

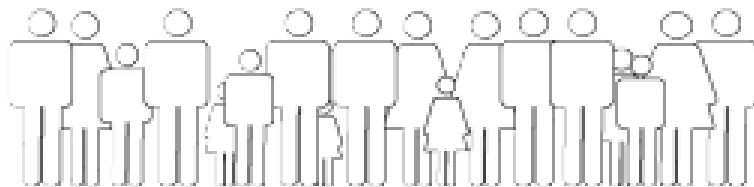
Bedfordshire and Luton

# COMPACT

getting it right together

## Code of Good Practice

### Funding and Procurement



**Developing a better working relationship between  
statutory, voluntary and community organisations**

## Contents

	<b>Page No</b>
1. Introduction and Background	3
2. Benefits of the Funding and Procurement Code	4
3. Key Principles	5
4. Programme Design	6
5. Application and Tender Process	7
6. Agreeing Terms of Delivery	8
7. Agreeing Payment Terms	9
8. Agreeing Monitoring and Reporting	10
9. Ending the Relationship	11
10. Glossary	12

# 1. Introduction and Background

The Bedfordshire and Luton Compact is the agreement between local statutory organisations and the local voluntary and community sector to improve their relationship for the benefit of each other and the communities they serve.

The Compact was launched in September 2002 when leaders of local statutory and voluntary sector bodies signed this landmark agreement. More detailed codes of good practice in respect of Funding, Volunteering, Consultation and Partnership, and Equality and Diversity were published in July 2004, together with a Monitoring and Mediation Policy. The codes contain statements of values and principles that are shared between the two sectors and which underpin their working relationship.

A Compact Development Group, consisting of representatives from the voluntary, community and statutory sectors, meets regularly to discuss issues raised through the implementation of the Compact and to promote its use throughout Bedfordshire and Luton.

This new Funding and Procurement Code of Good Practice is a result of the group's work, following widespread consultation with both sectors. It replaces the Funding Code of Good Practice agreed in 2004.

The Compact acknowledges that the statutory and voluntary and community sectors are often interdependent. This new code of practice seeks to put the funding relationship between the two sectors on a new footing, which recognises the increasingly important service delivery and design roles of the voluntary and community sector.

If you require further copies of this document, or would like to find out more about the Compact Development Group, please contact:

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## 2. Benefits of the Funding and Procurement Code

### a) Benefits for the voluntary and community sector:

- i) funding opportunities that are well-promoted and easy to understand
- ii) funding opportunities that provide enough time and information to enable an organisation to make a quality and well-costed application/tender
- iii) funding agreements that are clear, manageable and focus on the difference made to the intended beneficiaries
- iv) payment profiles that help with the financial planning
- v) opportunities to comment on funding priorities and the design of the programmes
- vi) longer-term funding arrangements
- vii) recognition of the need to include the relevant element of overhead costs in their estimates for providing a particular service
- viii) feedback that helps organisations with their learning and development
- ix) a reduction in bureaucracy

### b) Benefits for the statutory sector:

- i) funding opportunities that attract quality applications from appropriate providers
- ii) funding opportunities that have been consulted on by those it is intended to benefit or those organisations in contact with them
- iii) assessment processes that are rigorous, transparent, inclusive and provide the best outcome for the intended beneficiaries
- iv) funding agreements that are clear, manageable and focus on the difference made to the intended beneficiaries
- v) better risk management leading to fewer delivery and monitoring problems
- vi) a stronger voluntary and community sector able to deliver local services to the most disadvantaged in the local community
- vii) a reduction in bureaucracy

### 3. Key Principles

The following principles should apply at all stages of the financial relationship:

- i) **focus on outcomes** – the achievement of outcomes should be used as a key indicator of the success of funding
- ii) **simplicity and proportionality** – processes should be as simple as possible and in proportion to the amount of money involved
- iii) **consistency and co-ordination** – funders and purchasers should endeavour to join up or standardise parts of the funding or procurement chain to minimise burdens on organisations and ensure a focus on delivery
- iv) **timeliness** – allowing time for planning, decision-making and action so they have real effect
- v) **transparency and accountability** – allowing informed decisions about spending priorities to be made and for both the statutory sector and the voluntary and community sector to learn from previous work
- vi) **discussion and dialogue** – this helps build trust and can identify and overcome problems before they impact on the delivery of outcomes
- vii) **empathy** – understanding each other's needs and requirements should help avoid problems and help achieve outcomes

## 4. Programme Design

Many statutory programmes can achieve their intended outcomes by involving voluntary and community organisations in their planning and design.

Well-designed programmes consider how the voluntary and community sector can work most effectively with statutory organisations and the long-term impact of sector involvement. Long-term impact is improved if those organisations have more certainty about their income.

**a) The voluntary and community sector will:**

- i) contribute constructively to services and focus its contributions based on the needs of its users
- ii) raise any concerns about its capacity to respond

**b) The statutory sector will:**

- i) provide an opportunity for the voluntary and community sector to contribute to the design of programmes and the associated application or tender process
- ii) raise the awareness of potential funding opportunities as early as possible
- iii) consult with service providers and users
- iv) communicate the needs, driving force and outcomes behind the programme
- v) in consultation, seek to identify the work best provided by the voluntary and community sector

## 5. Application and Tender Process

A well-managed application or tender process means that organisations best able to achieve the aims of the programme will apply.

Well-managed processes mean that limited resources are focused on delivering outcomes rather than on the application or tender process itself.

### a) The voluntary and community sector will:

carefully consider:

- i) all the application guidance notes, timescales and decision-making process
- ii) its eligibility and capacity to deliver before developing any proposals
- iii) that there are clear lines of accountability, especially with consortia or partnership applications
- iv) the full cost of the activity by using full cost recovery methods

### b) The statutory sector will:

- i) provide at least six weeks' notice for funding opportunities and at least four weeks' notice for tendering opportunities
- ii) publish clear timescales for applications, decisions, and schedules of payment
- iii) publish the criteria against which applications and tenders will be judged
- iv) ensure that the application process and the level of information requested is appropriate for the level of funding available
- v) recognise the need for the voluntary and community sector to seek the full costs of an activity
- vi) recognise that voluntary and community organisations require adequate financial reserves to operate effectively in the interests of their beneficiaries
- vii) provide constructive feedback to unsuccessful applicants, on request
- viii) promote funding opportunities widely and consider proactive approaches to encourage organisations to apply
- ix) ensure that information and forms are clear and accessible and widely available in appropriate formats

## 6. Agreeing Terms of Delivery

Good terms of delivery give clear expectations of what is to be delivered, and by when, so that organisations can plan and deliver effectively. Terms of delivery also ensure that the risks are recognised and understood and placed with the organisation best able to manage them.

Both parties should seek to communicate effectively and support each other throughout the life of a funding agreement.

### **a) The voluntary and community sector will:**

- i) understand and accept the responsibility and the risks associated with any agreement
- ii) provide public recognition of the funding when required

### **b) The statutory sector will:**

- i) clearly set out their expectations of delivery
- ii) explain the terms and conditions before they are agreed
- iii) set out the actions that may happen should there be a failure to deliver
- iv) set out how an agreement can be changed
- v) discuss, agree and ensure that an appropriate risk management strategy is in place
- vi) recognise that agreements should be proportionate to their value and risk
- vii) recognise the independence of the voluntary and community sector

## 7. Agreeing Payment Terms

Payment terms allow the service to be funded in the most effective way so that the best possible long-term outcomes are achieved.

Longer-term agreements often provide better value for money, more financial stability and are more cost-effective than annual applications and negotiations for funds.

### **a) The voluntary and community sector will:**

- i) have good accounting systems to manage the finances of funded projects and properly account for them
- ii) submit invoices and receipts as and when required according to the payment profile

### **b) The statutory sector will:**

- i) be clear about how and when payments are to be claimed or invoiced and ensure it provides any relevant information
- ii) make payments in advance of expenditure (rather than in arrears) where this is appropriate and necessary
- iii) implement three-year funding arrangements as a norm, where appropriate
- iv) in the case of grant funding, be clear about how any underspend is treated

## 8. Agreeing Monitoring and Reporting

Effective monitoring focuses on outcomes, is proportionate and not burdensome, and ensures transparency regarding the use of funds and what they have achieved.

### a) The voluntary and community sector will:

- i) be accountable and transparent in its reporting
- ii) develop and use appropriate systems to measure performance as agreed
- iii) meet the agreed deadlines for the submission of required monitoring information
- iv) agree with the funder what to do in the event of a likely failure to meet delivery targets and how intended outcomes can be achieved in other ways

### b) The statutory sector will:

- i) be proportionate (to size of funding, size of provider and perceived risk) in their monitoring requirements, and focus on outcomes
- ii) only require information that is needed to measure performance
- iii) seek to develop standardised monitoring requirements across and within statutory agencies, especially in the case of joint funding
- iv) agree with the provider what to do in the event of a likely failure to meet delivery targets and how intended outcomes can be achieved in other ways

## 9. Ending the Relationship

A well-managed process minimises negative impact on beneficiaries, the provider organisation's long-term stability and the relationship between the funder and the organisations receiving funding.

### a) The voluntary and community sector will:

- i) plan in good time for different situations resulting in the end of the relationship to reduce any potentially negative impact on the beneficiaries and the organisations involved
- ii) recognise that funding may end if the outcomes and targets agreed are not being delivered
- iii) recognise that funding may not be renewed if the need for the service no longer exists or there is a change in funding priorities

### b) The statutory sector will:

- i) make every effort to assist the provider to improve performance before considering ending the relationship due to underperformance
- ii) provide a minimum of twelve weeks' notice at the end of a contract or grant
- iii) provide the reasons for the end of the contract or grant
- iv) provide information about future funding arrangements as early as possible before the end of the current grant period or contract

## **10. Glossary**

### **Commissioning**

The cycle of assessing the needs of people in an area, designing and then securing an appropriate service.

### **Consortia (Consortium)**

An association of organisations, formed for a particular purpose. Often one organisation within the consortium will act as the lead, or accountable body, on behalf of other members of the consortium for the purpose of funding agreements.

### **Consultation**

The process of seeking and listening to views on a particular subject. This includes asking for information/advice on future proposals and testing the impact of decisions already taken.

### **Full Cost Recovery**

The process by which voluntary and community organisations delivering public services are expected to be able to cover all their costs (including a proportion of core costs).

### **Funding Agreement**

An umbrella term that encompasses the various types of agreements that can be in place between voluntary and community, and statutory, organisations, such as a grant, service level agreement, partnership agreement or contract.

### **Milestones**

A key task or activity often associated with a date that it will be completed by, eg the appointment of the project worker by November. Milestones are often used to measure the progress of an activity.

### **Monitoring and Evaluation**

A process, involving both formal/informal procedures, to regularly take stock of (and report on) trends and activity within a project or service, to review progress, identify outcomes and assess the value of a project or service. This process helps the organisation decide whether it is achieving what it wants to and if it needs to do anything differently in the future.

### **Outcome**

The changes, benefits, learning or other effects that result from what the project or organisation makes, offers or provides.

### **Partnership**

When organisations work together to achieve a shared and clear set of objectives. There is a clear understanding of the contribution of each organisation, which takes into account their differences, and there is equal respect for the role and experience of all partners. A successful partnership depends on sharing information and decision-making.

## **Prequalifying Questionnaire (PQQ)**

A part of the contracting process that assesses the suitability of a potential supplier. A PQQ typically evaluates an organisation in terms of knowledge and experience, capability and capacity, and organisational and financial standing. An organisation that successfully passes the PQQ process will then be eligible to respond to an Invitation to Tender (ITT).

## **Procurement**

Procurement is the specific aspect of the commissioning cycle that focuses on the process of buying services, from initial advertising through to appropriate contract arrangements.

## **Risk Management**

Systematic assessment of the threats or vulnerabilities that may affect any aspect of an organisation's business, including the likelihood of occurrence, potential severity of impact and mitigation measures needed.

## **Statutory Authority/Agency (the Statutory Sector)**

Organisations created through Acts of Parliament whose functions are set by the law. Local authorities, including parish and town councils, are democratically elected and must answer to the voters and central government. They have legal responsibilities for the social wellbeing, economic development, environment and health of the people they serve. Health, police, and fire and rescue authorities are not directly elected and answer to the Secretary of State.

## **Target**

A specific number of beneficiaries or specific events or activities required as part of a funding agreement, eg 100 people trained.

## **Invitation to Tender (ITT)**

A procedure to generate offers from different bidders who are looking to be awarded a contract to supply a service. This is often preceded by a prequalification questionnaire (PQQ).

## **Value for Money**

The National Audit Office assesses value for money as the reporting on the economy, efficiency and effectiveness of public spending:

- **economy:** minimising the cost of resources used or required – spending less
- **efficiency:** the relationship between the output from goods or services and the resources to produce them – spending well
- **effectiveness:** the relationship between the intended and actual results of public spending – spending wisely

## **Voluntary and Community Sector (VCS)**

Comprising:

- **community organisations** – organisations active on a local or community level, usually small, modestly funded and largely dependent on voluntary, rather than paid, effort
- **voluntary organisations** – larger, professionally-staffed organisations

Hence the phrase “voluntary and community sector” (VCS) to encompass the full range. However, the term is increasingly encompassing social enterprise, co-operatives, social firms etc. The term **Third Sector** is now also being used to refer to this diverse range of organisations.