

_____2012

GRANT AGREEMENT

BETWEEN

THE SECRETARY OF STATE FOR ENVIRONMENT, FOOD AND RURAL AFFAIRS

AND

CANAL & RIVER TRUST

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THIS GRANT AGREEMENT IS MADE ON _____ THE DAY OF _____ 2012

BETWEEN:

- (1) **THE SECRETARY OF STATE FOR ENVIRONMENT, FOOD AND RURAL AFFAIRS** of Nobel House, 17 Smith Square, London SW1P 3JR ("**Defra**"); and
- (2) **CANAL & RIVER TRUST** a charitable company limited by guarantee (registered in England and Wales with registered company number 07807276 and registered charity number 1146792) whose registered office is situated at First Floor North, Station House, 500 Elder Gate, Milton Keynes MK9 1BB ("**CRT**").

RECITALS

- (A) The British Waterways Board, a public corporation established under s1 of the Transport Act 1962 as amended and supplemented by the Transport Act 1968 and other legislation, presently has ownership of a wide range of assets associated with the waterways in England and Wales.
- (B) Under the authority of the Public Bodies Act 2011, the British Waterways Board Transfer Scheme 2012 and the British Waterways Board (Transfer of Functions) Order 2012 transfer the functions and property relating to the waterways in England and Wales from the British Waterways Board into the ownership of CRT and its subsidiaries, which have been established for this purpose.
- (C) As part of the process of transfer, Defra made a payment of £6,638,427.70 on 14 March 2012 to the British Waterways Board in order to enable it to repay its National Loan Fund debts (including penalties for early repayment) due to HM Treasury.
- (D) In consideration of the assumption of liabilities relating to the waterways in England and Wales and the requirement to maintain, develop, protect and enhance the waterways in England and Wales, and subject, further, to the terms of this Grant Agreement, Defra has agreed to provide the Grant to CRT for the Purpose.

NOW IT IS HEREBY AGREED as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 In this Grant Agreement the following terms shall have the following meanings:

"2021/22 Review" means the review to be conducted in accordance with Clause 9.3.

"Activities" means the list of activities of CRT set out in Schedule 2 (*Permitted Activities*) and such other activities of CRT as are within CRT's objects.

"Breach Threshold" means the percentage breach threshold set out in the column headed "Breach Threshold" in Schedule 7 (*Relevant Standards*).

"British Waterways Board (Transfer of Functions) Order 2012" means the order of Defra transferring the functions of the British Waterways Board in England and Wales to CRT.

"British Waterways Board Transfer Scheme 2012" means the scheme of Defra transferring the property, rights and liabilities of the British Waterways Board in England and Wales to CRT.

"Bribery Act" means the Bribery Act 2010 and any subordinate legislation made under that Act from time to time together with any legally binding guidance and/or legally binding codes of practice issued in relation to such legislation.

"Chair of Trustees" means the Chair of Trustees of CRT.

"Charities Act" means the Charities Acts 1992 to 2011.

"CIC" means Canal & River Trading CIC, a community interest company limited by shares (registered in England and Wales with registered company number 08069602) whose registered office is situated at First Floor North, Station House, 500 Elder Gate, Milton Keynes MK9 1BB.

"Commencement Date" means the date on which the British Waterways Board Transfer Scheme 2012 and the British Waterways Board (Transfer of Functions) Order 2012 come into force.

"Commission" means the Charity Commission for England and Wales or any body which replaces it.

"Confidential Information" means any information which has been designated as confidential by either party in writing or that ought to be considered as confidential (however it is conveyed or on whatever media it is stored) including information the disclosure of which would, or would be likely to, prejudice the commercial interests of any person or trade secrets or Intellectual Property Rights of either party and all personal data and sensitive personal data within the meaning of the Data Protection Legislation.

"Data Protection Legislation" means: (i) the UK GDPR, (ii) the Data Protection Act 2018 to the extent that it relates to processing of personal data and privacy; (iii) all applicable law about the processing of personal data and privacy; and (iv) (to the extent that it applies) the EU GDPR;

“**EIR**” means the Environmental Information Regulations 2004 (SI 2004/3391) and any legally binding guidance and/or legally binding codes of practice issued in relation to such regulations.

“**EU GDPR**” means Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation) as it has effect in EU law;

“**Event of Default**” means any event or circumstance specified as such in Clause 11 (*Events of Default and Remedies Available to Defra*).

“**Financial Irregularity**” means any fraudulent use of the Grant, any misuse of the Grant or any other fraud or financial impropriety in connection with the Grant.

“**financial year**” means the fiscal year for the purposes of government financial statements in the United Kingdom, being from 1 April in one year to 31 March in the following year.

“**First Part B Tranche**” shall have the meaning set out in Clause 2.2.2.

“**Flood Management Relevant Standard**” means the applicable measurement relating to flood management as set out in Schedule 7 (*Relevant Standards*).

“**FOIA**” means the Freedom of Information Act 2000 and any subordinate legislation made under that Act from time to time together with any legally binding guidance and/or legally binding codes of practice issued in relation to such legislation.

“**Grant**” means the sum or sums of grant in aid to be paid to CRT (exclusive of any VAT in the event that it is applicable) as Part A Core Grant and Part B Conditional Grant in accordance with this Grant Agreement, as described in Clause 2 (*Grant*).

“**Grant Agreement**” means this written Grant Agreement consisting of these Clauses, Schedules and any other document especially incorporated therein.

“**Grant Period**” means the period for which the Grant is awarded starting on the Commencement Date and ending on 31 March 2027.

“**Governing Body**” means the Board of Trustees of CRT.

“**Infrastructure Property**” means the permanent endowment of infrastructure property relating to inland waterways established by the Trust Settlement.

“**Intellectual Property Rights**” means patents, utility models, inventions, trademarks, service marks, logos, design rights (whether registerable or otherwise), applications for any of the foregoing, copyright, database rights, domain names, Know-How, trade or business names, moral rights and other similar rights or obligations whether registerable or not in any country (including but not limited to the United Kingdom) and the right to sue for passing off.

“**interim financial information**” means financial information including but not limited to:

- (a) the latest available figures showing actual and forecast results for the current financial year;

- (b) projection of the expenditure which will be met by the Grant; and
- (c) (c) the information set out in Schedule 6 (*Interim Financial Information*).

"Know-How" means all information not in the public domain held in any form (including without limitation that comprised in or derived from drawings, data formulae, patterns, specifications, notes, samples, chemical compounds, biological materials, computer software, component lists, instructions, manuals, brochures, catalogues and process descriptions and scientific approaches and methods).

"Material Breach" includes (a) a single material breach; and (b) two or more breaches which are material due to their persistence.

"MOU" means the memorandum of understanding dated on or around the date of this Grant Agreement between Defra and CRT.

"NSS" means the National Stewardship Score, which is an indicator agreed from time to time with Defra which is intended to provide an outcome measure of the overall state and functionality of the waterways and the public benefit delivered.

"PAS-55" means the British Standards Institution's Publicly Available Specification for the optimized management of physical assets.

"Prohibited Act" means committing any offence:

- (a) under the Bribery Act;
- (b) under legislation creating offences concerning fraudulent acts;
- (c) at common law concerning fraudulent acts relating to this Grant Agreement or any other contract with Defra; or
- (d) defrauding, attempting to defraud or conspiring to defraud Defra.

"Publication Data" means the data set out in Schedule 5 (*Publication Data*).

"Purpose" shall have the meaning set out in Clause 3 (*Purpose*).

"Relevant Standards" means the Safe Waterways Relevant Standard, the Towpath Condition Relevant Standard and the Flood Management Relevant Standard, as set out in Schedule 7 (*Relevant Standards*).

"Review Meetings" means the performance review meetings to be conducted in accordance with Clause 9.1.

"Safe Waterways Relevant Standard" means the applicable measurement relating to the safety of waterways as set out in Schedule 7 (*Relevant Standards*).

"Second Part B Tranche" shall have the meaning set out in Clause 2.3.2.

"SORP" means a Statement of Recommended Practice and **"relevant SORP"** means the Charities SORP 2005.

"Sound Operational Principles" means reasonable and proportionate observance of any statutory, professional and sectoral guidance regarding the operation of an organisation including but not limited to structures for ensuring good governance, accountability and financial management.

“Towpath Condition Relevant Standard” means the applicable measurement relating to the condition of towpaths as set out in Schedule 7 (*Relevant Standards*).

“Transfer” means the transfer of the functions, property, rights and liabilities of the waterways in England and Wales pursuant to the terms of the British Waterways Board Transfer Scheme 2012 and the British Waterways Board (Transfer of Functions) Order 2012.

“Trustees” means the directors from time to time of CRT.

“Trust Settlement” means the trust settlement dated on or around the date of this Grant Agreement establishing the Waterways Infrastructure Trust (as the trust is named in the Trust Settlement), to which CRT and Defra shall be parties (as it may be amended from time to time).

“UK GDPR” means the General Data Protection Regulation (Regulation (EU) 2016/679) as transposed into United Kingdom national law by operation of section 3 of the European Union (Withdrawal) Act 2018, together with the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019.

“Warning Threshold” means the percentage warning threshold set out in the column headed “Warning Threshold” in Schedule 7 (*Relevant Standards*).

- 1.2 The headings are inserted for convenience only and shall not affect the interpretation of the Grant Agreement.
- 1.3 Reference to any legislative and statutory requirement or similar instrument shall be deemed to include reference to any subsequent amendment to them.
- 1.4 References to any person shall, as the context may require, be construed as a reference to any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having a separate legal personality).
- 1.5 Unless the context requires otherwise, the singular shall include the plural and vice versa, and the masculine shall include the feminine and vice versa.
- 1.6 The Schedules are deemed to be incorporated in this Grant Agreement, and a reference to “this Grant Agreement” includes a reference to the Schedules.
- 1.7 References in this Grant Agreement to “Clauses” and “Schedules” are references to clauses of and schedules to this Grant Agreement and references to the “parties” or a “party” are references to the parties or a party to this Grant Agreement.

2 GRANT

2.1 Subject to the terms of this Grant Agreement, Defra shall pay to CRT the Grant as set out below.

2.2 Part A Core Grant

The parties agree that Part A Core Grant shall be calculated as follows:

- 2.2.1 £39,000,000 in financial year 2012/13 (being a flat sum, not inflated), less any grant in aid paid by Defra to the British Waterways Board in respect of that financial year.
- 2.2.2 £39,000,000 per annum in financial years 2013/14 and 2014/15 (being a flat sum, not inflated), of which £3,000,000 (the "**First Part B Tranche**") will be subject to the conditions precedent to grant set out in Clause 6.3 and the same remedies and other conditions as apply to Part B Conditional Grant.
- 2.2.3 £39,000,000 per annum in financial year 2015/16 and thereafter until financial year 2026/27 inclusive:
 - (a) to be adjusted annually in accordance with the indexation methodology set out in Schedule 1 (*Indexation of Part A Core Grant*) from financial year 2015/2016, using financial year 2014/15 as the base year in the first instance; and
 - (b) if applicable in accordance with Clause 2.3.2(b), an amount of which (being an amount below £4,000,000) is subject to the same conditions precedent to grant, available remedies and other conditions as Part B Conditional Grant.

2.3 **Part B Conditional Grant (flat sum, not inflated)**

2.3.1 The parties agree that Part B Conditional Grant shall be calculated as follows:

- (a) Subject to satisfaction of the requirements of Clause 6.4, £10,000,000 per annum from financial year 2015/16 until financial year 2021/2022 inclusive.
- (b) Subject to satisfaction of the requirements of Clause 6.4, from financial year 2022/23 until financial year 2026/27 inclusive, £10,000,000 per annum, less the difference between:
 - (i) the amount of the Part A Core Grant in the financial year 2021/22; and
 - (ii) the amount of the Part A Core Grant in the financial year in question,
 being the "**Relevant Part B Conditional Grant**" for the purposes of this Clause 2.3.

2.3.2 If:

- (a) for any of the financial years 2022/23 until 2026/27 inclusive, the Relevant Part B Conditional Grant is a negative figure, the amount of Part B Conditional Grant for that year is zero.
- (b) for any of the financial years from 2022/23 until 2026/27 inclusive, the Relevant Part B Conditional Grant is less than £4,000,000, then:
 - (i) an amount of the Part A Core Grant for the applicable financial year(s) shall be subject to the same conditions precedent to grant,

available remedies and other conditions as Part B Conditional Grant; (being the "**Second Part B Tranche**") ; and

- (ii) the Second Part B Tranche shall be £4,000,000 less the Relevant Part B Conditional Grant,

such that the total amount of Grant subject to those conditions is equal to £4,000,000.

3 PURPOSE

- 3.1 The Grant provided by Defra to CRT is in support of and to be applied for the charitable objects of CRT (subject to the terms of this Grant Agreement) and is not a contract for services. The Grant may only be applied towards defraying the costs and expenses (including attributable overheads) of the Activities undertaken in pursuit of those charitable purposes.
- 3.2 CRT shall not use the Grant for any purpose which would cause CRT to be in breach of either this Grant Agreement or the Trust Settlement, nor take or omit to take any other action which would cause it to breach such documentation.
- 3.3 Notwithstanding Clauses 3.1 and 3.2, the Grant shall not be used for any other purpose without the prior written agreement of Defra.

4 TERM

Except where otherwise specified, the terms of this Grant Agreement shall apply for the Grant Period.

5 SCHEDULE OF PAYMENT

- 5.1 Subject to the terms of this Grant Agreement, Defra shall pay the Grant to CRT as set out below.
- 5.2 Part A Core Grant
 - 5.2.1 The payment set out in Clause 2.2.1 shall be paid in accordance with the payment profile set out in Schedule 10 (*Part A Core Grant 2012/13 Payment Profile*);
 - 5.2.2 the payments set out in Clause 2.2.2 shall be paid in equal quarterly instalments on Defra's first pay run in April, July, October and January of the relevant financial year, provided that the First Part B Tranche shall be paid, subject to satisfaction of the Relevant Standards, on Defra's first pay run in October of the relevant year; and
 - 5.2.3 the payments set out in Clause 2.2.3 shall be paid in equal quarterly instalments on Defra's first pay run in April, July, October and January of the relevant financial year up to and including 31 March 2022.
 - 5.2.4 The payments set out in Clause 2.2.3 in the period from 1 April 2022 up to and including 31 March 2027 shall be paid in equal quarterly instalments during each relevant financial year. The first quarterly payment will be made on Defra's

earliest possible pay run in April, in order that invoices are raised, dated and processed within the relevant financial year. The remaining payments set out in Clause 2.2.3 shall be paid in Defra's earliest possible pay run in July, October, and January of the relevant financial year provided that, if applicable and subject to satisfaction of the Relevant Standards, any Second Part B Tranche payable in the financial years 2022/23 to 2026/27 inclusive shall be paid on Defra's earliest possible pay run in October of the relevant year.

5.3 Part B Conditional Grant

Subject to satisfaction of the Relevant Standards, the payments set out in Clauses 2.3.1(a) and 2.3.1(b) shall be paid on Defra's earliest possible pay run in October of the relevant year.

5.4 CRT shall, as from the date of receipt of the Grant (or such part of it as shall have been paid), be responsible for its application, investment and management. Any interest earned on the moneys held by CRT from time to time may be applied by CRT for its charitable purposes. For the avoidance of doubt, Defra shall not set-off any interest earned by CRT on such monies against its obligation to pay the Grant.

5.5 CRT shall promptly repay to Defra any money incorrectly paid to it either as a result of an administrative error or otherwise. This includes (without limitation) situations where either an incorrect sum of money has been paid or where the Grant has been paid in error before CRT has complied with all relevant conditions precedent to the Grant.

5.6 Onward payment of the Grant and the use of sub-contractors shall not relieve CRT of any of its obligations under this Grant Agreement.

5.7 Any liabilities arising at the end of the Grant Period including any redundancy liabilities for staff employed by CRT must be managed and paid for by CRT using the Grant or other resources of CRT. There will be no additional funding available from Defra for this purpose.

5.8 Defra is under no obligation to increase the amount of the Grant as set out in this Grant Agreement and is under no obligation to extend the Grant beyond the end of the Term, subject to the outcome of 2021/22 Review.

6 CONDITIONS PRECEDENT TO GRANT

6.1 No payment of the Grant or part of the Grant shall be made unless Defra has received evidence, in a form that provides reasonable and proportionate assurance, that the conditions precedent described in Clauses 6.2 to 6.4 inclusive to the Grant have been met.

6.2 General Conditions Precedent

6.2.1 The parties have entered into the MOU;

6.2.2 The parties have entered into the Trust Settlement; and

6.2.3 The British Waterways Board (Transfer of Functions) Order 2012 has come into force.

6.3 Conditions Precedent to Part A Core Grant

The parties agree that no conditions precedent shall apply to the Part A Core Grant, except:

6.3.1 for those set out in Clause 6.2;

6.3.2 that CRT shall deliver evidence to Defra on or before 1 July 2013 and 1 July 2014, in a form that provides reasonable and proportionate assurance, that the Relevant Standards have been met, as a condition precedent to the receipt of the First Part B Tranche in the financial years 2013/14 and 2014/15; and

6.3.3 if applicable, that CRT shall deliver evidence to Defra on or before 1 July in the financial years 2022/23 to 2026/27 inclusive, in a form that provides reasonable and proportionate assurance, that the Relevant Standards have been met, as a condition precedent to the receipt of the Second Part B Tranche.

6.4 Conditions Precedent to Part B Conditional Grant

CRT shall deliver evidence to Defra on or before 1 July in each year, starting on 1 July 2015, in a form that provides reasonable and proportionate assurance, that the Relevant Standards have been met.

6.5 The parties shall follow the procedure set out in Schedule 3 (*Escalation and Intervention Mechanisms for Failure to Meet Conditions Precedent to Part B Conditional Grant*) in the event that CRT fails to meet the conditions precedent to Part B Conditional Grant.

7 PUBLICATION DATA

7.1 CRT shall publish the Publication Data on or before 1 July in each year.

7.2 For the avoidance of doubt, CRT's obligations to publish the Publication Data shall not be a condition precedent to Grant.

7.3 However, in the event that CRT fails to publish the Publication Data by 1 September in each year, CRT shall ensure that the Chair of Trustees shall write to the Secretary of State with a copy to the members of CRT, explaining the reason for non-compliance and setting out the action proposed to remedy the non-compliance.

7.4 In the event that the Chair of Trustees either fails to write to the Secretary of State by 1 September of the relevant year, or if the Publication Data is not published within six months of 1 July in the relevant year, Defra is entitled to exercise any of the remedies set out at Clause 11.2 without first having to follow the procedure in Schedule 4 (*Escalation and Intervention Mechanisms – in Relation to Breach of Contractual Terms (including any Event of Default)*).

8 USE OF GRANT

8.1 CRT shall not use the Grant for expenditure on any of the following activities:

8.1.1 Paid for lobbying, which means using the Grant 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;

- 8.1.2 using the Grant to directly enable one part of government to challenge another on topics unrelated to the agreed purpose of the Grant;
- 8.1.3 using the Grant to petition for additional funding;
- 8.1.4 expenses such as for entertaining, specifically aimed at exerting undue influence to change government policy;
- 8.1.5 input VAT reclaimable by CRT from HMRC;
- 8.1.6 payments for activities of a political or exclusively religious nature;
- 8.2 Other examples of expenditure, which are prohibited, include the following:
 - 8.2.1 contributions in kind;
 - 8.2.2 interest payments or service charge payments for finance leases;
 - 8.2.3 gifts;
 - 8.2.4 statutory fines, criminal fines or civil penalties, damages or any associated legal costs;
 - 8.2.5 payments for works or activities that are fully funded by other sources;
 - 8.2.6 bad debts to related parties;
 - 8.2.7 payments for unfair dismissal or other compensation;
 - 8.2.8 depreciation, amortisation or impairment of assets owned by CRT;
- 8.3 Without prejudice to Defra's other rights and remedies, Defra will have the right to demand repayment of the Grant (or such part of it as shall have been paid) given under the Grant Agreement in the event that:
 - 8.3.1 it becomes apparent that the Grant exceeds the cost of maintenance of the waterways in England and Wales and other Activities;
 - 8.3.2 the Grant is found to be unlawful State Aid; or
 - 8.3.3 the Grant or any part of it is spent outside of the Purpose.

9 MONITORING, REPORTING AND REVIEWS

- 9.1 The parties shall conduct Review Meetings as follows:
 - 9.1.1 For the Review Meeting which will take place during the final quarter of each financial year (anticipated by the parties to be approximately one month before the end of the relevant financial year), CRT shall provide in advance of the meeting:
 - (a) a draft business plan for the following financial year, which shall include information on risk management. For the avoidance of doubt, Defra agrees that it has no remit to agree the terms of the business plan; and
 - (b) the interim financial information.

9.1.2 For the Review Meeting which will take place during the second quarter of each financial year (anticipated by the parties to be in July of each year), CRT shall provide in advance of the meeting:

- (a) the draft audited accounts showing the results from the previous financial year;
- (b) achievements against the requirements set out in this Grant Agreement (including the requirements of Part B Conditional Grant); and
- (c) the interim financial information.

9.1.3 For the Review Meeting which will take place during the third quarter of each financial year (anticipated by the parties to be approximately eight months after the start of the relevant financial year), CRT shall provide the interim financial information in advance of the meeting.

9.2 The Review Meetings shall be attended by:

9.2.1 for CRT: at least the Chair of Trustees, the Chief Executive and the Finance Director (or a suitable alternative Trustee or member of CRT's senior management team approved by the Trustees for this purpose, if the Chief Executive or Chair are unavailable) and such other representatives of CRT as CRT in its discretion decides; and

9.2.2 for Defra: the relevant Director and Deputy Director and such other officials and advisors of Defra as Defra in its discretion decides.

9.3 Notwithstanding the regular content and cycle of Review Meetings, in the financial year 2021/22 a review will take place to consider whether, and if so, the extent to which there is a case to continue to support by Grant the public benefits (including, but not by way of limitation, provision of land drainage, flood mitigation and other public safety benefits) provided by the waterways under CRT's stewardship beyond the end of the Grant Period. The 2021/22 Review shall take into account, among other matters, CRT's performance of its obligations arising under the Grant Agreement. Defra shall issue a report setting out the conclusions of this review with regard to continued support of CRT by Grant beyond the term of this Grant Agreement on or before 1 July 2022.

9.4 CRT shall on request provide Defra with such further information, explanations and documents as Defra may reasonably and proportionately require in order for it to establish that the Grant has been used properly in accordance with the Grant Agreement.

9.5 CRT shall permit any person authorised by Defra reasonable and proportionate access to its employees, agents, premises, facilities and records, for the purpose of discussing, monitoring and evaluating CRT's fulfilment of the terms of this Grant Agreement and shall, if so required, provide appropriate oral or written explanations from them.

10 AUDIT REQUIREMENTS

10.1 External Audit Requirements

CRT shall provide to Defra, and Defra's internal audit service shall have, insofar as they relate to activities funded under the Grant Agreement, a right of access to the audited accounts and any reports about CRT and its subsidiaries produced by its external auditor, with full access to CRT's records on an open-book basis, during the Grant Period and for a further six years after the end of the Grant Period.

10.2 Internal Audit Requirements

CRT shall:

10.2.1 maintain an internal audit service operating to relevant internal audit standards;

10.2.2 identify a suitable individual to have lead responsibility for internal audit;

10.2.3 establish an audit committee comprising of persons who are not employees of CRT as a committee of the Board of Trustees; and

10.2.4 maintain accounts sufficient to demonstrate that the Grant is applied towards the Activities (and Defra acknowledges that CRT may apportion cost headings as it considers appropriate without reference to Defra, provided such apportionment is within the Purpose).

10.3 Control of Public Funds

10.3.1 CRT shall put in place appropriate management and control systems to demonstrate proper stewardship of public funds, compliance with all applicable law and that it is able to manage and account for public funds properly and effectively. The management and control systems implemented shall require the Governing Body and Chief Executive to take responsibility for the proper use of public funds in accordance with the charitable objects of CRT.

10.3.2 From 1 July 2023 the following conditions will also apply:

10.3.3 CRT shall hold a specific bank account into which the Grant is paid and from which invoices which represent eligible expenditure of the Grant are settled. Such bank account details are set out in Schedule 11.

10.3.4 Defra may obtain copies of invoices relating to expenditure of the Grant on request at least 1 month after the end of the quarter to which the Grant payment relates.

10.3.5 An annual statement, in the format prescribed at Schedule 12, will be verified by the Finance Director and provided to Defra by 30 May confirming that any works or activities funded by the Grant in the previous financial year, have met the conditions set out in clause 8 for eligible expenditure.

10.3.6 CRT shall ensure the following:

- (a) maintenance of adequate internal expenditure controls in relation to the Grant;
- (b) propriety and regularity in the handling of the Grant;
- (c) observance of conditions attaching to the Grant;

- (d) the maintenance of adequate systems of financial control to prevent theft or fraud in relation to the Grant in accordance with Clause 14 (*Financial Irregularity*);
- (e) that the Grant is used only for the Activities; and
- (f) accounting for the Grant is in accordance with the relevant SORP.

10.4 CRT shall permit duly authorised agents of the National Audit Office or European Court of Auditors to examine CRT's records and documents relating to the Activities and to provide such copies and oral or written explanations as may be required. This obligation does not constitute a requirement or agreement for the examination, certification or inspection of the accounts of CRT under sections 6(3) and 6(5) of the National Audit Act 1983.

10.5 CRT shall facilitate and fund an independent audit of the application of the data used to derive the headline percentage figures which determine whether or not Part B Conditional Grant is payable. The extent of the audit shall be that necessary, by adequate sampling, to provide a sufficient and proportionate assurance that the headline percentage figures are consistent with the underlying data. The first independent audit shall take place two years after the date of this Grant Agreement and once every five years thereafter. Once the audit is commissioned, the inspection or capture of data for the purposes of the audit shall be on a date chosen by the auditor without prior notice to CRT.

11 EVENTS OF DEFAULT AND REMEDIES AVAILABLE TO DEFRA

11.1 The parties agree that each of the events or circumstances set out below is an Event of Default:

11.1.1 CRT commits a Material Breach of this Grant Agreement or the Trust Settlement;

11.1.2 CRT commits a Material Breach of legal or statutory obligations, including but not limited to charity and company law, audit and financial requirements or Commission requirements;

11.1.3 the Grant is used by CRT for a purpose other than the Purpose;

11.1.4 CRT wilfully or intentionally provides Defra with any misleading or inaccurate information;

11.1.5 CRT has not repaid within a reasonable period money that Defra has incorrectly paid to CRT either as a result of administrative error or otherwise;

11.1.6 CRT commits or has committed a Prohibited Act;

11.1.7 CRT is unable to pay its debts as and when they fall due for reasons other than Defra's failure to comply with this Grant Agreement;

11.1.8 CRT becomes insolvent or subject to the appointment of an administrator or receiver (other than for the purpose of a *bona fide* internal reorganisation or amalgamation);

- 11.1.9 a court makes an order that CRT be wound up;
 - 11.1.10 a meeting of creditors of CRT passes or a meeting of members or any class of members passes a resolution to wind-up CRT (other than for the purposes of a *bona fide* internal reorganisation or amalgamation);
 - 11.1.11 CRT is struck from the register at Companies House and/or the Commission, or is otherwise prohibited from continuing its activities under any legislation in force and/or by an order of a court of competent jurisdiction;
 - 11.1.12 CRT ceases to operate, becomes insolvent or goes into administration, receivership or liquidation before all or any part of the Grant has been expended;
or
 - 11.1.13 an audit report on CRT's accounts refers to a fundamental uncertainty or contains an adverse opinion or a disclaimer of opinion which would materially and adversely affect CRT's ability to deliver the Activities.
- 11.2 Without prejudice to Defra's other rights and remedies, but subject to the provisions of Clause 11.5, Defra may:
- 11.2.1 delay, reduce, withhold or suspend payment of the Grant (or such part of it as shall not have been paid) in whole or in part and/or require repayment forthwith in whole or in part of the Grant (or such part of it as shall have been paid);
and/or
 - 11.2.2 terminate the Grant Agreement with immediate effect,

if Defra determines that one or more Events of Default have occurred. In the event that Defra requires repayment in whole or in part of the Grant pursuant to Clause 11.2.1, CRT shall repay such sum immediately.
- 11.3 Wherever under the Grant Agreement any sum of money is recoverable from or payable by CRT (including any sum that CRT is liable to pay to Defra in respect of any breach of the Grant Agreement), Defra may unilaterally deduct that sum from any sum then due, or which at any later time may become due to CRT under the Grant Agreement or under any other agreement or contract with Defra.
- 11.4 CRT shall make any payments due to Defra without any deduction whether by way of set-off, counterclaim, discount, abatement or otherwise.
- 11.5 Defra shall not exercise the remedies set out in Clause 11.2 until it has exercised the procedure set out in Schedule 4 (*Escalation and Intervention Mechanisms – in relation to breach of Contractual Terms (including any Event of Default)*) except where, in Defra's opinion, the Event of Default is so serious or of a nature that the breach would be incapable of remedy.
- 11.6 For the avoidance of doubt, Defra shall have discretion as to which, if any, of the remedies in Clause 11.2 it shall use. However, Defra shall exercise its discretion with the intention that, except in the case of the most serious Events of Default, any

remedy will allow CRT the opportunity to rectify any Events of Default, and to continue, as far as possible, as a viable entity.

11.7 Where Defra discontinues payment of the Grant and/or reduces the amount of the Grant in accordance with the terms of this Grant Agreement, Defra accepts no liability for any consequences that may come about from the reduction or withdrawal of the Grant.

11.8 Save as otherwise expressly provided in this Grant Agreement, termination or expiry of the Grant Agreement shall be without prejudice to any rights, remedies or obligations accrued under the Grant Agreement prior to termination or expiration and nothing in the Grant Agreement shall prejudice the right of either party to recover any amount outstanding at such termination or expiry.

12 REMEDIES AVAILABLE TO CRT

12.1 In the event that Defra does not make a payment required under the terms of the Grant Agreement, CRT may write to Defra seeking reasons for the withholding of such payment. Defra must provide a reply within two weeks of receipt of such notice from CRT.

12.2 In the event that:

12.2.1 Defra does not supply such reasons; or

12.2.2 once Defra has supplied its reasons, such reasons are not in accordance with the terms of the Grant Agreement,

CRT may take steps to recover the outstanding payment as a debt and CRT's obligations under the Grant Agreement shall be deemed to be suspended until Defra's breach is rectified.

13 Not Used

14 FINANCIAL IRREGULARITY

14.1 CRT shall conduct its business in accordance with Sound Operational Principles.

14.2 CRT shall ensure that it has such procedures in place as are required by law to identify any Financial Irregularity in connection with the administration of the Grant.

14.3 CRT shall notify Defra immediately of any actual or suspected Financial Irregularity (or any circumstances which are likely in CRT's opinion to result in Financial Irregularity) and indicate the steps that are being taken to address that irregularity.

14.4 Defra shall have the right, at its absolute discretion, to insist on additional steps to be taken by CRT to address any actual or threatened Financial Irregularity.

15 CONFLICT OF INTEREST

CRT shall put adequate procedures in place to ensure that there is no actual or perceived risk of bias or other conflict of interest that might call into question CRT's eligibility to receive the Grant.

16 CONFIDENTIALITY

- 16.1 Except to the extent set out in this Clause 16 or where disclosure or publication is expressly permitted elsewhere in this Grant Agreement, each party shall treat all Confidential Information belonging to the other party as confidential and shall not disclose any Confidential Information belonging to the other party to any other person without the prior written consent of the other party, except to such persons and to such extent as may be necessary for the relevant party to perform its obligations under the Grant Agreement.
- 16.2 Each party agrees that the other party may publish the Grant Agreement in its entirety, including from time to time agreed changes to the Grant Agreement, to the general public.
- 16.3 Each party may only disclose the other party's Confidential Information to its personnel who are directly involved in the delivery of the Activities and who need to know the information and shall ensure that such personnel are aware of and shall comply with its obligations as to confidentiality.
- 16.4 CRT shall not, and shall procure that its personnel do not, use any of Defra's Confidential Information received otherwise than for the purposes of this Grant Agreement.
- 16.5 Clause 16.1 shall not apply to the extent that:
- 16.5.1 such disclosure is a requirement of law placed upon the party making the disclosure, including any requirements for disclosure under the FOIA or the EIR;
 - 16.5.2 such information was in the possession of the party making the disclosure without obligation of confidentiality prior to its disclosure by the information owner;
 - 16.5.3 such information was obtained from a third party without obligation of confidentiality;
 - 16.5.4 such information was already in the public domain at the time of disclosure otherwise than by a breach of the Grant Agreement; or
 - 16.5.5 it is independently developed without access to the other party's Confidential Information.
- 16.6 Nothing in Clause 16.1 shall prevent Defra disclosing any Confidential Information obtained from CRT:
- 16.6.1 for the purpose of the examination and certification of Defra's accounts;
 - 16.6.2 for the purpose of any examination pursuant to section 6(1) of the National Audit Act 1983 of the economy, efficiency and effectiveness with which Defra has used its resources;

16.6.3 to any government department or Parliament and CRT hereby acknowledges that all government departments or Parliament receiving such Confidential Information may further disclose the Confidential Information to other government departments on the basis that the information is confidential and is not to be disclosed to a third party which is not part of any government department or Parliament; or

16.6.4 to any consultant, contractor or other person engaged by Defra, provided that in disclosing information under Clauses 16.6.2 and 16.6.4 Defra discloses only the information which is necessary for the purpose concerned and requests that the information is treated in confidence and that a confidentiality undertaking is given where appropriate.

16.7 Nothing in Clauses 16.1 to 16.4 shall prevent either party from using any techniques, ideas or Know-How gained during the performance of its obligations under the Grant Agreement in the course of its normal business, to the extent that this does not result in a disclosure of the other party's Confidential Information or an infringement of the other party's Intellectual Property Rights.

16.8 In order to ensure that no unauthorised person gains access to any Confidential Information or any data obtained in the delivery of the Activities under the Grant Agreement, each party undertakes to maintain adequate security arrangements that meet the requirements of professional standards and best practice.

16.9 Each party shall immediately notify the other party of any breach of security in relation to Confidential Information and all data obtained in the delivery of the Activities under the Grant Agreement and will keep a record of such breaches. Each party shall use its best endeavours to recover such Confidential Information or data however it may be recorded. This obligation is in addition to the parties' obligations under Clauses 16.1 to 16.4. CRT shall co-operate with Defra in any investigation that Defra considers necessary to undertake as a result of any breach of security in relation to Confidential Information or data.

17 FREEDOM OF INFORMATION

Each party acknowledges that the other party is subject to the requirements of the FOIA and that the application of the FOIA to CRT has been implemented by the British Waterways Board (Transfer of Functions) Order 2012. Each party shall assist and co-operate with the other party (at the other party's expense) to enable the relevant party to comply with the FOIA in relation to the Grant Agreement.

18 DATA PROTECTION

CRT shall (and shall procure that its entire personnel) comply with any notification requirements under the Data Protection Legislation and both parties shall duly observe all their obligations under the Data Protection Legislation which arise in connection with the Grant Agreement.

19 PREVENTION OF BRIBERY

19.1 CRT:

19.1.1 shall not, and shall procure that its Trustees and staff shall not, in connection with this Grant Agreement, commit a Prohibited Act;

19.1.2 shall include in its procurement processes the requirement that any person associated with it in connection with this Grant Agreement or any agents, consultants or sub-contractors providing goods or services to it in connection with this Grant Agreement, do so on terms that require them not to commit a Prohibited Act;

19.1.3 shall not engage in any activity, practice or conduct which would constitute an offence under sections 1, 2 or 6 of the Bribery Act 2010 if such activity, practice or conduct has been carried out in the UK;

19.1.4 shall have and shall maintain in place throughout the term of this Grant Agreement its own policies and procedures, including adequate procedures under the Bribery Act 2010, to ensure compliance with Clauses 19.1.1 to 19.1.3;

19.1.5 shall promptly report to Defra any report it makes to the police, the Director of Public Prosecutions, the Director of the Serious Fraud Office or the Director of Revenue and Customs Prosecutions with respect to any potential or actual offence under the Bribery Act 2010;

19.1.6 shall respond promptly and in writing to any query from Defra as to whether a foreign public official has become an officer or employee of CRT or has acquired a direct or indirect interest in CRT, and CRT warrants that it has no foreign public officials as officers, employees or direct or indirect owners as at the date of this Grant Agreement;

19.1.7 shall, if requested, provide Defra with any reasonable assistance, at Defra's reasonable cost, to enable Defra to perform any activity required by any relevant government or agency in any relevant jurisdiction for the purpose of compliance with the Bribery Act 2010; and

19.1.8 within one month of the Commencement Date, and annually thereafter, certify to Defra in writing (such certification to be signed by the Chief Executive of CRT) compliance with this Clause 19 by CRT. CRT shall provide such supporting evidence of compliance as Defra may reasonably request.

19.2 For the purpose of this Clause 19, the meaning of adequate procedures, foreign public official and whether a person is associated with another person shall be determined in accordance with section 7(2) of the Bribery Act 2010 (and any guidance issued under section 9 of that Act), sections 6(5) and 6(6) of that Act and section 8 of that Act respectively. For the purpose of this Clause 19, a person associated with CRT includes any agent, delegate or subcontractor of the Agent.

20 INTELLECTUAL PROPERTY RIGHTS AND INDEMNITY

20.1 All Intellectual Property Rights generated by the Activities shall belong to CRT. Without prejudice to the generality of the foregoing, any Intellectual Property Rights in or over any Know-How or any other material which may be supplied to CRT by

Defra or any other government department in relation to the Activities shall remain vested in Defra or the government department (as the case may be) and, for the avoidance of doubt, such supply shall entitle CRT only to use such rights to the extent necessary to perform the Activities and shall not constitute an assignment of such Intellectual Property Rights to CRT or any other person.

20.2 Defra or CRT, as applicable, shall indemnify and keep indemnified the other party from and against all claims, damage, losses, costs (including, without limitation, all reasonable legal costs), expenses, demands or liabilities arising out of any claim that the intellectual property rights or moral rights of any third party have been infringed, provided that the party claiming the indemnity:

20.2.1 notifies the other party promptly if any infringement is alleged;

20.2.2 makes no admissions nor attempts to settle or compromise any claim or action without the indemnifying party's written consent;

20.2.3 gives the indemnifying party the sole conduct of the defence to any claim or action; and

20.2.4 acts in accordance with the reasonable instructions of the indemnifying party and gives the indemnifying party such assistance as the indemnifying party shall reasonably require in relation to any claim or action.

20.3 Subject to Clause 22.3, the indemnifying party shall reimburse the claiming party's reasonable costs (including reasonably incurred legal costs) in complying with this Clause 19.

20.4 Each party shall promptly and fully notify the other of any actual, threatened or suspected infringement of any Intellectual Property Rights or moral rights of either party which comes to the other's notice, and of any claim by any third party coming to its notice.

21 WARRANTIES

21.1 CRT warrants, undertakes and agrees that:

21.1.1 it has not committed, nor shall it commit, any Prohibited Act;

21.1.2 it shall at all times comply with all relevant legislation including without limitation the Equality Act 2010 and all legally binding codes of practice and any other legally binding codes or recommendations, and shall notify Defra immediately of any significant departure from such legislation, codes or recommendations;

21.1.3 it shall at all times comply with the requirements of the Health and Safety at Work Act 1974 and any other acts, orders, regulations and legally binding codes of practice relating to health and safety, which may apply to employees and other persons delivering the Activities;

21.1.4 it has and shall keep in place adequate procedures for managing any conflicts of interest which arises or may arise between CRT and Defra where those conflicts might give rise to concerns about the propriety of expenditure of the Grant;

21.1.5 it has and shall keep in place systems to deal with the prevention of fraud and/or administrative malfunction;

21.1.6 all financial and other information concerning CRT which has been disclosed to Defra is, to the best of its knowledge and belief, true and accurate;

21.1.7 as at the date of entry into this Grant Agreement, it is not subject to any contractual or other restriction imposed by its own or any other organisation's rules or regulations or otherwise which may prevent or materially impede it from meeting its obligations in connection with the Grant; and

21.1.8 it has the power to enter into, perform and deliver, and has taken all necessary action to authorise entry into, performance and delivery of this Grant Agreement and the matters contemplated within it.

21.2 Defra warrants that it has the power to enter into, perform and deliver, and has taken all necessary action to authorise entry into, performance and delivery of this Grant Agreement and the matters contemplated within it, including obtaining the requisite consent and authorisation of HM Treasury.

22 INSURANCE AND INDEMNITY

22.1 CRT shall, with effect from the Commencement Date, ensure that it holds appropriate forms of insurance necessary for the normal execution of its activities and any such extension of cover as may be necessary for the activities or risks associated with the Activities. CRT shall make details of its insurance cover available to Defra on request.

22.2 Defra accepts no liability for any consequences, whether direct or indirect, that may come about from CRT delivering the Activities, the use of the Grant, Defra exercising its right under this Grant Agreement to withhold, in whole or part, any part of the Grant or from withdrawal of the Grant Agreement. CRT shall indemnify and hold harmless Defra, its employees, agents, officers or sub-contractors with respect to all claims, demands, actions, costs, expenses, losses, damages and all other liabilities made or brought by third parties, however arising from or incurred by reason of the actions and/or omissions of CRT in relation to the Activities, the non-fulfilment of obligations of CRT under the Grant Agreement or its obligations to third parties.

22.3 Subject to Clause 22.2, Defra's total liability under the Grant Agreement for the duration of the Term, including in respect of all claims arising from any breach by Defra of any of the terms of the Grant Agreement or any representation, statement, tortious liability, act or omission including negligence arising under or in connection with the Grant Agreement is limited, to the fullest extent permitted by law, to the sum which is equal to the total amount of the Grant paid by Defra during the Term.

23 PUBLICITY

23.1 The parties acknowledge that the form and content of publicity relating to the Grant and Defra's support of the Activities are the subject of the understanding set out in paragraph 10 of the MOU.

24 FORCE MAJEURE

- 24.1 If any party is affected by Force Majeure, it shall immediately notify the other party in writing of the matters constituting the Force Majeure and shall keep the other party fully informed of their continuance and of any relevant change of circumstances whilst such Force Majeure continues.
- 24.2 The party affected by Force Majeure shall take all reasonable steps available to it to minimise the effects of Force Majeure on the performance of its obligations under the Grant Agreement.
- 24.3 Save as provided in Clause 24.5, Force Majeure shall not entitle any party to terminate the Grant Agreement and no party shall be in breach of the Grant Agreement, or otherwise liable to the other party, by reason of any delay in performance, or non-performance of any of its obligations due to Force Majeure.
- 24.4 If the party affected by Force Majeure fails to comply with its obligations under Clauses 24.1 and 24.2 then no relief for Force Majeure, including from the provisions of Clause 24.3, shall be available to it and the obligations of each party shall continue in force.
- 24.5 If the Force Majeure continues for longer than six months any party may at any time whilst such Force Majeure continues by notice in writing to the other party terminate or suspend the Grant Agreement.
- 24.6 For the purposes of this Clause 24, "Force Majeure" means any event outside the reasonable control of any party affecting its ability to perform any of its obligations (other than payment) under the Grant Agreement including but not limited to Act of God, fire, flood, drought, lightning, war, revolution, act of terrorism, riot or civil commotion, strikes, lock-outs or other industrial action, whether of the affected party's own employees or others, failure of supplies of power, fuel, transport, equipment, raw materials or other goods or services.

25 COMPLIANCE WITH THE LAW

CRT shall take reasonable and proportionate steps to ensure that it and anyone acting on its behalf shall comply with the law which is applicable to the Activities.

26 ASSIGNMENT

CRT shall not novate, assign any of its rights or transfer any of its rights or obligations under this Grant Agreement (or any document referred to in it) to a third party, or purport to do any of the same, without Defra's prior written approval.

27 SEVERANCE

Each of the provisions of this Grant Agreement is distinct and severable from the others and if at any time one or more of such provisions is or becomes invalid, unlawful or unenforceable (whether wholly or to any extent), the validity, lawfulness and

enforceability of the remaining provisions (or the same provision to any other extent) shall not in any way be affected or impaired and shall remain in full force and effect.

28 WAIVER

- 28.1 No relaxation, forbearance, delay or indulgence by any party in enforcing any of the terms and conditions of the Grant Agreement or the granting of time by any party to the other shall prejudice, affect or restrict the rights and powers of the said party, nor shall any waiver by either party of any breach of the terms of the Grant Agreement operate as a waiver of any subsequent or any continuing breach hereof.
- 28.2 The rights of the parties contained in the Grant Agreement are in addition to all rights which they have or may have pursuant to common law or statute.

29 NOTICES

- 29.1 All notices and other communications in relation to the Grant Agreement shall be in writing and shall be deemed to have been duly given if personally delivered, e- mailed, or mailed (first class postage prepaid) to the address of the relevant party, as referred to above or otherwise notified in writing. If personally delivered or if e-mailed all such communications shall be deemed to have been given when received (except that if received on a non-working day or after 5.00 pm on any working day they shall be deemed received on the next working day) and if mailed all such communications shall be deemed to have been given and received on the second working day following such mailing.
- 29.2 The provisions of this Clause 29 shall not apply to the service of proceedings or other documents in any legal action.

30 NO PARTNERSHIP OR AGENCY

Nothing in this Grant Agreement shall create any partnership or joint venture between Defra and CRT, nor any relationship of principal and agent, nor authorise any party to make or enter into any commitments for or on behalf of the other party.

31 ENTIRE TERMS AND AMENDMENT

- 31.1 Except as expressly provided in the MOU, this Grant Agreement constitutes the entire and only agreement between the parties in relation to the matters contemplated by the Grant Agreement and supersedes all prior written or oral agreements and understandings between the parties in relation to such matters.
- 31.2 Each of the parties acknowledges that in entering into this Grant Agreement it has not relied on any representation, warranty, agreement, undertaking or statement not set out in the Grant Agreement and that (in the absence of fraud) it will not have any claim, right or remedy arising out of any such representation, warranty, agreement, undertaking or statement.
- 31.3 This Grant Agreement may be amended from time to time only by the written agreement of both parties.

32 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

- 32.1 A person who is not a party to the Grant Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of the Grant Agreement.
- 32.2 The rights of the parties to terminate, rescind or agree any variation under this Grant Agreement is not subject to the consent of any person that is not a party to the Grant Agreement save, where required, the consent of the Commission.

33 ALTERNATIVE DISPUTE RESOLUTION

- 33.1 If any dispute or difference arises between the parties pursuant to the Grant Agreement, then the parties shall endeavour within 10 days of service of a written request from either party to meet in a good faith effort to resolve the dispute or difference.
- 33.2 If the dispute or difference is not resolved at such meeting either party may propose to the other by service of written notice that the matter be referred to a non-binding mediation and, if such proposal is accepted, the mediator (if not appointed by agreement between the parties) shall be nominated by the Centre for Dispute Resolution (CEDR).
- 33.3 If the dispute or difference is not resolved by mediation within 60 days of a mediator being appointed or if the parties do not agree to refer the dispute or difference to mediation under this Clause 33 or if the parties elect to withdraw from the mediation, then the dispute may be referred by either party to litigation and Clause 11.2 will apply if appropriate.
- 33.4 The parties shall not be obliged to comply with the terms of this Clause 33 in the event that the dispute or difference concerns the payment of monies by one party to another which payment has not been made and is accordingly overdue under the terms of this Grant Agreement.

34 GOVERNING LAW

This Grant Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with the law of England and Wales and the parties irrevocably submit to the exclusive jurisdiction of the courts in England and Wales.

35 COUNTERPARTS AND DELIVERY

- 35.1 This Grant Agreement may be executed in any number of counterparts, each of which shall be deemed an original and which shall together constitute one and the same document.
- 35.2 If this Grant Agreement is executed in more than one counterpart, it shall be deemed to be delivered and shall have effect when:
 - 35.2.1 each party has signed a counterpart of this Grant Agreement;

35.2.2 each party has handed over such counterpart to the other parties to this Grant Agreement; and

35.2.3 each of the counterparts has been dated.

35.3 If this Grant Agreement is not executed in more than one counterpart, it shall be deemed to be delivered and has effect when each party has signed it and it has been dated.

EXECUTION PAGE

Executed by

**THE SECRETARY OF STATE FOR ENVIRONMENT,
FOOD AND RURAL AFFAIRS**

.....

acting by

Executed by

CANAL & RIVER TRUST

.....

acting by

as a director

and by

.....

as company secretary

Schedule 1: Indexation of Part A Core Grant

1. From the financial year 2015/16, the Part A Core Grant of £39,000,000 will be indexed *ex ante* in three-year cycles according to annual projections of the GDP deflator for the following three financial years.¹
2. For each of the financial years 2015/16 to 2017/18 inclusive (years four to six of this Grant Agreement), the Part A Core Grant will be adjusted, relative to the preceding financial year, at the rate for the financial year in question set out in the most recently published GDP deflator projections available at 31 March 2015.
3. For each of the financial years 2018/19 to 2020/21 inclusive (years seven to nine of this Grant Agreement), the Part A Core Grant will be further adjusted, relative to the preceding financial year, at the rate for the financial year in question set out in the most recently published GDP deflator projections available at 31 March 2018.
4. Subject to paragraph 6 of this Schedule, for each of the financial years 2021/22 to 2023/24 inclusive (years 10 to 12 of this Grant Agreement), the Part A Core Grant will be further adjusted, relative to the preceding financial year, at the rate for the financial year in question set out in the most recently published GDP deflator projections available at 31 March 2021 or 0% where this projection is a negative figure.
5. Subject to paragraph 6 of this Schedule, for each of the financial years 2024/25 to 2026/27 inclusive (years 13 to 15 of this Grant Agreement), the Part A Core Grant will be further adjusted relative to the preceding financial year, at the rate for the financial year in question set out in the most recently published GDP deflator projections as at 31 March 2024 or 0% where this projection is a negative figure.
6. The amount of Part A Core Grant payable in any of the financial years 2022/23 to 2026/27 inclusive (years 11 to 15 of this Grant Agreement) shall in no event exceed the amount of Part A Core Grant calculated in accordance with paragraph 4 of this Schedule for the financial year 2021/22, plus £10,000,000.

¹ Medium-term GDP deflator projections are currently published by the Office for Budget Responsibility, a non-departmental public body established under the Budget Responsibility and National Audit Act 2011.

Schedule 2: Permitted Activities

Major Repairs Intermediate Repairs

Planned Preventative Maintenance Mainline Dredging

River Dredging Spot Dredging

Inspections - Length & Annual Inspections - Principal Inspections - M & E

Grass Surfaces - Linear Grass Surfaces - Area Grass Surfaces - Reservoir Aquatic Weed Management

Vegetation Clearance - Structures Vegetation Clearance - Access Points Vegetation Clearance - Feeders

Offside Vegetation Management Tree Management

Hedge Management Dry Stone Walling

Litter Management - Skips Litter Management - Floating Litter - Special Waste

Pest Control

Water Control

Water resource and other management telemetry (SCADA)

Energy Consumption Towpath Access Points Embankment Access Points Ditch Maintenance

Carcass Removal Security Fencing Stock Proof Fencing Safety Signage

General Information Signage Towpath Management Vehicle Removal

Graffiti Removal Vandalism Damage Repair Pollution Management

Fly Tipping Removal Emergency Response Manned Structures Moorings Maintenance

Long term Moorings Maintenance Cleaning Customer Facilities Cleaning Core Buildings

Technical Support

Geographical Information Systems (GIS)

**Schedule 3: Escalation and Intervention Mechanisms for Failure to Meet
Conditions Precedent to Part B Conditional Grant**

1. In relation to the Relevant Standards, the relevant standards will be set at the Warning Threshold and Breach Threshold set out in Schedule 7 (*Relevant Standards*).
2. If a Warning Threshold is triggered, CRT shall:
 - 2.1 within four weeks of the end of the financial year in which the Warning Threshold is triggered, write to Defra to explain why the relevant Relevant Standard was breached; and
 - 2.2 within eight weeks of the end of the financial year in which the Warning Threshold is triggered, provide a detailed action plan explaining how the Relevant Standard will be met, including a revised business plan where necessary.
3. If a Warning Threshold is triggered and an action plan is provided within the period required by paragraph 2.2 of this Schedule, Defra shall either:
 - 3.1 agree to the action plan, such agreement not to be unreasonably withheld or delayed. In agreeing to the action plan, Defra must take into account any representations which CRT may make about any material increase or acceleration in regulatory burdens which CRT can demonstrate has had an impact on its capacity to meet the Relevant Standards. Should Defra agree to the action plan, CRT shall provide progress reports against the action plan, at such frequency as is determined in the action plan; or
 - 3.2 not agree to the action plan, in which case the Chair of Trustees will be required to attend a meeting with the Secretary of State, to agree a revised action plan to meet the Relevant Standards within set timescales. CRT shall provide weekly progress reports against the revised action plan at such frequency as determined in the revised action plan.
4. If a Breach Threshold is triggered, Defra may exercise the rights set out in paragraph 5 of this Schedule. Notwithstanding the foregoing, the parties shall convene a meeting of the Chair of Trustees and the Secretary of State to review the reasons that the Breach Threshold has been passed and, if an action plan had been supplied in previous years, why the action plan has failed. For the avoidance of doubt, the power of Defra to exercise the rights set out in paragraph 5 of this Schedule are without prejudice to the other provisions of this paragraph and any ongoing process that may have commenced as a result of an earlier Warning Threshold having been triggered.
5. Defra may withhold the Part B Conditional Grant, in whole or in part, in the financial year in which it becomes aware that any of the events listed below has occurred. In doing so, Defra shall have regard to its strategic objectives regarding the Grant, as set out in the MOU. The specified events are:
 - 5.1 a Breach Threshold is triggered;
 - 5.2 the action plan required pursuant to paragraph 2.2 of this Schedule is not provided within the specified timescale;

- 5.3 the action plan required pursuant to paragraph 2.2 of this Schedule is provided within the specified timescale but is inadequate for the purpose of returning the applicable Relevant Standard below the Warning Threshold within a reasonable timescale; or
- 5.4 the action plan required pursuant to paragraph 2.2 or 3.2 of this Schedule is not implemented within the timescale agreed therein.

Schedule 4: Escalation and Intervention Mechanisms – in relation to breach of Contractual Terms (including any Event of Default)

1. Defra shall write to CRT requesting it to remedy the breaches identified. CRT shall respond in writing within a reasonable timeframe required by Defra, setting out the steps to be taken.
2. In the event that the breaches are not resolved satisfactorily within the specified timeframe, the matter will be escalated to the Chair of Trustees and the Secretary of State. The Secretary of State and the Chair of Trustees will agree an action plan within a timeframe specified by the Secretary of State to remedy the breaches. Implementation of the action plan will be monitored by the Trustees, Defra and advisors to Defra.
3. In the event that there is insufficient progress; and/or ongoing concerns after the agreed period specified by the Secretary of State; and/or if the Secretary of State is not satisfied that the action plan will remedy the failures identified, the Secretary of State may exercise the remedies set out in Clause 11.2 of this Grant Agreement.
4. For the avoidance of doubt, Defra may suspend payment of the Grant while the procedure in this Schedule is followed. Suspended payments of Grant will be made to CRT in the event that the action plan referred to at paragraph 2 of this Schedule is implemented to the satisfaction of Defra.

Schedule 5: Publication Data

1. The NSS.
 2. Data relating to safety:
 - 2.1 the number of reported incidents involving customers relating to infrastructure failure;
 - 2.2 the number of reported incidents involving employees; and
 - 2.3 the actual outcome (expressed as a headline percentage figure) of the applicable measurement for the Safe Waterways Relevant Standard.
 3. Data relating to towpaths:
 - 3.1 the number of towpath visitors (based on annual survey data);
 - 3.2 the number and duration of unplanned closures; and
 - 3.3 the actual outcome (expressed as a headline percentage figure) of the applicable measurement for the Towpath Condition Relevant Standard.
 4. Data relating to flood management:
 - 4.1 the actual outcome (expressed as a headline percentage figure) of the applicable measurement for the Flood Management Relevant Standard.
 5. Data on Sites of Special Scientific Interest ("**SSSIs**"):ol style="list-style-type: none;"> - 5.1 based on published data, the percentage area of SSSIs under CRT management in good or recovering condition.
6. Data on heritage:
 - 6.1 a percentage of heritage assets assessed on completion of work as good or adequate, with double weighting given to good assessments.
7. Data on volunteer participation:
 - 7.1 the number of volunteer days contributed to CRT.
8. Data on housing forecast figures.

Schedule 6: Interim Financial Information

- 1 Accounts showing surpluses and deficits in all income and expenditure in relevant SORP format.
- 2 Accounts showing expenditure, reasonably aggregated, on the Activities.
- 3 A description and quantification of efficiencies when conducting the Activities.
- 4 Balance sheet showing total assets and outline details of any transactions over £20,000,000.
- 5 Where applicable, latest actual and forecast position on the information required to be published as Publication Data.
- 6 Updates on achievement of the Relevant Standards.
- 7 Updates on principal CRT risks.
- 8 Any changes to membership of the Governing Body or any changes or planned changes to the governance structure of CRT.
- 9 Any current or anticipated issues of significant importance of which Defra might reasonably wish to be advised (such as, by way of example only, issues that might be raised in Parliament or with Ministers or which might attract national media attention).

Schedule 7: Relevant Standards

Relevant Standard	Applicable Measurement	Warning Threshold	Breach Threshold
Safe Waterways	CRT shall have an asset management system that is in accordance with PAS- 55. Percentage of assets in Class D and Class E shall not rise to or above the relevant thresholds.	23% in Classes D & E	25% in Classes D & E
Towpath Condition	Percentage of towpath at condition A, B or C shall not fall to or below the relevant thresholds.	60% in conditions A-C	50% in conditions A-C
Flood Management	Percentage of principal culverts and embankments in Class D and Class E, breach of which would cause more than £2,000,000 in damage, shall not rise to or above the relevant thresholds.	4% in Classes D & E	7% in Classes D & E

Schedule 8: Not used

Schedule 9: Not used

Schedule 10: Part A Core Grant 2012/13 Payment Profile

Receiving Entity	Payment Date	Amount / £
British Waterways Board	1 May 2012	3,250,000
British Waterways Board	1 June 2012	3,250,000
British Waterways Board	End June 2012	3,250,000
CRT	2 July 2012	9,750,000
CRT	1 October 2012	9,750,000
CRT	1 January 2013	9,750,000
Total		39,000,000

Schedule 11: Grant Recipient's Bank Details

1. GRANT RECIPIENT DETAILS

Grant Recipient: Canal & River Trust	Address of Grant Recipient: National Waterways Museum Ellesmere Port South Pier Road Ellesmere Port Cheshire CH65 4FW	Contact Number: N/A
		Organisation Email: N/A
	Payment Address if different:	Remittance Email: <u>Trustcash@canalrivertrust.org.uk</u>
		Number of Employees: 1,788
VAT Registration: 125 5119 37	Duns Number: 217499530	Supplier Classification: (Charity, NGO, etc.) Charity

2. BANK DETAILS


Bank/Building Society Name: Natwest		Branch Name and Address: City of London Office 1 Princes Street, London, EC2R 8PB	
Account Name: Canal & River Trust		Account Type: Business Current	
Bank Sort Code: 60-00-01	Account Number: 49034111	Building Society Roll:	


3. AUTHORISED SIGNATORIES


The Signatories below are authorised to sign claim forms on behalf of the Grant Recipient. These signatures are binding in respect of the Grant Agreement.


Name: Steve Dainty
Position: Finance Director

Name: Tom Deards
Position: Legal and Governance Director


Signature: 
Date: 18 th March 2022


Signature: 
Date: 15 March 2022

Name: Matt Cross
Position: Group Finance Controller
Signature: 
Date: 15 March 2022


Name: Maisie Hilton
Position: Corporate Accountant
Signature: 
Date: 17 June 2022

4. PERSONS AUTHORISED TO ACCEPT THE GRANT FUNDING AGREEMENT

Name: Steve Dainty
Position: Finance Director
Signature: 
Date: 18 th March 2022

Name: Tom Deards
Position: Legal and Governance Director
Signature: 
Date: 15 March 2022

Name: Matt Cross
Position: Group Finance Controller
Signature: 
Date: 15 March 2022

Name: Maisie Hilton
Position: Corporate Accountant
Signature: 
Date: 17 June 2022

Defra issue Grant Funding Agreements electronically. Electronic acceptance is required through Defra's e-application portal. Recipients must ensure their registration on the platform is correct and up to date.

The Recipient must notify the Authority immediately of any changes to Bank Details or Authorisations.

Schedule 12: Confirmation statement by CRT Finance Director. To be issued annually

I am writing to confirm that grant expenditure for the [insert relevant financial year] was used on eligible expenditure as defined in Clause 8 of the Grant Agreement.

I further confirm that any works or activities funded by the Grant has not been fully funded from other sources.

Name of organisation: Canal and River Trust

Organisation address: National Waterways Museum Ellesmere Port, South Pier Road, Ellesmere Port, Cheshire, England, CH65 4FW

Approved project title: Canal & River Trust Grant

Variations:

CCN 2	July 2022	Change of C&RT signatory
CCN 1	March 2022	Grant calculation formula to address negative ONS deflator, transfer to electronic system including revised Bravo reference, bank account details and electronic signatures
Pre CCN change	12 Dec 2013	Definition of investment assets

The total grant amount of £52,622,993.65 (fifty two million, six hundred and twenty two thousand, nine hundred and ninety three pounds and sixty five pence) was exclusively used for the purpose set out in the agreement between the Canal and River Trust and the Department for Environment, Food and Rural Affairs, dated 28 June 2012 and amended by variations as above (the "**Grant Agreement**").

Signature:

Name:

Date:

Position:

Verified by Organisation's Chief Financial Officer: