



Surrey Compact Funding Code

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

The aim of this Code of Practice is to provide a framework to improve and develop funding relationships between them.

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| CONTENTS | PAGE |
|--|-------------|
| 1. The Funding Code Purpose and Principles | 3 |
| 2. An Effective Funding Framework | 4 |
| 3. Types of Funding | 5 |
| 4. Recognising Actual Costs | 5 |
| 5. Promoting Fair Access to Funding | 5 |
| 6. Joint funding of Voluntary and Community Sector Organisations | 6 |
| 7. The Application Process | 6 |
| 8. Financial Procedures | 6 |
| 9. Surrey Compact Positive Dispute Resolution Process | 7 |
| 10. The Way Forward | 7 |
| Annex: Types of Grant Funding | 8 |

1. The Funding Code Purpose and Principles

1.1 The Purpose of this Code

This document sets a benchmark of good practice for groups and organisations supporting the Surrey Compact that give or receive funding. Although it is not a legally binding document, its impact comes from the public commitment of organisations in all sectors to supporting and using it.

Those organisations providing funding should set out how they intend to apply this code.

Where they do not follow this Code, all organisations should satisfy themselves that, if asked, they have good reasons for not doing so.

1.2 The Principles

Transparency, Consistency & Fairness

Funding programmes need to be open and transparent. Timetables and grants awarded should be published, and policies and procedures should be clear and easy to understand. Funders should endeavour to promote funding streams to all organisations that may qualify.

Efficiency & Proportionality

All processes relating to funding – including application, monitoring and evaluation – should require the minimum of administration. They should be easy to understand and be proportionate to the level of funding provided.

Value for Money

All funding should provide value for money for the residents of Surrey.

Accountability & Long Term Stability

Funded organisations are accountable for the money they receive, including full compliance with relevant legislation. Long-term stability should be encouraged, including development by organisations of a range of funding streams.

Communication

Ongoing communication throughout a funding arrangement is essential.

2. An Effective Funding Framework

2.1 Joint Undertakings

Participating funding bodies, the voluntary and community sector and organisations representing service users and carers jointly undertake to:

- develop and apply procedures that are consistent with the principles of good regulation and accountability for public money;
- have effective and proportionate systems for financial management and audit;
- develop agreed objectives and systems for both monitoring and evaluating activities;
- focus on and be clear about the intended outcomes of the funding;
- work together to attract funding for Surrey from other sources;
- engage in continuing dialogue through the funding term with the aim of improving future planning for both organisations;
- apply the principles, standards and regulations of the funder when distributing funds on their behalf.

2.2 Participating Funding Bodies Undertakings

Participating funding bodies undertake to:

- respect the sector's independence;
- observe the sector's right to contribute to, and challenge on matters that affect them and their clients, without penalty;
- recognise the sector's need for greater financial stability, for example, by providing multi-year roll-forward funding to assist in long term planning;
- recognise the importance of actual costs within the funding process;
- develop streamlined procedures and practices;
- reduce the need for repeated submission of information;
- give at least three months written notice if there is a possibility that the funding situation will change, or if funding is likely to be withdrawn.

2.3 Voluntary and Community Sector Undertakings

The voluntary and community sector undertakes to:

- develop realistic budgets that include actual costs;
- actively comply with the agreed funding conditions;
- publicly acknowledge the participating funding body's support;
- develop their own long-term stability through exploring a range of funding options.

3. Types of Funding

3.1 Grant Funding

Grant funding relates to those situations where participating funding bodies make funding available to help them meet their own aims and objectives. These funding programmes should be defined to fit within the participating funding bodies' corporate and service priorities.

A definition of the various types of grant funding is explained in the Annex. With each grant application pack funders should provide a full description of their funding programme and criteria.

3.2 Contracts

Contracts are used when participating funding bodies invite bids from external organisations to provide a specified service or range of services. These services may have to be provided by law, or the funder has made a decision to provide them. Most public bodies will have formal guidance that defines how the funder will ensure that opportunities to bid are fair and transparent.

Organisations responding to an invitation to tender will set out how the contract specifications will be met.

4. Recognising Actual Costs

4.1 Participating funding bodies should encourage applicants to develop budgets that recognise core costs, and accept that these budgets can set out the full costs of delivering the service or project. This process will help to develop and maintain organisational stability and achieve agreed outcomes.

5. Promoting Fair Access to Funding

5.1 Participating funding bodies should demonstrate that they have taken all reasonable steps to promote fair and equal access to funding programmes. Participating funding bodies should develop a process that aims to:

- Publicise funding programmes as early and widely as possible in whatever format is necessary to meet local need.
- Make application or guidance packs available with sufficient detail to encourage relevant applications but at the same time discouraging applications that do not match the funding criteria.
- Aim to provide a minimum of three months between the initial publication of a funding programme and the close of applications.
- Offer advice and assistance to potential applicants to submit an appropriate application.

- 5.2** Participating funding bodies should endeavour to ensure that all their funding policies and practices are tailored to meet the needs of all groups, whether large or small, representing minority groups or in support of infrastructure organisations.

6. Joint Funding of Voluntary and Community Sector Organisations

- 6.1** Voluntary and community organisations may find that they have to manage a range of funding relationships with a number of participating funding bodies to deliver a single service. Where this is likely to be the case, participating funding bodies should seek to identify a single point of contact.

7. The Application Process

- 7.1** Participating funding bodies should seek to develop an open and transparent application process, to include as a minimum:
- Easy to use application forms and the facility to download and complete them electronically;
 - An assessment and evaluation procedure that makes clear the criteria against which the application will be judged;
 - An assessment process and evaluation panel that includes individuals with a sound knowledge of the service area to be funded, or access to essential information. Conflicts of interest should be identified and managed appropriately;
 - A published schedule that sets out how and when applicants are to be notified on funding decisions, whether successful or not, and reasons for this;
 - A payment procedure that sets out how, when and under what conditions payment will be made;
 - An agreed framework for monitoring and evaluating the funded activity that is proportionate to the amount of funding;
 - A clear approach to appeals.

8. Financial Procedures

- 8.1** Participating funding bodies should develop procedures that define:
- the financial reporting requirements;
 - how under or over spends should be managed;
 - how reserves held by organisations may or may not affect applications;
 - procedures that outline the process of intervention to be adopted if a funded organisation is in financial or other difficulty.

9. Surrey Compact Positive Dispute Resolution Process

- 9.1** The Surrey Compact Working Group (SCWG) has produced a dispute resolution process that is in addition to established organisational appeals and complaints procedures – it does not replace them.

The SCWG 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 via the Surrey Compact Working Group.

10. The Way Forward

- 10.1** This document now needs to be used and implemented in the following ways:

- Participating funding bodies will develop Action Plans giving details about implementation of this Code of Practice making reference to the principles and policies stated here.
- All organisations can use this document to identify and discuss the development of best practise in funding relationships.
- This document can and should be promoted in all communication regarding funding relationships.

- 10.2** This document will be monitored, formally reviewed in April 2006 and revisited regularly to ensure it reflects current best practice.

Annex: Types of Grant Funding

The following categories of funding reflect the types set out in the National Compact and other known practice in the public sector. These are offered for adoption although the public sector funders would set their own categories according to their particular financial systems and codes for their selected categories.

A grant programme may include more than one type of funding so the option of 'Mixed' is provided. Where necessary, for monitoring purposes, funders may need to have systems to track the type and amounts included in this category of funding.

Similarly, some grant funding may fall into more than one type, for example third party funding could be a project, developmental or capital grant. The designation would be determined by the funder's systems and monitoring purposes, for example tracking the financial value, frequency and level of third party funding on behalf of Central Government departments.

MULTI-YEAR STRATEGIC FUNDING (INFRASTRUCTURE)

This type of funding supports the core operational costs and activities of voluntary organisations. In a competitive funding environment many VCS organisations experience difficulty in securing funding towards their core management and administration costs that need to be met if they are to operate efficiently and effectively.

There are a number of ways in which funders can contribute to the core costs of prioritised organisations and in so doing can meet its strategic aims, achieve value for money and provide a more stable funding environment.

A commitment to strategic funding forms part of an ongoing relationship between a funder and a funded organisation. Funding of this type is most usually granted for longer periods, 3 years being the most frequent length, subject to annual review. Funding would usually be based on a number of factors including:

- the availability of funding with established criteria and the outcomes sought
- a statement of the expectations that the funder has of the whole organisation
- the principles of Best Value
- a mutually agreed framework for monitoring and evaluation and
- a formal review process.

Funders would usually allocate strategic funding where:

- they wish to assist an organisation, recognising the value of the organisation and its role in the wider voluntary sector context
- the organisation's core activities align with their policies and objectives
- the organisation is able to deliver activities in ways that the funder is not.

PROJECT FUNDING AND DEVELOPMENT FUNDING

Project Funding

This is provided to meet the costs of a specific piece of work or activity. The funder may allocate funding for part or all of the agreed life of the project, subject to satisfactory review of progress and the availability of resources within the grant programme.

Development Funding

Development funding represents an investment in an organisation to enable it to grow and develop in a particular way. This investment may result from the funder seeing value in what the organisation is providing, or because the environment in which that organisation operates has changed.

Project and Development Funding should:

- be for an agreed period of time - flexibility may be needed as some developmental funding may be effective over a relatively short period of time while others may require more than three years
- be explicit about the outcomes expected and the way in which the outcomes will be monitored and evaluated and
- provide a realistic exit for the funder and the funded organisation at the end of the period of the funding term
- include relevant core costs, provided this does not lead to 'double funding'.

CAPITAL FUNDING

- Capital expenditure is defined as the acquisition, construction, enhancement or replacement of an asset. An asset can be land & buildings, vehicles, plant, furniture & equipment or infrastructure.
- Capital funding can be allocated from revenue grant budgets, (but revenue cannot be funded from capital budgets). There are two different codes for capital funding – see above.

THIRD PARTY FUNDING

This is an 'indirect' funding process where an organisation is acting as a 'fund manager' for another organisation. The following examples describe the main ways that this occurs.

- a) Where a public sector funder uses another 'body' to distribute its funding to voluntary organisations, for example a voluntary organisation, another public sector organisation, a cross-sector consortium or a public sector partnership;
- b) Where a public sector funder acts as a distributor of a funding stream on behalf of another organisation, for example Central Government departments.
 - In both these situations the original funder may define very specific arrangements for the distribution. All parties are encouraged to apply Surrey Compact best practice in these situations.

MIXED FUNDING

- Some grant funding programmes will offer a mix of two or more types of grant funding. Application forms and funding agreements should specify the type and level of funding allocated in each category for financial monitoring.

PARTNERSHIP FUNDING

- Partnership funding can help secure a broader base of support for funded activity and enable funding programmes to support more applications than would otherwise be the case.
- VCS organisations often find that they have to manage a range of funding relationships with a number of participating public bodies. This can place a burden on both the participating public bodies and the funded organization. Both have to manage a number of funding relationships, often operating to different timetables and various reporting requirements. Where this is likely to be the case, it is helpful to all concerned for a single point of contact to be identified and to develop a collaborative approach appropriate to the outcomes being delivered.
- This type of funding can be part of a pooled grant budget arrangement or it could be allocated by separately but in collaboration (as above). Formal arrangements and agreements should also be in place for this type of funding.