

SALFORD

**Funding and
Procurement**

**Code of Good
Practice**

COMPACT

Funding and Procurement

Code of Good Practice

April 2006

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This Code of Good Practice should be read in conjunction with the other Codes of Good Practice available: Community Involvement, Partnerships and Networks, Social Inclusion and Volunteering.
(taken from the National Code of Good Practice)

Funding and Procurement Code of Good Practice

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Aims

- To improve understanding and trust among Compact partners.
- To ensure funding relationships between Public Sector funders and Third Sector providers are clear and transparent recognising:
 - funders' need for accountability
 - the Third Sector's need for long-term security
 - service users' need for good quality services

Principles Fundamental to Funding and Procurement

(taken from the National Code of Good Practice 1)

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

Focus on outcomes – outcomes to be the measure of success of funding

Simplicity and proportionality – complexity of processes should reflect amount of money involved

Consistency and co-ordination – funders/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

1 Compact – Getting it right together. Funding and Procurement Code of Good Practice between Government and the Voluntary and Community sector in England.

Joint Commitment / 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 Third 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 will:

- clearly link grants and contracts to stated organisational priorities (for example those in the Partners in the Salford Agreement, Community Action Plans etc)
- respect and value the independence of the Third Sector and recognise that conflicts of interest may arise
- accept that Third Sector groups may not always feel it is appropriate to deliver a service if it moves 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 Third Sector organisations 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 Third Sector group/organisation 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 Third Sector representatives, develop and implement a standardised Commissioning and Procurement Policy and Procedure accessible to Third Sector groups/ organisations
- work towards longer term funding agreements and contracts – except where innovatory work is being piloted - in order to minimise the instability which affects Third Sector organisations, their service users and volunteers
- move towards a Full Cost Recovery basis for existing funding agreements, contracts and grants as soon as practically possible
- 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 which 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 Third Sector for scoring and evaluating bids and applications
- ensure feedback is available for unsuccessful applicants

- use open and transparent methods to involve appropriate Third Sector organisations 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 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 Third Sector budgets
- where possible, provide a minimum 6 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

Third Sector Commitments

Third Sector groups and organisations 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:
 - respect confidentiality
 - declare any conflicts of interest as they arise
 - focus on the needs of the service users/ beneficiaries
 - have a clear understanding of whom they represent
 - be clear about how they come by their views/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 voluntary and community organisations, in line with the conclusions of HM Treasury's cross-cutting review of the role of voluntary and community organisations 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 voluntary and community 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 are able to manage and administer activities properly.

The key reason for the lack of 'core funding' within the voluntary and community 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 which 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 voluntary and community organisations.

The methodology chosen by voluntary and community 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 voluntary and community 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 costs being underestimated. If voluntary and community organisations clearly calculate and allocate their direct and overhead costs to projects, these problems can be avoided.

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

Key Contacts

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To formally sign up to the Compact or for more information visit: www.salfordcvs.co.uk/salford-cvs/salford-compact

Copies of all the Codes of Practice are also available here.

Alternatively, email: office@salfordcvs.co.uk
or telephone 0161 787 7795.



Salford City Council

Salford **NHS**
Primary Care Trust