

## Funding and Procurement Code

### Introduction

The Government recognises that the voluntary and community sector can make a significant contribution to achieving the vision of a fair society, with strong communities and opportunity for everyone. Many voluntary and community organisations enter into a financial relationship with Government to deliver outcomes on its behalf.

It is important that the financial relationship is constructed in such a way that allows outcomes to be maximised. The Compact Code of Good Practice on Funding and Procurement aims to influence behaviour in both the voluntary and community sector and Government. The Code does this through setting a framework for the financial relationship; and setting out undertakings for both sides, based on what each side can expect from the other.

### Key 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 are as simple as possible and in proportion to the amount of money involved.
- Consistency and co-ordination – funders and purchasers should endeavour to join-up or standardise parts of the funding or procurement chain to minimise burdens on organisations and ensure a focus on delivery.
- Timeliness – allowing time for 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 Government and the sector 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.

### The sector undertakes to

- respect confidentiality and to be clear about whom they represent and how they came to those views when consulted on programme design;
- make sure that they are eligible when applying for grants;
- have clear lines of accountability, especially with joint bids;
- agree terms of delivery at the outset and be aware of the risks for which they are responsible;
- have good systems in place to manage finances and funded projects and account for them;
- be honest and transparent in reporting; and
- plan in good time for different situations to reduce any potential negative impact on both beneficiaries and the organisation if funding ends.

### **Government undertakes to**

- provide whenever possible an opportunity for the voluntary and community sector to contribute to programme design;
- ask for information on application forms which is relevant to deciding who will receive funding or be awarded the contract;
- discuss risks up-front and place responsibility with the public sector body or voluntary and community organisation best able to manage them;
- respect the independence of the sector;
- recognise it is legitimate for voluntary and community organisations to include the relevant element of overhead costs in their estimates for providing a particular service;
- with public procurement, avoid seeking information about management fees and overheads;
- make payments in advance of expenditure (where appropriate and necessary) in order to achieve better value for money
- implement longer term funding arrangements when these represent good value for money;
- be proportionate in monitoring requirements and to focus on outcomes;
- consider joining-up or standardising monitoring requirements; and
- give enough notice of the end of grants or contracts.

Full Code available at: [www.thecompact.org.uk](http://www.thecompact.org.uk)