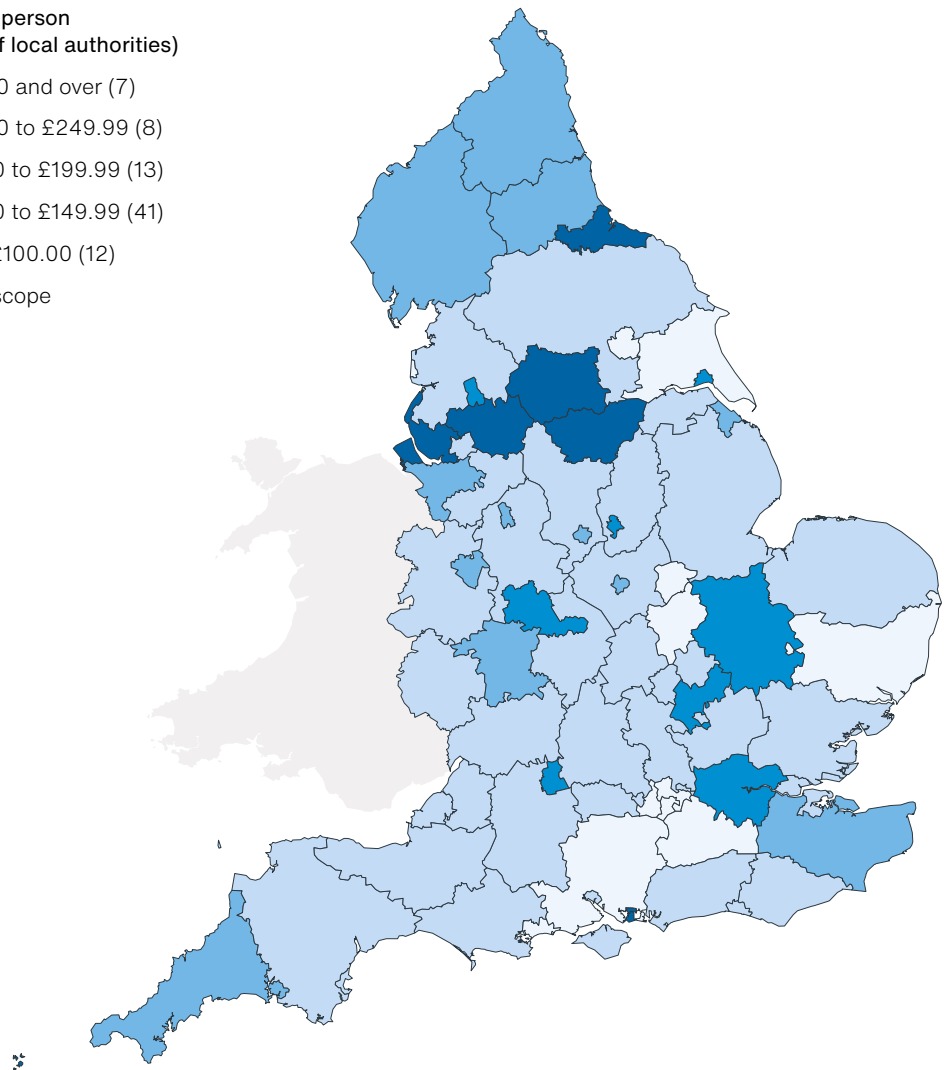
Figure 8

Geographical distribution of central government's expenditure on general grants to local authorities in England, 2022-23

Some urban authorities in the North of England receive more general grant funding per person than other areas

Spend per person
(Number of local authorities)

- £250.00 and over (7)
- £200.00 to £249.99 (8)
- £150.00 to £199.99 (13)
- £100.00 to £149.99 (41)
- Under £100.00 (12)
- Out of scope



Notes

- 1 Locations are based on the registered postcodes of awarded organisations, as recorded by departments on the Government Grants Information System.
- 2 General grants support government to secure policy objectives which the market alone may not deliver, such as technological innovation and scientific research, and provide a funding route for the voluntary and charitable sectors. They are distinct from formula grants, which are calculated using a formula.
- 3 The map excludes grants that government does not disclose on grounds of national security or commercial sensitivities.
- 4 The authorities represented in this map are all upper tier authorities. These include county councils, unitary authorities, and mayoral combined authorities. Any grant awards made to lower tier authorities, such as borough councils, were combined with the amounts awarded to that area's upper tier authority.

Source: National Audit Office analysis of Cabinet Office, *Government grants register 2022 to 2023*, and Office for National Statistics population data. Office for National Statistics licensed under the Open Government Licence v.3.0. Contains OS data © Crown copyright and database right 2022

Part Two

Government's grant capability

2.1 This part assesses government's grant capability. Grant capability is an organisation's ability to manage grants effectively across the six stages of the grant lifecycle to ensure value for money is achieved. We cover:

- the Government Grants Management Function's (the Grants Management Function's) work to improve grant capability;
- government bodies' assessments of their own grant capability; and
- the areas of the grant lifecycle with the greatest scope for improvement.

The Grants Management Function

2.2 The Cabinet Office introduced 10 minimum requirements for general grants (initially called 'minimum standards') in 2016 and a functional standard for grants in 2021.⁸ The standard and requirements set out government's expectations and requirements in a wide range of areas, such as decision-making, resourcing, risk management, business cases, competition, grant agreements, performance monitoring, training and continuous improvement. The Grants Management Function supports government organisations to improve their grant capability across the grant lifecycle by providing guidance, advice, training, tools, and opportunities for sharing best practice (**Figure 9** on pages 30 and 31). The six stages of the lifecycle are as follows.

- **Design and development:** assess whether a general grant is the appropriate mechanism to meet the policy objective and then develop a grant model which is robust, proportionate and delivers value for money.
- **Market engagement:** identify the pool of potential recipients, publicise the grant to them and run a competition for funding (except when competition would not be appropriate, for instance, when only one organisation provides the services that the grant is being set up to fund).
- **Application assessment:** identify the recipients in line with the pre-agreed and publicised assessment criteria.

⁸ Functional standards clarify what needs to be done, and why, in each area of government's activity. They aim to promote consistent and coherent ways of working across government and to provide a stable basis for assurance, risk management and capability improvement.

- **General grant award:** formally make the award of funding to applicants who are successful via a competition, or via a direct award where a robust rationale has been approved.
- **Performance monitoring:** conduct regular reviews of activity, risk and expenditure throughout delivery, and take actions to address any issues or concerns.
- **Evaluation:** assess the impact of the funding and its success in delivering against the associated policy, establish that value for money has been achieved, and identify lessons for future grant delivery.

2.3 Our last report on grants found that government did not offer any central source of training and guidance on grants.⁹ The Grants Management Function has developed a learning and development offer which includes online grant awareness modules, an accreditation programme for grant practitioners and masterclasses on specific topics. While this offer is well-subscribed, the Grants Management Function cannot estimate the proportion of practitioners across government who attend it as it lacks a baseline number of grant practitioners across government. The five-day grants residential course delivered in 2023 was well-received. On a scale from 1 to 5 (with 1 the lowest and 5 the highest score), participants, on average, rated their satisfaction at 4.1 and the likelihood that they would recommend the course to others at 4.5.

2.4 The Grants Management Function reports that its work has led to financial and other benefits.

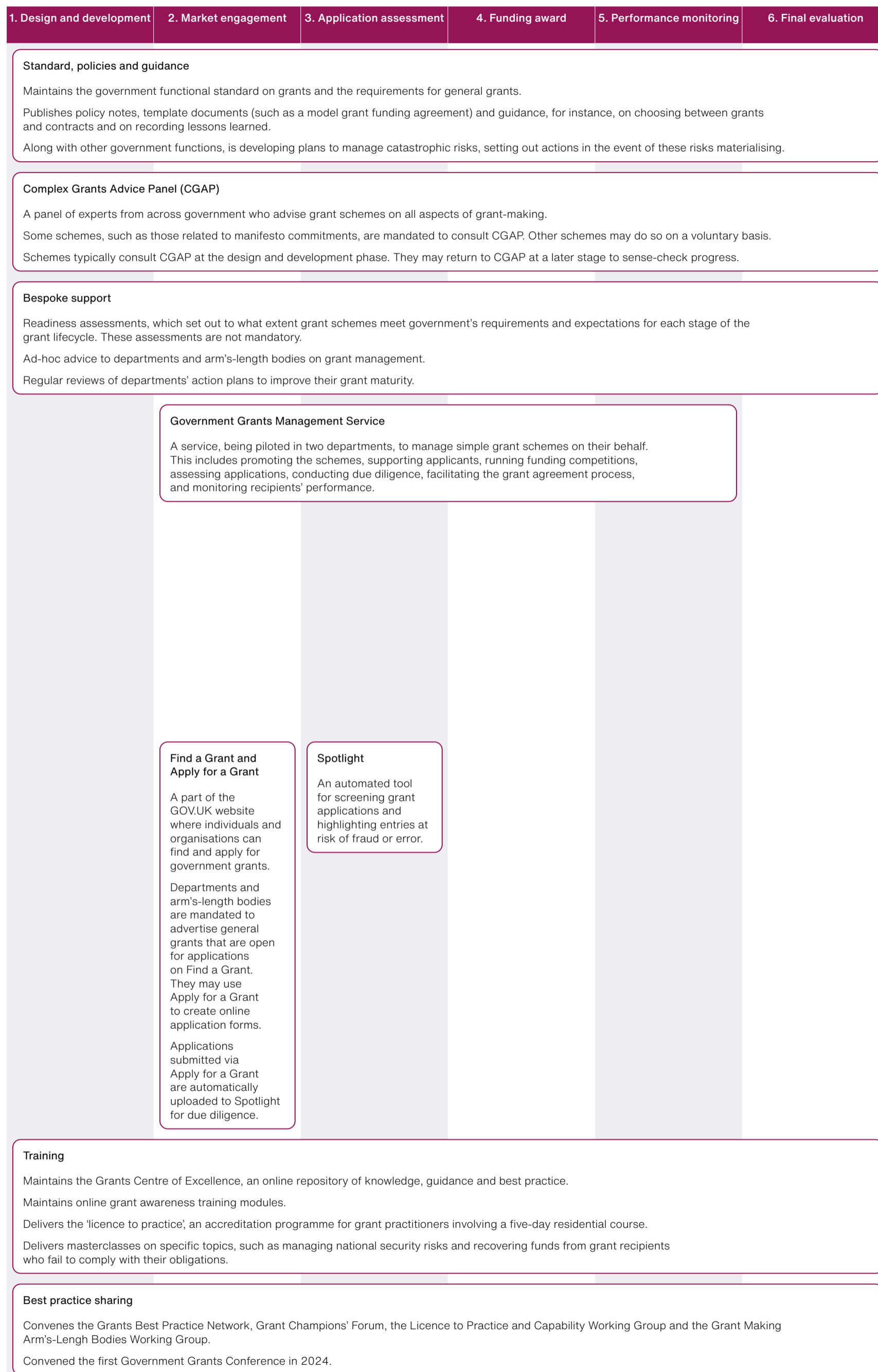
- It estimates that the savings it delivered from 2020-21 to 2022-23 by helping grant schemes comply with government's requirements for general grants range between £166 million and £332 million. Savings were calculated by tracking to what extent the grant schemes that received advice from the Grants Management Function had improved their compliance with the functional standard and assigning a monetary value to each improvement. The Government Internal Audit Agency has audited these savings using a sampling methodology.
- The Grants Management Function hosts the Complex Grants Advice Panel (CGAP), which provides expert advice on how the government's highest priority, risk and value grant schemes are designed, developed and managed. Its work is well-received by government organisations. In 2023-24, 78% of the 417 recommendations CGAP 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.

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

Figure 9

How the Government Grants Management Function supports government grant practitioners

The support offered by the Government Grants Management Function spans all stages of the grant lifecycle



Source: National Audit Office analysis of Cabinet Office documents and interviews with Cabinet Office officials

2.5 Grant practitioners welcome the guidance, support and tools provided by the Grants Management Function. However, they reported spending a significant amount of time responding to commissions from the Grants Function, such as information requests and consultations. They told us that different parts of the Grants Management Function raise these commissions, without coordinating with each other. The Grants Management Function acknowledges that there is scope to streamline its commissions to grant practitioners.

Grant capability across government

2.6 Government departments which manage grants and arm's-length bodies with a large grant portfolio carry out self-assessments of their compliance with the functional standard and the 10 minimum requirements. The Grants Management Function coordinates this process and internal auditors validate the self-assessment scores. To sense-check the results, the Grants Management Function carries out deep dives to assess to what extent a sample of grant schemes complies with the functional standard. Self-assessments were carried out annually between 2018-19 and 2021-22 and are now carried out every two years. The 2023-24 self-assessments are due to be completed in August 2024.

2.7 Departments' self-assessment scores provide an indication of their grant capability. The Grants Management Function expects all organisations that manage grants to achieve a score of at least 40%, the threshold for achieving a rating of 'good'. This indicates compliance with the principles and minimum requirements outlined in the functional standard for grants. There are no sanctions for organisations that do not meet this threshold. The most recent self-assessments showed the following.

- Fourteen out of 15 government departments that manage government grants (all except the Department for Levelling Up, Housing & Communities (DLUHC)¹⁰) met the threshold, with a median score of 66% across the 15 departments (up from 46% in 2018-19).
- All 12 arm's-length bodies that manage a large grant portfolio met the threshold, with a median score of 80%.

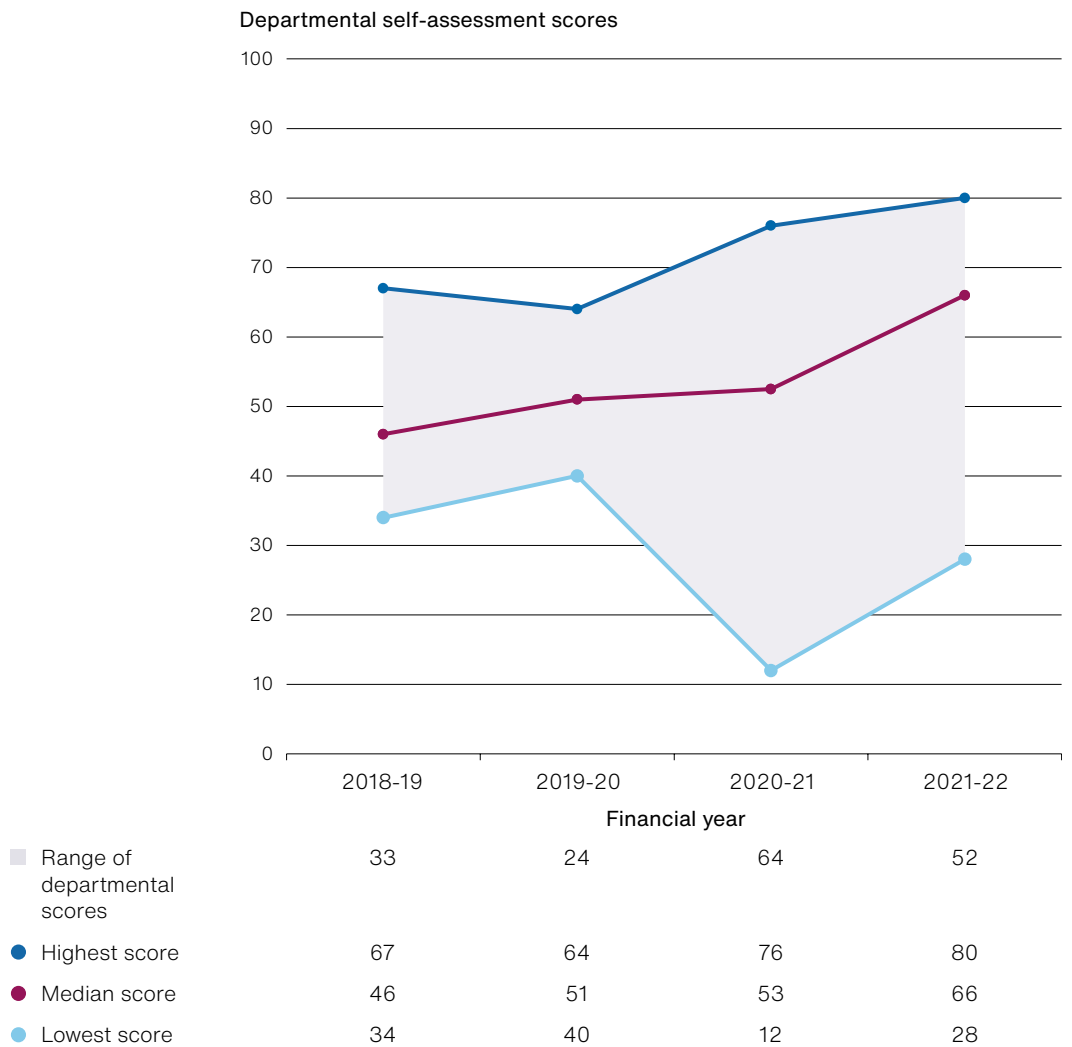
2.8 Government's grant capability has improved steadily over time (**Figure 10**). The median score has increased every year, including during the COVID-19 pandemic, when government issued a large volume of emergency grants at a fast pace. Of the 14 departments that completed self-assessments in both 2018-19 and 2021-22, 11 had higher scores in 2021-22 than in 2018-19. However, there are significant variations in capability across departments. Average departmental scores ranged from 28% to 80% in the 2021-22 self-assessment. The gap between the most and least capable departments has widened since 2018-19.

¹⁰ 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.

Figure 10

Government departments' assessments of their own grant capability, 2018-19 to 2021-22

Based on departments' self-assessments, grant capability has improved overall from 2018-19 to 2021-22, but the variation between departments has increased



Notes

- 1 Grant capability is an organisation's ability to manage grants effectively across the grant lifecycle to ensure that value for money is achieved.
- 2 Central government departments self-assessed their grant capability every year until 2021-22. Since 2021-22, self-assessments are carried out every two years. The Government Grants Management Function coordinates this process.

Source: National Audit Office analysis of Cabinet Office documents

2.9 Some departments which manage the largest grant portfolios are among those with the lower grant capability. This is the opposite of what we would expect. Between 2018-19 and 2021-22, several departments with the highest grant spending, such as the Department for Education and the then Ministry for Housing, Communities & Local Government, consistently had some of the lowest self-assessment scores.

2.10 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 management. The Government Internal Audit Agency found that DLUHC significantly improved its grant management processes after establishing such a team. The Department for Education told us that it has undergone an extensive grant transformation project, including embedding a Grants Centre of Excellence, and that it now rates its own grant capability more highly than it did in 2021-22. Government's grant management strategy for 2023–2025 recognises improving capability and reducing variation in the extent of compliance with the functional standard across government as important areas for development.¹¹

2.11 Local government is one of the main recipients of central government grants. Based on our analysis of the government grants register for 2022-23, local government bodies received more than £10 billion in general grant funding across around 300 schemes with over 11,000 individual awards. Grants to local government often fund local authorities to deliver services to local communities or carry out projects, such as building housing and regenerating land. Their successful delivery requires local authorities to have grant and project management capability. Central government officials told us that these are variable across local government. **Figure 11** provides examples of initiatives to improve local government's capability in grant management. As of June 2024, the Grants Management Function was working on a pilot to determine the benefits of offering some of its products and services to local authorities.

Grant capability across the grant lifecycle

2.12 Departments and arm's-length bodies manage the earlier stages of the grant lifecycle more effectively than the later stages. For instance, with regard to the first stage (design and development), we found that government officials have access to helpful guidance and training on determining whether grants are an appropriate funding model and that several departments have included consideration of this in their grant design and approval processes. In the most recent self-assessment, the highest-scoring areas were strategy, planning and grant pipeline (72%), design and development (79%), and award (78%). The lowest-scoring areas were skills and experience of grant makers (42%), assurance (47%), evaluation (54%) and counter-fraud (52%).

¹¹ Cabinet Office, *Government Strategy for Grants Management 2023–2025*, Government Grants Management Function, September 2023.

Figure 11

Examples of initiatives to improve capability in grant management

We found examples of capability building through the pooling of expertise and dedicated funding

Brownfield Housing Fund

Department for Levelling Up, Housing & Communities²

This scheme funded local authorities to carry out land regeneration projects. These required expertise in areas that some individual lower-tier authorities may not be familiar with, such as compulsory purchases. By identifying mayoral combined authorities as grant recipients, the scheme encouraged the sharing of expertise among local authorities.

Active Travel Capability Fund

Department for Transport and Active Travel England

This fund is provided to support the delivery of government's objective to increase rates of active travel. The fund supports local authorities to develop infrastructure plans and designs, carry out public consultations, collect evidence and carry out community engagement. Funding levels to local authorities are informed by local authorities' active travel capability ratings.

Notes

- 1 We have not audited how successful these initiatives were in improving capability.
- 2 On 9 July 2024, the Department for Levelling Up, Housing & Communities was renamed the Ministry of Housing, Communities & Local Government.

Source: National Audit Office review of government documents, interviews with government officials and Comptroller and Auditor General, *Active Travel in England*, Session 2022-23, HC 1376, National Audit Office, June 2023

2.13 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. The Government Internal Audit Agency, which validates self-assessments and has a specialist grant assurance team, told us that government is better at managing the earlier stages of the grant lifecycle, up to the grant award stage, than the later stages. It told us that, while several departments and arm's-length bodies have improved their grant capability, government could strengthen its risk assessment, counter-fraud measures, monitoring of expenditure and outcomes, assurance arrangements, capacity and capability.

Monitoring

2.14 While we found examples of good practice in grant monitoring (**Figure 12**), there are opportunities to improve monitoring by developing monitoring arrangements as part of grant design and ensuring that they are proportionate to the size and the risk of each grant scheme.

- Insufficient monitoring of some grants to local authorities has led to funds being disbursed to local government before the conditions for releasing the funding were met. For instance, between April 2015 and October 2021, DLUHC gave a local authority a total of £1.8 billion of funding that it did not need to disburse, as the local authority had not met the required delivery milestones.
- Grant recipients told the Local Government Association that they found monitoring requirements to often be excessive, especially for smaller grants.
- Grant recipients, the Local Government Association and a provider of grant administration services told us that monitoring requirements are sometimes changed part-way through grant schemes. For recipients, providing additional data may be challenging, introduce unexpected costs, and result in low-quality monitoring information being provided to the funder.

Figure 12

Examples of good practice in monitoring and evaluating government grants

We found examples of planning evaluation from the outset, collecting meaningful monitoring data and being transparent about what has worked and what has not

Household Support Fund

Department for Work & Pensions (DWP)

The scheme has been set up so that it can be easily monitored, and it is easy to track who is benefitting from the grant funding – for example, the percentage of funding supporting children.

The monitoring data that the scheme collects make it easy to answer questions on how well it is meeting its policy objectives.

After the completion of each scheme round, DWP has published summary monitoring information for transparency.

The analysts evaluating the scheme have worked collaboratively with the policy and delivery teams to ensure that the evaluation meets their needs.

Social Workers in School

Department for Education (DfE)

DfE commissioned and funded the scheme through the What Works Centre for Children's Social Care (now Foundations) as a large-scale randomised control trial to assess whether placing social workers in schools reduced the need for children to receive child protection interventions, including being taken into care. The trial involved around 280,000 students across 291 schools in England.

The trial found that placing social workers in schools did not bring benefits and involved substantial additional costs. The information gathered helped DfE to avoid spending time and resources on ineffective measures.

Research and innovation grants

UK Research and Innovation (UKRI)

UKRI is committed to commission independent evaluations of all its major research and innovation grants and investments. As of 31 May 2024, it had published 100 evaluations on its website.

By making evaluations publicly available, UKRI is transparent about what has worked and what has not, and it makes it possible for other funders of research and innovation to learn from its experiences.

Evaluation

2.15 Evaluation is a systematic assessment of the design, implementation and outcomes of an intervention, to provide insights into how it has been implemented and what impacts it has had. Evaluations help grant managers and policy makers to:

- understand whether a scheme is delivering what is intended;
- decide whether a scheme should be continued, expanded, improved or stopped, and which among various schemes are most impactful and should be prioritised; and
- identify learning points that they can apply to improve delivery.

Evaluations can also help government officials hold grant managers and recipients to account for how they have employed public funds.

2.16 Government guidance states that evaluation should be proportionate in scale and should be planned from the outset, as part of grant design. This can reduce the cost of data collection and allows for grant schemes to be designed in a way that maximises the learning that can be gained.¹²

2.17 We found examples of good practice in evaluating government grants (Figure 12), alongside examples of evaluations not being carried out or not being planned when schemes were designed.

- Our report on local road maintenance found that the Department for Transport has evaluated only one of the 12 funding pots that it has provided for local road maintenance to assess whether investment had led to an improvement in road condition, or whether its assumptions about the benefits of local road maintenance were borne out in practice.¹³
- Our report on COVID-19 business grant schemes found that evaluating the schemes was challenging because precise aims were not set and there were no clear criteria against which to evaluate performance.¹⁴
- Historically, the Department for Education's long-standing Music Education Hub scheme tracked outputs and quantities, but not outcomes and quality. This made it hard to estimate the impact of the scheme and what changes could be made to achieve better value for money. An independent evaluation has been commissioned to measure and assess the impact of the Music Hub programme against the aims and objectives of the National Plan for Music Education.

Grant practitioners told us that evaluation is the aspect of the grant cycle that has the most room for improvement because there is a tendency for officials to "move on to the next scheme" without learning lessons from the previous one.

¹² HM Treasury, *Magenta Book: Central Government guidance on evaluation*, March 2020; HM Government, *Government Functional Standard GovS 015: Grants*, version 2.0, July 2021.

¹³ Comptroller and Auditor General, *The condition and maintenance of local roads in England*, Session 2024-25, HC 117, National Audit Office, July 2024.

¹⁴ Comptroller and Auditor General, *COVID-19 business grant schemes*, Session 2022-23, HC 1200, National Audit Office, March 2023.

2.18 Since April 2024, all planned, live, and completed government evaluations must be registered on the Evaluation Registry. This will store the findings of all evaluations conducted or commissioned by departments, as well as plans and protocols for evaluations in progress. As of June 2024, the registry contained more than 1,200 evaluations. The Grants Management Function told us that, given the ever-growing number of evaluations that are expected to be added to the Registry, it would be helpful if the Registry provided an artificial intelligence tool to extract insights from the evaluations it contains.

2.19 Individual departments have a good track record of informal learning from their grant schemes and embedding lessons in future grant delivery (**Figure 13**). The Grants Management Function facilitates sharing of best practice, for example, through the Grants Centre of Excellence, the Grants Best Practice Network and the Government Grants Conference, held for the first time in February 2024. Grant practitioners told us and the Grants Management Function that they would welcome more opportunities to learn from each other.

Figure 13
Examples of learning from government grant schemes and embedding lessons in subsequent schemes

We have seen examples of organisations changing the terms of a grant scheme and communicating learning points to colleagues, so that they can consider them when they design future schemes

Exceptional Costs Associated with Coronavirus (COVID-19)
Education & Skills Funding Agency (ESFA)
ESFA issued grants to schools to cover additional costs incurred as a result of the COVID-19 pandemic, such as additional cleaning costs. It was difficult for schools to confirm that they met the eligibility criteria because the funding window did not match schools' financial year end, and because claims related to individual schools, whereas the accounts of many academies combine data from multiple schools.
ESFA officials highlighted these issues to colleagues working on policy, so that they can avoid them when designing the conditions of future grant schemes.

Household Support Fund (HSF)
Department for Work & Pensions
HSF supports households to pay for energy bills, food, utilities, housing and other essential items.
Based on feedback from local authorities that distribute the awards, round 4 of HSF allowed for part of the funding to be used for advice services.
Rounds 3 and 4 also removed the condition that local authorities spend set percentages of the funding on specific groups, such as one-third on pensioners. This flexibility accommodates the wide range of households who struggle with the rising cost of living and takes account of the fact that some recipients, but not others, benefit from other schemes.

Source: National Audit Office review of grant scheme documents and interviews with government officials

Part Three

Improving the efficiency, effectiveness and consistency of government's grant-making

3.1 This part identifies opportunities to improve the efficiency, effectiveness and consistency of government's grant-making. It covers:

- examples of efficiencies and innovation in grant-making;
- duplication of grant services across government;
- fragmentation and duplication of grant awards across government;
- further consolidation of grant awards to local authorities; and
- reducing grant fraud.

Efficiencies and innovation in grant-making

3.2 **Figure 14** overleaf sets out examples of efficiencies and innovation in grant-making that we found during our fieldwork. For example, some schemes have reduced the costs of sifting applications and conducting due diligence on applicants by introducing a light-touch initial selection of applications, or allowing unsuccessful applicants to apply again only if their first application meets a quality threshold. The National Lottery Community Fund has reduced grant recipients' costs of reporting by tailoring the reporting requirements depending on whether each award is low-, medium- or high-risk.

Duplication of grant services

3.3 Several organisations that provide grant funding have their own application portals, which duplicate each other. These include Arts Council England's Grantium application portal; UK Research and Innovation's Funding Service; and a separate GOV.UK Innovation Funding Service. Other organisations use commercial grant application platforms. Central government does not collect data on the cost of designing, administering or evaluating grants, or on the balance between costs and benefits of government grants. The Government Grants Management Function (the Grants Management Function) does not consider that the benefits of collecting these data would be proportionate to the costs of collecting them.

Figure 14

Examples of efficiency and innovation in government grant-making

We found examples of efficiency and innovation in designing the grant application process, awarding grants, making grant funding sustainable, carrying out due diligence and preventing fraud

<p>Life Sciences Innovative Manufacturing Fund and Biomanufacturing Fund</p> <p>Department for Science, Innovation & Technology</p> <p>These schemes aim to bring life sciences manufacturing to the UK. They involve a thorough due diligence process. To reduce the cost of due diligence, the schemes have introduced a light-touch 'expression of interest' application stage to check whether bids are within scope and meet the selection criteria. Only applications which pass this stage undergo due diligence.</p>	<p>Postdoctoral fellowships</p> <p>British Academy (BA)</p> <p>The BA's Postdoctoral Fellowships scheme was heavily oversubscribed. The number of applications was becoming unmanageable with low success rates. Analysis of previous rounds demonstrated that most re-submissions were unsuccessful. The BA introduced a rule to limit applicants to only one submission. The BA reports that this has reduced the number of applications and significantly improved their quality.</p>	<p>Small Research Grants</p> <p>BA</p> <p>To reduce the time needed to assess applications, the BA is piloting a two-stage selection process with a randomised second stage. Applicants are required to pass a quality threshold, which is assessed by experts. Grants are then randomly allocated to those who pass the threshold. Early results indicate that this approach improves the diversity of recipients.</p>
<p>One Public Estate</p> <p>Cabinet Office, Department for Levelling Up, Housing & Communities¹, and Local Government Association</p> <p>This scheme supports local authorities to collaborate with central government and the wider public sector on property programmes. Most of its awards are 'sustainable grants'. Recipients pay a contribution back to One Public Estate if they obtain cash receipts or savings, such as from selling surplus property or co-locating services.</p>	<p>Small grants</p> <p>National Lottery Community Fund (NLCF)</p> <p>To ensure that the cost of grant assurance is proportionate to the level of risk, NLCF categorises small grant awards as low-, medium- or high-risk. NLCF checks the evidence submitted on a sample basis across these risk categories. Recipients of higher-risk grants are required to provide more detailed evidence that the funded activity took place.</p>	<p>Electric Vehicle Homecharge Scheme</p> <p>Department for Transport (DfT)</p> <p>This scheme provided a contribution to the cost of purchasing and installing an electric vehicle charge point. Installers were required to provide a photograph of the installed charge point. To identify fraudulent applications, DfT is piloting a tool that uses artificial intelligence to identify identical, similar or stock photos uploaded across multiple applications as proof of installation.</p>

Note

¹ On 9 July 2024, the Department for Levelling Up, Housing & Communities was renamed the Ministry of Housing, Communities & Local Government.

Source: National Audit Office review of government documents and interviews with government officials

3.4 Over the last two years, the Grants Management Function has launched new digital services on the GOV.UK website for accessing government grants.

- **Find a Grant (Find):** an online portal launched in April 2022 to standardise the advertising of government general grants in a single location.
- **Apply for a Grant (Apply):** an online tool, launched in November 2022, enabling administrators to create online grant application forms. Applications submitted via Apply are automatically uploaded to Spotlight, a tool that carries out automatic due diligence checks on grant applicants. Spotlight was introduced in November 2019.

3.5 By introducing Find and Apply, the Grants Management Function aimed to increase efficiency through the following.

- **Making grant opportunities easier to find.** This is expected to increase competition and the quality of grant recipients.
- **Helping organisations move away from manual application processes,** reducing time and cost for applicants and government. Some schemes still use manual application processes, such as applicants filling in applications in Word or Excel documents and emailing them to the scheme administrators. These processes do not automatically collate application data, increasing the risk of error, fraud and duplication of funding. For example, 46 out of the 131 grant schemes (35%) that were advertised on Find on 10 March 2024 had no single application portal and involved manual processes, such as submitting applications via email.
- **Reducing fraud and error by increasing the usage of Spotlight.** The Grants Management Function estimates that the use of Spotlight across central and local government in 2022-23 yielded benefits of £8 million by stopping suspicious payments, saving grant administrators' time and providing a cheaper service than its competitors.

3.6 In May 2023, the Grants Management Function expected Find and Apply to yield benefits of up to £270 million. This depends on Find and Apply being widely adopted across government. However, neither Find nor Apply are meeting usage targets.

- As of April 2024, 88% of eligible schemes were advertised on Find, against a target of 100% by March 2024. The majority of departments were advertising all of their eligible schemes on Find. Government has mandated all eligible schemes to use Find and to use it as the sole place for official grant adverts from 2025. The benefits of the service may not be realised in full if departments do not comply with the mandate.
- As of April 2024, 5% of eligible schemes were advertised on Apply, against a target of 50%. The Grants Management Function told us that this is because Apply is not mandated and departments focused on other priorities rather than encouraging the use of Apply. While the Grants Management Function worked with several departments to develop Apply, some departments that are not using Apply told us that the systems they are using work better than Apply and that they are achieving savings by using a commercial system for managing grant competitions and commercial contracts. The Grants Management Function recognises that the low uptake of Apply will affect its ability to fully realise the projected benefits.

3.7 Some officials we spoke to had concerns about the quality of Find's search results, potentially limiting prospective applicants' ability to discover relevant grant opportunities. For instance, the first six results for a search for 'prison', carried out in June 2024, did not relate to prisons or rehabilitation. There was no functionality to limit the results to Ministry of Justice grants to exclude the irrelevant search results. By comparison, government's Contract Finder website, established in February 2011 to open opportunities for small and medium-sized enterprises and voluntary, community and social enterprises to bid for government contracts, allows search results to be filtered by eight different criteria. These include common procurement vocabulary codes which restrict results to specific types of goods or services. The first five results for a search for 'prison' on Contract Finder all clearly related to prisons or rehabilitation and could be further refined by using these codes. The Grants Management Function told us that it determined which functionalities to implement following extensive design discussions with departments and that it had to strike a balance between simplicity and functionality. It also told us that improving the search results involves educating those who submit grant adverts to include the right keywords in the right fields.

3.8 While Find, Apply and Spotlight are integrated with each other, and it is possible to integrate Apply with other grant management systems, there are further opportunities to integrate systems so that they share information with each other, removing the need for manual data uploads.

- Grant schemes that use Apply automatically upload applicants' data onto Spotlight, which can be used to carry out due diligence on applicants. Most grant schemes that are open for competition currently do not use Apply, and Spotlight does not allow automated uploads from other grant application systems.
- Some grant schemes represent government subsidies and are disclosed in government's subsidy transparency database. Scheme administrators must separately upload grant information onto the grants database and the transparency database as these systems do not talk to each other.

3.9 One of the outcomes that the Grants Management Function intended to achieve by launching Find and Apply was improving the regional distribution of grant spending and contributing to levelling up. By advertising grants more transparently, the Grants Management Function hoped that there would be more applications from outside of London and that more funding would reach under-represented regions. While Apply tracks where applicants expect to spend the funding they are applying for, government does not track which of those applications are successful and which areas of the UK benefit from the funding they receive. This means that it is not possible to establish whether Find and Apply are leading to an improved regional distribution of grant spending. The Grants Management Function told us that it is easy to track which areas benefit from levelling up grants, such as the Levelling Up Fund and the Town Deals. However, the Grants Management Function told us that determining how much of government's overall grant funding each local area benefits from would be extremely complex.

3.10 The Grants Management Function is piloting the Government Grants Managed Service, a two-year programme to determine the feasibility of delivering a centralised end-to-end grant management service for schemes that do not require specialist handling. The service aims to offer departments a cost-effective alternative to managing grant schemes in-house or delivering them through intermediaries. Like Find, it also aims to provide a simpler and more consistent user experience for grant applicants.¹⁵

¹⁵ Our recent work on government's efforts to centralise a related activity, purchasing of goods and services, found that there was scope for government to significantly improve efficiency and value for money in public procurement. Comptroller and Auditor General, *Efficiency in government procurement of common goods and services*, Session 2024-25, HC 116, National Audit Office, July 2024.

Fragmentation and duplication of grant schemes

3.11 Departments and arm's-length bodies run multiple schemes with similar objectives, often with little coordination. Government officials told us that there are too many individual grant schemes. Local government officials surveyed by the Local Government Association in 2021 stated that there were “lots of very small” grant payments from central government. Research carried out for the Local Government Association, and published in 2020, stated that “dozens of teams” within central government were “issuing hundreds of grants” to local government “each year”, “many of them small in scale and limited in duration”.¹⁶

3.12 These multiple schemes may result in the following.

- **Increase the cost of managing and applying for grants:** For example, the Local Government Association told us that 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. Different funders may require them to track and report different metrics, even when the schemes support similar outcomes. This places additional pressure on already stretched resources, not only for local government but also for central government, which incurs greater costs in designing and managing multiple schemes than if these were combined.
- **Make it difficult for potential applicants to understand what schemes might be available:** For example, over five weeks in late summer and autumn of 2020, the then Department for Business, Energy & Industrial Strategy issued initial guidance for eight schemes or sub-schemes to support the businesses most affected by COVID-19 restrictions. Complexities of scheme design and evolution created uncertainty for businesses seeking to understand the support that might be available.¹⁷ In February 2023, the Federation of Small Businesses carried out a survey of 1,035 businesses on funding for innovation and technology adoption. The main reason that respondents mentioned for not applying for government support is that they were unaware that the support was available (39% of respondents).
- **Prevent applicants from planning their bids to secure the most value from grant funding:** For instance, the Future High Streets Fund, the Levelling Up Fund, the Town Deals and the UK Shared Prosperity Fund have overlapping objectives but were designed and announced at different times. As a result, local authorities could not align their applications to these schemes to secure the most value.¹⁸

¹⁶ TRL Insight, *Fragmented Funding*, February 2020.

¹⁷ Comptroller and Auditor General, *COVID-19 business grant schemes*, Session 2022-23, HC 1200, National Audit Office, March 2023.

¹⁸ Comptroller and Auditor General, *Levelling up funding to local government*, Session 2023-24, HC 191, National Audit Office, November 2023.

3.13 The Department for Levelling Up, Housing & Communities' (DLUHC's) plan to simplify the funding landscape for local authorities has led to some consolidation of the grants available to local government.¹⁹ DLUHC told us that, as of May 2024, £357 million, out of a portfolio of around £38 billion (including both general and formula grants), had been consolidated across several departments.²⁰ DLUHC has also issued four principles that departments need to consider before seeking approval for new funding to local authorities. For instance, where practicable, departments should deliver investment through existing programmes rather than creating new funding programmes.²¹ 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. However, consolidating schemes managed by multiple organisations is much 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.²²

3.14 Grant schemes are often run for short timescales, such as one year. A senior officer responsible for a grant scheme told us that the length of grant schemes should match the policy intent and that short-term funding is appropriate in some circumstances, for instance, to provide short-term poverty relief. However, stakeholders noted that short-term funding:²³

- **does not match the timescales that some grant recipients work toward and makes it difficult for them to make long-term plans** – for instance, industry operates on multi-year funding cycles, and it is difficult for local authorities to make longer-term plans if they do not know whether funding will continue to be available after one year;
- **limits opportunities to achieve value for money** – for instance, a one-year funding cycle may not leave enough time for grant recipients to appoint contractors through a competitive process; the requirement to spend grant funding within the year incentivises recipients to prioritise quick wins over what would make the greatest difference in the long term;

19 Department for Levelling Up, Housing & Communities, *Simplifying the funding landscape for local authorities*, updated January 2024. 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.

20 This figure is based on government data that have not been audited or quality assured.

21 Department for Levelling Up, Housing & Communities, *Funding Simplification Doctrine: guidance and further information*, January 2024.

22 Comptroller and Auditor General, *Lessons learned: Cross-government working*, Session 2022-23, HC 1659, National Audit Office, July 2023.

23 Stakeholders include the Centre for Cities, the Chartered Institute for Public Finance and Accountancy (CIPFA), the Local Government Association, grant practitioners and recipients that we and the Local Government Association interviewed. See TRL Insight, *Fragmented Funding*, February 2020; CIPFA, *Local government grants: How effectively do they support communities?*, May 2021; Centre for Cities, *Pot luck: What the Government can do to streamline grants for local economic policy*, June 2023.

- **makes it harder to demonstrate impact** as some interventions take more time to yield measurable benefits;
- **makes it difficult to manage the expectations of beneficiaries** – local authorities often receive grants to provide services to individuals and communities; once the services start, beneficiaries tend to expect that they will continue, which is not possible if grant funding is only available for one year; and
- **when combined with short application windows, increases the cost of applying**, as applicants who do not have enough time to prepare applications in-house might have to rely on consultants.

Further consolidation of grants to local government

Ring-fencing

3.15 Central government funds local government through:

- the local government finance settlement (the settlement) which, for the most part, can be used to finance local government's revenue expenditure on any service;²⁴ and
- other formula and general grants which are awarded to secure specific policy objectives, such as the Public Health Ring-fenced Grant which supports local government in carrying out their public health duties.

Additionally, local government raises income through other sources, such as council tax, fees and charges and investments.

3.16 The Local Government Association told us that, because of reductions in the settlement over recent years, local authorities are more reliant on grants than they used to be to fund areas such as cultural services. Central government measures the funding that it makes available to local government through the settlement through a measure called 'spending power'. Spending power funded by government, which excludes council tax income, fell in real terms by more than 50% on a like-for-like basis between 2010-11 and 2020-21.

²⁴ The local government finance settlement consists of the revenue support grant, a formula-based central government grant to local government; other grants, such as the Better Care Fund, which supports local government in integrating health and social care; and the portion of business rate income that local government is allowed to retain. This portion is 50% and is redistributed across local authorities according to a complex formula.

3.17 Local authorities can divert much of their grant funding to areas in greater need of funding. In 2022-23, central government disbursed general grants to local authorities for at least £8.7 billion under Section 31 of the Local Government Act 2003, which gives ministers powers to make direct grants to local authorities.²⁵ Over 80% of these grants were not ring-fenced in 2022-23. This means that local authorities were legally entitled to spend the funding on different outputs and outcomes from those for which they were awarded. Government's policy is that Section 31 grants should only be ring-fenced in exceptional circumstances as local authorities are generally well placed to identify the greatest needs of funding. By treating non ring-fenced funding as an extension of the settlement, local authorities may partly compensate for the reduction of the settlement over the years and address those needs.

3.18 Even when the Section 31 grant award documentation stipulates specific outcomes, these may not be legally enforceable. Government guidance requires grant managers to ensure that grant funding is administered with optimum effectiveness.²⁶ This entails ensuring that grant funding is used to achieve the objectives for which it is awarded. Grant practitioners told us that, without ring-fencing, it is difficult for departments to discharge this responsibility.

3.19 Grant practitioners told us that they had some success in encouraging local authorities to use grant funding effectively for its intended policy outcomes by:

- establishing working relationships and building trust with local authorities over time;
- co-designing schemes with local authorities;
- agreeing grant conditions or principles with local authorities (even if these were not legally binding); and
- releasing funds to local authorities only once certain outputs or objectives were delivered.

However, since many of these grants are not used for their intended purpose, it might be more efficient to combine many of these individual grants into the settlement.

²⁵ This figure is based on government data that have not been audited or quality assured.

²⁶ HM Government, *Government Functional Standard GovS 015: Grants*, version 2.0, July 2021.

Use of competitive grants

3.20 While the Grants Management Function's guidance states that grant recipients should generally be selected through competition, stakeholders raised concerns about the use of competitive grants to fund local government. The guidance notes that encouraging applicants to compete against each other for the available funding can lead to lower prices, innovation, better outcomes and greater transparency. However, stakeholders and the National Audit Office have noted that competitive bidding for grants to local authorities: ^{27, 28}

- incentivises them to overstate the benefits and understate the risks of their proposed projects;
- favours the local authorities that are skilled at submitting strong applications, rather than those where funding would make the greatest impact;
- involves significant costs to prepare applications; and
- reduces certainty and makes it more difficult to plan long-term, as local government bodies do not know whether their bids will be successful.

3.21 DLUHC intends to reduce the number of Section 31 grants (both competed and direct awards), and to make greater use of the general allocation of funding to local authorities. As part of the 2023-24 settlement, government announced proposals to roll four government grants into the wider settlement, worth £239 million.²⁹

Reducing grant fraud

3.22 Grants provided to businesses and individuals have a risk of overpayments from fraud and error, especially if there is an application process or eligibility test. 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, many schemes have not measured the losses due to overpayments, and the measurements that have been carried out have been of variable quality. The Public Sector Fraud Authority reviewed 23 measurements of grants fraud and error, carried out between 2014-15 and 2019-20, and assessed that, for almost 50% of the measurements (11 out of 23), no reliance could be placed on the results because of issues with the testing approach. Estimated levels of loss ranged from under 1% to 10.2%.³⁰ The most frequent level of loss was 3%.

27 Stakeholders include central government officials interviewed during this study, local government officials surveyed by the University of Sheffield, the Centre for Cities, CIPFA, the Institute for Public Policy Research and the Local Government Association.

28 Comptroller and Auditor General, *The local government finance system in England*, Session 2021-22, HC 858, National Audit Office, November 2021.

29 Department for Levelling Up, Housing & Communities, *Simplifying the funding landscape for local authorities*, updated January 2024.

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

3.23 Government has increased its efforts to reduce fraud, with a focus on new schemes or scheme rounds.

- The Complex Grants Advice Panel (CGAP) advises officials of grant schemes it reviews at the design stage to consider fraud risks as soon as possible. CGAP often suggests that scheme officials undertake an initial fraud impact assessment. This gives an overview of some of the main ways fraud could affect a grant scheme, ahead of completing a fraud risk assessment. It enables early conversations on how fraud could happen, helps identify if there are gaps in the counter-fraud approach that need to be considered, and helps senior officers responsible for a grant scheme decide which actions to prioritise to reduce the risk of fraud.
- Since 2022, HM Treasury has mandated all major new areas of spending requiring HM Treasury approval, such as major grant schemes, to carry out an initial fraud impact assessment before they formally start.
- The Public Sector Fraud Authority sits on CGAP and provides advice to reduce losses from fraud and error in grant schemes. It maintains the Global Fraud Risk Assessment, which provides a set of key fraud risks captured through completion of initial fraud impact assessments and other sources. The Public Sector Fraud Authority also maintains a High Fraud Risk Portfolio, which sets out its top priority areas for working with the relevant public body to reduce the level of fraud risk.

3.24 The Grants Management Function estimates that good grant management could generate potential savings of up to 4% of the value of each general grant scheme. This would represent up to £1.9 billion of annual savings, based on 2022-23 figures. The Grants Management Function estimates that 20% of these savings can be achieved through improvements in risk, control and assurance, such as reducing overpayments due to fraud.

Appendix One

Our evidence base

1 We reached our independent conclusions on how effective government is at designing grant schemes, delivering them and learning from past schemes to improve delivery following analysis of evidence collected primarily between December 2023 and April 2024.

2 We reached our conclusions by assessing government's grant-making performance against good practice. We formed our view on what represents good practice based on the interviews set out in paragraph 10 of this appendix and a review of:

- government's standards, supporting requirements and guidance on grants, evaluation and risk management;
- previous reports by the National Audit Office (NAO) and the Government Internal Audit Agency (GIAA);³¹ and
- good practice guides and other guidance by the Association of Charitable Foundations, the Chartered Institute of Internal Auditors, the Institute of Internal Auditors, the Government Finance Officers Association (which represents public finance officials in the United States and Canada) and grant software providers.

3 We formed our view of government's grant-making performance through case studies, document review, focus groups, interviews, data analysis, engagement with experts and international comparisons.

³¹ These include Comptroller and Auditor General, *Government grant services*, Session 2014-15, HC 472, National Audit Office, July 2014, and National Audit Office, *Competitive and demand-led grants: Good practice guide*, November 2015.

Case studies

4 We selected a sample of general grant schemes funded by central government to better understand how the grant lifecycle works in practice and to help inform our view on government's effectiveness at designing, delivering and learning from grant schemes. We selected our sample to capture schemes with a range of:

- sizes (based on 2021-22 spend);
- award mechanisms (competed, criteria-based and direct awards);
- types of recipients (such as local government, landowners, companies and individuals) and numbers of recipients; and
- funders and managing bodies.

We monitored our sample to ensure that it included a mix of recurrent and one-off schemes and that the case studies, combined with the NAO's other audit work, did not result in an excessive burden on audited bodies. This is a qualitative, judgemental sample and the results are not statistically representative.

5 We selected six case studies (**Figure 15** on pages 52 and 53). For each case study, we requested documents from the organisation administering the scheme and undertook one or two interviews with scheme managers and senior officers responsible for each scheme.

Document review

6 Before the study was approved, we reviewed:

- the information on government grants that is publicly available on the GOV.UK website and on OneFinance, a website on government finance – this included standards, good practice guidance and factual information;
- a small number of documents provided by the Government Grants Management Function (the Grants Management Function); and
- reports on government grants by the Chartered Institute of Public Finance and Accountancy and GIAA.

This initial document review informed our study questions.

Figure 15
Government grant schemes selected as case studies

Our case studies include grant schemes with different sizes, funders, recipients, timescales and methods for allocating the funding

Grant scheme	Brownfield Housing Fund	England Woodland Creation Offer	Household Support Fund	Medicines and Diagnostics Manufacturing Transformation Fund	Music Education Hubs	Transforming Cities Fund
Purpose	Developing infrastructure to make brownfield land available for housing.	Creating and maintaining woodland.	Helping households who need the most support to pay for energy bills, food, water, utilities, housing and other essential items.	Bringing medicine manufacturing to the UK.	Supporting music education provision for children and young people to create and learn music.	Improving access to good jobs within English cities and encouraging an increase in journeys made by low-carbon and sustainable modes of transport.
Support provided	Targeted funding to mayoral combined authorities to bring brownfield land into development.	Funding and improved regulations, processes, data and guidance to landowners on (predominantly) privately owned land.	Local authorities decide what form of support to provide, for instance vouchers, direct provision of food or goods, or grants.	Capital grants to businesses to incentivise manufacturing investment in the UK.	Funding to Music Hubs, partnerships made up of schools, academy trusts, local authorities, music and other relevant organisations, that support, deliver and enable access to music education for children and young people within a local area.	Funding for local authorities to improve productivity through investment in public and sustainable transport infrastructure, such as new bus corridors, cycling and walking corridors, in some of England's largest city regions.
Grant value	£628 million	£116 million	Launched in October 2021 with £421 million of funding. Extended with £421 million between April 2022 and September 2022, £421 million between October 2022 and March 2023, £842 million between April 2023 and March 2024 and £421 million between April 2024 and September 2024.	Funding of £20 million was announced but only £9 million was allocated.	Annual cost of £78 million in 2023-24	£2.45 billion
Funded by	Department for Levelling Up, Housing & Communities (DLUHC) ¹	Department for Environment, Food & Rural Affairs	Department for Work & Pensions (DWP)	Department for Business, Energy & Industrial Strategy (BEIS) ¹	Department for Education	Department for Transport (DfT)
Administered by	DLUHC	Forestry Commission	DWP, with funding awarded to local authorities who identified the recipients and disbursed the funds to them.	BEIS ²	Arts Council England	DfT
Recipients	Mayoral combined authorities in the Midlands and North of England.	Landowners and land managers (could be individuals, companies, local government).	Individuals	Companies	Hub Lead Organisations, made up of local government, charities and schools.	Mayoral combined authorities, Future Transport Zones and city regions in England.
How the funds were allocated	Largely based on population levels. Additional funding awarded to two authorities following competition and competitive dialogue.	Through competition.	Allocated to local authorities based on population levels, adjusted to increase funding to more deprived areas. Local authorities have discretion on how to award the funding. From October 2022 onward, they were required to include a process facilitating direct application for support.	Through competition.	Allocated to different Hubs based on the numbers of pupils in each Hub's area and levels of deprivation.	The first tranche of funding (2018) was allocated to six mayoral combined authorities based on population levels. The second tranche (2020) was allocated through competition.
Duration of the scheme	From 2020-21 to 2025-26.	From 2021-22 to 2024-25.	From 2021-22 to 2024-25.	From 2020-21 to 2021-22, but the funded activities are ongoing.	From 2012 – ongoing.	From 2018-19 to at least 2024-25.

Notes

¹ On 9 July 2024, the Department for Levelling Up, Housing & Communities was renamed the Ministry of Housing, Communities & Local Government.

² The Department for Business, Energy & Industrial Strategy ceased to exist in February 2023. Its functions were split into the Department for Business & Trade, the Department for Energy, Security & Net Zero, and the Department for Science, Innovation & Technology.

Source: National Audit Office review of government documents and interviews with government officials

7 After the study was approved, we formally requested documents from our case study departments and the Grants Management Function (such as guidance, training materials, business cases and evaluations for tools developed by the Grants Management Function, and information on departments' compliance with government's requirements for grant management). We reviewed each document against our audit questions. We also reviewed NAO management letters, the report of the Independent Review of Research Bureaucracy, Parliamentary questions and answers on grants and news articles.

Focus groups

8 We conducted focus groups with two cohorts of participants: departments' grant champions and departments' grants senior functional leads. The participating departments were the Cabinet Office; the Department for Business & Trade; the Department for Culture, Media & Sport; the Department for Education; the Department for Energy Security & Net Zero; the Department for Environment, Food & Rural Affairs; the then Department for Levelling Up, Housing & Communities; the Department for Science, Innovation & Technology; the Department for Transport (DfT); the Department for Work & Pensions; the Department of Health & Social Care; the Home Office; and the Ministry of Justice.

9 Focus group meetings were intended to give a better understanding of the improvements made and challenges of grant management across government. Focus groups covered the following topics: decisions on whether to use grants over other funding mechanisms; tools used in grant design and delivery; relationships with the Grants Management Function; what works well and what works less well in grant management; coordination and sharing lessons; and potential improvements.

Interviews

10 Besides grant managers and senior officers responsible for the case study schemes, we interviewed:

- Grants Management Function officials to understand the Function's role in providing guidance and direct support to grant practitioners across government, as well as to learn about past and future programmes of work in the grants space;
- officials at the British Academy, DfT, the Education and Skills Funding Agency, the Evaluation Task Force, the National Lottery Community Fund, One Public Estate, and UK Research and Innovation to learn about a range of grant schemes, gather examples of good practice in grant making, and understand these organisations' approaches to managing grants or supporting grant managers;

- the Federation of Small Businesses, the Local Government Association, Smarter Society and a group of local authority officers to understand the grant applicants' and recipients' perspectives on government grants;
- the GIAA and the Infrastructure and Projects Authority to gather their views on government grants and test our emerging findings; and
- HM Treasury officials to discuss multi-year grant schemes and the process of moving budgets across financial years.

Data analysis

11 We analysed the grant statistics and registers published annually on GOV.UK, unpublished data provided by the Grants Management Function and data on government grants published in HM Treasury's Whole of Government Accounts and Public Expenditure Statistical Analyses to examine trends in government's grant-making. Of these data sources, we have audited the Whole of Government Accounts. The remaining data are unaudited.

12 We analysed data on departments' grant capability collected by the Grants Management Function and the GIAA to understand how government's grant capability has changed over time, the relative performance of different departments and the extent to which grant schemes comply with the mandatory requirements set out in the functional standard for grants.

13 We downloaded the information published on Find a Grant once a month between November 2023 and May 2024 and analysed it to understand trends in the number and value of the awards advertised.

14 We have reported financial figures relating to prior years in 2022-23 real terms, using the GDP deflator series published by HM Treasury in January 2024.

15 Our statement that good grant management could generate up to £1.9 billion of annual savings is based on the Grants Management Function's estimate that optimal application of the functional standard for grants could generate potential savings of up to 4% of the value of each scheme, compared with not implementing the standard at all; and government's expenditure of £46.8 billion on general grants in 2022-23, as reported in the *Grants Statistics Bulletin 2022 to 2023*.

Engagement with experts

16 As part of our quality assurance and internal consultation procedures, we engaged with commercial, digital, analysis and evaluation experts; teams carrying out financial and value for money audits of government organisations that manage grants; and our internal audit team.

Attendance at events

17 We attended the following events to inform our thinking:

- a teach-in at the Grants Management Function's offices in York to gain a better understanding of the role and work of the Grants Management Function and the grant management landscape across government; and
- the 2024 Government Grants Conference.

Comparisons with other nations

18 We accessed publicly available information on government grant management in Australia, Canada, Singapore, the USA, Northern Ireland, Scotland and Wales. This supported our analysis by identifying potential best practice or lessons learned outside of the UK central government.

19 We submitted an information request to the Supreme Audit Institutions of Australia, Canada, Singapore, USA, Northern Ireland, Scotland and Wales, on how effectively government grant schemes are designed, delivered and evaluated in their countries.

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National Audit Office

Design and Production by NAO Communications Team
DP Ref: 013926-001

£10.00

ISBN: 978-1-78604-567-6