

Compact codes of practice

Encouraging people to use resources effectively

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1 Introduction

- 1a The Compact for Leeds, launched in September 2003, sets out, for the first time, the responsibilities and expectations of the Leeds Initiative's public-sector partners and the voluntary, community and faith (VCF) sector have when working together.
- 1b Leeds is a city with many cultures, languages, races and faiths. The Compact for Leeds recognises, celebrates and values these differences and aims to include all groups that find themselves under-represented and excluded.
- 1c This code of practice is one of four which support the Compact for Leeds. The others cover:
- promoting equal partnerships;
 - communications and consultation; and
 - volunteering.
- 1d This code of practice refers to the work with the voluntary, community and faith sector (VCF). The Compact for Leeds recognises the many functions of the faith sector and fully supports and promotes the community activity carried out by faith groups and organisations. However, the Compact for Leeds cannot support activity that leads to promoting any particular faith.
- 1e Across Leeds there is a very wide-ranging VCF sector that plays an important role in the city. Their activities range from:
- developing the confidence of people and communities to influence and take part in local decision-making by supporting them to work together, encouraging volunteering and to become more involved;
 - providing services to the public and particular groups in the community, meeting social and individual needs;
 - supporting communities and the individuals they represent, for example, through campaigning or through formal representation in decision-making forums;
 - contributing expertise and experience when developing policy;
 - providing jobs and income; and
 - delivering public and publicly-funded services.

2 The aim of this code of practice

- 2a This code of practice aims to improve funding relationships to benefit organisations which have signed up to the compact. The code is for organisations and groups involved in giving, applying for or receiving public funds.
- 2b The idea is to deliver value for money by achieving the best possible outcomes for all involved, the funder and the VCF sector across Leeds.
- 2c Using this code of practice will result in better funding decisions to support programmes which are delivered well and achieve results. It is supported by the principles of the compact at all levels and throughout the funding process.
- 2d Funding the VCF sector nationally as well as locally is continually changing. We recognise this and we will regularly review and consult on this code of practice.
- 2e The code of practice is based on current national guidelines – the National Compact Funding and Procurement Guide published in March 2005.

3 Responsibilities

- 3a Leeds Initiative partners who have signed up to the Compact for Leeds are committed to setting up and maintaining best practice in the way the VCF sector in Leeds is funded.

Partners have agreed to put into practice an effective framework that:

- improves co-operation and fairness within and between funding organisations, through the Leeds Initiative Resources Partnership;
- delivers high-quality and good-value services by making sure that administrative, decision-making and funding processes are clear, consistent and open, for example, by producing clear guidelines;
- regularly publicises their service priorities;
- develops a strategy to plan and buy goods and services from the VCF sector;
- recognises that the VCF sector is independent and acknowledges their right to manage their own affairs;
- recognises that the VCF sector has a basic responsibility in terms of their charitable aims, their beneficiaries, service users and trustees;
- respects the VCF sector's right to campaign no matter what funding relationship might exist;
- maintains a level of small-grant funding for new community groups to support their development;
- recognises the value of VCF sector groups which are working towards or have achieved an independent quality assurance scheme such as POASSO (a quality assurance system designed specifically for charities); and
- has procedures that follow the principles of good regulation in accounting (as set down by Companies House and the Charity Commission).

3b The VCF sector recognises that receiving public funds carries with it responsibilities.

The sector agrees to follow good practice in using and managing public funds compared to the amount of money involved.

Specifically, the VCF sector must have :

- policies that recognise and value the principles of equal opportunities and support how services are delivered;
- clear and effective employment policies, appropriate insurance, management arrangements and procedures, for example, in health and safety and equal opportunities;
- clear strategic aims, including long-term planning with trustees, beneficiaries and service users;
- systems to involve, where possible, service users in developing and managing activities and services;
- a reasonable and realistic reserves policy (the way you deal with any money you do not spend within the financial year) in line with charity law to cover, for example, maternity or redundancy pay;
- clear lines of responsibility, especially with joint bids;
- procedures that follow the principles of good regulation in accounting that are set down by Companies House and the Charity Commission;
- systems for making sure services are of high quality for service users and beneficiaries, including a feedback procedure;
- processes that satisfy monitoring procedures;
- a commitment to keep up-to-date with the law, policy and local priorities when applying for funding;
- a commitment to work towards gaining official approval of a quality assurance scheme, for example, PQASSO;
- respect for confidentiality; and
- a clear view about which organisations individuals represent and how you came about your views when you are involved in designing funding programmes.

4 The funding relationship principles

4a All organisations within the Leeds Initiative partnership which provide funding and the VCF sector signed up to the compact agree that the following principles apply at all stages of the funding relationship.

- Achieving outcomes should be a central measure of the success of funding.
- Processes should be as simple as possible and in proportion to the amount of money involved.
- Systems should recognise and value equality opportunities as well as promoting fair access to funding.
- Funders and those paying for services should make an effort to join up or standardise parts of the funding or procurement chain. This will reduce the burden on organisations and make sure that they focus on delivering services.
- Allowing time for planning, decision-making and action is important so organisations can have a real effect.
- Organisations should make informed decisions about spending priorities and make sure that funders, those paying for services and the VCF sector learn from previous work.
- Good communications can help build trust and can identify and overcome problems before they affect outcomes.
- Understanding each other's needs should help avoid problems and achieve outcomes.
- Processes should acknowledge and recognise:
 - the VCF sector's need for financial stability so that it can fulfil its strategic and operational role in the Leeds Initiative; and
 - the value of the VCF organisations.
- The VCF sector often carries out ground-breaking work that carries a higher risk.
- If there is a long-term need for services to be delivered by the VCF sector, funders and those paying for services should develop processes to help them by providing medium- to long-term funding.

5 The funding relationship checklist

The following is a checklist of actions both the funder and organisation receiving funding needs to consider at the beginning, during and end of any funding relationship.

5a Involving the VCF sector when designing a programme or project

If you are a funding organisation, you should:

- provide longer-term contracts;
- involve the VCF sector in designing the programme and the size of contracts and grants to allow smaller organisations to compete;
- consider which parts of the programme can be best carried out by the VCF sector;
- consider meeting specific costs of contributing to work carried out by local partnerships; and
- make sure the funding available meets the full cost of the service needed.

If you are the organisation receiving the funding, you should:

- respect confidentiality and be clear about how the group designing the project came to a decision; and
- consider what would happen if or when the financial relationship ends and plan for this at an early stage.

5b Application and tender process

If you are the funding organisation, you should:

- promote opportunities widely;
- consider practical approaches to encourage the VCF sector to get involved and allow enough time for them to respond;
- make sure that information and forms are clear, user-friendly, and include all relevant information and meet plain English standards;
- make sure that documents are available in other formats and languages if you are asked;
- where possible, use e-mail to speed up communication channels;
- make sure that processes are consistent with the amount of money available;
- only ask for information that is relevant for making decisions;
- avoid asking questions about overheads or management fees, but judge requests based on value for money;
- let organisations applying for funding know about the process;
- let those applying for funding know your decisions on time;
- give at least three months' notice of new schemes and programmes; and
- give feedback on the process.

If you are the organisation receiving funding, you should:

- be aware of opportunities, timescales and decision-making processes;
- make sure that you qualify for contracts;
- recognise that the funders have the final decision; and
- have clear lines of responsibility.

5c Agreeing terms of delivering services

As the funding organisation you should:

- explain and agree terms for delivering services, such as measures of success and performance, before you enter into a funding agreement or contract - for example, if the organisation fails;
- agree beforehand methods of controlling change;
- discuss risks at the start and place responsibility for those risks with the organisation best able to manage them;
- negotiate maternity and redundancy payments to reduce the effect on how services are delivered; and
- negotiate any reduction in funding if levels of service delivery and performance fall.

If you are receiving funding, you should:

- be aware of the risks you are responsible for; and
- recognise that it is reasonable for funders to ask for public recognition of their funding in appropriate circumstances.

5d Agreeing payment terms

As the funding organisation, you should:

- consider when to make payments, for example, if you need to make payments before any spending takes place;
- agree clear procedures if the organisation fails to spend the total grant;
- put into practice longer-term financial arrangements if these represent good value for money; and
- make payments on time.

The organisation receiving the funding should have good systems in place to manage finances and funded projects and account for them.

5e Agree monitoring and reporting

As the funding organisation, you should:

- make sure that your monitoring processes are matched to outcomes;
- consider joining up with other funding organisations or standardising monitoring procedures when organisations are receiving funding from more than one source;
- build reasonable review periods into funding agreements and contracts;

- make sure that performance reviews are carried out every year (or any other agreed period if funding agreements and contracts last more than one year); and
- only ask for information that is relevant and agree this beforehand.

As the organisation receiving funding, you should:

- be honest and open in your reporting and recognise your responsibility to the public;
- have systems in place for monitoring and evaluating activities against agreed aims within funding agreements and contracts; and
- let the funder as soon as possible if you are having problems achieving your obligations under a funding agreement.

5f Ending a financial relationship

As the funding organisation, you should do the following.

- You should develop and publish a procedure that provides guidance on withdrawing funding, for example, funding ends when:
 - the organisation fails to provide the level or nature of service agreed;
 - there is enough evidence of fraud, or misuse or inappropriate use of funds;
 - an organisation does not meet the agreed grant conditions;
 - an organisation is making a loss or is bankrupt; or
 - a contract ends.
- You should discuss any failings with the organisation before taking action.
- You should give enough notice at the end of grants and contracts and, where possible, give three months' notice for any changes to one-year funding programmes.
- You should give at least 12 months' notice for agreements lasting more than one year when reducing or ending funding unexpectedly.
- And, you should give notice to allow the organisation to give reasons and respond to proposals to change or end an agreement.

As the organisation receiving funding, you should:

- recognise that funding may end as priorities change or if you do not deliver the outcomes; and
- plan in good time for different outcomes to reduce the negative effect on beneficiaries and the organisation.

Appendix 1

Definitions of procurement, grant, and contract

What is procurement?

Procurement is buying goods and services from someone else under legally-binding, contract terms where you have met all the conditions needed to form a legally-binding contract. Buying the goods or services must benefit your organisation so that you can deliver the services you provide to run your business.

What is a grant?

A grant to the VCF sector is different from procurement because if you are giving the grant you are not contracting for a service which forms part of your business. You are offering financial support to an organisation or community group for work you want to sponsor. Work carried out by the organisation or community group is considered to add value to your overall aims.

What is a contract?

A contract is an agreement between two or more people or organisations outlining the responsibilities and obligations of both. A contract will usually contain information about:

- the amount the contract is for and how long it will last;
- details of any restrictions for the funding, such as how the money should be spent;
- a list of agreed aims and outcomes;
- agreed measures of performance;
- details of monitoring and assessment arrangements;
- details of payment arrangements;
- a legal framework including legislation, policies and guidance that the VCF sector must follow to receive funding; and
- how the contract will end, including the conditions which would lead to end the contract.

For more information contact the following organisations.

Leeds City Council	Voluntary, community and faith sector	Health sector and Leeds Initiative
Pat Fairfax LCC Partnerships Team 5th Floor West Merrion House Merrion Centre Leeds LS2 8BB pat.fairfax@leeds.gov.uk	Jane Daguerre Leeds VOICE Suite 56, Concourse House 432 Dewsbury Road Leeds LS11 7DF jane.daguerre@leedsvoice.org.uk	Christine Farrar Leeds Initiative 40 Great George Street Leeds LS1 3DL christine.farrar@leeds.gov.uk

Compact for Leeds

Phone: 0113 2478128

Phone: 0113 2772227

Phone: 0113 2243057