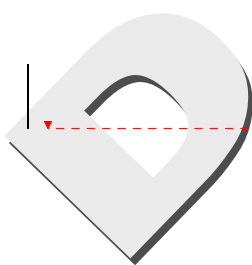


A Joint Commissioning Framework for the Third Sector

Guidance on processes to be adopted by Derby City Council and Derby City Primary Care Trust for ensuring effective Voluntary and Community Sector involvement in the planning, commissioning and delivery of Health and Social Care services



Pre-consultation version - February 2007

Foreword

This draft guidance has been developed in partnership, by a multi-agency working group, comprising representatives from Derby City Council, Derby City PCT, Derby Council for Voluntary Service, Southern Derbyshire Voluntary Sector Mental Health Forum and Derby Millennium Network. The wider voluntary sector has also been invited to contribute its views and ideas to the development of this document.

This draft guidance will be subject to a 3 month formal consultation, from **March 2007 to May 2007**. Feedback from the consultation will be analysed and the draft guidance will be revised and finalised in the light of consultation responses.

This guidance has also been produced in response to the Derby Compact Funding Code of Practice and forms one of the undertakings contained in the 2006-7 Action Plan to that Code of Practice.

Responses to the consultation can be sent to any of the following:-

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1. Introduction

- 1.1 This guidance aims to establish effective and transparent multi-agency processes for involving the third sector in the planning and delivery of health and social care services. It describes the processes to be adopted by Derby City Council and Derby City PCT for engaging the Third Sector in planning processes; for procuring health and social care services from the Third Sector; and for monitoring and evaluating those services, so as to maximise desired outcomes for service users and achieve value for money.
- 1.2 A multi-agency commissioning approach is needed to establish clear, transparent and accountable processes, which take into consideration existing and evolving partnership structures and governance arrangements. These processes need to be compatible with and support the change agenda across health and social care. This includes the Every Child Matters: Change for Children programme and the development of Children's Trust arrangements, as well as the White Paper 'Our health, our care, our say', with its emphasis on prevention, early intervention and joined up services.
- 1.3 The voluntary and community sectors, together with social enterprises, make up the 'Third Sector', as distinct from the statutory and private sectors. Third Sector organisations comprise a rich diversity of organisations, of different shapes and sizes and with different origins, cultures and structures. However, they all share the characteristic that they are independent of the statutory sector and driven by social values, or a 'mission' to benefit their service users or communities. These guidelines are intended to apply to social enterprises, as well as to voluntary and community sector organisations. Key characteristics distinguishing Third sector organisations from the private and public sectors are:
- Non-governmental - not part of any statutory body
 - Value-driven - they are set up for social, cultural, environmental, charitable or other similar purposes, rather than for profit
 - Non-profit distributing - surpluses are reinvested to further their social, cultural, environmental or charitable aims.
- 1.4 Much of the added value which the Third Sector brings to health and social care services stems from their independence and distinctiveness from the statutory and private sectors. The purpose of these guidelines is to ensure that effective processes are implemented, which will strengthen the relationship between the statutory sector and the Third Sector and which will maximise the potential benefits which Third Sector organisations can bring to the planning and delivery of health and social care services.

2. Local and National Context

Government policy on the role of the Third Sector

- 2.1 Over recent years, there has been an increased focus by national government on the potential role played by the Third Sector in the delivery of public services. Voluntary and Community Organisations (VCOs) are increasingly becoming recognised as key partners in the planning, commissioning and delivery of health and social care services. The government has produced numerous publications¹, exploring how statutory agencies can work more effectively with the Third Sector, including the ***Compact Funding and Procurement Code; The Role of the Voluntary and Community Sector in Service Delivery: A Cross-Cutting Review; Think Smart... think voluntary sector; Improving financial relationships with the third sector: guidance to funders and purchasers*** and a ***Report of the Third Sector Task Force: No Excuses. Embrace Partnership Now. Step towards Change!***.

Compact

- 2.2 Derby's local ***Compact*** with the Voluntary and Community Sector aims to improve relationships between the public sector and the Third Sector, for mutual advantage. These Joint Commissioning guidelines aim to support Compact implementation, by establishing improved processes for involving the Third Sector in the planning, commissioning and delivery of health and social care services. A local Compact Funding Code of Practice has also been developed, setting out the principles underpinning an effective funding relationship.

The Change Agenda in Health and Social Care

- 2.3 Health and social care services are undergoing rapid and fundamental changes to deliver national reforms and to meet local strategic priorities. Some of the key local and national policy drivers, which are likely to have significant implications for VCOs and for their future relationships with statutory health and social care agencies, are summarized below.

Integrated Services

- 2.4 Health and social care services are being transformed, through the development of joint services. This increasingly involves agencies working together to integrate their processes; to develop and implement multi-agency strategies; to deliver integrated front line services; and to establish inter-agency governance arrangements.

¹ References to relevant publications are given in ***bold italics*** in this section and are listed at Appendix B: Index of key documents.

Children and Young People

- 2.5 The implementation of the **Children Act 2004** and the **Every Child Matters: Change for Children** agenda is driving the integration of children's health, social care and education services and the development of Children's Trust arrangements.
- 2.6 The aim is for every child to have the support they need to achieve 5 key outcomes:
- Be healthy
 - Stay safe
 - Enjoy and achieve
 - Make a positive contribution
 - Achieve economic well-being
- 2.7 Some of the main work streams to deliver this agenda include: the development of Children's Centres and Extended Schools; the Common Assessment Framework; the development of effective information sharing arrangements; the role of the lead professional; strategies for developing the local workforce; and the development of a single Children and Young People's Plan. The Department for Education and Skills has produced a document on **Engaging the Voluntary and Community Sectors in Children's Trusts**, which recognises the importance of involving Third Sector organisations at every level of the Children's Trust arrangements.

Adults Services

- 2.8 There are parallel developments in adults health and social care services, driving forward a multi-agency partnership approach. The White Paper, **Our health, our care, our say: a new direction for community services** is expected to bring a radical and sustained shift to the ways in which adults health and social care services are commissioned and delivered. There is a drive towards more integrated arrangements across all adults services, wherever these can add value to service delivery. There is also an emphasis on working in partnership to promote the well being of the whole community, rather than a narrow focus on resolving problems.
- 2.9 Key partnership developments in Derby within adult services include: the joint commissioning and delivery of mental health service across Derbyshire; the development of joint commissioning and delivery of services for people with learning disabilities; and the establishment of a multi-agency vision, strategy and joint commissioning processes for older people's services.
- 2.10 The development of the Derby Older People's Strategic Planning Partnership will support the Derby City Vision for Ageing, by means of a multi-agency group and a joint commissioning framework.

Promoting independence, choice and control for individuals and communities

2.11 The vision set out in the ***Our health, our care, our say*** White Paper is to promote individual and community empowerment and to give people more independence, choice and control over health and social care services. To deliver this vision, the White Paper sets out several key areas for change, including:

- Increased choice and more personalised care, through the provision of flexible services, tailored to the needs of individuals, and the expansion of direct payments and individual budgets, to enable people to pay for their own care services
- A focus on outcomes, prevention, earlier intervention and promoting well-being, aimed at avoiding hospital admissions and preventing or delaying the need for more intensive and costly service interventions
- Improved access to services, through initiatives such as NHS Walk-In Centres and changes to GP opening hours
- Bringing services closer to people's homes, through investment in community hospitals and shifting resources into community based provision. GP Practice Based Commissioning is a key initiative which is likely to result in more services being commissioned in a community setting
- Improved mechanisms for engaging patients, the public, local communities and partner agencies in the joint planning of health and social care services

2.12 These initiatives are linked to the increasing focus on area and neighbourhood working and on enabling local communities to influence and become involved in the design and delivery of services for their local areas. In support of this, a Derby ***Neighbourhood and Social Care Strategy*** and Action Plan has been produced, setting out the implications of this policy direction for social care services.

Local Area Agreement

2.13 The Local Area Agreement (LAA) provides a means of joining up public services at a local level, by aligning strategic priorities across partner agencies, bringing together different funding streams and measuring performance against agreed outcomes, indicators and targets. The LAA in Derby aims to narrow the gap between Derby's most disadvantaged areas and the rest of the city. It is based on 4 broad themes, or 'blocks':

- Children and young people
- Healthier communities and older people
- Safer and stronger communities
- Economic development and enterprise

2.14 The LAA is expected to become an increasingly important mechanism for joined up working in Derby and will provide an impetus for commissioning health and social care services from the Third Sector in a more strategic and accountable way. It is important to ensure that commissioning processes are fully integrated into the LAA.

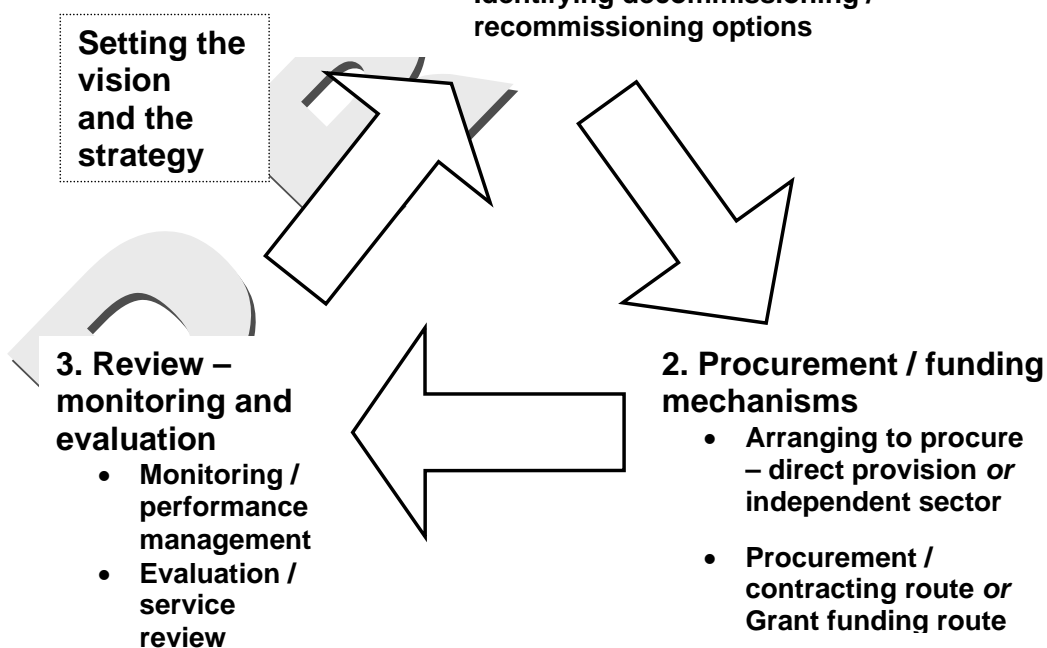
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3. The Commissioning Cycle

- 3.1 Commissioning has been defined as “The process of specifying, securing and monitoring services to meet assessed needs. Commissioning is more commonly used to describe the strategic, long-term process by which this takes place as opposed to the short-term operational, purchasing process.” *Social Care Core Information Requirements: Glossary of Terms* (Department of Health, January 2002).
- 3.2 A basic framework for the commissioning process is set out below.² This process is shown to be cyclical and has been broken down into three main stages: 1 Planning; 2 Procurement / funding mechanisms, and 3 Review - monitoring and evaluation.

1. Planning

- Needs analysis
- Gap analysis
- Setting priorities within budgets, including analysing the risks of shortfalls in provision
- Identifying decommissioning / recommissioning options



- 3.3 This guidance aims to set out best practice for working in partnership with the Third Sector, throughout the various stages of the commissioning cycle.

² Based on the diagram at Appendix 2 of the Adult Social Services Commissioning Strategy for Older People 2006-2009

- 3.4 Section 4 of this guidance sets out how the Council and the PCT should work in partnership with the Third Sector to ensure the effective and appropriate involvement of voluntary and community organisations in planning processes, for example, to help gather evidence of need to inform the identification of decommissioning and re-commissioning priorities.
- 3.5 Section 5 of this guidance goes on to look at procurement / funding mechanisms and sets out how the Council and the PCT should enter into arrangements to fund Third Sector organisations and the respective roles played by grant funding and contracting.
- 3.6 Section 6 of this guidance addresses how the Council and the PCT should work in partnership with the Third Sector to monitor, review and evaluate services and how the results of this monitoring and evaluation should be used to feed back into the planning process.

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4. Third sector involvement in Planning

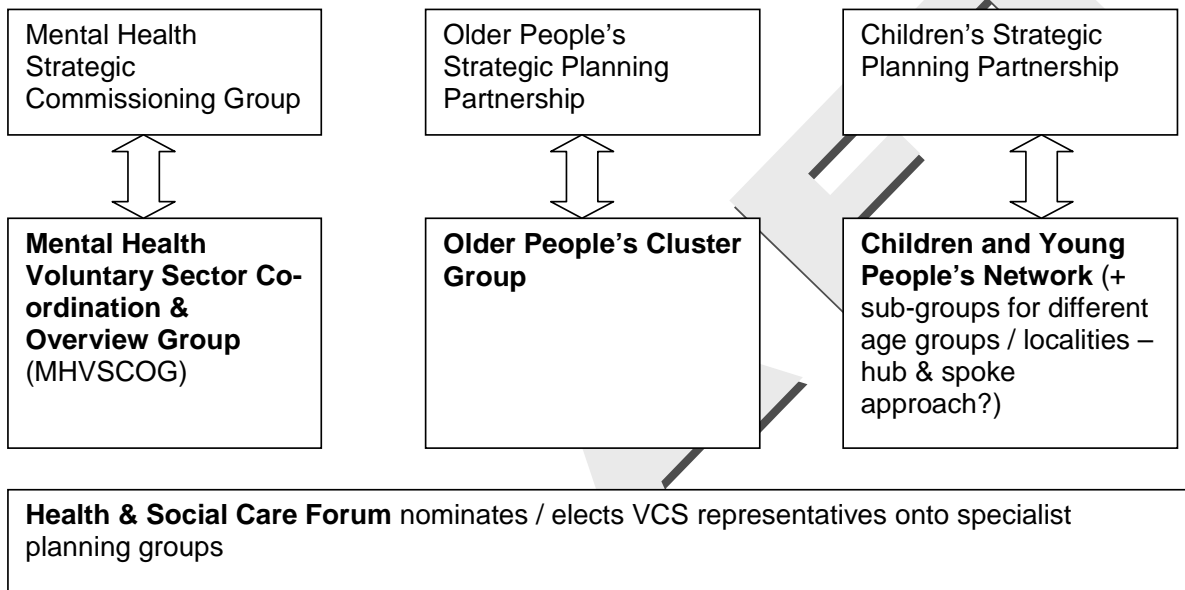
Background

- 4.1 Third sector organisations are usually formed as a result of a recognised need and are often led and developed by people directly concerned or affected by the issue. The sector therefore encompasses a diverse range of purposes and a very large number of independently constituted organisations, ranging from the entirely voluntary to those that employ paid staff and also extending to social enterprise.
- 4.2 The focus on neighbourhood renewal brings to the fore localised needs, however, there is also a need for specialist provision, which may not present as a priority at a local level, but which needs to be commissioned on a city wide basis. The mechanisms for Third Sector involvement therefore need to take into account the complexities arising from locality based and city wide planning.
- 4.3 Where services provided by the Third Sector are included in baseline assessments as part of the planning process, or when bidding for external funding, any future developments in an area should take account of, and build upon, existing provision. The sustainability of organisations providing current services should also be taken into consideration within the planning process.

Principles to aim for:-

- 4.4 The White Paper 'Our health, our care, our say' calls for closer working with the Third Sector and for the development of partnership approaches. The Government has also made clear that the Third Sector should be involved at every level of Children's Trust arrangements. To embed this ethos into the planning systems, there should be appropriate Third Sector participation and representation at all levels and on all key Strategic Commissioning Groups. It is not practicable for all Third Sector organisations with an interest to be represented on every planning group. However, **the Third Sector should be offered at least one place at the table of any key multi-agency partnership group.**
- 4.5 To maximise the effectiveness of Third Sector involvement in planning, and to ensure equity and transparency, representatives from voluntary and community organisations must be accountable to the wider sector and be able to feed in and feed back issues in a timely and effective manner. This should be a 2 way process. The diagram below provides a simplified model, to illustrate the principle of Third Sector involvement in planning, giving examples of how Third Sector Clusters / networks should be linked effectively to relevant commissioning groups. This may work differently for different service user groups, and will evolve over time, for example, the Children and Young People's Network may develop a number of sub-groups, reflecting local commissioning structures and different age groups.

A simplified model of Third Sector engagement in Strategic Planning Groups



4.6 Mechanisms for achieving Third Sector representation should be clear and transparent and democratic elections or appointment processes within Third Sector networks / Clusters should be encouraged. When the City Council and the PCT are seeking Third Sector representation on commissioning groups, recognised Networks and Clusters should be approached, where these are available. In circumstances where there are legitimate reasons for not involving provider organisations – see 4.9 and 4.10, below - representation should be sought from an appropriate umbrella organisation, such as Derby Council for Voluntary Service, Derby Millennium Network or Southern Derbyshire Voluntary Sector Mental Health Forum. To avoid the appearance of preferential treatment of one provider over others, individual Third Sector provider organisations should **not** be approached directly to represent the wider sector on planning groups.

4.7 Examples of Third Sector Clusters or networks include:

- **Southern Derbyshire Voluntary Sector Mental Health Forum (SDVSMHF):** this is the key network for Third Sector involvement in the commissioning of Mental Health services, and links into strategic commissioning via the Mental Health Voluntary Sector Co-ordination and Overview Group (MHVSCOG).

- **Children and Young People's Network:** this is a Cluster group which is the key mechanism for seeking Third Sector involvement and representation in Children's Trust arrangements.
- **Health and Social Care Forum:** this Cluster group brings together organisations with an interest in health and social care issues that affect adults and older people.

There are a number of other Third Sector Clusters in the city, which focus on more specific service user groups or issues, such as the **Older People's Cluster** and the **Disability Cluster**, or which focus on a particular geographical area. However, where there is not an appropriate Third Sector network / Cluster for a particular health and social care issue or group, the Health and Social Care Forum should be approached to provide input to specialist Health and Social Care planning groups, again through a democratic nomination or election process. This may also provide a route for addressing special interests.

- 4.8 Third sector networks or Clusters are independent of the statutory sector, but may involve statutory sector representatives as observers or non-voting members, if the Cluster group determines that this is useful and appropriate.

Conflicts of interest

- 4.9 Third sector representatives have a responsibility to speak on behalf of the sector as a whole, not just their own organisations, therefore should be accountable to the wider third sector, through engagement with networks or Clusters. Third sector representatives from provider organisations can legitimately be involved in this role, except in circumstances where the involvement of providers would create a conflict of interest, or the perception of preferential treatment. For example, conflicts of interest may occur during discussions concerning specific decommissioning and re-commissioning options.

It should be made clear to Third Sector and other providers (including statutory and private sector providers) that, if a conflict of interest becomes apparent, the existence and nature of that conflict must be declared. If the meeting decides that the interest is prejudicial, the representative may be asked to withdraw from the room whilst the relevant matter is under consideration and / or may be asked not to participate in decisions or recommendations concerning that matter.

- 4.10 Where conflicts of interest are likely to arise from the involvement of Third Sector providers, there is value in involving non-provider Third Sector representatives, for, example, from infrastructure organisations, such as Derby Council for Voluntary Service, Southern Derbyshire Mental Health Voluntary Sector Forum and Derby Millennium Network.
- 4.11 Open Meetings with existing or potential providers are also a useful means of engaging providers in the planning process, as well as offering an opportunity

for ongoing dialogue in relation to the operation of existing contracts and other matters.

- 4.12 Third sector representation should enable the views of BME Third Sector organisations to be effectively promoted. This may be achieved either by direct representation from BME Third Sector organisations or, where this is not possible, Third Sector representatives should be supported by their networks / Clusters to advocate effectively for BME interests.

D R A F T

5. Procurement / funding mechanisms

Principles of Government Accounting

5.1 Derby City Council and Derby City PCT, as with all statutory bodies, must endeavour to ensure accountability for public funds and to meet the three main principles of Government Accounting. These are:

- **Regularity** - ensuring that funds are awarded and used only for authorised purposes
- **Propriety** - ensuring that funds are awarded and used fairly and free from undue influence
- **Value for money** - the need to ensure best value for public money, defined as the optimum combination of whole life cost and quality. This does not necessarily mean that the cheapest bids / tenders will be successful.

General principles

5.2 In addition, the following general principles should be applied to any funding / procurement process:

- **Strategic / policy intent** - there should be a clear link to a commissioning strategy, or an identified strategic priority.
- **Focus on outcomes** rather than just inputs or levels of activity - commissioners should design their approach to funding with a view to achieving optimum outcomes for service users.
- **Proportionality** - effective and efficient processes, aimed at reducing unnecessary complexity and bureaucracy, thus reducing transaction costs both for the third sector and for funders.
- **Clarity & transparency** concerning processes, services, standards and procedures.
- **Equality of opportunity** - for example, ensuring that wherever possible, processes allow opportunities for small and local organisations, as well as large ones, that they seek to remove barriers and that they recognise potential sources of 'added value' (listed at 5.3, below).
- **Good communications** with prospective service providers, with a view to building strong and effective relationships, based on mutual trust.
- **Compact compliance** – adherence to the principles and undertakings set out in the national and local Compact and related codes of good practice, especially the Funding Code.

“Added Value”

[5.3](#) There are a number of potential advantages, which a strong and independent Voluntary and Community Sector can bring to service delivery. It is important

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to ensure that procurement and funding processes recognise, and are compatible with, these various sources of 'added value' and do not risk undermining them. These sources of added value include:

- Flexibility and responsiveness (closeness and accountability to communities, members, users)
- Role in building social capital (the invisible 'glue' that holds communities together)
- Experience and expertise in involving and developing volunteers
- Ability to reach some of the most marginalized and excluded groups in society
- High levels of trust with service users and the public
- Knowledge and expertise to address difficult social issues
- Socially driven / driven by a mission
- Independence (contribution to advocacy, social policy, campaigning, etc.)
- Ability to innovate and to bring in additional, non-statutory sources of funding
- Holistic, person-centred approaches
- Positive collaborative partnerships with other voluntary and community organisations and also with statutory agencies
- Breadth and diversity of the sector

5.4 Every voluntary and community sector organisation is unique and not all VCOs necessarily bring all of the above benefits and not to the same extent, for example: levels of volunteer involvement vary; some VCOs bring in a lot of non-statutory funding, whilst others don't; some have a particularly strong track record of involving local communities; others at reaching socially excluded groups, etc.

Health and social care procurement

5.5 Procurement is the process through which intending purchasers source a supply of services from suitable providers, make a selection on the preferred provider and then formally enter into a contracting arrangement for the provision of services. Procurement is also the process whereby "open competition" is normally guaranteed, with a formal process of advertising invitations to bid. There are specific rules, which need to comply with European Union Directives.

The aim of any health and social care procurement is to achieve desired service outcomes and outputs and good Value for Money (VfM). In planning for and entering into contracts, Derby City PCT and Derby City Council seek to balance flexibility with VfM.

Grants or Contracts

- 5.6 The recently published HM Treasury Guidance, *Improving financial relationships with the third sector: Guidance to funders and purchasers*, along with the National Audit Office's web-based Decision Support Tool on *Financial relationships with third sector organisations*, helps to clarify some of the factors which should be taken into consideration when deciding whether to procure services under a competitive tendering process, or whether to fund an activity by means of a grant. Very little guidance has previously been available on the appropriate circumstances in which to use each funding channel (i.e. procurement or grants) and a more rigorous administration of grant funding has tended to blur the distinction between grants and contracts.
- 5.7 There has been a lack of clarity on the part of funding bodies concerning the distinction between 'grants' and 'contracts'. The HM Treasury Guidance states that **'A grant is a financial transfer used to fund an activity that is in broad alignment with the funder's objectives'**, whereas **'A contract is a legally binding document between 2 or more parties'**. For further definitions of 'grants', 'contracts' and other terms, please see the Glossary of Terms and Abbreviations, at Appendix A.

It is important to note that the **legal status** of an agreement (i.e. whether a court of law would regard it as a 'grant' or a 'contract') is not determined simply by what it is called, or by the process used, but by the **nature of the agreement itself**. If there is a clear intention to create a legally binding agreement, this may be regarded by a court of law as a contract, even if the agreement is called a grant and has been through a grant funding process.

- 5.8 Where grants are concerned, organisations should be required to enter into a **'Funding Agreement'**, as opposed to a **'Contract'** for services. However, both grants and contracts should contain terms and conditions of funding, together with a service specification, setting out the details of the services and activities for which funding is provided and the outcomes and outputs to be achieved.

"Service Level Agreements"

- 5.9 It is essential for commissioners and funded organisations to be clear as to whether agreements are in fact contracts or grants. The term 'Service Level Agreement', or 'SLA', has often been applied to agreements between VCOs and statutory organisations. However, it is unclear whether a 'Service Level Agreement' is intended to be a contract for services, or a more rigorous administration of grant funding. Technically, the term Service Level Agreement should refer to an agreement between 2 parts of the same organisation, for example, 2 Council Departments, or 2 NHS bodies. HM Treasury guidance supports this approach, stating that **'While many local authorities have been using Service Level Agreements, these have no legal form and are now generally being phased out in favour of grants'**

and contracts, particularly where procurement processes are being made clearer and further improved’.

Determining the appropriate funding mechanism

- 5.10 The HM Treasury guidance states that: **“A grant maker is not contracting for a service that forms part of its own business. It is offering financial support in an area of work, designed and proposed by the third sector organisation, which it wishes to sponsor. The work to be carried out by the third sector organisation would be deemed to add value to a public body’s overall aims or objectives”**. However, the same guidance also goes on to state that the terms of a grant are likely to require it to be used for a ‘particular project or service’ and there may be circumstances in which the City Council or Derby City PCT may choose to advertise specific grant funding opportunities.
- 5.11 The NAO Decision Support Tool advises that, whilst there is no hard and fast rule as to which funding channel is appropriate for any given situation, the more developed the market, and the more specific the service or project objectives, the more likely it is that procurement (contracts) will be used. Grants are more likely to be favoured where the market is not developed and / or where there is a desire for innovative approaches, or where funding is provided for ‘development’ or ‘strategic’ purposes.
- 5.12 It should be borne in mind that, when choosing the procurement channel (as opposed to grant funding) decisions are governed by EU Procurement Rules. In the case of Derby City Council there are also Contract Procedure Rules and internal guidance contained in the Procurement Handbook. Derby City PCT is governed by the Corporate Governance Manual. These rules mean that procurement processes must involve no preferential treatment for Third Sector organisations. However, the sources of ‘added value’ which the Third Sector often brings can legitimately be incorporated into tendering processes, provided they are relevant to the desired outcomes of services. Whilst grant funding allows more flexibility and discretion as to the degree of competition, grant funding processes must still be fair and transparent.
- 5.13 Distinguishing between ‘grants’ and ‘contracts’ is not merely a semantic debate, but carries important implications for the City Council, the PCT and for the Third Sector. There are also technical considerations, which need to be borne in mind, for example, grant income is outside the scope of VAT. However, any payment in return for services (‘consideration’) is likely to be classed by the Inland Revenue as trading, so potentially liable to tax, and as a ‘business supply’ by Customs and Excise, so potentially subject to VAT. However, there is a VAT exemption covering welfare and health care services. Since there are different criteria and exemptions used for tax law, VAT law and contract law, specialist legal and VAT advice may be needed.
- 5.14 The Council and the PCT therefore need to be clear as to the criteria which should be applied to determine whether to use a grant funding or procurement process. If it is clear that we are outsourcing core statutory

business, this should be on a contract - i.e. where a Third Sector organisation is clearly delivering a service on behalf of the Council and the PCT, as a means of exercising their statutory functions. Grant funded services should therefore be regarded as complementary, enabling Third Sector organisations to operate in furtherance of their own missions, where these also support the objectives of the Council and/or the PCT.

If a service will have an open referral system, it is more likely to be grant funded: if it has a closed referral system, where services can only be accessed via a health or social care professional needs assessment, it should normally be on a contract.

Summary of criteria for determining whether to fund a project or service on a grant, or whether to procure services under contract

5.15 The decision as to which funding mechanism to use should be based on a combination of factors. The HM Treasury Guidance states that:

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‘Despite the trend towards open competition and contractual relationships between funding bodies and the third sector, procurement does not necessarily always represent the optimum value for money option - there is clearly an ongoing role for strategic or development funding, most commonly channelled through grants’.

The potential implications of exposing existing grant funded voluntary sector services to competition require careful consideration, since it is by no means the case that this would necessarily result in improvements, either in terms of cost or quality. The HM Treasury Guidance states that **‘the main determinant of the nature of the financial relationship is the nature of the intended outcomes’**. This is summarised at **A.**, below. However, a range of supplementary factors, summarised as **B** to **E**, below, should also be used to help inform the decision.

A. What is the nature of intended outcomes?

GRANT	CONTRACT
G1 Strategic / development funding to build capacity in the VCS	C1 Where the Council / PCT is ‘shopping’ for a supplier to deliver a service commissioned by them, to meet an identified health / social care need
G2 Project funding to encourage innovation by the VCS and / or to develop partnerships within the VCS, or between VSOs and statutory agencies	C2 Project funding where the Council / PCT wish to specify closely the design and intended outcomes of the service
G3 Funding for services which are distinct from, but which complement, public services and which are in broad alignment with Council / PCT objectives (e.g. to promote community well-being or to reduce social exclusion)	C3 Where a decision has been taken to outsource a service, which would otherwise need to be provided directly by the Council / NHS to exercise statutory functions

B. Which funding mechanism will achieve best value for money?

Factors to be taken into consideration include the transaction costs of the funding process, weighed against the value of the agreement, bearing in mind the need for proportionality and Gershon³ efficiencies.

C. How competitive is the market?

If there is only one potential provider in the market place, a grant is more likely to be used; if there are many, a contract is likely to be more appropriate.

D. What level of control over the agreement and outcomes is appropriate?

This is based on the degree of risk, vulnerability of the service user group, value of the agreement, level of detail needed for the service specification, terms & conditions, etc. The higher the level of control needed, the more likely it is that a procurement / contracting route will be taken.

E. How specific will the measurement of outcomes and outputs need to be?

Both grants and contracts need to be monitored, but the level of detail of indicators used to measure outcomes will vary. The value of the agreement may again be a factor, following the principle of proportionality. The more specific the measurement of outcomes needs to be, the more likely it is that a procurement / contracting approach will be used.

Grant funding process for the Council

5.16 Where the Council acts as the lead agency for joint grant funding, or provides grant funding independently of the PCT, decisions on grant funding of under £25,000, which do not have a significant impact on 2 or more wards can be made by a senior officer, in accordance with delegated powers, but only in consultation with the relevant Cabinet Member.

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Grant funding decisions of over £25,000, or which have a significant impact on 2 or more wards are key decisions and must be taken by Council Cabinet to ensure public accountability. The Council Cabinet Report must set out the rationale for the recommended funding and follow the prescribed template.

Where non key delegated decisions are taken to award grant funding of up to £25,000, without taking the decision through Council Cabinet, the reasons for the decision must be contained within a report and a written record must be made both of the officer decision and of the consultation with the Cabinet Member. Non-key delegated powers to award grant funding of up to £25,000 should only be used in the following circumstances:

- Where it is necessary to increase the value of an existing grant funding agreement, to ensure continuity of services and / or to maintain the viability of a voluntary sector organisation, which is known to provide good value for money services, monitored under an existing agreement.

³ Independent Review of Public Sector Efficiency: Releasing Resources to the front line, Sir Peter Gershon, July 2004

or

- To award small grants, either for one-off capital expenditure or single year revenue funding, following a formal application process.

5.17 Decisions to award multi-year grant revenue funding for a new service or project should be taken to Council Cabinet following the annual application process, irrespective of the amount of funding involved. This applies whether the idea for the project was initiated by the Third Sector, or by the Council / PCT. A 'closed' application process, where a limited number of organisations are invited to apply, should only be used where it is clear that there are no other potential providers with the necessary experience and capacity to deliver the service, for example, where there are known to be only one or two organisations providing specialist services for a particular client group.

Grant funding process for the PCT

5.18 Where the PCT acts as the lead agency for grant funding, a Section 28A grant funding agreement will normally be used⁴. PCTs have the power to make grants directly to voluntary and community organisations under Section 28A of the NHS Act 1977. A Section 28A grant to a Third Sector organisation is a discretionary payment. However, there are certain Directions, issued by the Secretary of State for Health, which require the PCT to be satisfied that the grant supplied under the Section 28A agreement is likely to secure a more effective use of public funds than the deployment of an equivalent amount on the provision of services under Section 3(1) of the NHS Act 1977. The PCT needs to ensure that the purpose for which grants are made fulfils the objectives set out in the Local Delivery Plan, under the Health Act 1999. When using Section 28A, the PCT must also ensure that it receives an Annual Voucher in a specified format – see Appendix D.

Council procurement rules

5.19 Where the Council acts as the lead agency, the Council's Contract Procedure Rules and the internal guidelines set out in the Procurement Handbook must be followed. The total value of the contract (N.B. this is not the annual value, but the sum total over the whole term of the contract) will affect the process to be followed. In brief summary, at the time of writing, for contracts with a total value of under £20,000, only written quotes need be obtained. For contracts over £20,000 in value, competitive tendering applies, unless there are grounds for waiving standing orders. However, these grounds are limited in scope. (N.B. If it is considered that the grounds for waiving standing orders are unnecessarily restrictive, and result in unintended negative consequences, such as an excessive burden of bureaucracy for the Council

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⁴ There is an alternative power to make grants to voluntary organisations, under Section 64 of the Health Services and Public Health Act 1968, which has been delegated to PCTs. However, at the time of writing this has not been used locally,

and for VCOs and other small providers, it may be appropriate to seek to revise them.)

PCT procurement rules

5.20 The PCT's policy for procurement is that for services in excess of £20,000 a formal tendering process will be entered into. However, there is PCT guidance on 'Waiver of Competitive Tendering Procedures'⁵. Exceptions to this guidance are set out below:

Exceptions:

- (a) the estimated expenditure or income does not, or is not reasonably expected to, exceed £20,000; or
- (b) where the supply is proposed under special arrangements negotiated by the Department of Health, in which case, these special arrangements must be complied with;
- (c) The timescale genuinely precludes competitive tendering;
- (d) Specialist expertise is required and is available from only one source;
- (e) The task is essential to complete the project, **and** arises as a consequence of a recently completed assignment and engaging different consultants for the next task would be inappropriate
- (f) There is clear benefit to be gained from maintaining continuity with an earlier project. However, in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering.

5.21 Quotations are required where formal tendering procedures are waived under (a) or (c) and where the intended expenditure or income exceeds, or is reasonably expected to exceed £5,000, at least three quotations are required from organisations / individuals.

Under the PCT scheme of delegation a waiver can be authorised by a senior manager with delegated powers.

Partnership Arrangements - Section 28 and Section 31

5.22 The following partnership arrangements fall within the legislative framework provided by the National Health Service Act 1977 and the Health Act 1999:-

- Section 28A of the NHS Act 1977 allows the transfer of funds from the NHS to a local Council, or directly to a voluntary organisation. This section allows payments to be made from the NHS to any health related function of the Council, or directly to the third sector, where the PCT is satisfied that the transfer will provide a more effective use of public funds than the equivalent expenditure in the NHS. Any Section 28A payments made directly to the third sector by the PCT will take the form of discretionary grant payments, rather than contracts for services.

⁵ Derby City PCT's Staff Information Sheet: Waiver of Competitive Tendering Procedures

- Section 28BB of the NHS Act 1977 allows the transfer of funds from a local Council to the NHS.
- Section 31 of the Health Act 1999 allows the PCT and the local Council to pool budgets; enables either the PCT or the local Council to act as the lead commissioner; and facilitates integrated service provision.

Section 28 Arrangements

5.23 For each of these Section 28 financial transfers, a Memorandum of Agreement and Annual Voucher should be drawn up between the parties, setting out the purpose of each financial transfer.

Section 31 Arrangements

5.24 Section 31 arrangements between the PCT and the local Council, to exercise Health Act flexibilities, must be underpinned by a Partnership Agreement, setting out the governance arrangements, lead commissioner and other arrangements for pooling budgets, and integrating commissioning or service provision functions.

Where a joint grant funding route is taken

[5.25](#) Where the Council and the PCT decide to jointly fund a voluntary sector organisation by means of a grant, a lead agency will be agreed. Where there is a difference in the level of contributions between agencies, the lead agency will normally be the highest contributor. A Section 28 transfer will be made to the lead agency, which will be responsible for drawing up the **Funding Agreement** for the grant, in consultation with the funding partner(s) and the funded organisation. The lead agency will be responsible for administering the grant funding process and for making payments to the voluntary sector organisation. Any cost of living increases for multi-year agreements will normally be determined by the lead agency (see Full Cost Recovery, 5.30-5.33). Grant funding agreements will normally be awarded for a **3 year period** and the continuation of grant funding will be subject to a review process (see section 6).

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Where a procurement / contracting route is taken

5.26 Where there is joint commissioning and joint funding of services by the PCT and the Council, procurement will often be the preferred route. One of the following arrangements will be used, depending on the extent to which it will be appropriate for both commissioning bodies to maintain ongoing involvement; and the potential advantages in terms of improved outcomes and cost effectiveness, which may be gained from integrated arrangements. These arrangements may involve:

- A contract between all parties to the agreement - i.e. both commissioners and provider(s) entering into a legal contract, which would be enforceable in a court of law; **or**

- Use of Section 28 to transfer funds from one commissioning body to the lead agency, which would then enter into a separate contractual arrangement with the provider(s); **or**
- Use of Section 31 to pool budgets.

5.27 For any of the above arrangements, one of the commissioning bodies will need to act as the lead agency. This will normally be the lead commissioning body for the relevant service area, for example, the PCT for Mental Health services and the Council for Learning Disability Services. Where there is no agreed lead agency for the relevant service area, the highest contributor to the contract will normally act as the lead agency.

5.28 The lead agency will be responsible for the procurement process, and for drawing up the Contract and service specification, with support from, and in consultation with, the other funder(s). The Contract will describe the obligations to provide services and to pay for these services. There will be a specified term for the contract (see below for guidance on the length of contracts) and there should also be a clause describing how variations can be made to the contract, with the agreement of all parties. EU Procurement Rules will need to be followed, along with other regulations and guidance pertaining to the lead agency.

Stability in funding relationships and length of contracts

5.29 The HM Treasury Guidance indicates that **'Value for money must be the overriding principle that dictates whether or not a longer term arrangement is appropriate'**, and that **'The length of funding should be tied to the length of the objective. There should be no standard length of contract'**. Multi-year contracts are often preferable, since short term contracts undermine sustainability and create a climate of uncertainty. The Gershon efficiency review also observed that **'contracts for service delivery for voluntary and community organisations (VCOs) tended to suffer from an unnecessarily short-term approach'** and recommended moving to longer-term multi-year funding arrangements.

Full Cost Recovery

5.30 Derby City Council and Derby City PCT should not disallow relevant overhead costs in grant applications or tenders, or refuse to consider bids which have been fully costed. It is legitimate for VCOs to seek to recover an appropriate level of overhead costs associated with the provision of a particular service.

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5.31 Where grant funding is concerned, Derby City Council and Derby City PCT should aim to assess on a proportionate and equitable basis whether VCOs have made an appropriate allowance for relevant overhead costs. This includes ensuring that VCOs do not recover the same costs more than once,

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for example, where grant funding is being provided to support core services, in addition to project funding. The assessment of relevant overhead costs should reflect the true costs of delivering services and should not be allocated on a fixed percentage basis.

5.32 Where procurement / contracting is concerned, in most circumstances, Derby City Council and Derby City PCT should expect and encourage VCOs to tender on a full cost recovery basis, since it is recognised that under-funded services cannot be expected to deliver sustainable, high quality services over the longer term. However, where existing contracts have not been funded on a full cost recovery basis, and there is no additional funding available, it may be necessary to negotiate with the service provider a lower level of service. An exception to this is where a relatively large and well resourced VCO is prepared to match fund a service or project, in furtherance of its own mission.

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5.33 Similarly, where grant funding is concerned, there may be occasions (as above) where a match funding arrangement is acceptable. An example is where a grant subsidy is being provided, to support an activity which has been set up by the VCO on its own behalf, in furtherance of its mission, which the Council and PCT wish to support (since it is in broad alignment with Council / PCT objectives) but where the service has not been commissioned by them.

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Selection criteria for Third Sector partners to funding bids

5.34 Where external funding opportunities arise, for example through central government funding streams, partnerships between third sector and statutory agencies can often add value to the bid. However, statutory agencies should be able to justify any choice of third sector partners to the bidding process. The following selection criteria should be used and a written record of the reasons for the choice of partner agency should be made. These selection criteria may be modified, as appropriate, depending upon the requirements of the particular funding opportunity and strategic objectives to develop and build capacity in the third sector:

- Flexibility and responsiveness (closeness and accountability to communities, members, users)
- Experience of positive partnership engagement
- Proven track record of successful project delivery
- Appropriate expertise, including the fit of the proposed project within existing services
- Proven organisational competence, stability and sound financial management
- Infrastructure to deliver proposed project, including appropriate management structure, timely start-up ability, and capacity to accommodate time limited projects
- Access to desired networks, communities and hard to reach groups
- Appropriate value base, including a proven commitment to service user participation and putting people in control of their own care

6. Reviewing services – monitoring and evaluation

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General principles

6.1 The Council and the PCT need to achieve best value for public money and to ensure that the financial support provided to organisations and the services procured from them make a real difference to the lives of local people. The Council and the PCT are committed to joining up and streamlining our approaches to monitoring and evaluation, wherever possible. Monitoring arrangements aim to enable the Council and the PCT to assess whether organisations are satisfying the terms and conditions of their Contracts and Funding Agreements.

Appropriate levels and frequency of monitoring and evaluation should take place to ensure that Third Sector organisations are delivering effective, good quality services, are meeting their objectives and that services reflect current and changing priorities.

Review processes should also allow for a negotiated approach to service improvement and development and enable Third Sector organisations to seek clarity and direction from the Council and PCT, as needed.

6.2 A number of principles underpin the framework for monitoring and evaluating services in order to ensure a cycle of continuous improvement and development, whilst also allowing a degree of flexibility to ensure the individuality of Third Sector organisations and services is maintained. The Council and the PCT must also ensure compliance with agreed principles, set out in the **Compact Code of Practice on Funding**. Principles of monitoring and evaluation include:

- Proportionality – the degree of information required should be in relation to the size and complexity of the service funded
- A clear, agreed monitoring framework should be established from the outset
- Relevant, necessary and useful information only should be collated
- The results of monitoring need to feed back into the planning process
- Duplication of monitoring requirements between funders should be avoided and other internal and external quality frameworks should be taken into consideration
- Monitoring should be outcome-focussed, linked to targets and strategic priorities
- Monitoring should be part of a continuous improvement cycle, where information is evaluated and changes / developments are implemented as a result
- Contingency planning should be undertaken, in the event that demand / activity is above or below expected.

Terminology

6.3 **Outputs** - countable units, which are the direct products of the activities undertaken

Outcomes - the benefits or changes for the intended beneficiaries, which tend to be less tangible or less easily measurable than outputs. Outcomes should be planned and therefore set out in an organisation's objectives and the service specification for the contract or grant.

Monitoring – management of performance on a regular basis using quantitative and qualitative measures

Evaluation - a judgement or review of the value of an activity which takes into account how it is managed, how resources are utilised and whether planned outcomes are being achieved.

Performance Areas

6.4 Five key performance areas should be considered:

- Equity - is the service available to those who need it?
- Accessibility - is the service easily accessed by those who need it?
- Acceptability - does the service meet the users requirements?
- Efficiency - is the service cost effective in maximising volume and quality within available resources?
- Effectiveness – does the service deliver the desired results?

A smarter reviewing process:

6.5 Whilst many Third Sector organisations have developed monitoring and evaluation systems of their own, the Council and the PCT need a consistent and structured approach to the monitoring of services funded by them, in order to collate, compare and analyse information from the many funded organisations and to feed this information back into the planning process. A standard template and process should therefore be used (see Appendix E).

However, flexibility is also needed to ensure that the monitoring information collated provides an effective measure of performance for each individual service and is proportionate to the level of funding. Therefore the standard template may need to be adapted for individual services, in consultation with funded organisations.

6.6 The following guidelines are suggested:

Monitoring returns - to be completed on a six monthly basis, or quarterly if needed. In some cases quarterly monitoring may be required for external reporting purposes, for example, for the Local Area Agreement. All monitoring information should be sent by Third Sector organisations to named contacts from each funding agency, unless it is agreed that only the lead agency requires the information. Monitoring information should be sent electronically, if possible.

Monitoring information - a template should be used, with a standard layout and some standard questions, but with flexibility to tailor to specific services and to avoid duplication / repetition of monitoring requirements (see Appendix E). Only necessary and relevant information should be required, with some performance measures being developed in a staged process, where information is more difficult to obtain. The Council and the PCT need to take into consideration the possibility that some sensitive personal data may be difficult or inappropriate for organisations to collate, owing to the nature of services or the particular client group. An appropriate balance of qualitative and quantitative measures should be sought, with the focus on evaluating **outcomes**, rather than merely monitoring levels of activity.

Monitoring meetings

- The lead agency is responsible for convening, chairing and taking minutes of monitoring meetings, with support from other funding bodies, if appropriate.
- Initial meeting to be held at or before the start of the funding agreement or contract, to discuss the service specification and agree the outputs, outcomes and targets for inclusion in the monitoring template.
- 2nd monitoring visit, 6 months into the agreement, to review any issues from the initial period.
- Annual monitoring meetings thereafter, except in cases where more frequent meetings are appropriate, for example, if there are problems, or if services are specialist or high risk. Random, unannounced visits may be appropriate in some circumstances.
- Any exceptional circumstances which arise should be reported by Third Sector organisations to the lead agency at the earliest opportunity. Wherever practicable, the lead agency should consult with their contacts from other the funding agency or agencies to agree a joint approach, before taking appropriate action.
- Following monitoring meetings, minutes will be issued which may contain actions for each party to follow.
- The receipt of monitoring returns is a condition of funding and payments should not be released until monitoring returns and annual accounts are up to date.

6.7 Review meetings in the final year of Grant Funding Agreements

- A more in-depth review meeting should take place during the final year of 3 year grant funding agreements. This replaces the need for organisations to complete application forms to reapply for a renewal of grant funding. This final year review meeting should be a more in-depth 'audit', gathering evidence to evaluate the service, the organisation and how the service fits with strategic priorities.
- The review should be completed with the organisation and the Evaluation Form (see Appendix F for example) should be sent in advance to assist the organisation to prepare.
- The level of officer undertaking the review will depend upon the level of funding involved and the level of specialism of the service. For higher

value and more specialist services, an officer with the relevant commissioning responsibility should be involved in the reviews.

- Actions may be agreed at the meeting, with timescales.
- Following the review meeting, a copy of the completed Evaluation Form should be sent to the organisation and the opportunity should be given for them to comment.
- A recommendation will then be made, involving all joint funding agencies, concerning whether to renew grant funding for a further 3 three year period, whether to place any conditions on continued grant funding, or to change the terms of the funding agreement, or whether to decommission a service, if it is no longer meeting Council and PCT priorities, or if it no longer represents value for money.
- **The Compact Code of Practice on Funding** must be followed. If consideration is being given to withdrawing or reducing grant funding, there is a requirement to consult with organisations and to give a minimum of 3 months notice prior to the withdrawal of grant funding.

6.8 **Monitoring and review of Contracts**

The same general principles apply to the monitoring and review of contracts as to grant funding agreements. However, in the final year of a contract it will normally be necessary to re-tender for services, unless there is an option to extend within the terms of the contract, or if there are grounds for waiving standing orders for competitive tendering.

The more in-depth final year review meetings for grant funding, described above, will therefore not normally be appropriate in the case of contracts. Instead, a formal procurement process will normally determine whether services continue to be delivered by the same organisation, or whether the contract will be awarded to a new provider. The final year reviews for grant funded services offer an alternative, and potentially a more cost effective means of testing value for money, in circumstances where open competition is not required.

Appendix A: Glossary of terms and abbreviations

Terms can have different meanings for different individuals, organisations and sectors. Some of the terms below lack a clear and consistent definition. However, in order to avoid confusion, we have tried to use terms consistently within these guidelines and to follow commonly accepted definitions, where possible. Where terms do have specific technical or legal meanings, we have tried to ensure that they are used correctly.

Charitable Incorporated Organisation (CIO): the Charities Act 2006 is expected to introduce this new legal form. CIOs will be registered charities, regulated by the **Charity Commission**, but will also have corporate status

Charity Commission: the body responsible for the regulation and registration of charities

Commissioning: the process of planning, specifying, purchasing and monitoring services in relation to identified needs and strategic priorities

Community Interest Company (CIC): a company which trades for the benefit of the community but which cannot be a charity. It has only been possible to register CICs since July 2005, but it is anticipated that many **social enterprises** may choose to adopt this new legal form

Community sector: organisations which represent and work on behalf of a particular community to pursue a common interest, often run and managed by volunteers, for example self-help and community groups

Compact: the voluntary and community sector's written agreement with national government, with local authorities, or with other local statutory bodies, setting out shared principles, values and undertakings, aimed at ensuring an effective working relationship

Contract: a legally binding document between two or more parties, with agreed conditions and targets. Public bodies may enter into contracts with **voluntary and community sector** organisations to provide services on their behalf, as a means of fulfilling their statutory powers or duties (see **public services**)

Funding Agreement: a document setting out the terms and conditions for payments to voluntary sector organisations

Grant: a financial transfer or subsidy to undertake charitable activity, or to support a public purpose, that is in broad alignment with the funder's objectives. Grants are often provided by statutory bodies to fund the activities of **voluntary and community sector** organisations, where these activities support or compliment the objectives of the statutory body, or fill gaps in statutory services

Independent Sector: a term used to refer to all non-statutory agencies, which therefore includes the **voluntary and community sector**, the **third sector**, and also the **private sector**

Local Area Agreement (LAA): a single framework for joining up public services at a local level, with the aim of reducing the number of different funding streams, increasing flexibility, improving outcomes and meeting local priorities under 3 broad themes, or 'blocks'. These blocks are: Healthier Communities and Older People; Children and Young People; and Safer and Stronger Communities

Local Delivery Plan (LDP): a **Primary Care Trust** plan outlining how it proposes to meet specified targets

Primary Care Trust (PCT): a statutory National Health Service body responsible for commissioning local health care services, improving the health of the population and reducing health inequalities

Public services: services which are **commissioned** by statutory bodies as a means of fulfilling their legal powers or duties. Statutory bodies may provide public services directly, or they may commission them externally from the **independent sector**

Procurement: the obtaining or purchasing of goods or services, normally through competitive processes, as a means of ensuring value for money (see **tendering**)

Service Agreement: a document setting out terms and conditions of funding to deliver services. If these are intended to be legally binding documents, they will technically be a form of **contract**

Service Level Agreement (SLA): technically, this a term for an agreement between 2 parts of the same organisation, for example, 2 Local Authority Departments, or 2 NHS bodies. However, in practice, the term SLA has often been used to refer to **funding agreements** between statutory and **voluntary sector organisations**

Social Enterprises: businesses distinguished by their social aims, participatory ownership and management structures (such as co-operatives and **social firms**). Social enterprises are usually non-profit distributing and reinvest their surpluses back into the business, to further their social aims

Social Firms: a type of **social enterprise**, created for the employment of people with disabilities, or who are otherwise disadvantaged in the labour market

Statutory sector: a general term for public bodies, such as Local Authorities and Primary Care Trusts

Tendering: a formal process for inviting competitive bids, for example, to deliver **public services**

Third Sector: a term used to describe all organisations which are not part of the statutory or private sectors. The third sector therefore includes all **voluntary and community sector** organisations, as well as **social enterprises**. The third sector is very diverse and includes a wide range of independent organisations, with different origins, cultures and structures

TSO: Third Sector Organisation (see above)

Voluntary Sector Organisation (VSO): an organisation set up for charitable or social purposes, rather than for profit, which is independent of statutory bodies. Many voluntary sector organisations employ paid staff, however, their boards, trustees or management committees are mostly volunteers. VSOs have a variety of legal forms and could, for example, be registered charities, unincorporated associations, or companies limited by guarantee

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Appendix B: Index of key documents

Compact:

Derby Compact - the Derby Compact is a framework for the way in which voluntary and community organisations and statutory agencies in Derby work together. It can be accessed via the National Compact website:

www.thecompact.org.uk/module_images/Derby%202002%20.pdf

Derby Funding Code of Practice - the Code seeks to improve funding and procurement relationships, to the mutual advantage of funding bodies and funded organisations and safeguard the sector's independence.

National Compact - the National Compact is the agreement between the Government and the voluntary and community sector to improve their relationship for the benefit of each other and the communities they serve. It can be accessed via the Compact website:

www.thecompact.org.uk/module_images/COMPACT%20command%20paper.pdf

National Funding and Procurement Code of Practice – This national Code of Practice is also available from the Compact website:

www.thecompact.org.uk/module_images/Funding%20and%20Procurement%20Code%2005.pdf

Children Act 2004 - this legislation underpins the **Every Child Matters: Change for Children** agenda. The legislation is available from the government web site:

www.dfes.gov.uk/publications Related documents, including **Engaging the Voluntary and Community Sectors in Children's Trusts**, are available from www.everychildmatters.gov.uk

Improving financial relationships with the third sector: guidance to funders and purchasers – This document can be accessed through the HM Treasury website:

www.hm-treasury.gov.uk

Independent Review of Public Sector Efficiency: Releasing Resources to the front line, Sir Peter Gershon, July 2004 – This document sets out the conclusions of Sir Peter Gershon's review of public sector efficiency and can be accessed via the Spending Review section of the HM Treasury website:

www.hm-treasury.gov.uk

National Audit Office Decision Support Tool – This is designed to assist public sector officers who are responsible for financial relationships with the third sector. The support tool can be accessed via the National Audit Office website:

http://www.nao.org.uk/guidance/better_funding/References.htm

Neighbourhood and Social Care Strategy Derby City Council, Social Services Department, produced December 2005, available on the Derby City Council web site:

www.derby.gov.uk

Our health, our care, our say: a new direction for community services

Department of Health White Paper, published January 2006. This publication and related documents and summaries can be downloaded from the Department of Health website:

www.dh.gov.uk/ourhealthourcareoursay

Report of the Third Sector Task Force: No Excuses. Embrace Partnership Now. Step towards Change!

– This report sets out the conclusions of the Third Sector Commissioning Task Force, set up to promote a good relationship between commissioners of health and social care services and the third sector providers. It can be accessed through the Department of Health website:

www.dh.gov.uk

The Role of the Voluntary and Community Sector in Service Delivery: A Cross-Cutting Review

– This report explores how Central and Local Government could work more effectively with the voluntary and community sector to deliver high quality services. It can be accessed through the HM Treasury website:

www.hm-treasury.gov.uk

Think Smart... think voluntary sector - A good practice guide for statutory sector on the procurement of services from the voluntary and community sector. This document can be accessed through the Home Office website:

<http://commercial.homeoffice.gov.uk/documents/thinksmart.pdf?view=Binary>

Appendix C: SWOT analysis on Grants and Contracts and summary of responses from initial consultation

Grants – “SWOT” analysis

Strengths & Opportunities

- Security for third sector
- Flexibility for third sector to innovate / pilot new ideas
- Doesn't threaten independence
- Relatively simple & proportional processes - less resource-intensive than contracting

Weaknesses & threats

- Hard to de-commission / no new opportunities
- Unfair – ‘golden list’
- No impetus for third sector to move to sustainability
- Lack of accountability (for both sides)
- Difficult to be strategic / ensure value for money
- Lack of full cost recovery - third sector doing more for no extra money
- Risk of blanket cuts / no inflation

Contracts – “SWOT” analysis

Strengths & Opportunities

- Clarity (both sides)
- Supports modernisation
- Enables / encourages third sector and Statutory Sectors to be strategic
- Opens the field to new providers
- Opportunities from contracting out ‘in-house’ services

Weaknesses & threats

- Tendering: potential risks for sustainability, independence, ethos (competition instead of co-operation)
- Harder for third sector to innovate / put own ideas on the table / develop service specifications jointly
- Potential VAT & trading issues
- Third sector could under-price itself
third sector could also over-price itself – e.g. a gold star service will not win a tender if it is unaffordable.
- Resource intensive - lack of proportionality - barriers for small VCOs
- Large VCOs could outbid small ones – risk of losing local accountability / community based services

Appendix D: Section 28A Annual Voucher

Memorandum of Agreement

Section 28A transfer

Reference number.....

Title of scheme.....
(the reference number and title of the scheme should give a unique identification of the scheme)

1. How will the section 28A transfer secure more health gain than an equivalent expenditure of money in the NHS?

2. Description of scheme and relationship to HImP (In the case of revenue transfers, please specify the services for which money is being transferred).

3. Financial details (and timescales):

Total amount of money to be transferred and amount in each year (if this subsequently changes, the memorandum must be amended and re-signed)

Year(s)	Amount	Capital	Revenue
.....
.....
.....
.....

In the case of the capital payments, should a change of use as outlined in directions at paragraph 4(1)(b) occur, both parties agree that the original sum shall be recoverable by way of a legal charge on the Land Register as outlined in directions at paragraph 4(4).

4. Please state the evidence you will use to indicate that the purposes described at questions 1 & 2 have been secured.

Signed for HA/PCT
..... Position
..... Date
..... for LA
..... Position
..... Date

SECTION 28A ANNUAL VOUCHER

.....**COUNCIL**

PART 1 STATEMENT OF EXPENDITURE FOR THE YEAR 31 MARCH 20 (If the conditions of the payment have been varied, please explain what the changes are and why they have been made)

Scheme Ref. No Revenue.....
Expenditure Capital Total.....
Title of Expenditure Expenditure.....
Project.....

PART 2 STATEMENT OF COMPLIANCE WITH CONDITIONS OF TRANSFER

I certify that the above expenditure has been incurred in accordance with the conditions, including any cost variations, for each scheme agreed by the Health

Authority/Primary Care Trust in accordance with Directions made by the Secretary of State under Section 28A of the NHS Act 1977 as substituted by Section 1 of the Health and Social Services Adjudication Act 1983 and amended by section 29 of the Health Act 1999 .

Signed.....
Date.....

Local Authority Chief Financial Officer (Section 151 Appointment), other relevant chief financial officer, or Chairman of voluntary sector organisation, as appropriate (see paragraph 6(2) of Directions).

Certificate of auditor appointed by the Audit Commission
The Statement of Responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to grant claims and returns, issued by the Audit Commission, sets out the respective responsibilities of these parties, and the limitations of our responsibilities as appointed auditors. I/We have:

- examined the entries in this form (which replaces or amends the original submitted to me/us by the authority dated)* and the related accounts and records of the authority in accordance with Certification Instruction A1 prepared by the Audit Commission for its appointed auditors; and
- carried out the tests specified in Certification Instruction HLG03 prepared by the Audit Commission for its appointed auditors, and I/we have obtained such evidence and explanations as I/we consider necessary. (Except for the matters raised in the attached qualification letter dated)*

I/we have concluded that the entries are:

- fairly stated; and
- in accordance with the relevant terms and conditions.

Signature _____
Name (block capitals) _____
Date _____

**Delete as necessary*

Appendix E: Monitoring Form (template)

Section 28 Funding
Quarterly/Annual Monitoring and Quality Report Proforma

Please return by 1 May 2006

Name of Organisation: brown sugar

Person Completing Form: peter gordan

Tel No: 020 341 678

Monitoring Period	Date of submission	Date received
1 April - 30 June	1 August	
1 July - 30 September	1 November	
1 October - 31 December	1 February	
1 January - 31 March	1 May	

Purpose of Agreement

1. Service/Measurable Activity

1a. EXAMPLE			
Description of service/activity (from agreement)	Target activity level	Actual for year	Reasons for any difference
Advice & information service	50 weeks x		e.g. absence through illness and 1 vacancy for 12 weeks

1b. Have you been able to offer your service or activity as described in your Funding Agreement? If not, please explain.

2. Clients/Volunteers

2a. Number of volunteers recruited

2b. Number of service users for the current quarter/year

2c. Number of referrals by profession for the quarter/year

Profession	First quarter		Second quarter		Third quarter		Fourth quarter		Total	%
	No	%	No	%	No	%	No	%		
Self										
GP										
Solicitors										
Midwives/health visitors										
CMHTs										
Housing										
Social Services										
Sure Start										
Vol Groups										
Word of mouth (friends and family)										
Police										
Counsellor										
Local Authority										
Citizens Advice Bureau										
Total										

2d. Age groups - please give numbers and percentage

	First quarter		Second quarter		Third quarter		Fourth quarter		Total	%
	No	%	No	%	No	%	No	%		
<13										
13 -19										
20 -24										
25 - 34										
35 – 49										
50 - 64										
65 - 74										
75+										
Not specified										
Total										

2e. Gender - please give numbers and percentage

	First	Second	Third	Fourth	Total	%
--	-------	--------	-------	--------	-------	---

	quarter		quarter		quarter		quarter			
	No	%	No	%	No	%	No	%		
Male										
Female										
Transgender										
Not specified										
Total										

2f. Sexuality - please give numbers and percentage

	First quarter		Second quarter		Third quarter		Fourth quarter		Total	%
	No	%	No	%	No	%	No	%		
Lesbian										
Gay										
Bisexual										
Not specified										
Total										

2g. Ethnicity of service users - please give numbers and percentage

	First quarter		Second quarter		Third quarter		Fourth quarter		Total	%
	No	%	No	%	No	%	No	%		
White, British										
White, Irish										
Other White ethnic group										
White and Black Caribbean										
White and Black African										
White and Asian										
Any other mixed background										
Indian										
Pakistani										
Bangladeshi										
Any other Asian background										
Black Caribbean										
Black African										
Any other Black background										
Chinese										
Any other ethnic group										
Not specified										
Total										

2h. Equity of access to services, to what extent is your service helping people with the following disabilities

	First quarter		Second quarter		Third quarter		Fourth quarter		Total	%
	No	%	No	%	No	%	No	%		
Physical										
Hearing										
Sight										
Learning										
Mental health problems										
Carers										
Not specified										
Total										

2i. Language – please give numbers and percentage

	First quarter		Second quarter		Third quarter		Fourth quarter		Total	%
	No	%	No	%	No	%	No	%		
English										
Mirpuri										
Punjabi										
Urdu										
Farsi										
Bangladeshi										
Total										

2j. Spiritual beliefs – please give numbers and percentage

	First quarter		Second quarter		Third quarter		Fourth quarter		Total	%
	No	%	No	%	No	%	No	%		
Christianity										
Hinduism										
Islam										
Sikh										
Total										

2k. Equality of access

What actions or activities have you undertaken to improve or check the equality of access to your services for service users, volunteers or staff members from diverse communities (e.g. training, targeted promotion, surveys)?

3. SERVICE OUTCOMES

Outcome	First quarter		Second quarter		Third quarter		Fourth quarter		Total	%
	No	%	No	%	No	%	No	%		
Total										

4. LINKS WITH OTHER ORGANISATIONS

In delivering the project do you have any links with other statutory and/or voluntary organisations?

**FOURTH QUARTER/ANNUAL REPORT – ADDITIONAL INFORMATION
REQUIRED**

5. COMPLAINTS

5a. How many formal complaints have you received?

5b. How were the complaints resolved?

6. STAFFING

6a. Please give dates for any periods of staff vacancy during the year..

7. Training

Please give details of staff, volunteer or management committee training

8. User/Carer Experience

We want to know how you obtain and respond to the views of service users.
Details of any surveys, questionnaires or consultation undertaken

Please say how you have consulted with service users during the year attaching results and details of action taken.

9. Service Outcomes

How has your service benefited users?

How has your service benefited carers?

10. New Groups

Have you offered the service to any new user groups during the year?

11. Achievements and difficulties

Please give details of main achievements and successes of the service during the year

Please give details of any significant problems during the year

12. New developments

Please give details of new developments during the year or planned for next year

**Please return this form to: Karen Ray, Head of Partnerships, Derby City PCT, 1 Stuart Street, Derby, DE1 2FZ
karen.ray@derbypct.nhs.uk**

Appendix F: Evaluation Form (template)

Evaluation Form for Funding Agreements with Voluntary & Community Sector Organisations

To be completed by a reviewing officer during the final year of the Funding Agreement, in conjunction with representatives from Voluntary Sector organisations.

Name of Voluntary Sector Organisation.....

Brief description of service.....
.....
.....

Start date of Agreement

End date of Agreement

Amount budgeted in current financial year

Date of review meeting

1. Governance and Management of the Organisation

- a) i) Have any changes been made to the Constitution or the management of the organisation since the last review meeting? **yes / no**
- ii) Are any changes planned? **yes / no**

If yes to either question please explain below:

- b) i) Has a copy of the latest independently examined Annual Accounts been provided?

yes / no

If not, please explain why:

- ii) Are any issues or problems evident in relation to the financial management of the organisation?

yes / no

If yes, please explain briefly (*N.B. a more detailed financial check may be necessary*)

2. Funding Agreement

- a) Has the service been provided as set out in the Service Specification of the Agreement?

yes / no

Please describe any problems, difficulties or other issues:

b) Have all the other terms and conditions within the Agreement been met?

yes / no

If not, please explain why:

c) Has monitoring information been provided in accordance with the Funding Agreement?

yes / no

i) To what extent have the intended outcomes been achieved?

ii) Please explain any difficulties concerning the monitoring of outputs.

iii) How did the outputs compare with any agreed targets?

- d) Were the Council's / PCT's payments made on time?

yes / no

If not, what was the problem?

3. Quality of Service & Meeting Service Users' Needs

- a) What Quality Assurance methods or systems are used and / or what systems are in place to establish whether service users are satisfied with the service?

- b) What are the results of service user feedback?

- c) How many complaints were received in the past year and how were these resolved?

4. Planning for future services

a) i) What conclusions can be drawn from monitoring or other information about the impact of services and emerging patterns of need?

ii) Which strategic planning or partnership groups is the organisation linked to?

b) Are there any areas for future service development or variation? **yes / no**

If yes, please list these below.

- c) Do any of the current measures of outcomes / outputs need to be altered?

yes / no

If so, please list these below. *(N.B. These should provide useful information about service outputs and outcomes, which can feed back into the planning of future services. They must be realistic, not too time-consuming or onerous for the organisation to collate and proportionate to the level of funding.)*

- d) Is additional funding is being requested from the Council or the PCT by the voluntary organisation?

yes/no

If yes, please state how much additional funding is being requested, the reasons for the request and how this will be taken forward.

- e) Has the organisation applied to, or secured, any additional funding from other sources for new service developments?

yes / no

If yes, please list these below *(N.B. this demonstrates the added value which the Voluntary Sector can bring and will not have a negative impact on funding from the Council / PCT)*

- f) Does the organisation need any training, development or other support from the Council / PCT / Voluntary Sector / other sources?

yes / no

If yes, what training or support is needed and how will this be addressed?

5. Conclusions & Recommendations

- a) Please summarise any problem areas identified at the review meeting and how they are to be dealt with.

b) Please indicate whether the service is still regarded as a priority in the context of changing needs and what the impact would be of decommissioning the service, as perceived:

i) by the Voluntary Sector Organisation

ii) by the reviewing officer

c) Reviewing officer's recommendations:

i) Should the agreement be extended without variation? **yes / no**

ii) Should the service be decommissioned at the end of the term?

yes / no

iii) Should any variation to the agreement be sought?

yes / no

If yes, please state in detail the variations to be agreed:

d) Any additional comments by the Voluntary Sector organisation's representative(s)

Reviewing officer's signature:

Date.....

Name of reviewing officer.....

**Voluntary Organisation
representative's signature:**

Date.....

Name of Voluntary Organisation representative.....

Notes for reviewing officers on carrying out Annual Reviews:

This form should be completed at a review meeting during the final year of each voluntary organisation's Funding Agreement. This replaces the need for voluntary organisations to complete Application Forms for renewed funding. The evidence obtained from this review meeting will be used by the PCT, the Council and (where appropriate) representatives of other partner agencies to determine whether Funding Agreements should be renewed for a further 3 year term.

The aim is to discuss issues in an open and supportive manner, to establish whether the Funding Agreement is operating to mutual advantage and to agree as to how any problems should be resolved, in partnership. Where appropriate, open questions should be asked, e.g. What steps has the organisation taken to ensure the safety of vulnerable service users? How does the organisation involve service users and carers in the running of services, etc.?

Ask to look at relevant documentation, e.g. certificates of insurance; accounts information, policies and procedures, etc., where this is considered necessary to obtain sufficient evidence of compliance with the Funding Agreement.

If appropriate, ask to speak briefly with staff and / or volunteers involved in delivering services.

For official use only

Copies sent to:

Voluntary Sector Organisation's representative:

.....

Date.....

the following representatives of funding bodies:

Name:.....From:..... Date.....

Name:.....From:..... Date.....

Name:.....From:..... Date.....