

Appendix 2

Grants to External Organisations Policy

1. Introduction

- 1.1 Cambridgeshire County Council offers multiple grants to external organisations every year. These grants vary in size and scope, but all represent an investment in the community. All grants should be in line with the Council's core objectives and aim to improve the lives of Cambridgeshire citizens and communities.
- 1.2 Different grants will have different levels of risk attached, depending on their financial value and other considerations, such as the nature and profile of the services or organisations being funded. This policy is intended to support an approach to the award and monitoring of grant funding which is proportionate to the level of associated risk. As a general rule, any award under £2,000¹ can be considered a small grant, for which a light-touch approach is usually appropriate. Awards over £50,000 are large grants, requiring a detailed, formal approach.
- 1.3 Cambridgeshire County Council is a member of the Cambridgeshire Compact, an agreement between local public sector organisations and community and voluntary sector groups. In applying this policy, officers should have regard to the requirements and principles of the Compact. Further information can be obtained from the Strengthening Communities team.

2. Scope

- 2.1 This policy establishes the key considerations which must be complied with by all Council officers when issuing grant funding, to ensure that Council grants achieve their intended outcomes and secure value for money. A number of stages in relation to grant funding are covered, including the initial process of grant allocation and processes to review grant spending, both during and at the conclusion of grants. This policy is applicable to all grant funding to external organisations.
- 2.2 If there is an urgent and pressing need for a grant to be awarded without complying with the actions laid out in this policy (for example, in the case of a service failure), the Council's standard procurement exemptions process will apply and an exemption must be sought through the procurement portal. Advice should be sought from your Procurement representative.

3. Initial considerations

- 3.1 Firstly, establish the purpose of the grant funding, what the outcomes of the grant funding should be, and how the Council will achieve value for money from the grant award. At this stage, it is helpful to conduct a 'needs assessment', by identifying the gaps between current

¹ Values given in this policy should be taken as the 'total value' of the grant at award. If a grant is awarded for a single year, this will equate to the annual value. If a grant is awarded to be paid over a longer time period, the total value of the award across the full time period should be used.

conditions and desired future conditions. These ‘needs’ then represent the areas that the Council is aiming to address through grant funding. A competitive bidding process for the funding will also assist in demonstrating that value for money has been achieved. If a competitive bidding process is not undertaken, a thorough needs assessment is required to demonstrate how value for money is being achieved through the grant funding. This should be refreshed annually.

- 3.2 Establish whether the activity/service/project should constitute a grant, or if it should be treated as a contract. Discuss and agree this with Procurement prior to advertising or commissioning. When assessing whether the activity constitutes a contract or a grant, consider the following key points:
- A grant is paid to a recipient for work that the funding organisation wishes to sponsor, but for which it doesn’t receive direct benefit.
 - A contract is a mutual bargain where both parties have reciprocal obligations; one party is obliged to pay, and the other is obliged to deliver the goods/services/outcomes agreed.
 - A grant is a form of donation, and as such is freely given by the funding organisation, with the timing, amount and frequency at their discretion. A funding organisation can specify how they wish their donation to be used and that it must be repaid if not used for the correct purpose.

If there is doubt about whether the activity or project constitutes a grant, further advice can be sought from Procurement or Legal services.

- 3.3 Confirm whether the grant is subject to the Council’s Contract Procedure Rules. These rules apply where “the grant is the form of payment for a contract for services where the Council specifies the output or outcomes to be delivered”.² If the grant is subject to Contract Procedure Rules, obtain further advice from Procurement.
- 3.4 As with traditional contracts with suppliers, the awarding of grants represents a commitment from the Council to a third party which must be recognised, understood and transparent to the Council. Hence grants with a value equal to or exceeding £5,000 must be recorded on the Corporate Contract Register with notes explaining the arrangement.

For guidance on how to access and use the register please go to the [Contract Register folder](#) on the Procurement intranet pages. This also contains a Contract Register User Guide.

- 3.5 Investigate whether there are any other related grants/projects that could be amalgamated with the grant/project in order to reduce costs.
- 3.6 Ensure that the use of the grant is in line with the Council’s objectives.
- 3.7 Establish what the approval process will be for the grant funding. This should be in line with the usual delegated approval levels for all expenditure, as outlined in the Council’s Constitution and Financial Regulations.

² Cambridgeshire County Council Financial Regulations, 3.1.1

4. State Aid

- 4.1 It is crucial to establish any potential State Aid implications of your grant as early as possible in the process. Any instance where public money is used to provide assistance to one or more organisations, in a way which may give them an advantage over other organisations, has the potential to be subject to EU regulations regarding State Aid. This is likely to include awards of grant funding.
- 4.2 State Aid rules apply to funding awarded to any organisation, even registered charities.
- 4.3 Where grant funding is awarded through an open, competitive process, such funding does not constitute State Aid and this may be the most straightforward way to ensure that grants comply with State Aid requirements.
- 4.4 If a competitive process is not undertaken, the Council may be able to award funding under de minimis levels set out within the legislation; this is a complex legal area and advice should always be taken from Legal on State Aid issues prior to issuing any grant funding. The award of funding under de minimis powers should be reflected clearly in the grant agreement (see section 5, below).

5. Grant Agreements

- 5.1 Every individual grant awarded by Cambridgeshire County Council must be awarded under a grant agreement which sets out the terms and conditions of the funding. A copy of the grant agreement should be signed by the recipient and the Council's representative, and retained on file.
- 5.2 Specific terms and conditions will vary depending on the grant, but there are some general requirements and exclusions that apply to all grants:
- a) Requirements of Recipient Organisations:
- Grant aid will only be considered for Cambridgeshire based projects and / or the activities must be wholly or principally for the benefit of Cambridgeshire residents.
 - Applications for party political or religious purposes will not be normally considered.
 - The recipient organisation must have a democratic governance structure and a bank account, and must be able to demonstrate that it can manage its affairs effectively.
 - The recipient must be able to demonstrate that its policies and procedures comply with the Council's Equal Opportunities Policy.
 - The recipient must comply with all relevant laws and regulations.
 - The recipient must maintain appropriate insurance cover (for instance, public liability insurance, employer's liability insurance etc.).
- b) Use of Funding:
- The purpose of the grant and what constitutes eligible expenditure must be clearly set out. The grant must only be spent for the approved purpose.

- Other appropriate requirements for monitoring and reporting on the grant should be included (see section 8, below). The Council must have a right of audit access to all relevant information held by the recipient organisation.
- Where grant funding is not used for the approved purpose and in line with grant terms and conditions, or where the grant agreement is not complied with, the recipient will be liable to repay some or all funding received to date, at the discretion of the Council.

c) Financial Requirements:

- The recipient must treat the grant as a restricted fund in its accounts and maintain separate accounting records of how the money has been spent. These records and the relevant receipts must be retained and made available to inspection by the Council on request.
- Grants cannot be used to replace money already spent, or to cover items or services already bought.
- Grant monies will only be paid via bank transfer and will not be paid to a personal bank account.
- The Council must be able to verify that grant funding is not used to subsidise commercial activities, and that funding is not duplicated (for instance, if the County and District Councils both agreed to fund 60% of a service, there would be a duplication of funding). The grant agreement should therefore include a commitment from the recipient not to cross-subsidise or duplicate funding, and to make the Council aware of all other funding received. It should also include provision for the Council to monitor this, for instance through receipt of regular reporting.
- If any element of funding is awarded as a loan from the Council, a separate loan agreement may be required, and advice on this should be taken from Legal. Interest must be charged on all loans, and repayments must be monitored by the awarding service.

5.3 For grants over £50,000, legal advice must be taken on the wording of the grant agreement prior to its issue. For grants below this amount, officers should consider whether legal advice is needed or whether the use of standard terms and conditions is sufficient.

5.4 In developing grant agreements, Council officers should also consider what other provisions may be appropriate to ensure that the Council has assurance that funding will be spent appropriately and is able to monitor grant usage. For instance, it may be appropriate to set key performance indicators for the grant and require these to be reported, or to require the recipient to maintain certain policies (for instance, a Business Continuity Plan, Equality Policy and/or Safeguarding Policy) or insurance, or to require the recipient's staff or volunteers to have undertaken relevant training or DBS checks etc.

- 5.5 Unless there is a compelling reason to pay the full value of the grant up-front, grant payments should be phased in line with grant monitoring periods (see section 8, below) and ideally the final payment should not be made until after the final activity report is received.
- 5.6 Where State Aid regulations are a consideration (i.e. the grant is not being awarded competitively), the grant agreement will need to reflect this. For instance, if the funding is being awarded under de minimis allowances, this should be reflected in the grant agreement and provisions inserted to enable the Council to monitor all other public sector funding received by the recipient organisation, to ensure the three-year rolling de minimis funding limit is not breached. Legal advice should be taken on the precise wording of grant agreements in such cases.

6. Advertising and applications

- 6.1 Where possible, all grants must be advertised on the Council's website to provide all groups with an opportunity to bid. It is also recommended to contact the following organisations which work with the voluntary sector in Cambridgeshire, and provide them with a link to the advert: CCVS (<http://www.cambridgecvs.org.uk/>) and Hunts Forum (<http://www.huntsforum.org.uk/>).
- 6.2 Advertising material should include:
- The purpose of the grant;
 - The kind of projects that grant money should be used for;
 - Who can apply for grant monies;
 - A copy of the grant agreement (and terms and conditions, if separate);
 - How to apply;
 - How much can be applied for; and
 - How the bids will be assessed.
- 6.2 When advertising grants, officers should also consider the information that bidders should be required to provide in order for the Council to make an informed assessment of bids. This should be proportionate to the amount of funding which will be awarded, and is likely to include:
- Where an organisation has been operating for more than a year, a copy of audited accounts or a financial statement for the previous year must accompany applications.
 - Where capital funding is applied for, at least three quotations must be provided to demonstrate value for money.
 - Information on the organisation's governance structure and decision-making processes; for instance, a copy of its Constitution.
 - A budget and business plan for the services to be provided.
 - Any policies with particular relevance, such as an Equality Policy, Safeguarding Policy etc.
 - Requirement for bidders to identify the key milestones and/or outcomes that will be delivered, to enable the Council to monitor these.

7. Due Diligence

The following steps should be considered/undertaken prior to awarding grant monies to an organisation. The level of due diligence required should be proportionate to the scale of the grant awarded. For grant awards over £50,000, the following steps must be undertaken in full; for grants below this level, officers should conduct due diligence to ensure they have met the principles outlined below and obtain assurance that the organisation receiving the grant is of good standing:

- 7.1 Obtain references or undertake a vetting process for an organisation the Council has not had prior dealings with. Consider undertaking an online credit rating check.
- 7.2 Grants should not be awarded to organisations who have a poor track record of delivery or if there are any concerns regarding the legitimacy of the organisation. Consider the make-up of the organisation such as its governance structures and any charitable registration; its history of delivering services to the community and any previous history of working with the Council; any financial information that can be reviewed (such as statements of accounts); any history of negative publicity and whether Council officers or Member have raised any concerns about the organisation.
- 7.3 Consider whether to undertake a detailed review of the organisation's key policies, particularly where poor policy design or policy failure may represent a risk to the Council as funding organisation; for instance safeguarding policies, equal opportunities policies, and business continuity arrangements may be especially relevant.

8. Grant Assessment and Award

- 8.1 Grants must be assessed fairly, and decisions to award grants should be free from political pressures. Grants should be assessed in line with an evaluation framework set prior to the grant advertisement.
- 8.2 Officers should establish the level of approval required to finalise the grant award; this will vary depending on the value of the grant. If Committee approval is required, this will need to be built into the expected timescales.
- 8.3 Assess whether the bid/project plan/proposals is in line with the Council's objectives, and whether it is a cost-effective way of achieving the desired outcomes.
- 8.4 Assess the bid to ensure there is evidence that the applicant has sought to achieve value for money. For example, have multiple quotes for equipment and services been obtained and evidenced in the organisation's bid for grant funding.
- 8.5 Ensure that there are clear, written terms and conditions in place for each grant. Before grant monies are paid, the recipient must sign the grant agreement.
- 8.6 The number of grants awarded to an organisation should be limited on the basis of risk. Check that multiple grants have not already been allocated to one organisation; your Finance representative should be able to assist in identifying any other grants they have

received. If one organisation has received multiple grants, review their need for another grant, and any impact the award may have on State Aid requirements.

9. Monitoring and Review of Grant Usage

- 9.1 In principle, monitoring must be undertaken for all grants awarded. For very small grants (below £2,000) it is likely to be appropriate for such monitoring to consist of receiving and reviewing a final report from the grant recipient regarding how the funds were spent.
- 9.2 For other grants, an appropriate level of monitoring should be undertaken to ensure that:
- Grant funding is being used for the specified purposes and in compliance with the grant agreement;
 - That (where relevant) milestones are achieved; and
 - That desired outcomes are being achieved.
- 9.3 A written grant monitoring framework (or similar) should be developed, which sets out the monitoring activities which will be undertaken by the Council to verify that grant usage is appropriate. These should be based upon the key requirements within the grant agreement. For instance, this may include reviewing reporting provided by the recipient; checking to ensure that state aid rules have not been breached; verifying that the correct policy documents are in place; or verifying that staff have received required training. Maintaining a written grant monitoring framework is a requirement for grant awards in excess of £50,000 and is strongly recommended for all grants.
- 9.4 Where it is identified that the grant agreement has not been complied with or where outcomes are not being achieved, a range of remedial actions are available. Dependent on the seriousness of the issues, officers may consider:
- Holding remedial discussions with the organisation;
 - Suspending or ceasing funding payments;
 - Requiring repayment of funding.
- 9.5 If additional funding is requested, this must be treated as a new grant application. Grants must not be increased in the event of an overspend by the recipient. Grants must not be increased to replace withdrawn sources of funding or to expand services, unless this has been formally agreed through proper processes.
- 9.6 At the end of the grant term, a review should be undertaken to assess whether the funding provided value for money. The results of this review should inform further grant funding activity within the service.