

**HMRC**

**Funding for the third sector**

**Grant in aid agreement**

## **Grant in aid agreement**

### **Introduction**

HM Revenue & Customs (HMRC) is committed to building its funding relationship with third sector organisations (TSOs) – from voluntary and community organisations, through to social enterprises, mutuals and co-operatives so that they may play an increased role in public service delivery, in particular socially inclusive services to those who do not engage directly with HMRC. In order to support TSO activity, HMRC invited bids for funds.

Upon the granting of funds, TSOs enter into a legal agreement with HMRC which renders them subject to obligations under Trust Law. As mutual signatories to this Agreement, both parties become bound by its terms and conditions.

In its commitment to building an effective partnership with the third sector, HMRC is dedicated to streamlining and rationalising its monitoring, regulatory and reporting requirements. This Agreement specifies the process by which this has been achieved and is based on The Government Guidance to Funders and Purchasers.

### **The Bidding Process**

For the year commencing April 2009, HMRC invited TSOs to submit Pre-Bids. In order to simplify the bidding process and ensure propriety, we specified that these Pre-Bids should be submitted in the form of a standard application form which is found on the HMRC website: [www.hmrc.gov.uk/vcs/](http://www.hmrc.gov.uk/vcs/) The website also contains Guidance, including target objectives, to which reference could be made when preparing Pre-Bids.

The Pre-Bid process, in the interest of value for money, invited applications for longer term funding which may extend from an annual to a two or three year term. Such an invitation however held no guarantee that multi-year funding would be granted.

When submitting Pre-Bids, TSOs were invited to ensure that their applications incorporate full overhead costs– failure to do so would disadvantage applications.

On receipt of Pre-Bids, HMRC :

- Scored and prioritised applications
- Invited successful applicants to bid for funds in the form of a standard questionnaire
- Will allocate funds on acceptance, by authorised signatories, of the terms and conditions of this Agreement by which TSOs also become obligated to fulfil their commitments as set out in the Pre-bid application and questionnaire.

## **Fund Allocation**

HMRC funding is provided on a Grant-in-Aid basis which aims to fund activity that is in broad alignment with HMRC strategic aims, outcomes and priorities. The relationship between HMRC and third sector partners is not one of service provision and thus VAT does not apply. However, where third sector partners themselves incur VAT in the execution of activities and such VAT is non-reclaimable, it may be included in the bid submission and be reimbursed by HMRC.

Third sector partners are committed to spending funds as specified in the Pre-bid application, questionnaire and Expenditure Profile. However, should legitimate reasons arise whereby the expenditure profile requires modification, partners must secure the agreement of HMRC. On completion of projects any surplus Grant-in-Aid is repayable to HMRC.

Funds may be allocated wholly in advance, on an interim basis either in advance or in arrears. Payment is made by HMRC on the submission of invoices by third sector partners. Where a sound financial case is made for payment in advance HMRC will, where it considers it to be both appropriate and necessary, allocate funds on such a basis. Financial arrangements will be agreed by HMRC on completion of the bidding process.

In order to facilitate effective monitoring and control, third sector partners must submit invoices in a form that reflects the actual costs for each item shown in the Expenditure Profile attached to the questionnaire. Should costs differ from those shown in the Expenditure Profile then an explanation must accompany the invoice.

Requests for payments in advance must be submitted by third sector organisations in a similar form to an invoice, reflecting anticipated costs for each item. However, a subsequent invoice is required setting out the costs that are actually incurred.

## **Monitoring and Reporting**

In developing a partnership ethos with the third sector, HMRC accepts that both parties share risk in pursuing desired objectives. However, HMRC is obliged to comply with public accountability best practice and third sector organisations must:

- Ensure that funds are spent as set out in the questionnaire and in a fit and proper manner
- Operate requisite financial controls both to manage expenditure and safeguard funds against fraud, theft and illegal disposal
- Inform HMRC immediately in the event of experiencing financial difficulties in order to minimise risk to the taxpayer

For its part, HMRC:

- May request substantive information of third sector organisations – such as published accounts – in order to establish bona-fide qualifying organisation status
- Will undertake sample audits across third sector partners in order to ensure effective expenditure of public funds
- Reserves the right to terminate, reduce or recover funding at any time should there be a breach of the terms and conditions of this Agreement and the associated questionnaire, or should performance or conduct on the part of a third sector partner prove unsatisfactory
- Will require third sector partners to report, in a proportionate manner, on the success of their initiatives in terms of the outputs and outcomes contained in the Questionnaire
- Whilst streamlining its administrative procedures aim to build interactive relationships with third sector partners. HMRC will appoint an Account Manager who will work with the partner during the project.

## **Disputes**

Complaints relating to this Agreement are subject to the HMRC complaints-handling procedures as set out in the Code of Practice 1 – *Putting Things Right* – which is available at local tax offices or at [www.hmrc.gov.uk/leaflets/c12.htm](http://www.hmrc.gov.uk/leaflets/c12.htm). Disputes, insofar as they relate to the *Compact on Relations between the Government and the Voluntary Sector*, may be resolved through the Compact Mediation Scheme, details of which may be found at [www.cedr-solve.com/compact](http://www.cedr-solve.com/compact).

## **Information**

Further information on HMRC's interaction with the third sector is available at [www.hmrc.gov.uk/vcs/](http://www.hmrc.gov.uk/vcs/) ,

**Grant**

HMRC agrees to pay £ in Grant-in -Aid to

Payment will be made in the following manner

- Wholly in advance of expenditure on the following date
  
- On an interim basis in advance on the following dates

(Payments in advance must be substantiated by subsequent invoices showing costs actually incurred for each item in the Expenditure Profile. Where expenditure in any payment period is less than the advance payment, the invoice for the subsequent period should show a credit for the underspend.)

- On an interim basis in arrears at the prescribed intervals as follows:

(Such payment to be substantiated by invoices showing costs incurred for each item shown in the Expenditure Profile)

The person signing this document on behalf of the third sector organisation hereby confirms that he or she has the necessary authority to commit the organisation to comply with the terms and conditions of this agreement, including repayment of any surplus Grant –in- Aid or any Grant –in-Aid that has not been spent in accordance with the questionnaire.

Signed:        HMRC        .....        Date .....

Signed:        .....        Date .....