

## **SOUTHAMPTON COMPACT**

### **Between the Public Sector and the Voluntary and Community Sector**

## **FUNDING AND PROCUREMENT CODE OF GOOD PRACTICE**

### **INTRODUCTION**

The Funding and Procurement Code is one of five Codes of Good Practice developed as part of the Local Compact between the Public Sector and the Voluntary and Community Sector in Southampton.

The Compact sets out the Principles that underpin that relationship whilst the Codes of Good Practice set out the more detailed recommended best working practice. Together they aim to increase understanding between sectors, clarify relationships and create more efficient, effective and co-ordinated partnership working and service delivery.

The Compact and Codes are not legally binding but have been developed jointly by representatives of the public sector and the voluntary and community sector with the intention that organisations from all sectors will be able to adopt them as a shared and common way of working.

The Funding and Procurement Code covers the various different financial arrangements that exist between the sectors from small one-off grants to large contracts for services. The procedures and rules that govern applying for grants and tendering to deliver services may be different but both should focus on

- Outcomes
- Value for money
- Quality of service

Contractual and administrative arrangements should not get in the way of achieving these.

The hope of the Southampton Partnership is that voluntary and community organisations will be encouraged to get more involved in the delivery of public services

## **PROGRAMME DESIGN**

A well planned and designed programme, using the knowledge and expertise of the voluntary and community sector, is much more likely to succeed in meeting its intended outcomes. To achieve this:

### **As funders and purchasers Public bodies need to:**

1. Consult with the voluntary and community sector in all its diversity on the design and implementation of relevant funding programmes wherever possible,
2. Ensure that the needs of Black and minority ethnic and other diverse communities and social groups are addressed, 3. consider how performance will be managed,
3. Consider how any benefits will be sustained.

### **Grant and contract funded voluntary and community organisations need to**

1. Focus their contribution on the needs of clients and service users,
2. Respect confidentiality,
3. Be clear about who they represent and how they arrived at their view (see Consultation and Policy Appraisal and Black and Minority Ethnic (BME) Voluntary and Community Organisations Codes of Good Practice).

## **APPLICATION AND TENDER PROCESS**

The application and tender process should be as simple, efficient and accessible as possible and, whilst adhering to legal requirements, should focus on outcomes rather than the process itself. To achieve this

### **As funders and purchasers Public bodies need to:**

1. Advertise and promote opportunities as early and widely as possible including consideration of specialist or underrepresented groups,
2. Consider providing a one-stop funding opportunities information point to provide better and fairer access,
3. Provide clear points of contact able to respond to queries,
4. Allow adequate time for responses, particularly for larger pieces of work or those involving joint working (for instance consortium bids),
5. Provide clear and accessible information and forms and make them available in a range of formats,
6. Ensure that application and tender policies and processes do not have an adverse impact on Black and minority ethnic and other diverse communities and social groups,

7. Consider the use of consortium and/or subcontracting arrangements to allow smaller agencies to participate in large contracts
8. Include all relevant information so that groups can decide whether to apply,
9. Use application and monitoring processes proportionate to the amount of money, risk and/or criticality involved,
10. Consider the use of standard questions and templates across funders wherever possible,
11. Ask only for information that will genuinely be used to help decide who will receive funding or be awarded a contract,
12. Define the level of monitoring and evaluation at the outset,
13. Recognise a reasonable allocation of fixed costs in estimates for providing a service (see the ACEVO - Association of Chief Executives of Voluntary Organisations - 2004 publication "Full cost recovery: a guide and toolkit on cost allocation),
14. Include an appropriate allowance for contingencies (which should only be paid if needed)
15. Consider if it is appropriate to make a contribution to reserves
16. Recognise that contracts should be awarded on the basis of value for money
17. Only seek information about management fees and overheads that is reasonable and appropriate to the funding requirements
18. Keep applicants informed of the process, give adequate notice of, and provide feedback on decisions.

Grant and contract funded voluntary and community organisations need to

19. Make themselves aware of opportunities, timescales and decision making processes,
20. Ensure that they are eligible and that their proposals meet the aims and requirements of the programme,
21. Recognise that there are competing demands for public spending,
22. Have clear lines of accountability, especially with joint bids,
23. Ensure they comply with funding conditions,
24. Recognise that they cannot be given preferential treatment in the awarding of contracts,
25. Allocate costs properly so that full cost recovery can be achieved (see ACEVO 2004 publication "Full cost recovery: a guide and toolkit on cost allocation).

## **TERMS OF DELIVERY**

Agreeing clear terms of delivery at the outset of a funding arrangement will create the best possible conditions for the success of a project or service. To achieve this

### **As funders and purchasers Public bodies need to**

1. Explain and agree the terms of delivery before entering into a contract or agreement,
2. Build in and agree appropriate performance management mechanisms to assess outcomes and impact,
3. Have clear and consistent documentation and terms and conditions relating to the outputs/outcomes to be achieved and proportionate to the size of grant or contract,
4. Follow the Code of Practice for Working in Contractual Relationships with the Voluntary and Community Sector agreed in 1996,
5. Discuss the risks involved and ensure they are fairly and appropriately placed,
6. Be sensitive to the impact of change and establish a simple and agreed process to manage any changes which takes account of the comments of the provider/supplier,
7. Be clear about what actions will be taken if the provider/supplier fails to deliver the agreed outcome,
8. Ensure that when it is cost effective to do so services are open to all providers to re-tender at the end of the contract period.

### **Grant and contract funded voluntary and community organisations need to**

9. Agree terms of delivery at the outset including monitoring and evaluation to assess outcomes and impact,
10. Be aware of the risks for which they are responsible particularly those associated with delivery of outputs or outcomes.

## **PAYMENT TERMS**

Payment terms should allow the service to be funded in a way that ensures the best possible long-term outcome for service users. To achieve this

### **As funders and purchasers Public bodies need to**

1. Wherever possible offer longer-term funding to support the long-term planning and development of stable, secure and sustainable services and voluntary and community organisations,
2. Make payments in advance only where appropriate and necessary to those voluntary and community groups without sufficient reserves or resources to accommodate payments in arrears,
3. When paying in arrears make payments on time in line with the Late Payment of Commercial Debts (Interest) Act 1998,
4. Be clear about the treatment of underspends and overspends.

### **Grant and contract funded voluntary and community organisations need to**

5. Have good systems in place to manage and account for funding,
6. Understand payment terms,
7. Produce clear, precise and timely invoices.

## **MONITORING, REPORTING AND EVALUATION**

Appropriate, relevant and proportionate monitoring, reporting and evaluation mechanisms focusing on outputs/outcomes and impact, agreed at the outset of a funding relationship, will ensure public accountability and provide information and evidence to improve services and help develop public policy. To achieve this

### **As funders and purchasers Public bodies need to**

1. Incorporate and agree performance management mechanisms (outputs and milestones, reporting and evaluation) into the design of the programme and the terms of delivery
2. Feed the results of monitoring and evaluation into commissioning performance,
3. Monitor to ensure equality outcomes for Black and minority ethnic and other diverse communities and social groups,
4. Consider joining up, standardising or sharing monitoring, reporting and evaluation arrangements with other funders/purchasers,
5. Be proportionate in monitoring requirements, focus on outcomes and avoid seeking unnecessary information,
6. Consider what to do if there is likely to be a failure to meet the delivery targets specified and how intended outcomes might be met in other ways.

### **Grant and contract funded voluntary and community organisations need to**

7. Recognise the need for public accountability,
8. Be honest and transparent in reporting,
9. Give early notice of any potential issues, including budget and delivery problems (for example if there is likely to be over or under spends in grants).

### **CONCLUDING A FINANCIAL RELATIONSHIP**

Funding relationships cease for many reasons including the natural end of a grant or contract, termination due to a breach of contract on either side, a change in strategies, priorities and budgets, external factors and circumstances beyond the control of those involved. Regardless of the reason, the process of concluding the relationship needs to be well managed to minimise the impact on services users, support the funded organisation and maintain the relationship between the funder and funded. To achieve this

### **As funders and purchasers Public bodies need to**

1. Give adequate notice of the end of grants or contracts to enable organisations to make contingency plans – wherever possible and bearing in mind the timetable of decisions of public organisations this should be a minimum of three months,
2. Offer an opportunity to respond within a set time period,
3. Recognise and take account of the employment and other legal responsibilities that organisations must fulfil,
4. Give formal notice of any concerns if an organisation has financial or other difficulties,
5. Recognise the decision-making responsibilities of Trustees and Directors when a funded organisation is in financial difficulty.

### **Grant and contract funded voluntary and community organisations need to**

6. Recognise the changing environment of funding particularly funding from Central Government sources,
7. Recognise the decision making responsibilities and timetable of decisions of public organisations
8. Develop exit strategies which minimise the impact on users and the organisation when funding comes to an end.

For more information on the Southampton Compact and Codes of Good Practice contact:

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### **Further information**

Guidance to Funders: Improving funding relationships for voluntary and community organisations, HM Treasury, 2005

Link:

[www.hm-treasury.gov.uk/spending\\_review/spend\\_ccr/spend\\_ccr\\_guidance.cfm](http://www.hm-treasury.gov.uk/spending_review/spend_ccr/spend_ccr_guidance.cfm)

Think Smart...Think Voluntary Sector: Good Practice Guidance on Procurement of Services from the Voluntary and Community Sector, Office for Government Commerce and Home Office, 2004

Link: [www.homeoffice.gov.uk/comrace/active/funding/index.html](http://www.homeoffice.gov.uk/comrace/active/funding/index.html)

The Compact on Relations between Government and the Voluntary and Community Sector in England (and Codes of Good Practice on Consultation and Policy Appraisal, Volunteering, Funding and Procurement, Black and Minority Ethnic Voluntary and Community Sector and Community Organisations), Compact Working Group, 1998 (and 2000-2004)

Link: [www.thecompact.org.uk](http://www.thecompact.org.uk)

Good Grant Making, Association of Charitable Foundations, 1997

Link: [www.acf.uk/public\\_print/trusts\\_guidelines.htm](http://www.acf.uk/public_print/trusts_guidelines.htm)

Government Accounting, HM Treasury, 2003

Link: [www.government-accounting.gov.uk](http://www.government-accounting.gov.uk)

Full cost recovery: A guide and toolkit on cost allocation, Association of Chief Executives of Voluntary Organisations, 2004

Link: [www.acevo.org.uk/main/publications.php?content=pubcatalog](http://www.acevo.org.uk/main/publications.php?content=pubcatalog)