

The Buckinghamshire Compact

Code of Practice on Funding & Procurement

BSP





BENEFITS OF THE CODE OF PRACTICE ON FUNDING AND PROCUREMENT

For the Voluntary and Community Sector (VCS):

- Partners will build strong relationships based on mutual respect and understanding
- Recognition of the value of the VCS
- Open arrangements for agreeing and evaluating objectives
- Consultation on changes to funding positions
- Open and transparent arrangements for the allocation of resources
- Consultation to ensure the development of a Code of Practice that is relevant to the VCS
- Enabling Voluntary organisations to grow and develop and become more effective in the long-term
- A co-ordinated countywide approach to the funding of the VCS

For the Statutory Sector:

- Partners will build strong relationships based on mutual respect and understanding
- Effective partnerships to deliver high quality, reliable public services and improve services in local communities
- Help in policy development, planning and delivery
- Partners will develop recognised standards that are appropriate to the role and resources of the organisation
- Strengthening the VCS and its ability to deliver in the long term
- A co-ordinated countywide approach to the funding of the VCS, whilst at the same time preserving the individual decision-making rights of each funder.

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BACKGROUND INFORMATION

In November 1998, the Government published the 'Compact on Relations between Government and the VCS' to provide a framework for the relationship between the statutory sector and the VCS. Following the publication of the National Compact, 5 Compact Codes of Good Practice were published - on black and minority ethnic groups, community groups, consultation & policy appraisal, funding and volunteering. The aim of these Codes is to provide further information on the rights and responsibilities which government and the VCS should reflect in their relationships to make them work.

The publication of the National Compact and Codes of Good Practice was a starting point for local Compacts and Codes of Practice to be produced and adopted. As a result of this the statutory sector (Buckinghamshire County Council, District Councils, Primary Care Trusts and Thames Valley Police) and the VCS in Buckinghamshire started work on a local Compact and local Codes of Good Practice for Buckinghamshire.

The Bucks Compact was published in May 2004 and sets out a framework for the future working relationship between local public bodies and the VCS in Buckinghamshire. It included a commitment by the partners to work together to develop local Codes of Good Practice. The Code of Practice on Funding the VCS is the first of these codes to be produced. This Code of Practice sets out a framework for the proposed future funding relationship between the statutory sector and VCS in Buckinghamshire.

Further Information:

- The Home Office Active Community Unit (ACU) has responsibility for the development and implementation of the National Compact. Further information on the ACU can be found on the Home Office website - www.homeoffice.gov.uk or by calling 020 7035 4413.
- Copies of the National Compact and Codes of Practice, including the National Code of Good Practice on Funding and Procurement can be downloaded from the national Compact website - www.thecompact.org.uk or by contacting a member of the Compact Working Group on 020 7520 2561.
- A copy of the Bucks Compact can be downloaded from the Bucks Compact website - www.bucksinfo.net/compact or by contacting your Compact Steering Group representative (see Appendix C).

INTRODUCTION

Many voluntary and community organisations enter into a financial relationship with the statutory sector to deliver outcomes on its behalf, either through grant funding or by supplying services purchased through procurement. This Code seeks to improve funding and procurement relationships, to the mutual advantage of the funder and funded, by setting a framework for the financial relationship; and setting out undertakings for both sides, based on what each can expect from the other. The Code covers **how** services and projects should be designed and delivered to achieve the best possible outcome. It does not cover **what** is funded or **who** should be funded. The Code complies with the principles in the National Code of Good Practice on Funding and Procurement.

It is important to recognise that grant funding and procurement operate in different ways. For the purpose of this Code, a grant is defined as the giving of money or benefits on a discretionary basis. Procurement is defined as the acquisition of goods and services from third party suppliers under legally binding contractual terms. Such acquisitions are for the direct benefit of the contracting authority and are necessary for the delivery of the services it provides.

The following principles underpin the commitments in the Code:

- **Focus on outcomes** – the achievement of outcomes is used as a key indicator of the success of projects or services as a direct result of funding.
- **Simplicity and proportionality** – processes should be as simple as possible and in proportion to the amount of money involved and the perceived risk.
- **Consistency and co-ordination** – statutory authorities are committed to seeking to join-up and/or standardise funding arrangements as far as possible to minimise the burdens on organisations and ensure a focus on delivery.
- **Timeliness** – allowing time for planning, decision-making and action so they have real effect.
- **Transparency and accountability** – allowing informed decisions about spending priorities to be made.
- **Discussion and dialogue** – this helps build trust and can identify and overcome problems before they impact on the delivery of outcomes.
- **Empathy** – understanding each other's needs and requirements should help avoid problems and help achieve outcomes.

PROJECT AND SERVICE DESIGN

Public service developments increasingly call for effective voluntary and community sector participation. Where voluntary and community organisations are expected to play a role, they need to be involved in helping to develop services and projects as early as possible in the design stage. This will result in services which are well defined, deliverable and meet the needs of the end users. It will also allow voluntary and community organisations to grow and develop and subsequently improve their ability to deliver in the long term.

The voluntary and community sector will:

- Respect confidentiality;
- Contribute constructively to the design of services and focus their contribution on the needs of end users;
- Be clear about whom they represent and how they came to their views.

The statutory sector will:

- Respect confidentiality;
- Provide an opportunity for the voluntary and community sector to contribute to the design of services and projects wherever appropriate, by inviting potential providers to discussions as early as possible;
- Recognise that contributing to the design process for voluntary and community organisations takes time and resources;
- Be open about its needs and targets and the driving force behind them.

The voluntary and community sector and statutory sector will work together to identify:

- Risks to delivery of services and projects;
- How risks can be passed to the statutory authority or voluntary and community organisation best able to deal with them;
- Identify barriers to delivery (for example, slower development of delivery in the early part of the service/project);
- The optimum size of grants or contracts – ensuring that sizes are appropriate to help secure a diverse supply base and to encourage organizations of all sizes to compete;
- Which aspects of the service would most benefit from voluntary and community sector involvement;
- How the outcomes of the service/project can best be sustained and contribute to long-term capability of voluntary and community organisations.

APPLICATION AND TENDER PROCESS

This section covers the process of inviting, applying for and assessing grant applications and tender bids and giving notice of decisions. A well managed application and tender process means that those organisations best able to deliver will apply. Well-managed processes mean that resources are focused on delivering outcomes rather than on the application or tender process itself. If organisations have enough time to apply, they will be able to make a well-informed and considered application or tender. The statutory sector will be able to select the organisation best able to achieve the intended outcomes.

The voluntary and community sector will:

- Ensure that they understand the timescales and decision making process;
- When applying, ensure that they are eligible; that their suggested work meets the aims of the funding programme; and that they understand the requirements;
- Recognise that there are competing demands for public spending and that there may be more organisations applying than money available;
- Recognise and respect that the final decision on whether to award the money rests with the funder;
- Have clear lines of accountability, especially with joint bids;
- Properly allocate full anticipated costs in estimates for projects and services so that full cost recovery can be achieved over the life of the project.

The statutory sector will:

- Give at least 12 weeks notice of funding opportunities;
- Publish clear timescales for applications, decisions and schedules of payment;
- Publish the criteria against which applications and tenders will be assessed;
- Work in partnership with the VCS whenever new application processes/procedures/forms are developed;
- Promote opportunities widely and consider proactive approaches to encourage organisations to apply or become suppliers. This is particularly important for voluntary and community organisations who may not have applied for funding before;
- Ensure that information and forms are clear and accessible and include all relevant information so that voluntary and community organisations can make an informed decision about whether to apply;
- Develop standardised and simplified funding application forms and processes across the county, which will be proportionate to the amount of money available;
- Provide sufficient time for organisations to respond, particularly to larger pieces of work or those involving joint working;
- Recognise it is legitimate for voluntary and community organisations to include the relevant element of overhead costs in their estimates for providing a particular service;
- Where an organisation is funded by more than one funding agency, have a formal dialogue between all the relevant funding agencies before making decisions about or changes to funding agreements to ensure equity, clarity and consistency;
- In the case of joint applications, where a 'lead funder' has been appointed to stream line application processes and coordinate monitoring arrangements, will be provide feedback on the reasons for decisions including developmental points, within an agreed timescale;
- Recognise that, in a procurement process, voluntary and community organisations cannot be given preferential treatment but are entitled to decide their own price in competition;
- Provide timely notification of decisions and give adequate notice in advance of the expected date of setting up provision. This should be at least 12 weeks for new services or projects. Smaller organisations or those newer to delivery will need longer notice.

TERMS OF DELIVERY

Effective terms of delivery give clear expectations of what is to be delivered and by when, so that organisations can plan and deliver effectively and the best possible outputs and outcomes are achieved for the support given. Effective terms of delivery also ensure that risks are recognised and understood, agreed, and placed with the public sector body or voluntary and community organisation best able to manage them. This contributes towards developing an effective working relationship between funder and funded.

The voluntary and community sector will:

- Agree terms of delivery at the outset;
- Be aware of the risks they are responsible for, in particular, the risks associated with the delivery of outputs and outcomes;
- Recognise it is legitimate for the statutory sector to require public recognition of their funding by funded organisations in appropriate circumstances; this may be specified in terms of delivery.
- With the statutory funder, agree measurable outcomes to be reported on and develop simple reporting formats.

The statutory sector will:

- Explain and agree terms of delivery (such as success and performance criteria) with the voluntary and community organisation before the contract or funding agreement is entered into;
- Agree with the voluntary and community organisation a simple process for controlling any changes to the agreement, including the actions that will be taken if the voluntary and community organisation is failing to deliver;
- Discuss risks up-front and place responsibility with the statutory authority or voluntary and community organisation best able to manage them;
- Ensure that conditions are directly related to the intended outcomes of the project;
- Ensure that terms of delivery are proportional to the size of the grant or contract and the intended outcomes of the project;
- Recognise that in many cases the work of a VCO is carried out by volunteers who give their time freely;

PAYMENT TERMS

Services should be funded in the most effective way so that the best possible long-term outcomes are achieved. Payment terms should allow the voluntary and community sector to plan and develop for the future and create positive incentives to perform. Longer term planning and financial arrangements often represent better value for money than one year agreements by providing greater financial stability and by reducing the inefficiencies involved in applying for new funds or renegotiating contracts.

The voluntary and community sector will:

- Have in place appropriate systems to manage finances and funded projects, and account for them;
- Agree with the funding body a clear understanding about payment terms; including the treatment of under spends in grants.

The statutory sector will:

- Consider the timing of payments to create the right incentives for delivery;
- Make payments to voluntary and community organisations in advance of expenditure (where appropriate and necessary), rather than in arrears; or, make payments within 30 days when invoiced;
- Agree a clear understanding with the voluntary and community organisation about the treatment of under spends in grants;
- Implement three year funding arrangements when these represent value for money.

MONITORING AND REPORTING

Effective monitoring focuses on outcomes, is proportionate and not burdensome, and ensures transparency about the use of funds and what they have achieved. Effective agreed monitoring, with good management information, will ensure that changes or problems are identified and responded to at an early stage. It will enable the voluntary and community sector to focus on outcomes rather than spending time on unnecessary reporting, and provide the statutory sector with the assurance that it is getting value for money from its expenditure. In some cases monitoring information provided by the voluntary sector will be a requirement of inspections of the statutory sector.

The voluntary and community sector will:

- Be honest and transparent in reporting;
- Recognise that public accountability inevitably requires some level of reporting;
- Give early notice of budget and delivery progress (for example, if there is likely to be an underspend or overspend in grants);
- With the statutory sector, agree measurable outcomes to be reported on and provide simple reporting formats;
- Keep documentation to allow monitoring by funders' auditors, as agreed;
- Will provide monitoring information as specified in the terms of delivery.

The statutory sector will:

- Be proportional (to size of funding, size of provider and perceived risk) in monitoring requirements and to focus on outcomes;
- Develop standardised reporting requirements across the county for those organisations that receive funding from more than one funding agency;
- Only require information that is needed or will be used to assess performance;
- Agree with the voluntary and community organisation the level and type of monitoring that will be required, including action to be taken if delivery targets are not met, before signing the grant agreement or contract;
- Raise any concerns about delivery and outcomes as soon as the concern comes to light;
- With the VCO agree measurable outcomes to be reported on and provide simple reporting formats.

CONCLUDING A FINANCIAL RELATIONSHIP

The Code seeks to achieve a well-managed process for the conclusion of a financial relationship. This includes when:

- The grant or contract finishes;
- Funding ends earlier than the intended closure where delivery targets are not met; and
- Funding ends as a result of a review of strategic or development funding.

A well-managed process will:

- Minimise the negative impact on service users;
- Focus on the long term stability of the voluntary and community organization;
- Ensure that the statutory authority and the organisations receiving funding continue to have a constructive relationship in the future.

The voluntary and community sector will:

- Recognise that funding may end if outcomes are not delivered;
- Recognise that funding may end as priorities change, subject to the terms of existing agreements and contracts;
- Plan in good time for different situations to reduce any potential negative impact on both users and the organisation;
- Adhere to their duties as good employers (for example, by giving required redundancy periods).

The statutory sector will:

- Give at least 12 weeks notice of the end of grants or contracts in order to allow voluntary and community organisations to fulfill their duties as good employers and prepare alternative plans;
- Give the reasons for the end of the funding agreement or contract and allow the provider organisation to respond to proposals to change or end an arrangement.

GLOSSARY

Consultation is the process of seeking and listening to views within defined parameters. This includes seeking information and advice about future decisions, and testing the impact of decisions that have already been taken.

Full cost recovery is the practice of understanding all of a voluntary organisation's indirect and support costs and including the relevant element of these overheads within the cost estimates for providing services and projects.

To give a **Grant** is to bestow or confer, with or without compensation, any discretionary monetary aid, particularly in answer to a request.

Monitoring is the routine collection and recording of information on the activities of an organisation. It provides information on what an organisation is doing, but makes no judgement about the value of the outcome or results of those activities.

Outputs are the direct product of programme or activity. **Outcomes** are changes in the socio-economic or physical conditions which affect people's lives which are brought about as a result of the programme or activity. For example, a volunteer recruitment programme is set up to identify volunteers to visit elderly people at home. The number of new volunteers would be an output of the programme. An increase in the quality of life for those elderly people supported to live at home would be an outcome.

Procurement is the acquisition of goods and services from third party suppliers under legally binding contractual terms. Such acquisitions are for the direct benefit of the contracting authority and are necessary for the delivery of the services it provides. Most Procurement from the voluntary and community sector is for the delivery of services nationally and locally and is procured from government.

Service Level Agreement (SLA) is a written grant agreement detailing the roles and responsibilities of the funding agency and the grant recipient.

Statutory Sector is the name given to organisations created through Acts of Parliament whose functions are determined by law. Local authorities, including parish and town councils, are democratically elected and are accountable to the voters and central government. They have legal responsibilities for the social well-being, economic development, environment and health of the people they serve. Other statutory bodies, such as NHS Trusts and the probation, police, fire & rescue and ambulance services, are not directly elected and are accountable to the appropriate Secretary of State. For the purposes of this Code of Practice, the statutory sector includes County and District Councils, Thames Valley Police, and the Primary Care and Health Trusts in Buckinghamshire.

Voluntary and Community Sector (VCS) is taken to include organisations and groups, both formal and informal. The distinction between whether a group is a Voluntary or a Community organisation is fairly arbitrary and in reality there is one sector that embraces a wide spectrum.

Primary characteristics of the sector are that the organisations/groups are not-for-profit, are independent of government, and their primary purpose is of benefit to society. Attempts to define organisations into different categories (i.e. voluntary and community) is largely unhelpful to the organisations themselves and in almost all the literature arising from the sector, the term 'Voluntary and Community Sector' is used to emphasise that all are included. The VCS is also referred to as the '3rd Sector' and may seek to deliver services on behalf of or complimentary to the statutory sector.

It is important to note that Faith communities, which bring together people with particular beliefs, often also provide services to their own members and members of the community in which they exist. Many faith communities are involved in running community services, promoting community development and representing community interests. Faith communities are therefore a key part of the VCS

APPENDIX B

IMPLEMENTATION PLAN

The undertakings in the Code of Practice require significant changes in the existing financial relationship between the voluntary and community sector and the statutory sector and both sides will have work to do to achieve those changes. In consultation with the voluntary and community sector, the statutory sector will seek to introduce the following changes for the 2006/7 funding year:

1. Develop standardised principles and eligibility criteria for funding across the County, with additional specific criteria to reflect the priorities of each funding agency;
2. Develop standardised and simplified funding application forms across the County, with additional sections to reflect the priorities of each funding agency;
3. Develop standardised monitoring requirements across the County, with additional sections to reflect the priorities of each funding agency;
4. For those organisations funded by more than one statutory body, develop consistent funding and monitoring arrangements and establish formal dialogue between funding bodies before decisions are taken;
5. Investigate establishing a countywide threshold for Service Level Agreements;
6. Introduce 3 year funding arrangements where this represents value for money;
7. Identify the types of support in kind available and promote as appropriate;
8. Notify VCS applicants of funding decisions at least 12 weeks before funding starts;
9. Give at least 12 weeks notice when a grant is ending or being withdrawn to enable Voluntary Sector organisations to prepare alternative funding arrangements;
10. Introduce payments to voluntary and community organisations in advance of expenditure, rather than in arrears; or, make payments within 28 days when invoiced;
11. Investigate and agree a threshold of funding at which point public recognition is deemed appropriate;
12. Provide cross-sector training on:
 - Full cost recovery and accounting
 - Outputs & outcomes.

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