

# Salford Compact

## Code of Good Practice Funding and Procurement



**Salford City Council**

Reviewed  
2024

# Context

This Funding and Procurement Code of Good Practice aims to improve understanding and trust among Compact partners and ensure funding relationships between Public sector funders and providers are clear and transparent and recognise the following:

- Funders' need for accountability
- The need for long-term security
- Service users' need for good quality services

This Salford Compact Code of Good Practice should be read in conjunction with the other Codes of Good Practice available:

- Community Involvement,
- Partnerships and Networks,
- Social Inclusion
- Volunteering

# Principles fundamental to funding and procurement

The following principles will guide grant giving and awarding of contracts by the Public sector in relation to the:

- Focus on outcomes – outcomes to be the measure of success of funding
- Simplicity and proportionality – complexity of processes should reflect the amount of money involved
- Consistency and co-ordination – funders and purchasers to standardise some of their processes so organisations can focus on delivery
- Timeliness – allow time for planning, decision-making and action
- Transparency and accountability – around spending priorities

- Discussion and dialogue – build trust and overcome problems before impacting on delivery
- Empathy – understand each other's needs and requirements

# Joint commitment and shared values

- Build mutual trust through partnership work which will enable understanding of the priorities and motivations of different partners
- Contribute openly to discussion, acknowledging difficulties when they arise and work positively to achieve mutually acceptable solutions
- Acknowledge honestly the inequity in the relationship between funder and provider
- Work in partnership to develop an agreed methodology to calculate the full cost of overheads and enable Voluntary, Community and Social Enterprise (VCSE) sector organisations to be funded adequately but without duplication (Full Cost Recovery)
- Develop an independent mechanism for resolving disputes which is acceptable to both the funder and provider

# Public sector commitments

Salford Public sector Compact Partners will:

- Clearly link grants and contracts to their stated organisational priorities (for example the Partners In Salford Strategic Plans or corporate plans)
- Respect and value the independence of the VCSE sector and recognise that conflicts of interest may arise
- Accept that VCSE organisations and groups may not always feel it is appropriate to deliver a service if it moves away from their core values and mission
- Develop with partner funding organisations a standardised approach to the application, awards, monitoring and evaluation processes, where possible, to minimise the impact on VCSE sector organisations and groups of multiple grants from different sources

- Adopt practices that enable individual negotiation regarding mutually agreed quality assurance frameworks as appropriate to the size of the VCSE sector organisations and groups funded and the needs of the service users/beneficiaries
- Ensure there is a consistent approach agreed regarding financial uplift where there is more than one funder for a particular service
- Review existing funding processes to ensure they are demonstrably fair and open to all with a transparent assessment process
- In consultation with VCSE representatives, develop and implement a standardised Commissioning and Procurement Policy and Procedure accessible to VCSE sector organisations and groups
- Work towards longer-term funding agreements and contracts – except where innovatory work is being piloted - to minimise the instability which affects VCSE organisations and groups, their service users and volunteers

- Move towards a Full Cost Recovery basis for existing funding agreements, contracts and grants as soon as practically possible  
[Appendix A]
- Accept that quality as much as quantity is a significant element of Added Value in awarding grants, funding agreements and contracts
- Advertise all potential grants, funding agreements and contracts that are open to competition as widely as possible, using a variety of routes
- Use plain English in all advertising, application forms and guidance
- Ensure timescales and deadlines are reasonable and that applicants are kept informed of the process
- Develop a partnership approach with the VCSE sector for scoring and evaluating bids and applications
- Ensure feedback is available for unsuccessful applicants



- Use open and transparent methods to involve appropriate VCSE organisations and groups in programme and project design wherever possible, particularly in the setting of targets
- Ensure that outputs are able to be clearly measured and wherever possible will lead to demonstrable outcomes
- Ensure targets are realistic and monitoring requirements are proportionate to the size and type of organisation and group, the level of the grant, funding agreement or contract and the type of client group
- Give equal weighting to the reporting of 'soft' (qualitative) outcomes
- Wherever possible, make payments at least quarterly in advance, recognising the constraints on VCSE sector budgets
- Where possible, provide a minimum six months notice of termination of grant, funding agreement or contract, recognising the need to allow time for a planned exit strategy that minimises the impact on service users, project staff and volunteers

# VCSE sector commitments

VCSE sector organisations and groups funded through Public sector grants, funding agreements or contracts will:

- Meet agreed monitoring and evaluation requirements and timetables
- Ensure any changes to monitoring and evaluation procedures are agreed in consultation with the funding organisation
- Deliver services in accordance with mutually agreed quality assurance frameworks
- When involved in the design or assessment of programmes, projects or applications; will respect confidentiality, declare and conflicts of interest as they arise, focus on the needs of the service users/ beneficiaries; have a clear understanding of whom they represent and be clear about how they come by their views or opinions

- When involved in joint or consortium bids, be clear about lines of accountability and allocation of costs
- Be fully aware of their responsibilities and commitments relating to the delivery of outputs and outcomes
- Plan in good time for the end of a project in order to minimise the impact on beneficiaries and the organisation

# **Appendix A - Full Cost Recovery: Funding the full cost of work**

The purpose of this appendix is to set out the principles for Full Cost Recovery budgeting for VCSE organisations and groups, in line with the conclusions of HM Treasury's cross-cutting review of the role of VCSE sector in public service delivery. This review concluded that it is legitimate for these organisations to include the relevant element of overheads in their cost estimates for providing services and outputs.

All organisations in the Public, Private and VCSE sectors have indirect overheads as well as direct costs associated with the delivery of goods and services. To operate efficiently and effectively, voluntary and community organisations must be able to understand all their costs including indirect and support costs. No activity can be undertaken without the need for support functions and funding bodies have an interest in ensuring that organisations can manage and administer activities properly.

The key reason for the lack of 'core funding' within the VCSE sector is that debate has historically and typically been based on a false principle that 'core' costs are somehow unrelated to an organisation's 'real work.'

Many funders have traditionally paid only for the marginal costs of the services they are seeking. If funders continue to follow this practice, necessary overhead costs cannot be met or are met from donations and other sources of income that were not intended for this purpose.

It is important, therefore, that funders agree to meet the full cost of services, including overheads relating to the activities commissioned.

HM Treasury and the Home Office will be issuing a revised version of Guidance to Funders to help public sector funders identify relevant overhead costs and to encourage efficiency by VCSE organisations.

The methodology chosen by VCSE organisations to allocate relevant overhead costs should follow these principles:

- The method should be simple
- Both funders and service providers should be able to calculate the amounts without disproportionate resource
- The method should be equitable between providers where there are several funders of different services and the costs should be recovered only once
- So where, for example, a funder provides a grant specifically for core costs, those costs should not be taken into account when calculating the amounts due from other funders
- Many VCSE organisations use an arbitrary fixed percentage core cost add-on to the direct costs of the service. Whilst this has the appeal of simplicity and is appropriate in some circumstances, there can be some risks attached to this approach.

- Arbitrary fixed percentages can be driven by what the funded organisation thinks it can 'get away with' and can lead to true costs being underestimated.
- If VCSE organisations clearly calculate and allocate their direct and overhead costs to projects, these problems can be avoided.

Guidance is available to the VCSE sector and Public sector partners in Salford on ways to achieve this by contacting Salford CVS on 0161 787 7795.