



Compact

for Havering

Code of Good Practice

Funding

Revised July 2008

supported by



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1. INTRODUCTION

Guidelines for Funding

The aim of this Code of Good Practice is to clarify the funding relationships between the local public bodies and the Voluntary and Community Sector (VCS), ensuring that funding decisions are sound and result in the delivery of quality services to the residents of the Borough. The issues addressed in this section are drawn from a range of consultation events and reviews that have taken place over the past two years.

The contents of this Code of Good Practice reflect a number of considerations that are highlighted below:

- **The local public bodies' desire for genuine accountability**

Currently the local public bodies (including the Council, the PCT, and the Metropolitan Police) provide grant-aid to a range of voluntary and community organisations and groups based in the Borough, for core funding and projects; and contracts for services and projects provided by the VCS. The Council also provides a significant level of support in kind such as discretionary rate relief, rent subsidies, use of equipment and officer expertise.

- **The VCS' desire for greater security**

Many voluntary and community organisations experience difficulty in securing funding for management and administration costs, without which they are unable to function effectively. The funding that is available is usually short term and results in groups continuously chasing money for their essential running costs.

- **The service users' desire for delivery of a quality service**

Residents of the Borough are entitled to expect a good standard of service provision that meets their needs and provides good value for money.

There is mutual support between the partners to this Code for these principles

2. THE FUNDING RELATIONSHIP

It is important to have in place a framework that supports the funding relationship between the local public bodies and the VCS. A clear understanding of what both parties can expect of each other is important in the development of this framework.

Funding arrangements should:

- Reflect the principles and values of the National Compact while promoting localism, especially giving full potential within the law for selecting a local provider.
- Relate to clear and published objectives, priorities and eligibility criteria that are based on local need;
- To adopt a Compact way of working at the start of all funding relationships which impact on the voluntary and community sector
- Provide transparency and objectivity in administrative and assessment processes;
- Represent value for money and recognise the full value of funder organisations.
- Promote partnership working and work together on developing all aspects of funding policy and practice.
- Result in quality services and better ways of meeting the needs of local people;
- Follow the principles of good regulation (transparency, accountability, targeting, consistency and proportionality) for the use of public money;
- Involve a joint approach to monitoring and evaluation;
- Recognise the value of retaining a grants programme to support independent community activity
- Show respect for the independence of the VCS including the right within the law to campaign.
- Recognise the running costs of VCS organisations and the different ways these can be met;
- Give support to the sector's infrastructure;
- Address sustainable funding and longer term planning;
- Promote fair access to funding, contracts, grants and other forms of support;
- Reflect co-ordination and consistency across the local public bodies, and
- Provide clarity in the conditions of any funding.

This Code sets minimum standards which are to mutual advantage and are based on Compact principles and values and is not about public bodies doing the voluntary sector a favour. This Compact is what good public bodies do and good funders do. Equally it sets high standards for voluntary and community groups who wish to be funded by public bodies for the benefit of their clients.

3. VOLUNTARY SECTOR FUNDING AND GRANTS

The local public bodies recognise the important role the VCS has in helping to achieve their aims and the importance of funding in supporting the work of the sector and promoting voluntary action in the Borough.

Through their funding policies, the local public bodies seek to strengthen the role of the VCS in delivering the Havering Community Strategy which was developed in partnership with the VCS.

This Strategy is built on a Vision of the future in Havering - "putting people first by creating the best opportunities, the best environment and best public services that we can for everyone who lives, works or visits here". To achieve this Vision, the key priority themes for the coming years are set out below. These aims will shape the priorities of the local public bodies in decisions about the award of voluntary sector grants.

The Community Strategy's Themes are:

- Increased Community Participation
- Better Health and Welfare
- A More Prosperous Community
- Improved Lifelong Learning
- A Safer Community
- A High Quality Environment

Infrastructure and Core Funding

Consultation on the Compact Code of Good Practice has highlighted the need to support the infrastructure of the VCS as a whole, as well as the running costs (core costs) of individual organisations. To support the wider VCS, the local public bodies fund lead organisations that work across the VCS.

Lead organisations are expected to:

- Support smaller groups as well as individual members and service users;
- Inform, consult with and represent the views of their individual or group members, and
- Work in partnership with the local public bodies on matters of policy development and service planning and encourage small groups to be involved in public policy development by developing local capacity.

Most funding bodies do not directly meet the general running costs of voluntary and community organisations. Therefore, when a group applies for a grant for a project or bids for a contract for services, the application should include the proportion of its running costs needed for the delivery of that project/service, for example, the related costs of rent, insurance, management and administration. There should also be openness and transparency about Support in Kind offered to groups and organisations as a part of funding or contractual arrangements in order that organisations compete on a fair basis.

Meeting the needs of new or smaller community groups

As new and small community groups can face difficulties in gaining access to funding, steps should be taken to ensure that funding policies, timetables, procedures and practices are designed to enable groups with limited time and resources an equal opportunity to apply for funding and grants.

Meeting the needs of the Black and Minority Ethnic Sector

Local public bodies provide a limited range of culturally specific services to meet the diverse needs of local people. The VCS, including faith groups, are often well placed to provide such services. This is a challenge that the local public bodies and the VCS must face together.

There is considerable variation in the policies of funding bodies when it comes to support for BME organisations. In many cases, this reflects a lack of knowledge of the role such organisations play in their communities. Similarly, faith based organisations have a crucial role as many minority and disadvantaged communities identify themselves as much by their faith as by their ethnicity, and faith organisations are often effective at engaging with and serving these communities. When consulting on their policies funding bodies should ensure that BME and faith organisations have an opportunity to comment on issues of concern to them. This will have implications for how consultation is carried out.

Public bodies will publish a publicly available report of all funding to the VCS showing who gets what, which will be submitted to the Havering Strategic Partnership Board. This report should identify the share of funding that goes to local BME groups.

Longer term funding

The benefits of funding an organisation for more than one year at a time are that it:

- Provides financial and operational stability for voluntary and community groups;
- Builds the capacity of groups and sector as a whole;
- Attracts the interest of other funding bodies, increasing the likelihood of greater investment in the VCS;
- Promotes longer term planning;
- Reduces the administrative burden on both local public bodies and funded groups, and
- Makes it easier to measure progress and the effective use of public funds.

Longer term funding (sometimes referred to as “strategic funding”) has tended to be granted for three-year periods. It is subject to a satisfactory annual review and the availability of resources. During the development of the Compact, a constant theme has been the need for longer term funding for voluntary and community groups. Where VCS organisations are receiving ongoing funding, as opposed to fixed term or project funding, they should normally have medium term (typically three year) contracts and funding agreements, specifying outputs to be delivered and providing for performance monitoring, although they may allow for six months’ notice of termination to be given on either side if required by unforeseen circumstances.

Local public bodies recognise that it is good practice to make provision for inflation and should this present a difficulty in relation to the coming year they will discuss this with the sector on how to proceed at the earliest opportunity.

Should local public bodies feel that they need to make cuts in the coming year then they will engage with the VCS at the earliest opportunity

Making a grant application

All local public bodies should produce guidelines for organisations intending to apply for the grants which they are able to offer and work with the local VCS on the content of the guidelines. If organisations do not understand these guidelines or need assistance in completing the necessary forms, reasonable assistance will be provided. The guidelines should set out the policy, eligibility criteria and conditions for each grant that is available, and contact details of officers will also be provided.

An organisation submitting a grant application is responsible for identifying the need to be met as well as the planning and costing of a proposal to meet that need. The applicant must also ensure that it has a constitution that allows it to carry out the work for which funding is being requested and that the application meets the eligibility criteria for grant funding. The application should take into account increases in costs over the time for which the funding is requested. Funding bodies should encourage applicants to set realistic budgets and targets to ensure that the stated outcomes are achieved to the required standard.

When preparing an application, grant funding should not be seen as an open-ended commitment. All funding is time limited or subject to review. The circumstances in which funding may be stopped or reduced before the end of the agreed period should be clearly stated in the Guidance for applicants and in the funding agreement. Similarly, applicants must have plans to address what happens when funding comes to an end.

Public bodies will publish a publicly available report of all funding to the VCS showing who gets what which will be submitted annually to the Havering Strategic Partnership Board.

The assessment process

Clear eligibility criteria should be available as part of the Guidelines that accompany the Grants Application Form. This is the basis of assessing any application and applicants must ensure that they provide all the information requested when applying for a grant or tendering for a contract. The assessment will also look at the risks associated with funding a particular organisation or project.

It is important for an organisation applying for large sums of capital or revenue funding to show that it

- ***Has the management capacity to achieve its aims;***
- ***Is financially viable;***
- ***Is able to commit the right level and kind of resources to deliver the project or service successfully;***
- ***Has systems and procedures in place to manage and account for both the funding and the delivery of outputs;***
- ***Is providing the best value for money it can;***
- ***Is legally able to carry out the stated activities;***
- ***Has a strong commitment and a policy to promote equalities and diversity;***
- ***Has robust policies and systems in place to ensure that all health and safety requirements are consistently met;***
- ***Where appropriate, has an exit strategy for when the funding ends, and is committed to seeking continuation funding, and***
- ***Has managed any previous grants effectively.***

In Havering, checks are made with other local public bodies, partner agencies and other funding bodies in order to gain further knowledge about the applicant and services it provides and to avoid duplication in funding. Groups under SORP will be expected to have a reserves policy and attach this to the grant application.

After final decisions have been made in relation to grant funding, applicants should be notified as soon as practical of those decisions. Normally this would be **three months** before the grant is due to commence, which will enable successful applicants to gear up to deliver the project or service, and allow unsuccessful or partially successful applicants time to revise the original estimate or seek additional funding. It is recognised however that timescales may be curtailed when the budget is set late in the financial year: for this reason it is helpful if funding streams do not expire until the end of the first quarter in the following financial year.

It is important to provide applicants with feedback on why an application has been unsuccessful. This is one way that voluntary and community organisations can improve the quality of future applications and their chances of making successful applications in the future.

Grant agreements

Local public bodies should enter into a written agreement with any voluntary and community organisation to which they award a grant, prior to the grant being made. The agreement should set out the terms and conditions under which the grant is awarded, and this should be no more than is necessary for the funding body to satisfy itself that the VCS organisation will deliver, and will provide evidence that it is delivering, the service or project which is wholly or partly funded by the grant from the local public body, and will account for its expenditure as required by the local public body's financial regulations and procedures. For small one-off grant payments, the agreement will be short and simple: larger or longer term grant agreements may have more conditions attached.

The written grant agreement should include:

- The amount and period of grant awarded;
- The purpose for which the grant is made, listing any specific exclusions, conditions or other restrictions;
- Jointly agreed outputs or performance measures;
- Jointly agreed monitoring, evaluation and accounting arrangements;
- Arrangements for payment, and
- Circumstances under which a grant will be withdrawn or withheld.

For a larger grant from Havering Council the written grant agreement is normally a legal document called a "Grant with conditions attached". This must be signed by a named officer on behalf of the Council and the persons in the voluntary or community group with authority to enter into such an agreement. Each party to the agreement will retain a copy.

Payment arrangements

For grant funding, it is recognised that regular payments in advance (at the start of the payment period) are essential when the grant is for the running costs of an organisation. It is the default arrangement that all new projects will be funded for the first six months in advance to allow

adequate funding to start up the project including recruitment, rental of premises and purchase of equipment. This is considered Good Practice for public bodies which fund public services.

Regular payments to voluntary and community organisations under contracts or funding agreements should therefore generally be made monthly or quarterly in advance, by direct bank transfer where appropriate; with provision for the local public bodies to recover advance payments in the event that the recipient organisation ceases to operate. No payments will be made until after the written grant agreement or service contract has been signed by both parties.

If a funded organisation is failing to achieve its targets in any payment period, subsequent payments may be withheld until performance has improved, in accordance with the terms of the grant agreement or contract. Should this occur, the local public body will work with the VCS organisation to support any action that is necessary.

It is important that a funded organisation is given adequate warning if its funding is to be reduced or withdrawn. If it is intended to reduce or withdraw a grant during the period for which the grant was made, the local public body will give notice to the VCS organisation in accordance with the terms of the grant agreement or contract. However all contracts will be prepared in accordance with the Good Practice outlined in this Code.

Monitoring and evaluation

The arrangements for monitoring should be set out in the written grant agreement or service contract. All funded organisations must keep accurate records of what has been achieved, how the funding was spent and how any conditions associated with the funding were met. Increasingly, funding bodies require applicants to have adopted recognised quality standards. Where this is the case monitoring requirements may be reduced.

To further reduce the burden of monitoring, local public bodies will take into account the monitoring requirements of other funding bodies, sharing information where this has been agreed.

When grant funding has been awarded for a project, evaluation should be integral to the project and included in the project plan. A copy of the evaluation report should be sent to the local public body and other funding partners, once accepted by the organisation or multi-agency group responsible for the project.

In Havering, monitoring and evaluation requirements will be set out in the Agreement. An organisation receiving ongoing funding will typically be required to submit performance information to the local public body quarterly or six monthly, in addition to information provided within its Annual Report. As part of the monitoring process, contact may be made with individual groups' users. The Treasurer of the organisation must approve financial information and for larger VCS organisations the Annual Accounts must be audited or approved in accordance with the requirements of the Charity Commission.

Funded organisations should notify the local public body of any anticipated underspend as soon as possible and come to an agreement with the responsible officer whether the grant should be used in a different way to achieve the agreed objectives or repaid.

Grant funding bodies will expect organisations receiving grants to acknowledge this in their publicity and written material.

4. CONTRACTS

Service Contracts

Most of the principles set out in the previous section relating to funding and grants are equally applicable to service contracts. Taking account of discussions with partners, service providers and service users, the commissioner will define the nature and extent of the service requirement within a detailed tender specification.

This section highlights some of the additional factors to consider when contracts are entered into between local public bodies and VCS organisations.

Increasingly, public services are being commissioned through a tendering process to ensure that services offer best value and there is equality of opportunity for all potential providers to compete for contracts. The commissioner will invite tenders from potential service providers. Bids for the delivery of a service must ensure that they are able to meet all costs associated with the delivery of the service, including aspects of management and administrative overheads within the bid where necessary and the detailed terms of service contracts will normally be the subject of negotiation. It is recognised that Spot Contracting (especially if used beyond a short term arrangement) is a form of funding that can cause voluntary groups concerns in relation to risk because of the vagaries of cashflow and uncertainties of income streams undermine organisational sustainability. Contracts should not be over-prescriptive as to how services are provided as this would damage the independence of the voluntary sector provider and constrain quality.

All organisations private or voluntary sector, bidding for service contracts may be required to have in place or be working towards recognised quality assurance standards, for example the Practical Quality Assurance System for Small Organisations (PQASSO) or Investors in People (iP). These standards help the organisations to know that they are continuously improving their services for the benefit of their service users. They help service purchasers or commissioners to have confidence that the service provided is being managed and delivered to an approved standard. In this way there is a level playing field with private sector providers.

For many public services provided under contract, there are minimum standards for service delivery for example, Care and Health and Safety standards for service users and carers.

To be eligible to tender for a service contract an organisation must be able to demonstrate that it:

- *Is a well managed organisation;*
- *Is financially viable;*
- *Provides equality of access;*
- *Has policies and procedures for involving service users;*
- *Has in place quality assurance standards where required;*
- *Has effective health and safety management;*
- *Has staff able to deliver to nationally recognised standards, and*
- *Has procedures for monitoring and evaluation of the services it provides*

Local public bodies may have charging policies that apply to some of the services they provide or commission. To ensure contracts are developed and treated in the correct manner, the commissioners will advise those wishing to tender if there is a charging policy and how charges are to be collected. Any specific requirements will be identified within the service specification.

If a voluntary or community organisation identifies a need for a new care service or for the service to be delivered in a different way, a proposal should be discussed with the relevant commissioning officer who has responsibility for services in a specific area (for example, services for older people or people with disabilities). If the proposal meets the requirements of the Fair Access to Care Regulations and is a service that is not being provided currently, the proposal will receive further consideration, within the overall context of service priorities and resource availability. At this stage, the proposal should contain information about local need and demand for the service, the level of the service proposed and the likely cost of that service.

If an organisation has other ideas about contracting for community care services or ways of improving the way services are delivered, contact should be made to the relevant commissioning officer.

Monitoring

A service contract will specify the targets and standards by which a contract will be monitored, these will be agreed between the commissioning manager and the organisation before the service commences. These will take account of the size of the contract and the work needed to provide the monitoring information. It will include inspection of documents such as insurances and financial records.

Every effort will be made to keep monitoring to the minimum level required to ensure that the service is delivered, and clearly seen to be delivered, in accordance with the contract, and that expenditure is accounted for as required by the local public body's financial regulations and procedures. Normally, quarterly returns will be required and at least one monitoring visit will be made each year to check service records against the information provided in quarterly returns.

Six months prior to the end of the contract, commissioners and service providers should discuss what will happen at the end of the contract period, for example, whether the contract will cease, be renewed or re-tendered.

PRIORITIES FOR ACTION

In order to facilitate a better working relationship between the funding agencies and the voluntary sector organisations which deliver services;

The VCS will:

- provide invoices one month in advance of due date to facilitate timely payments by the funder.
- provide invoices which include their bank details to facilitate payment by bank transfer where appropriate.
- provide timely reports for monitoring as detailed in their grant agreement or service contract.
- ensure the payment is used to deliver the services detailed in the grant agreement or service contract.
- provide any necessary financial reports and information to evidence that the funding has been used to deliver the contracted services.
- notify the local public body as soon as possible of any anticipated over- or underspends on grants or if it appears likely that any of the outputs or performance targets will not be achieved.

The local public bodies will:

- Where funding is available for several years, normally enter into medium term (typically three year) contracts and funding agreements, with provision for six months' notice of termination if required by unforeseen circumstances.
- Provide sufficient time and funding for any new or varied service contract to enable recruitment, leasing of premises and purchase or lease of new equipment etc.
- Provide for upfront funding of completely new service contracts.
- Normally pay invoices for ongoing grants or contracts quarterly or monthly in advance subject to satisfactory performance.
- Give consideration to capital costs in the delivery of the service including assistance with finding suitable premises from which to deliver services.
- Be consistent with regard to management costs and overheads when comparing VCS service costs against in house or private sector provision.
- Notify the voluntary organisation in advance if the contract is not being renewed, in accordance with the terms of the service contract.
- reduce the monitoring workload where possible by ensuring that monitoring is proportionate to the size of the contract, and by sharing information and harmonising timescales with other funding bodies

- Ensure that the accreditation and quality standards required of VCS organisations tendering for service contracts will be equivalent to those of statutory agencies or private companies delivering similar services.
- Provide full business rate relief for all VCS with their own premises

Together we will agree to:

- Negotiate before the beginning of a contract (where applicable)
– outcomes, formats and frequency of reports and information, payment cycle and monitoring visits including notice of termination in accordance with the Good Practice outlined in this Code of Practice
- Take into consideration In kind support
Work will be carried out in partnership to assess the value of premises provided in kind to organisations where relevant. 'Hidden' contract subsidies through the provision of premises at reduced or nil cost will normally be avoided.
A joint review of all in kind support provided to local VCS will help to highlight local good practice.
- Support Contract management
Both VCS and statutory bodies will have named contract managers. If there are personnel changes during the contract period, the other partner will be notified in writing.

Implementation

The implementation of the good practice detailed in this code is recognised as the way in which this document adds value to the working relationships between local public bodies and the local VCS. In order for this to be assessed we will aim to follow the implementation in other boroughs by the Scrutiny regularly reviewing the success of the implementation

Champions will be appointed in each of the public bodies so that it is used and followed. The Havering Compact and this Code will be covered in the induction of staff and in other relevant training.

Public bodies are expected to cite this Code alongside the Havering Compact and the impact on the VCS of proposals in decision making reports

The council will consider and keep under review the business case for resourcing the implementation of the Code along with the Havering Compact.

The local VCS will promote the appointment of Compact Champions to ensure implementation in local VCS negotiations.

ADDITIONAL RESOURCES

DEPARTMENT OF HEALTH, 2002 – Fair access to care services guidance on eligibility criteria for adult social care
www.dh.gov.uk

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HM TREASURY, 2003 – Guidance to Funders: Improving funding relationships for voluntary and community organisations.
www.hm-treasury.gov.uk

NATIONAL COMPACT WORKING GROUP, 2005 – Funding and Procurement a Code of Good Practice, The Home Office

NATIONAL COMPACT WORKING GROUP, 2001 – Draft Guidance for Public/Voluntary Sector Partnerships: a proposed supplement to the Funding Code, The Home Office

Although this Code of Good Practice was extensively reviewed in 2008 it is the intention of partners to constantly improve on our shared good practice and if you would like to make any comments please contact

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The Funding Sub-Group is open to all sections of the Community to join. And the more people who are part of it, the more effective we can be.

Then new members will again be welcome in order to begin the next phase of making the Compact work.

Please contact the Sub-Group Chair, Kim Guest for further details.