

NORTH LINCOLNSHIRE COUNCIL

CORPORATE SERVICES CABINET MEMBER

COMPACT FUNDING AND PROCUREMENT CODE

1 OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider and approve the compact funding and procurement code of good practice as set out in Appendix 1.
- 1.2 The key points in this report are:
 - The code will provide a framework to strengthen financial relationships and improve trust and confidence between the statutory and third sector organisations across North Lincolnshire
 - It has been approved by the council's Strategic Procurement Group and the Procurement Alliance for North and North East Lincolnshire (PANNEL)
 - The code is a revision of the existing approved funding code and will operate jointly across North Lincolnshire and North East Lincolnshire
 - The recommended funding and procurement code of good practice is attached at appendix 1 for approval

2 BACKGROUND INFORMATION

- 2.1 A national compact between Government and the voluntary and community sector in England was established in 1998. It recognises shared values, principles and commitments and sets out guidelines for how both parties should work together. The government requires all local authorities to have developed local compacts with the voluntary and community sector.
- 2.2 Compact is recognised nationally and there is an independent commission for compact. Compact is a voluntary agreement but there are discussions about it becoming statutory or at least the commissioner for compact having statutory powers.
- 2.3 Although Compact is a voluntary agreement between the public and voluntary and community sectors it embodies the principles of public law which governs the way public bodies act. Adherence to this code of practice will help the public sector to avoid any disputes or challenges arising from a contravention of public law.
- 2.4 North Lincolnshire's compact 'Better Together' was launched in 2002. This is underpinned by five codes of good practice covering funding, consultation and appraisal, working with volunteers, black and minority ethnic groups, and community groups.
- 2.4 Third sector is the term used to describe the range of organisations that are neither statutory nor private sector. It includes voluntary and community organisations such as registered charities, associations, self-help groups and community groups, social enterprises, mutuals and co-operatives.

- 2.5 Compact is a framework for the way public and third sectors work together to achieve common goals and maximise outcomes. As the use of third sector agencies to deliver public sector services becomes more widespread it is important to have a set of principles that all parties can work to. The council spends in the region of £5M each year supporting and contracting services from the voluntary and community sector.
- 2.6 The new funding and procurement code results from changes to government thinking around public sector commissioning from the third sector. It has been developed jointly between organisations in both North and North and North East Lincolnshire and will replace the existing funding code of good practice if adopted.
- 2.7 Consultation with both the third sector and public sector has been carried out in line with compact principles. The council's Strategic Procurement Group and the Procurement Alliance for North and North East Lincolnshire (PANNEL) have approved this code.

3 OPTIONS FOR CONSIDERATION

- 3.1 The council does not adopt the attached compact funding and procurement code of good practice.
- 3.2 The council adopts the attached compact funding and procurement code of good practice.

4 ANALYSIS OF OPTIONS

- 4.1 Option One: **Do nothing**
The council's commitment to recognising the value of the third sector will be undermined and may be detrimental to relationships with the sector.
- 4.2 Option Two: **Approve the recommendation**
This would help to strengthen financial relationships between the statutory and third sectors and provide a framework for working together.

5 RESOURCE IMPLICATIONS (Financial, Staffing, Property, IT)

- 5.1 Financial:
Design and printing costs to produce 2000 copies through the council's public relations team would be £750.
- 5.2 Staffing:
Awareness and training sessions will be offered to officers with procurement responsibility across the council once the code is adopted.

6 OTHER IMPLICATIONS

- 6.1 Statutory
None
- 6.2 Environment
None
- 6.3 Diversity
This compact code of good practice will support diversity because any third sector and public sector organisation can sign up to it. Third sector organisations cover the whole of the equalities agenda.

6.4 Section 17 Crime & Disorder
None

6.5 Risks & Other
Although compact is a voluntary agreement having a set of principles for working together helps to avoid disputes.

7 OUTCOMES OF CONSULTATION

7.1 As mentioned in the main body of the report.

8 RECOMMENDATIONS

8.1 That the compact funding and procurement code as set out in Appendix 1 is approved.

SERVICE DIRECTOR FINANCE
SERVICE DIRECTOR COMMUNITY PLANNING AND RESOURCES

Pittwood House

Scunthorpe

Date: Monday, 29 June 2009

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Background Papers used in the preparation of this report:

Compact Code of Good Practice

Funding and Procurement

North and North East Lincolnshire –

DRAFT Compact Code of Good Practice

1. Introduction

This Code of Good Practice is a statement of agreement between public sector and third sector organisations working in North and North East Lincolnshire. It reflects and supports the aims of the recently established Procurement Alliance for North and North East Lincolnshire (PANNEL) to:

- Benefit from the economies of scale and buying power of combined procurement spend
- Generate greater efficiencies and better value for money through working together
- Achieve strict Government targets
- Pool procurement knowledge, expertise and skills.

The Code of Good Practice maintains Compact principles of **communication, joint working, action** and **trust**. It aims to influence financial relationships between the public sector; partnerships commissioning at a local level such as Local Strategic Partnerships (LSPs) and voluntary, community and third sector organisations (TSOs)¹.

The code:

- Sets a framework for the financial relationships across sectors, and
- Sets out undertakings for both sides, based on what each can expect from each other.

The code is consistent with the public sector's duty to achieve value for money and adhere to principles in Government accounting, European Union procurement law and UK public law. Its principles and undertakings apply to grants, contracts and commissioning arrangements. It is important to be aware that grant funding and public procurement operate under different detailed rules and appropriate procedures should be understood and applied in each case.

For the purposes of this code of practice:

Procurement is defined as being the acquisition of goods and services from third party suppliers under legally binding contractual terms where all conditions necessary to form a legally binding contract have been met.

Commissioning means securing the services that most appropriately address the needs of the individual service user, making use of market intelligence and research, and planning accordingly.

¹ The third sector is the term used to describe the range of organisations which are neither state nor the private sector. It includes voluntary and community organisations (registered charities, associations, self-help groups and community groups), social enterprises, mutuals and co-operatives.

***Grant Funding** may be received by third sector organisations from a variety of sources including Government departments and other public bodies, to enable them to carry out their work. These may be general grants to assist with the expenses of running an organisation or specific grants to enable it to carry out a particular project or service.*

The Compact builds relationships that change how partners behave and work together in order to maximise outcomes. Jointly designed programmes and partnerships based on trust and mutual respect show a commitment to getting it right together for mutual advantage. This code aims to influence behaviour in both the third sector and public sector in North and North East Lincolnshire jointly to achieve this vision of a Compact way of working.

2. Benefits of Third Sector Organisations as service deliverers

Third sector organisations can play an important role in the delivery of services and offer benefits in key areas:

- **Established community links** – TSOs are embedded in local communities with a thorough understanding of their political and social environment. They develop skills in drawing on community resources and gaining local support for new projects.
- **Understanding the needs of specific client groups** – TSOs operate with focus and commitment to a specific issue. This gives them greater capacity to earn the trust of excluded and disadvantaged groups, often facilitated by recruiting those with direct experience of user perspectives.
- **Independence from institutional pressures** – TSOs are generally not constrained by complex structures and rules. They are driven by their charitable aims which can make them committed and especially flexible and responsive to customer needs.
- **Innovation** – TSOs are well placed to offer fresh and innovative solutions. They may be less risk averse and have stronger motivation, through charitable aims and objectives, to identify better ways of doing things.

3. Principles

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

- **Focus on outcomes** – the achievement of outcomes should be used as a key indicator of the success of funding.
- **Simplicity and proportionality** – processes should be as simple as possible and in proportion to the amount of money and risk involved.
- **Consistency and co-ordination** – funders and purchasers should work to join up or standardise parts of the funding or procurement process to minimise burdens on organisations and ensure a focus on delivery.
- **Timeliness** – allowing time for real planning, decision making and action so they have real effect.
- **Transparency and accountability** – allowing informed decisions about spending priorities to be made, and for both public and third sector organisations to learn from previous work.
- **Discussion and dialogue** – this helps build trust and can identify and overcome problems before they impact on the delivery of outcomes.
- **Empathy** – understanding each other's needs and requirements should help avoid problems and help achieve outcomes.

4. Summary of Undertakings

The third sector undertakes to:

- 1) Respect confidentiality and be clear about whom they represent and how they came to their views when consulted on programme design;
- 2) Make sure that they are eligible when applying for grants;
- 3) Have clear lines of accountability, especially with joint bids;
- 4) Agree terms of delivery at the outset and be aware of the risks for which they are responsible;
- 5) Have quality systems in place to manage finances and funded projects, and account for them;
- 6) Be honest and transparent in reporting;
- 7) Plan in good time to reduce potential negative impact on beneficiaries and the organisation if funding ends.

The public sector undertakes to:

- 1) Provide, whenever possible, an opportunity for TSOs to contribute to programme design, consulting in the development of policy, programmes and strategy;
- 2) Ask for information on application forms which is relevant to deciding who will receive funding or be awarded the contract;
- 3) Make clear risks up-front and place responsibility with the agency best able to manage them;
- 4) Respect the independence of the third sector;
- 5) Recognise it is legitimate for third sector organisations to operate full cost recovery models and, therefore, include relevant elements of overhead costs in their estimates for providing a particular service;
- 6) Make payments in advance of expenditure in the early stages of contract delivery, where appropriate and necessary to aid cash flow and permitted within local financial regulations;
- 7) Implement longer term funding arrangements where these represent good value for money;
- 8) Be proportionate in monitoring requirements and focus on outcomes;
- 9) Consider joining-up or standardising monitoring requirements;
- 10) Give enough notice of the end of grants or contracts. Where possible, this should be a minimum of 12 weeks.

5. Benefits for the third sector

The sector benefits from good programme design. Programmes:

- Are more relevant to the sector
- Allow organisations to effectively contribute to public policy objectives, maximise agreed outcomes; and
- Allow organisations to grow and develop to become more effective in the long term.

6. Benefits for the public sector

The public sector benefits from good programme design by having programmes that:

- Are clearly defined and realistic, and can be delivered;
- Are clear about the reasons why an organisation is receiving funding;
- Strengthen the third sector supplier base and its ability to deliver in the long-term, and
- Recognise the social benefits and value for money of third sector delivery.

7. Applications and tenders

A well-managed application and tender process means that resources are focused on delivering outcomes rather than the process itself.

The third sector needs to:

- 1) Take responsibility for making itself aware of and disseminating opportunities;
- 2) Understand the timescales and decision process of each application;
- 3) Ensure they are eligible;
- 4) Recognise that in competition, the final decision rests with the funder/project/programme commissioner; and
- 5) Ensure clear lines of accountability, especially with joint bids.

The public sector needs to:

- 1) Promote opportunities widely;
- 2) Consider pro-active approaches to encourage organisations to apply or become suppliers;
- 3) Ensure, where possible, enough time to respond, particularly to larger pieces of work or those involving joint working;
- 4) Ensure information and forms are clear and accessible and include all relevant information so that third sector organisations can make informed decisions about whether to apply;
- 5) Ensure the application process is proportionate to the contract value. Agencies should consider using standard questions or seek to co-ordinate application forms;
- 6) Recognise that it is legitimate for third sector organisations to operate on a full cost recovery basis; and
- 7) Ensure applicants are kept informed of the process and receive feedback.

For further information, contact compact@vanel.org.uk or call VANEL on 01472 231123.