



Surrey Compact

The Surrey Compact is a commitment to continually improve relationships between the public, voluntary, community and faith sector and organisations representing service users and carers.

Funding Code

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1. Who is this code for?

This code is for everyone within Surrey involved in public funding of the voluntary, community and faith and public sector and organisations representing service users and carers, whether distributing, applying for or receiving funding.

2. What the Funding Code is for?

- To set out a framework for the financial relationship.
- To set out the undertakings for both sides based on what each can expect from the other.

2.1 This code is consistent with the funding bodies' duty to achieve value for money, principles in accounting and European Union procurement law. Its principles apply to both grants and contracts, although there are different rules and procedures which operate for each.

3. The Principles of the Financial Relationships

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

3.1 **Focus on outcomes** – the achievement of outcomes should be used as a key indicator of the success of funding.

3.2 **Simplicity and proportionality** – processes should be as simple as possible at each stage, in proportion to the amount of money involved and should not create unnecessary bureaucratic barriers that disadvantage competent providers from applying.

3.3 **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.

3.4 **Timeliness** – allowing time for planning, decision making and taking action so they have real effect.

3.5 **Transparency and accountability** – allowing informed decisions about spending priorities to be made and enabling both funding bodies and the sector to learn from previous work.

3.6 **Discussion and dialogue** – this helps build trust and can identify and overcome problems before they impact on the delivery of outcomes.

3.7 **Empathy** – understanding each other's needs and requirements should help avoid problems and help achieve outcomes.

4. Summary of Undertakings

The voluntary, community and faith sector undertakes to:

- 4.1** when consulted on developing specification design, respect confidentiality and be clear about whom they represent and how they came to their views;
- 4.2** make sure that they are eligible when applying for grants;
- 4.3** have clear lines of accountability, especially with joint bids;
- 4.6** agree terms of delivery and outcomes at the outset and be aware of risks for which they are responsible;
- 4.7** have good systems in place to manage finances and funded projects, and account for them;
- 4.8** be honest and transparent in reporting;
- 4.9** plan in good time for different situations to reduce any potential negative impact on both beneficiaries and the organisation if funding ends.

The funding bodies undertake to:

- 4.10** provide an opportunity for the voluntary, community and faith sector to contribute to programme design;
- 4.11** only ask for information on application forms which is relevant to deciding who will receive funding or be awarded the contract;
- 4.12** discuss risks up-front and agree whether they should be managed jointly with the public sector body or voluntary, community and faith organisation and agree whichever party is best able to manage them;
- 4.13** respect the independence of the sector;
- 4.14** recognise it is legitimate for voluntary, community and faith organisations to include the relevant element of overhead costs subject to the point below
- 4.15** within public procurement, it is often necessary to seek information and challenge management fees and overheads as part of full-cost recovery.
- 4.16** make payments in advance of expenditure where appropriate and necessary in line with Government accounting.
- 4.17** implement longer term funding arrangements where these represent good value for money;
- 4.18** advertise all new funding opportunities in an open, comprehensive way aligned to the Communication, Consultation and Engagement code

- 4.19 open and transparent about the various funding streams available, the criteria for each programme and the processes being taken to award funds
- 4.20 be proportionate in monitoring requirements and focus on outcomes;
- 4.21 consider joining-up or standardising monitoring requirements;
- 4.22 allow a minimum of three months, or a longer lead in time for any changes in budgetary planning to be discussed with the funded partners to allow for better service provision.

5. Programme Design

- 5.1 The voluntary, community and faith sector should respect confidentiality.
- 5.2 The voluntary, community and faith sector need to be clear about whom they represent and how they came to their views.
- 5.3 The design should also consider how the outcomes of the programme can best be sustained and contribute to the long term capability of the voluntary, community and faith organisations. This means making sure funding reflects the full cost of the service.

6. Application and Tender Process

- 6.1 A well-managed application and tender process means that organisations best able to achieve the required outcomes will apply. Well-managed processes mean that resources are focussed on delivering outcomes rather than on the application or tender process itself.
- 6.2 A clear communication strategy should be in place to ensure the voluntary, community and faith sector understands the timescales and decision-making process. Timescales should be adhered to when applying, voluntary, community and faith organisations undertake to make sure that they are eligible, that their suggested work meets the aims of the programme; and that they understand the requirements.
- 6.3 The voluntary, community and faith sector recognises that there are competing demands for public spending and that there may be more organisations applying than money available. The sector recognises that the final decision is the funder's.
- 6.4 Voluntary, community and faith organisations undertake to have clear lines of accountability.
- 6.5 Funding bodies should promote opportunities widely and consider proactive approaches to encourage organisations to apply or become suppliers of services. A proactive approach may be particularly important for voluntary, community and faith organisations who may not have applied for funding in

the past, including black and minority ethnic organisations, faith groups and community groups. Organisations should have enough time to respond, particularly to larger pieces of work or those involving joint working (for example, consortium bids).

- 6.6** Information and forms should be clear and accessible and include all relevant information so that voluntary, community and faith organisations can make an informed decision about whether to apply. The process should be proportionate to the amount of money available. Funding bodies should consider using standard questions to seek to co-ordinate application forms.
- 6.7** Funding bodies undertake to ask for information on application forms which is relevant to deciding who will receive funding or be awarded the contract. Forms should include a contact person for enquiries and their availability.
- 6.8** Grant-giving assessment needs to recognise it is legitimate for voluntary, community and faith organisations to include the relevant element of overhead costs in their estimates for providing a particular service. With procurement, voluntary community and faith organisations cannot be given preferential treatment but are entitled to decide their own price in competition. Contracts should be awarded on the basis of value for money. Within public procurement, it is often necessary to seek information and challenge management fees and overheads as part of full-cost recovery. This is applicable across all sectors and not specific to voluntary, community and faith organisations. Purchasers do not have to accept bids if they are not satisfied that they offer value for money (*see Compact Commission guidance 2009*).
- 6.9** Applicants should be kept informed of the process and provided with updated reasons for decisions. Notification of decisions needs to be timely and to give adequate notice in advance of the expected date of setting up provision. This should be at least three months for new programmes. Smaller organisations or those newer to delivery may need longer notice. A realistic timetable should be agreed with the organisation. Feedback on the reasons for decisions should be provided.

7. Agreeing the Terms of Delivery

- 7.1** Effective terms of delivery assign risk in such a way that positive incentives are created, thereby ensuring that the best possible outcomes are achieved.
- 7.2** Voluntary, community and faith organisations should seek to agree terms of delivery at the outset and be aware of the risks which they are responsible for; in particular, the risks associated with the delivery of outputs or outcomes.
- 7.3** The voluntary, community and faith sector recognises that it is legitimate for grant funders to ask for public recognition of their funding by funded organisations in appropriate circumstances.

- 7.4 The funding bodies undertakes to explain and agree terms of delivery (such as success and performance criteria) with the voluntary, community and faith organisations before the contract or funding agreement is entered into. This should include the actions that will be taken if the voluntary and community organisation is failing to deliver.
- 7.5 There should be a simple and pre-agreed process for controlling change and account taken of comments from the voluntary, community and faith organisations on the changes required.
- 7.6 The funding bodies should undertake to discuss financial risks up-front and the appropriate risk management costs. In particular, they should consider and address the risks associated with the demand for a particular service.
- 7.7 Intended outcomes should be kept in mind and conditions must relate to achieving these outcomes. Terms of delivery should be in proportion to the size of the grant or contract.

8. Agreeing Payment Terms

- 8.1 Payment terms should allow the service to be funded in the most effective way so that the best possible long term outcomes are achieved.
- 8.2 The voluntary, community and faith sector undertakes to have effective systems in place to manage finances and funded projects. Both parties should agree a clear understanding about payment terms, including the treatment of underspends in grants.
- 8.3 Funding bodies will consider the timing of payments to create the right incentives for delivery. Funding bodies undertake that payments to voluntary, community and faith organisations can and should (where appropriate and necessary) be made in advance of expenditure, rather than in arrears, in order to achieve better value for money.
- 8.4 The funding bodies undertake to implement longer term financial arrangements where these represent good value for money. Where local authorities and other public sector funders receive three year settlements from Government, the rationale for these arrangements applies equally to funding agreements between public sector funders and the voluntary, community and faith organisations.
- 8.5 Funding bodies should make payments on time (in line with the Late Payment of Commercial Debts Act, which covers contracts, and the Better Payments Practice Code).

9. Agreeing Monitoring and Reporting

- 9.1 Effective monitoring focuses on outcomes, is proportionate and not burdensome, and ensures transparency about the use of funds and what

they have achieved. This should be by jointly agreeing systems for both monitoring and evaluating activities. Details should be in the contract specification or outlined in the grant negotiations.

- 9.2** The voluntary, community and faith sector undertakes to be honest and transparent in reporting. The sector recognises that public accountability inevitably requires some level of reporting and will comply with monitoring requirements. The sector will give early notice of budget and delivery progress (for example, if there are likely to be underspends in grants).
- 9.3** The funding body undertakes to be proportionate (to size of funding, size of provider and perceived risk) in monitoring requirements and to focus on outcomes.
- 9.4** The funding bodies will consider joining-up or standardising monitoring requirements so organisations that receive funding from a number of sources, and funders themselves, are not overburdened. Monitoring should only include information that is needed or will be used to assess performance. Before the grant agreement or contract is signed, the funding body will discuss with the provider the information that will be required. Discussion will also help in agreeing how to monitor outcomes, what to do if there is likely to be failure to meet delivery targets and how intended outcomes might be met in other ways.

10. Concluding a Financial Relationship

- 10.1** 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.
- 10.2** The voluntary, community and faith sector recognises that funding may end as priorities change or if outcomes are not delivered. The sector undertakes to plan in good time for different situations to reduce any potential negative impact on both beneficiaries and the organisation.
- 10.3** The funding bodies undertake to give enough notice of any changes in budgetary planning and the end of grants or contracts. This should be a minimum of three months. An even longer, timescale will allow for better service provision and help voluntary, community and faith organisations fulfil their duties as good employers and prepare alternative plans. Notices will give the reasons for the end of the funding agreement or contract and allow the provider organisation to respond to proposals to change or end an arrangement. (Surrey County Council and NHS Surrey will discuss changes with the funded partners and have a six-month lead in time, including three months dialogue.)
- 10.4** If a voluntary, community and faith organisation is not meeting targets, the funding body should first discuss with the organisation what action can be taken to improve delivery (for example, the possibility of a revised action plan). Should performance not improve and the effective use of public

funding be at risk, it is legitimate for funding to be withdrawn or the contract terminated early.

11. Surrey Compact Positive Dispute Resolution

The Surrey Compact Implementation Group (SCIG) has produced a reviewed dispute resolution code that is in addition to established organisational appeals and complaints procedures – it does not replace them.

The SCIG will aim to facilitate a positive outcome and will initially focus on whether the Surrey Compact or its Codes of Practice have been breached. They will also advise and signpost organisations that may need further support in this process.

A copy of this is available from the Surrey Compact Implementation Group contact details at end of document.

12. Taking the Code Forward

- 12.1** The statutory agencies, voluntary, community and faith sectors and the Compact Implementation Group will put this Code into practice. The Compact Implementation Group will also promote the Code to voluntary community and faith organisations so that they know, use, understand and follow its undertakings and recommendations.
- 12.2** Departmental Compact champions and voluntary, community and faith sector liaison officers within the public sector funding bodies will advance the Code within their organisations and promote this Code as good practice for all funders and make suitable mention of it alongside the Compact in relevant publications and communications.
- 12.3** The funding bodies will use the Compact Funding Code as a set of standards against which to assess their own documentation. If the documentation meets the standards they will be able to badge it as Compact compliant.

Requests for other formats of this document and replies to the consultation should be addressed to:

**Barbara Musgrave,
Director Surrey Compact
Guildford Borough Council
Millmead House, Millmead
Guildford GU2 4BB**

email: barbara@surreycompact.org

Tel: 01483 444408 mob: 07770 445763

www.surreycompact.org