HMRC - VATSC51990 - Grants: Groundwork Cheshire

Court Reference: [2012] UKFTT 750 (TC)

Groundwork trusts were set up as a result of government policy towards promoting urban and post-industrial renewal. More information is in

Groundwork Cheshire was a non-profit making groundwork trust providing health and safety management and environmental consultancy to businesses to help them improve environmental and energy efficiency.

It received funding through the Enworks programme, which was in turn funded by the North West Regional Development Agency and the European Regional Development Fund. This payment was made in relation to a service level agreement and was subject to a ‘maximum grant’. This meant clients were not required to pay Groundwork Cheshire for their services.

Groundwork Cheshire contended the payments received from Enworks were a subsidy for the work done by them on behalf of clients because the subsidy was directly linked to the price of the supply, it was not a fixed sum and if the services were not delivered to specific businesses then Enworks would not make any payment.

In deciding the payment was consideration, due to the existence of a direct link between it and the services provided, the relevant factors were:

The payment enabled the service to be provided free of charge. Therefore the payments from Enworks to Groundwork do affect the price charged by Groundwork to its clients; ‘as Wallons makes clear, subsidies will nearly always affect the cost price of goods or services supplied by a subsidised body’

the payments made by Enworks to Groundwork are made specifically for Groundwork to provide particular services to its clients within the Enworks programme. The fact that Enworks does not know at the time the service is provided the identity of the client or the specific service within the Enworks programme which is being provided is not relevant

the fact that not all overheads are allocated by Groundwork to particular businesses is not relevant because it simply indicates that the price of the services to those businesses has not been fully ascertained (but there is no reason in principle why the overheads incurred each month could not be allocated)

each activity carried out by Groundwork gives rise to a specific and identifiable payment. Work done for a client pursuant to the Enworks programme can be traced directly to a monthly payment made by Enworks. The more work done for clients, the greater that payment will be. The relationship between the work done and the payment made is clearly identifiable - the grant is by reference to a maximum amount of funding and the funding is calculated each month by reference to specific services provided to specific businesses

The relationship between the payment from Enworks and the provision of a free service to clients is significant. The payment is not made globally to cover the whole of Groundwork’s running costs

‘No price is payable by clients to Groundwork. It is therefore artificial to consider whether the price is fixed in such a way that it diminishes in proportion to the payment made by Enworks, or that the subsidy constitutes an element of the price charged to clients. Looked at overall the price that would be payable by clients is clearly related to the payment made by Enworks. It is that payment which enables Groundwork to provide a free service. For the same reason the payment made by Enworks can be said to constitute an element of the price that would be charged by Groundwork to its clients’

Groundwork records the time spent by each member of staff with each client and any disbursements. Members of staff are required to complete project-coded time sheets

Groundwork also records outputs and outcomes achieved through delivery of the service. Outputs and outcomes include for example the number of businesses assisted to improve performance, jobs created, sales increased and CO2 reductions. The causal link between funding and outputs/outcomes is documented.

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