

# **CARMARTHENSHIRE COMPACT-FUNDING CODE OF PRACTICE** **(THE CODE)**

## **INTRODUCTION**

The statutory sectors in Carmarthenshire recognise the voluntary and community sector (third sector) deliver high quality services which complement or are additional to public services. Often services are delivered in a less bureaucratic but more responsive and cost effective way. Services/projects are often delivered to "hard to reach" groups promoting equality and social cohesion thus improving the quality of life across Carmarthenshire.

This Code seeks to improve the funding and contracting relationship, to the mutual advantage of the statutory sector: Carmarthenshire Local Health Board (LHB) and/or Carmarthenshire County Council (CCC) and the third sector: Carmarthenshire voluntary sector organisations by setting a framework for the financial relationship.

Many third sector organisations enter into financial relationships with the statutory sectors to deliver services or projects, either through grant funding or by supplying services purchased through the procurement/contracting process.

As identified in the main Compact Carmarthenshire Association of Voluntary Services (CAVS) will be the signing the document on behalf of the third sector.

## **WHO IS THE CODE FOR**

Even though the Code is a formal agreement between the three respective organisations, it is to be used as a working document. It is to be used by those people in Carmarthenshire involved in statutory sector funding of voluntary and community organisations including social enterprise, whether distributing, applying for or receiving funding. The Code sets a standard to which the LHB, CCC and the third sector agree to work to in relation to funding, contracts and grant aid. It does not cover what is funded or who should be funded.

The Code also acknowledges that CCC and the LHB may have to adhere to the funding criteria of external agencies and where possible

will integrate the good practice contained in this Code. An example of this is funding provided under European Union Financial Regulations.

## **RELATIONSHIP WITH OTHER COMPACTS/DOCUMENTS**

Carmarthenshire COMPACT is the overarching agreement between the respective partners. The Funding Code of Practice is an integral element of the agreement.

There are a number of documents published both at a national and local level setting out relationships between the statutory and third sector. This Code aims to complement these documents. A list is included in Appendix A.

## **DEFINITIONS OF AGREEMENTS**

Almost invariably payments from the statutory sector to the third sector will be made under an "agreement" of some kind. Terminology can differ between and within organisations but essentially the whole process is to ensure the funding is spent appropriately and within the agreed specification. For the purpose of this Code the distinction between the two most commonly used agreements are described below:

### **Contracts:**

A contract is a legally binding agreement and is generally used in situations where services are delivered externally or through another organisation or agency. In Carmarthenshire we have already developed tripartite contracts for a three year period between CCC, LHB and the third sector and where possible we will continue to encourage tripartite contracts across Carmarthenshire.

### **Service Level Agreements (SLA):**

Service level agreements have been around for a long time. However over the past few years there has been progress in moving towards contracts as this is seen as best practice and provides formality and security for all. Service level agreements should only be used internally or between departments.

## KEY COMMITMENTS IN THE CODE

In order to achieve the financial relationship the following principles of shared values and mutual respect underpin the framework and ensure collaboratively we achieve our aim:

**Consistency and Co-ordination-** we are committed to seeking to join – up/and or standardise funding arrangements as far as possible to minimise the burden on the third sector and ensure a focus on delivery

**Simplicity and Proportionality-** we will ensure processes are as simple as possible and in proportion to the amount of money involved and the perceived risk

**Timeliness-** we will endeavour to allow adequate time for planning, decision-making and project/service implementation

**Transparency and accountability-** our relationship will be open and honest allowing informed decisions about spending priorities within Carmarthenshire, ensuring all sectors are involved and learn from previous work and best practice.

**Focus on outcomes-**(see glossary Appendix B) - we will ensure the achievement of outcomes is used as a key indicator of the success of a project or service as a direct result of funding

**Best Value/Governance-** we will have a mutually agreed framework for monitoring and evaluation of outcomes and performance ensuring proper use of public funding

**Discussion and dialogue-** we will improve communication thus helping to build trust to identify and overcome problems before they impact on the delivery of the service/project

**Empathy-** we will endeavour to understand each other's needs and requirements which should help avoid problems and help achieve outcomes

## HOW THE CODE IS STRUCTURED

The Code sets out stages in the funding and contracting process including design and delivery under the following headings:

- Project and Service Design
- Application and Tender Process
- Terms of Delivery
- Monitoring and Reporting
- Payment Terms
- Concluding a Financial Relationship

### PROJECT AND SERVICE DESIGN

The Partnerships in Carmarthenshire increasingly call for effective third sector participation as they are recognised as the sector that can often reach groups that the statutory bodies cannot. The third sector is expected to play a role in helping to develop services and projects as early as possible in the design stage. This will result in services which are well defined, deliverable and meet the needs of the people in Carmarthenshire. It will also allow the third sector to grow and develop subsequently improving their ability to deliver in the long term.

#### **CCC and LHB will:**

- Provide an opportunity for the third sector to contribute to the design of services and projects where appropriate by inviting potential providers to discussions as early as possible
- Recognise that contributing to the design process for the third sector takes time and resources

#### **Third sector will:**

- Contribute constructively to the design of services and focus on the needs of the community
- Be clear about whom they represent and how they came to their views (issues regarding representation are well defined in the Fine Romance Document Appendix A)

## **Collaboratively we will work together to identify:**

- Services that promote equal opportunities and equality of access for all.
- Risks to deliver the service/project and who is best placed to manage the associated risk
- Identify barriers to delivering the service (e.g. unrealistic timeframes, slower delivery in the early part of the service/project)
- Which aspect of the service would most benefit from the third sector involvement
- The optimum size of grant or contract- by ensuring that sizes are appropriate to help smaller third sector organisations compete or join-up to secure a diverse supply base.
- How the outcome of the service/project can be sustained and contribute to long term capacity of the third sector

## **APPLICATION AND TENDER PROCESS**

This section covers the process of inviting, applying for and assessing funding applications, including tender bids and giving notice of decisions. A well managed application process allows the third sector an opportunity and time to make a well-informed and considered application.

CCC and the LHB will follow the well-established procurement rules regulations and related guidance based on principles of openness, non-discrimination and transparency. (Social Care and Housing department's Commissioning and Contracting Strategy for further detail Appendix A).

### **CCC and LHB will:**

- Aim to give adequate and sufficient notice of funding opportunities to allow the third sector time to respond
- Publish clear timescales for applications, decisions and schedules of payment
- Publish the criteria against which applications and tenders will be selected and evaluated

- Ensure that forms are clear and accessible and include all relative information so that the third sector can make an informed decision about whether to apply.
- Ensure application forms have a contact name and details for enquiries
- Recognise it is legitimate for the third sector to include relevant element of overhead costs in their estimates for providing a service.
- Provide timely notification of decisions and give adequate notice in advance of the expected start date for project/service implementation. Smaller third sector organisations or new organisations may need longer.
- Provide feedback on the reasons for decisions including developmental points

**The third sector will:**

- Ensure they understand the timescales and decision making process
- When applying ensure they are eligible and they understand the requirements; that their suggested work meets the aims of the funding programme
- Consider putting joint bids together but have clear lines of accountability
- Properly allocate full anticipated costs in estimates for projects/services so that full cost recovery can be achieved over the life of the project
- Recognise that there are competing demands for public spending and there may be more organisations applying than money available
- Recognise and respect the final decision on whether to award the money rests with the funder (engage fully with the process and provide feedback on their organisation's experience)

**Collaboratively we will:**

- Ensure when the third sector are funded by more than one statutory sector funding body have a formal dialogue between all relevant sectors before making decisions to ensure equity, clarity and consistency.

- Consider developing standardised and simplified contract documentation across Carmarthenshire which will be proportionate to the amount available
- Work in partnership whenever new application processes/procedures/forms are developed
- Promote opportunities widely and consider proactive approaches to encourage the third sector to apply. This is particularly important for third sector organisations who may not have applied before.

## **TERMS OF DELIVERY**

Effective terms of delivery give clear expectations of what is expected of the provider and by when, so that organisations can plan and deliver the best possible outputs and outcomes. They also ensure that risks are recognised and understood and placed with who is best able to manage them. This contributes towards developing an effective working relationship between funder and funded.

### **CCC and LHB will:**

- Explain and agree terms of delivery with the third sector before the contract or funding agreement is entered into, including the actions that will be taken if the third sector is failing to deliver
- Discuss risks upfront and place responsibility with who is best able to manage them
- Ensure the terms of delivery are proportional to the size of the grant or contract and intended outcomes.
- Agree with the third sector a simple process for controlling any changes to the agreement,
- Recognise that in many cases the work of the third sector are carried out by unpaid volunteers who give their time freely

### **The third sector will:**

- Ensure their organisation and service delivered meets both national and local governance arrangements e.g. CRB checks, Child Protection
- Be aware of the risks they are responsible for in particular the risks associated with delivering the service.

### **Collaboratively we will:**

- Agree measurable outcomes to be reported on and develop simple formats

## **MONITORING AND REPORTING**

Effective monitoring focuses on outcomes, is proportionate and not burdensome, and ensures transparency about the use of funds and what has been achieved. Agreed monitoring with good management information, will ensure that any changes or problems are identified and responded to at an early stage. Reporting is often seen by the third sector as an onerous task. However it should be used as a positive tool by all organisations to improve their services and ensures the statutory sector is getting value for money from its expenditure.

### **CCC and LHB will:**

- Develop standardised reporting requirements across Carmarthenshire for those organisations that receive funding from more than one public sector body
- Be proportional (to size of funding, size of provider and perceived risk) in monitoring requirements

### **The third sector will:**

- Recognise that public accounting inevitability requires some level of reporting
- Will provide monitoring information as specified in the terms of delivery
- Keep documentation to allow monitoring by funders' auditors, as agreed
- Recognise in some cases the statutory sector may undertake monitoring visits to ensure compliance
- Raise any concerns about the delivery and outcomes as soon as they come to light

### **Collaboratively we will:**

- Agree the level and type of monitoring required in proportion to the contract

- Agree measurable outcomes to be reported on and provide simple reporting formats
- Attend meeting as agreed in the contract

## **PAYMENT TERMS**

Services/projects should be funded in the most effective way so that the best possible long-term outcomes are achieved. Payment terms should allow the third sector to plan and develop for the future and create a positive incentive to perform. Longer term planning and financial arrangements often represent better value for money than one year arrangements by providing greater financial stability and by reducing the inefficiencies involved in applying for new funds or renegotiating contracts.

### **CCC and LHB will:**

- Where possible make payments in advance of expenditure rather than arrears. However it is recognised that CCC and LHB have different accounting frameworks and guidance.
- Clearly set out agreed funding arrangements in the contract
- Implement tripartite three year funding arrangements when these represent value for money, with the option of annual extensions

### **The third sector will:**

- Follow good practice in the use and administration of public funding and implement effective systems for financial control, management and accounting
- Comply with relevant accounting frameworks and guidance , such as the Charity Commission
- Recognise it is legitimate for funders to ask for public recognition of their funding; this may be specified in terms of delivery

### **Collaboratively we will:**

- Agree a clear understanding about the treatment of under spends/overspends

## CONCLUDING A FINANCIAL RELATIONSHIP

In some cases funding of projects/services comes to an end. There are many reasons including a review of strategic or developmental funding, or the payment was for a particular purpose which has been achieved. This code seeks to achieve that all organisations have a commitment to ensure the process is clear and well managed, in order to minimise the impact on those receiving a particular service in Carmarthenshire.

### **CCC and LHB will:**

- Inform the third sector in writing if there are problems identified in the contract outcomes not being fulfilled.
- Give adequate notice of the end of grants or contracts in order for the third sector to prepare alternative plans
- Give the reasons for ending the funding

### **The third sector will:**

- Where it is having financial or other difficulties the Trustees will inform in writing their concerns to the named officer on the contract
- Recognise that funding may end if priorities change subject to the terms of the existing contract
- Recognise that funding will end if outcomes are not delivered
- Plan in good time for different situations to reduce any potential impact on both users and the organisation
- Ensure they adhere to their duties as good employers (e.g. by giving required redundancy periods)

### **Collaboratively we will:**

- Endeavour to identify and resolve any problems quickly
- Follow the dispute resolution condition as per the existing joint CCC/LHB contract with the third sector

## **APPLICATION AND REVIEW OF THE CODE**

The implementation of the good practice guidance in this code will be the responsibility of those signed up to the COMPACT agreement. The Code will have an agreed action plan which will be monitored by the COMPACT liaison group. It will be reviewed annually.

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## FUNDING CODE OF PRACTICE APPENDIX A

REFERENCE DOCUMENTS	AUTHOR AND DATE
Code of Practice for funding the voluntary sector	Welsh Assembly Government (WAG) October 2005
Hearts and minds: Commissioning from the voluntary sector	Audit Commission July 2007
Compact working together better together	Compact Working Group/ Government-Home Office 2006
A Guide to the voluntary sector and local Government working together in Wales	WLGA/WCVA December 2002
Building Strong Bridges	WAG 2002
NHS Commissioning Guidance	Welsh Health Circular (WHC) 023 March 2007
A Fine Romance	CAVS January 2004
Think Smart.....Think voluntary Sector	Home Office Government 2004
Social Care and Housing Department's Commissioning and Contracting Strategy	Carmarthenshire County Council 2005
An Ethical Framework for commissioning Health Services to achieve the Healthcare Standards for Wales	WHC 076 October 2007

## JARGON BUSTER

Outputs/Outcomes	Outputs are the direct products of activities or programmes. Outcomes are changes in the socio-economic or physical condition which affect people's lives which are the result of a programme or activity. For example a group is set up to identify volunteers to visit the elderly. The number of new volunteers would be an output of the programme. An increase in the quality of life for that elderly person would be an outcome.
Procurement	The acquisition of goods or services from third party suppliers under legally binding contractual terms.
Statutory Sector	The name given to organisations created through Acts of Parliament whose functions are determined by law. Examples are CCC, LHB, Carmarthenshire NHS Trust, Dyfed Powys Police
Third Sector	Is taken to include voluntary organisations and groups, both formal and informal. The distinction between whether a group is a voluntary, social enterprise or community organisation is fairly arbitrary and in reality the term third sector embraces a wide spectrum.