

Sunderland Compact: Funding and Procurement Code of Practice

What the Funding and Procurement Code is

Many Voluntary and Community Sector (VCS) organisations enter into a financial relationship with public sector agencies to deliver outcomes on their behalf, either through grant funding or by supplying services purchased through public procurement. However, the financial relationship does not always allow for the best possible outcomes to be achieved.

This Code of Practice sets out the principles and commitments for both VCS organisations and organisations of the Sunderland Partnership on how to work together in respect of funding and procurement to achieve the vision. The Code of Practice does this through:

- setting a framework for the financial relationship;
- clarifying the roles of grant-funding, commissioning and procurement; and
- setting out undertakings for both sides, based on what each can expect from the other.

This Code of Practice is based on widely agreed existing principles and guidance. It is consistent with the Government's duty to achieve value for money, principles in Government Accounting and European Union procurement law. Its principles and undertakings apply to both grants and procurement but it is important to be aware that grant funding and public procurement operate under different detailed rules and the appropriate procedures should be understood and applied in each case.

The Code of Practice covers **how** service provision should be designed and delivered to achieve the vision above in the best possible way. It does not cover **what** is funded or **who** should be funded.

The Code of Practice also recognises that funding to the VCS is not necessarily about providing a service. VCS organisations can for example be funded for more general activities such as providing a voice for the sector and for their coordinating role.

Key principles of this Code of Practice:

- **Focus on outcomes** – the achievement of outcomes should be used as a key indicator of the success of funding
- **Simplicity and proportionality** – processes should be as simple as possible and in proportion to the amount of money involved and in line with organisations' individual financial frameworks
- **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
- **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 and for both organisations of the Sunderland Partnership and VCS organisations to learn from previous work;
- **Fair funding** - providing fair funding levels which are determined no differently than for other sectors or agencies, where increases for inflation and growth can be built into bids
- **Discussion, dialogue and feedback** – this helps build trust and can identify and overcome problems before they impact on the delivery of outcomes, and can help identify capacity building actions to strengthen future bids
- **Empathy** - understanding each other's needs and requirements should help avoid problems and help achieve outcomes.

Organisations of the Sunderland Partnership commit to:

- In line with the Involvement and Consultation Code of Practice identify through an effective commissioning process the most appropriate funding route.
- Respect the independence of VCS organisations and acknowledge the role that the Sector can play in delivering strategic policy objectives, through clear agreed processes to ensure procurement processes and procedures are not compromised;
- Recognise the Sector's ability to act innovatively and to engage groups that the public sector cannot;
- The principle of full cost recovery;
- Implement longer term funding arrangements where these represent good value for money;
- Develop policy, skills and knowledge, having regard to regional and national developments
- Identifying the support they can provide to VCS organisations to develop the systems needed to meet governance and management information requirements;
- Ensure that there is prior discussion and reasonable notice before any policy changes or decisions which would lead to withdrawal or significant reduction of grants (at least six months notice) or contracts.

- Funding to be aligned to the objectives of the Sunderland Partnership's Sunderland Strategy and LAA.
- Monitoring and reporting will be proportionate to the complexity of service delivery levels of expenditure and any issues identified in relation to risk management

Voluntary and Community Sector organisations commit to:

- Demonstrate commitment to the principle of full cost recovery;
- Provide input to ensure an effective public sector commissioning process;
- Plan in good time for different situations to reduce any potential negative impact on both beneficiaries and the organisation and if funding ends develop exit strategies
- Develop policy, skills and knowledge, and culture and communications having regard to regional and national developments.

COMMISSIONING

Commissioning is the process of specifying, securing and monitoring services to meet people's needs at a strategic level (The Audit Commission). Because of their knowledge of their client group and ability to innovate, VCS Organisations can be well positioned to enable public agencies to achieve effective outcomes for local people.

Organisations of the Sunderland Partnership commit to:

- Developing frameworks to ensure VCS involvement in commissioning processes;
- Provide opportunities for VCS organisations to engage in constructive dialogue about proposals for new/redesigned services early in the development cycle and well in advance of procurement arrangements being determined;
- Provide opportunities for VCS organisations to engage in reviews of existing services to ensure that they are customer-focused and deliver appropriate outcomes;
- Implement robust and transparent commissioning procedures, which seek to address the needs of residents, as identified in the Sunderland Strategy and LAA through ongoing community engagement;
- Be open and transparent in commissioning discussions and declare any conflicts of interests which may compromise impartiality;
- Include infrastructure organisations and/or networks of organisations, where they exist, in the commissioning process so that they can provide challenge based on the views of a range of organisations and service users;
- Share in a timely manner with VCS organisations information which might impact on the delivery of a service, including the potential impacts of decommissioning existing services.

- Outcome based commissioning

Voluntary and Community Sector organisations commit to:

- Use infrastructure organisations and networks of organisations, where they exist, as one of the mechanisms to engage with public sector commissioning.
- Be open and transparent in commissioning discussions and declare any conflicts of interests which may compromise impartiality;
- Take account positively of the specific needs, interests and contributions of minority groups and the socially excluded;
- Respect confidentiality and be clear about whom they represent and how they came to their views when consulted on programme/service delivery and design;
- Ensure that they establish links with communities and marginalised groups where direct public service delivery has traditionally proved difficult.
- Promote good practice among the Sector on involvement in commissioning;
- Demonstrate clear financial accountability.
- Outcome based commissioning

PROCUREMENT

Procurement relates to the specific aspects of the commissioning cycle that focus on the process of buying services, from initial advertising through to appropriate contract arrangements. Procurement is used for the acquisition of goods and services from third party suppliers under legally binding contractual terms where all the conditions necessary to form a legal contract have been met. Such acquisitions are for the direct benefit of the contracting authority, necessary for the delivery of its service or for the running of its own business.

Organisations of the Sunderland Partnership commit to:

- only ask for information as part of the procurement process which is relevant to deciding who will be awarded the contract;
- make full and effective use of social clauses where allowable and relevant to the nature of the contract;
- avoid seeking detailed information about management fees and overheads unless to ensure a probity and assurance issue;
- work with other public sector organisations to identify opportunities for joining-up or standardising monitoring requirements;
- Identify and discuss risks up-front and place responsibility with the public sector body or voluntary and community organisation best able to manage them.

Voluntary and Community Sector organisations commit to:

- have clear lines of accountability, especially with joint bids to deliver services;
- have a willingness to support the development of the appropriate skills, knowledge and resources required to respond to procurement processes;
- agree terms of delivery at the outset and be aware of risks for which they are responsible;
- have good systems in place to manage finances and funded projects, and account for them;
- be honest and transparent in reporting;
- Identify and discuss risks up-front and place responsibility with the public sector body or voluntary and community organisation best able to manage them.

GRANTS

Grants can be provided by public bodies as a means of offering financial support to VCS organisations to enable them to undertake activities they wish to support. Grants may be aimed at assisting with the core costs of running and developing an organisation or more specifically to help it carry out a particular project or service. The grant giver is not contracting for a service that forms part of its own business but can clearly specify at the outset any grant conditions applicable to the grant being given.

Organisations of the Sunderland Partnership commit to:

- only ask for information on application forms which is relevant to deciding who will receive funding;
- make payments in advance of expenditure where a clear financial need is established, the risks have been assessed and considered, and where appropriate safeguards are in place to ensure the proper use of the resource in order to achieve better value for money;
- work towards identifying opportunities for joining-up or standardising monitoring requirements with other public sector organisations;
- notify approvals for each financial year during March of the preceding financial year (e.g. for 2009/2010 approvals notified in March 2009) unless, in exceptional circumstances, notice has already been given of an alternative timescale;
- grant conditions will set out clear timescales so organisations are clear when a grant is due to end;
- Outcome based grant conditions

Voluntary and Community Sector organisations commit to:

- make sure that they are eligible when applying for grants;
- be clear about the added value which grant funding will bring to an organisation or service;
- be clear about the methodology chosen to allocate relevant overhead costs;
- have good systems in place to manage finances and funded projects, and account for them;
- be honest and transparent in reporting and actively promote and share lessons learned.

Further information on the Sunderland Compact is available at www.sunderlandcompact.org.uk