



Cabinet Office

Guidance for General Grants

Minimum Requirement Six: Grant Agreements

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Important note

- ▶ This guidance applies only to general grants made by departments and their arm's length bodies (ALBs) using exchequer funding. It does not apply to formula grants or grant in aid, although guidance for the latter grant will be developed in the future. 'Managing Public Money' and local guidance within organisations will continue to apply until then.
- ▶ Organisations' primary concern when administering grants is to have due regard to the 'Grants Functional Standard' (GovS 015) and the key documents referred to within it including '[Managing Public Money](#)'. Nothing in this guidance is intended to contradict or supersede these. Furthermore, this guidance is not intended to be an additional spending control - departments retain accountability for decisions on all grant expenditure.
- ▶ This guidance should be read in conjunction with the wider set of 'Minimum Requirements' guidance documents (including the Introduction). Further information about how to apply this guidance can be found in the following document: '**Grant Scheme Readiness: a guide to designing and developing a new government grant scheme**', available online through the '[Grants Centre of Excellence \(GCOE\)](#)'. Further references and resources are highlighted throughout. It should also be read alongside organisations' internal guidance, where available, which will provide the departmental policy context.
- ▶ This guidance should be approached on a 'comply or explain' basis. It is important to consider flexibility and proportionality in adhering to the minimum requirements. As such there may be some specific instances where the requirements may not be met in full. In these instances, appropriate justification should be recorded within the business case or equivalent approval documents.

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Minimum Requirement

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

Purpose

Minimum Requirement Six: grant agreements and the further guidance for general grants set out below, is provided to help ensure that all government general grants schemes have appropriate agreements in place, which set out amongst other provisions: the purpose and objectives of the award, standard terms and conditions for the receipt of funding, performance monitoring, financial assurance and the payment schedule. This should assist in minimising risk around accidental or deliberate misuse, provide necessary controls to manage delivery and ensure adherence to the appropriate parts of the minimum requirements for general grants. It is strongly recommended that government grant making organisations use the *Model Grant Funding Agreement* (MGFA), hosted on [the Grants Centre of Excellence \(CoE\)](#) – the MGFA has legal clearance and is fully compliant with the minimum requirements.

Grants Functional Standard: Key References

Mandatory requirements are defined by the word ‘shall’ in the Functional Standard which can be accessed [here on gov.uk](#). The ‘shalls’ for the management of grants related to this minimum requirement have been extracted from the Standard and are set out below. *Please note that in some cases the information has been paraphrased for conciseness - refer to the standard itself for the full version.*

Area	Requirement(s)	Context	Reference	Page
Grant Life Cycle: General Grants Life Cycle	Once the draft grant agreement has been signed off for use and tailored to the particulars of the scheme, authorised representatives of the funding organisation and the grant recipient shall sign a copy of the grant agreement, identifying the named Accountable Individual for the recipient organisation.	The purpose of an agreement pertaining to a grant is to ensure that: <ul style="list-style-type: none"> the government’s objectives in relation to a grant are clear funding is used for the purpose intended activity and expenditure can be monitored action can be taken early to suspend payment or terminate activity, where the grant is failing against its objectives. 	5.2.4 General grant award <i>Also refer to:</i> 6.4 Agreements	11
Supporting practices: Agreements	General grants shall be covered by a grant agreement.	A grant agreement should be justified and based on the content of the business case and written to ensure that the funding is used as intended.	6.4 Agreements <i>Also refer to:</i> 6.4.1 Grant agreement (general grants) 4.2.2 Justification of grants	15
Supporting practices: Agreements	Each general grant award shall be subject to a defined agreement between the grant making body and the recipient and should be proportionate to the value of the grant being awarded and shall be underpinned by appropriate legislation.	[As above]	6.4.1 Grant agreement (general grants) <i>Also refer to:</i> 6.4 Agreements 4.2.2 Justification of grants	15

Overview

1. Departments shall ensure that their grant agreements, including those administered through third parties, clearly state the purpose and objectives for which the grant is awarded, provide details of approved activity and set out categories of eligible and ineligible expenditure.
2. When developing grant agreements, due regard should be given to ensuring regularity and propriety in the use of public funds. We recommend that departments and their grant making ALBs use grant agreement templates, which are cleared through internal legal advisers and finance, as a minimum. For general grants, a minimum requirements compliant *Model Grant Funding Agreement* (MGFA), drafted by *Government Legal Department* (GLD), which incorporates full guidance notes, is available on the grants Centre of Excellence. GLD have pre-cleared the MGFA with departmental legal advisers across government. For formula grants or grant-in-aid, grant making organisations should consult their legal advisers to find out which template or format should be used.
3. All departments, in the implementation of this guidance and if not using the MGFA as a template, are required to consider their existing grant terms and strengthen them where needed, using the MGFA as a base. Critically, this will include making absolutely sure that terms covering eligible expenditure are included and that the associated financial and performance monitoring clauses, and the assurance regime, are sufficiently stringent to prevent inappropriate expenditure. The MGFA can be accessed via the grants hub here:
<https://grantshub.civilservice.gov.uk/DataSolutionLogin>
4. A code of conduct for grant recipients was published on gov.uk in late 2018. It was developed to help grant recipients understand the standards and behaviours that are expected of them when working with the government, and how they can help the government deliver value for money for taxpayers. The code can be accessed here:
<https://www.gov.uk/government/publications/supplier-code-of-conduct>

Key Considerations

5. As a minimum, the Cabinet Office would expect government grant agreements to include terms and conditions, if necessary supported by guidance, covering the following:
 - a clear description of the scheme, its purpose and the aims and objectives of the grant;
 - a clear description of expenditure, including eligible expenditure terms, which prohibit paid for lobbying and improper expenses;
 - a data protection policy;
 - fraud policy including identification, reporting and escalation

- audit/ assurance;
 - agreed outputs/ KPIs/ milestones/ longer term outcomes;
 - financial and activity-based reporting and validation;
 - State Aid compliance (see '[Minimum Requirement Five: Competition for Funding](#)');
 - payment suspension and claw-back and grant termination; and
 - evaluation and lessons learned.
6. The Cabinet Office will not specify what detail should be included in individual grant agreements under the above categories; the grant owner will determine such detail using the Model Grant Funding Agreement as a reference. Where one of the above is absent from a grant agreement, it should be agreed as part of the business case development and sign-off.

Declaration by the Grant recipient: double funding

7. It is good practice, as part of the grant award process, to require grant recipients to declare that acceptance of the funding offered will not result in double funding, for example, so they are not being funded inappropriately from elsewhere for the same or similar activity. Any match or pooled funding, where declared, would not be considered double funding. The authorised signatory will be liable for any false declaration.

Payments

8. In accordance with Managing Public Money, it is expected that grant funding payment models will reflect need, and avoid paying portions of funding up-front, except where that can be justified.

Eligible expenditure

9. Departments are required to make sure that details of eligible expenditure are included in all grant agreements, including items of expenditure that are expressly ineligible. The terms must be sufficiently clear, to provide assurance that the grant is only used for the purposes for which it was awarded. This should preclude activity such as paid for political lobbying, unless a specific requirement of the grant, or expenses aimed at exerting undue influence over government policy – decisions will be taken locally with regards to the definition of undue influence.
10. Grant recipients must be required to provide evidence of their grant expenditure, for example, through the regular submission of 'Statements of Grant Usage' (SoGU) or an equivalent, which must be validated to ensure accuracy. Failure to submit financial returns, whatever form they take, or irregularities identified through validation, should usually result in payment suspension, investigation and in serious cases a full audit to establish the cause. The grant agreement should require the recipient to maintain an audit trail of all grant related expenditure, and provide full access for the authority on request.
11. Eligible expenditure terms must be included in all government grant agreements, to deliver the Government's stated policy that **taxpayers' money is used as intended**.

12. Departments are responsible for defining terms of eligible and ineligible expenditure. Such terms should be clearly drafted to help provide certainty about what a grant recipient may do with the grant. In addition, where appropriate to add more flexibility, a grant agreement could allow for the authority to issue accompanying internal guidance, clarifying what is permitted by an eligible expenditure clause. In this way, eligible expenditure terms can be managed so as to allow, for example, any of the following list of activities:
- giving evidence to Select Committees;
 - attending meetings with Ministers or officials to discuss the progress of a taxpayer funded grant scheme;
 - responding to public consultations, where the topic is relevant to the objectives of the grant scheme. This does not include spending government grant funds on lobbying other people to respond to the consultation (unless explicitly permitted in grant agreement);
 - providing independent, evidence-based policy recommendations to local government, departments or Ministers, where that is the objective of a taxpayer funded grant scheme, for example, 'What Works Centres'; and
 - providing independent evidence-based advice to local or national government as part of the general policy debate, where that is in line with the objectives of the grant scheme.
13. The following list is specific to government research grants, including, for example, those awarded to the National Academies:
- publishing and publicising the results of research paid for using taxpayer funded grants;
 - hosting science and research communication events, for example, Science festivals, Royal Society's Summer Science Exhibition, visits, breakfasts, dinners or receptions, seminars, the use of newsletters and campaigns, and sharing information with Parliament to expound greater understanding of research outcomes or launch a research project or equipment;
 - working with or through a third-party organisation or commercial partners, which are not professional lobbying organisations, to conduct, communicate or publish research findings and inform policy;
 - contributing expert scientific and academic advice to inform government policy and funding or make the case for science; and
 - developing proposals for future research grants.
14. Similarly, Cabinet Office expects that eligible expenditure terms will be used to specifically prevent certain categories of expenditure.

In particular, all grants must include eligible expenditure terms and paid for lobbying - unless a requirement of the grant - and attempting to exert undue influence over government policy using taxpayer funding, will always be prevented under those terms (see below).

15. Accordingly, eligible expenditure terms should exclude the following types of expenditure, as a minimum, unless permitting them is a specific requirement of the grant agreement. The list below does not override activities, which are deemed eligible in the grant agreement:

- paid for lobbying, which means using grant funds to fund lobbying (via an external firm or in-house staff) in order to undertake activities intended to influence or attempt to influence Parliament, Government or political activity; or attempting to influence legislative or regulatory action;
 - using grant funds to directly enable one part of government to challenge another on topics unrelated to the agreed purpose of the grant;
 - using grant funding to petition for additional funding;
 - expenses such as for entertaining, specifically aimed at exerting undue influence to change government policy;
 - input VAT reclaimable by the grant recipient from HMRC; and
 - payments for activities of a party political or exclusively religious nature.
16. Other examples of expenditure, which might be prohibited, include the following:
- contributions in kind;
 - interest payments or service charge payments for finance leases;
 - gifts;
 - statutory fines, criminal fines or penalties;
 - payments for works or activities which the grant recipient, or any member of their Partnership has a statutory duty to undertake, or that are fully funded by other sources;
 - bad debts to related parties; and
 - payments for unfair dismissal or other compensation.
17. The above lists are not presented as an exhaustive of what is permissible or otherwise under eligible expenditure terms. The grant-owning department can specify what is and is not included to tailor eligible expenditure terms to the requirements of the grant: so, there is no requirement for an exemptions policy.
18. In defining eligible expenditure terms, considerations might include setting clear expectations for grant recipients, including with regards to value for money and proportionality. To ensure the terms strike the right balance between the need to protect taxpayers and ensuring the deliverability of the grant, in terms of compliance costs.
- Note:** these standards apply only to Exchequer funding. Grant recipients are free to use funding from other sources, as they see fit.*
19. The organisation must consider state aid prior to awarding a grant agreement (refer to [‘Minimum Requirement Five: Competition for Funding’](#) for further details).

Post-award

20. It is important to ensure that all post-award delivery and management activities required of the recipient, for example, as set out in any application for funding, are fully aligned with the terms and conditions of the grant agreement. Any changes to the delivery or management of the grant award that differ to the terms set out within the grant agreement will need to be justified and reflected (in a timely manner) as a revision to the grant agreement, or even as a separate grant agreement entirely. This may require additional negotiation between the funder and recipient, and is likely to necessitate obtaining further legal advice as a minimum.

Assurance

21. Grant awarding bodies need to gain assurance on how recipients use their grant funding and obtaining an independent accountants' report is one way of doing this. When designing an assurance model, reference could be made to, for example, the guidance contained in Technical Release AAF 01/10, which can be downloaded from [the ICAEW website here](#).
22. The guidance in the Technical Release reflects good practice principles that grant-paying bodies may find useful when designing new grant schemes or updating existing schemes.

Further Resources

23. In seeking to comply with this minimum requirement, and in addition to the references and resources highlighted earlier in this guidance, organisations may want to consider the following in particular:
 - The Model Grant Funding Agreement (MGFA), which can be accessed via the grants hub (see link below).
 - This code of conduct for grant recipients, which can be accessed here: <https://www.gov.uk/government/publications/supplier-code-of-conduct>.
24. Organisations should also make full use of wider resources available through the [Grants Centre of Excellence and the Government Grants Academy](#).