

Sheffield Health Compact Protocol on Funding

1. What is the Health Compact?

- 1.1 The Health Compact is a set of principles based on consultation and participation, partnership and funding within which the NHS trusts, Voluntary, Community and Faith sector (VC&F) agree to work.

2. Why have a protocol?

- 2.1 The aim of the three protocols is to make a positive impact on the relationship that exists between the statutory agencies and the VC&F Sector in Sheffield. The protocol will help to develop and sustain effective procedures that result in a more effective relationship between NHS trusts and the VC&F sector.
- 2.2 The protocol's long-term aim is for the sector's full role to be adequately supported by acknowledging the role of the sector in the great contribution it makes to providing services to those who are of greatest need.

3. Aims of the Funding protocol

3.1 Accountability

Funders will agree to produce in consultation with the VC&F Sector written procedures that are consistent with the principles of good regulation and the need to provide effective protection of, and proper accountability for, public money.

3.2 Stability

Funders will recognise the need for greater financial stability where possible and/or appropriate. Funders will ascertain the stability of organisations that they are looking to fund and to ensure that appropriate exit strategies are built into the contractual arrangements and other agreements that are appropriate for the size of the undertaking.

3.3 Efficiency

Funders will work to agree adequate time-scales, that are easy to use, are appropriate to the size and capacity of funded organisations, minimise the administrative burden for all parties and promote best value for money.

3.4 Transparency, consistency and fairness

Funders will commit to ensuring that all funding streams are transparent, consistent and fair. When commissioning services they will work to ensure that the true cost of delivery is funded in full. Voluntary and community organisations will undertake to calculate the full cost of services when submitting bids.

Funders will work to integrate the funding of the VC&F sector into their overall financial planning and allocation processes and prioritise investment appropriately as part of an overall process of service development across all sectors.

3.5 Independence

Funders will respect the Voluntary and Community Sector's independence and its lawful right to campaign on behalf of its members and service users irrespective of any funding relationship that might exist.

4. Main principles of the protocol

4.1 Funders will:

- Recognise that longer term funding improves sustainability and longer term planning and is preferable to annually renewable funding. Continuous funding of three years should be the norm for the funding of mainstream services.
- Funders should match where appropriate funding arrangements that are inline with Government three year settlements.
- Issue contracts where funding mainstream services.
- Payments by funders should (where appropriate and necessary) be made in advance of expenditure rather than in arrears in order to achieve better value for money, smaller VC&F sector provider organisations will not normally have the capacity to manage the cash implications of payment in arrears.
- Work to see that tendering and contracting processes do not hamper the involvement of the VC&F sector in delivering public services and should look to work with the voluntary, community and faith organisations as an equal partner.
- The tendering and contracting process should be seen as part of the process of building the capacity of the VC&F sector to provide the services that funder's commission.
- Apply the same ethos, principles and values to whatever type of funding is awarded, recognising it's strength in providing locals services
- When considering the award of contracts funders will consider the particular benefits of using providers from the VC&F sector in providing locally sensitive and accountable organisations drawn from the communities that they will serve and with a particular knowledge of both client groups and local circumstances.
- Recognise the importance of providing an infrastructure to support the VC&F sector, and promote its development in Sheffield

4.2 Voluntary, Community and Faith Organisations will:

- Develop financial strategies and supporting business plans using the principles of full cost recovery to ensure the longer-term sustainability of the organisation and its services where applicable
- Maintain high standards of governance and conduct, meet appropriate reporting and accountability obligations and, where applicable, observe the accounting framework for charities
- Recognise that the receipt of public funds carries a particular responsibility to the funding body and to the public for delivering the benefits required by the service agreement.

- Operate with good management practice and maintain a commitment to equal opportunities in relation to staff, volunteers and clients and use appropriate quality systems to ensure that a good level of service is provided.
- Recognise the constraints imposed by central Government on the timetabling of budgets or levels of funding

5. Policy and Programme Development

5.1 All parties undertake to:

- Develop, engage in, evaluate and review funding programmes in line with the Health Compact protocols on Partnership, Participation and Consultation
- Identify funding and arrangements needed for VC&F Sector involvement in new programmes from the outset, including time needed for preparatory work and partnership building
- Explore the scope for rationalising and integrating funding initiatives.
- Recognise the importance of providing an infrastructure to support voluntary and community organisations, and promote its development in Sheffield

5.2 Funders undertake to:

- Work actively with VC&F Sector to develop participation in service provision, particularly around issues of service user choice

5.3 The VC&F Sector undertake to:

- Endeavour to stay abreast of trends and changes in the wider environment that will affect their services
- Deliver services that they are funded to deliver and ensure that funding is used for the purpose for which it was given
- Be aware of all relevant current legislation

6. Making Funding Bids

6.1 In making arrangements for inviting application for grants or commissioned services, Funders will:

- Ensure that applicants have access to all the relevant background, especially the strategic policies and priorities to which their funding bids should relate, type of funding available, eligibility criteria, and that applicants are offered a mutually realistic timetable.
- Make clear what new money is available so that new and currently unfunded organisations are encouraged to apply (if no new money is available then this will also be made clear)
- Seek to provide effective arrangements for co-operation between their internal departments over funding bids for activities that do not really fit within one department's responsibilities
- Work towards establishing joint procedures where a number of Funders have an interest in supporting an organisation, in order to streamline procedures and reduce duplication
- Aim to produce application forms and criteria in plain English

- Endeavour to provide electronic completion of application forms and, on request, provide information in large typeface, audio and in other languages
- Encourage joint bids to boost access to funding for partnership working, value for money, grant viability or service user benefit
- Strive to achieve consistency and co-ordination within their organisation
- If VC&F Sector Organisations are not meeting targets, funders should first discuss with the organisation what action could be taken to improve delivery – as part of the standard service management process. Should performance not improve over an agreed timescale and the effective use of public funding is at risk, it is legitimate for funding to be withdrawn or a contract terminated giving an appropriate amount of notice to the organisation depending on the type of funding being provided.
- An arbitration service should be used where disputes cannot be resolved. These provision should be included in service agreements as standard

6.2 In applying for grants or bidding for contracts, VC&F Sector Organisations will:

- Ensure that their organisation meets the eligibility criteria of the particular funding process including talking to the funder to seek clarity where appropriate.
- Have sought and secured all necessary permissions from the relevant statutory agencies where possible prior to submitting the application (e.g. planning permission)
- Ensure applications and all requested documents are presented within specified deadlines
- Comply with the conditions attached to agreed funding (especially making reports on time)
- Ensure that they are aware of the implications of any contract that they are entering into by seeking appropriate professional advice.

7. Assessing Funding Bids

7.1 Funders will work to ensure that:

- Assessment processes are transparent, so that all applicants are aware of the process and how they will be assessed.
- Initial scrutiny is given to the application form to ensure that the funding bid can be processed, carrying out an initial assessment to check that the application is complete and requesting any missing documents and information.
- There is an assessment process that uses an agreed set of standards to recognise an organisation's eligibility for funding
- The amount of funding allocated is adequate and fit for purpose by checking that all resource implications have been covered
- Contract pricing is on a competitive best value basis
- When assessing contract bids, care is taken to compare like with like and not to discriminate against organisations providing additional, specialist or tailored services for which there is an established need
- Tell organisations why the funding bid has been unsuccessful
- Under matched-funding arrangements, account is taken of resources in kind, such as volunteers' time against an agreed formula or standardised cost basis

7.2 VC&F Sector will work to ensure that:

- They know the full cost of delivering a service. This will then enable them to set the price on which they will negotiate. VC&F Sector organisations may choose to take contracts below cost where the activity fits with their mission and they consider it appropriate to contribute to the cost of the service. They may also choose to set a price, which enables them to make a surplus to reinvest in their mission and core activities.
- Realistic costing of services to be provided are submitted, including start up and evaluation costs using the principles of full cost recovery
- They are able to demonstrate that all resource implications have been considered and included as appropriate.
- They look at sustainability/long term plans of projects and recognise that some funding and some projects will be time-limited.
- Full applications will be submitted.

8. Notification of Funding Decisions

8.1 Funders will undertake to:

- Notify applicants of the funding decision a minimum of four months before the new funding term starts to ensure that organisations can plan recruitment and start up activities with applicants being informed in good time of any departure from the published timetable.
- To recognise that different types of funding i.e. service, project, and strategic need differing lengths of notice of withdrawal of funding.
- Where organisations are in longer-term funding arrangements, if funding is to be withdrawn, then a minimum of twelve months' notice to be given. Where different types of funding are provided, then a minimum of four months notice should be given.
- Inform successful applicants of the amount, duration and purpose of funding approved, standard terms and conditions, jointly agreed performance indicators and targets (including a process for seeking revision of work plans), jointly agreed monitoring and evaluation and payment methods
- Recognise the particular needs of organisations with paid members of staff (e.g. requirements to issue redundancy notices if relevant funding is discontinued)
- Where an application is rejected, advise the applicant of the reasons for rejection and the process for feedback.

9. Financial Arrangements

9.1 Funders will:

- Treat the overheads of voluntary and community organisations as they do those of the private sector.
- Issue contracts rather than service level agreements for funding of mainstream services.
- Recognise that issues around maternity/paternity costs have to be allowed for within funding service/project

- Make prompt and regular payments at the intervals determined by any agreement.
- Recognise the need for voluntary and community organisations to hold reserves at an appropriate level that address the liabilities of that organisation.
- Recognise the legal requirements of VC&F sector organisations have under company and charity law and that takes account of reserves that are held for other designated purposes and not necessarily available as liquidity.
- Finalise a contract or grant before requiring provision to be set up
- Build in clear guidelines in agreements with the sector on the retention of underspend.
- Issue variations to contracts in a timely and appropriate manner to ensure that the running of any service or project is not affected.

9.2 Voluntary and Community Organisations will undertake to:

- Negotiate additional costs with the relevant department before they are incurred. Additional costs within the period of the agreement will only be agreed in exceptional circumstances.
- Have in place effective and proportionate financial systems for the management, control, accountability, propriety and audit of finances
- Develop, in consultation with Funders, and implement appropriate plans for what will happen once the particular funding ends
- Acknowledge the Funders' support in promotional material and publications unless inappropriate
- Have a reserves policy that is in line with current charity law
- Negotiate under-spends of funding with the relevant funding body on how it should be used, linked to achieving the delivery of targets. Any under-spend should be clearly defined in a monitoring form.
- Carry out an appropriate financial audit in relation to the work carried out on behalf of the funder under company and charity law

9.3 Termination of funding

- An agreement should be built into any contracts with the sector that makes clear the arrangements for terminating funding. Funders will take into account the obligations of the organisation towards its staff and service-users. Discussion / negotiation will take place on the likely impact of the funding recommendation. The length of notice for termination of funding will depend on the type of work being carried out. I.e. grant, strategic or service.

10. Monitoring and Evaluation

10.1 Funders will undertake to:

- Establish a joint approach to monitoring and evaluation where funders have a named person who is responsible for monitoring and evaluation.
- Take account of best practice in monitoring procedures and to work with other organisations and funders to reduce duplication of these processes where possible.
- Recognising that training in this area would be beneficial to ensure that efficient and effective monitoring and evaluation can be carried out.

- Accept nationally and locally agreed quality standard / quality assurance systems as a benchmark
- Reduce the amount of monitoring information required during an agreed time-scale for organisations that meet the quality standard
- Regulate financial reporting in a way that is proportionate and reasonable. Funders should not require more stringent accounting and auditing requirements of charities than required by the Charities Acts currently in force, nor of charitable companies than that required by the Companies Acts currently in force
- Ensure that the level of information required will be relevant and proportionate to the size and nature of funding provided
- Recognise the cost of monitoring and evaluation and encourage applicants to include this in the funding bid.
- Give clear guidelines on the monitoring process, and communicate the types of information required at the start of the funding. Both quality and quantity should be assessed
- Provide support in developing good practice in monitoring and evaluation processes
- Only change an existing agreement after full consultation has taken place with the organisation involved.

10.2 Voluntary and Community Organisations will undertake to:

- Have in place systems for monitoring and evaluating activities against agreed objectives and have a named person who is responsible for monitoring and evaluation
- Include the cost of monitoring and evaluation into all funding bids.
- Work towards anticipating funding and/or operational problems in order to alert Funders at the earliest possible opportunity in order to jointly explore options for resolving problems
- Notify Funders as soon as possible where an underspend is anticipated, ideally three months prior to the end of the funding period.
- Inform funders as soon as possible if there is any change or proposed change in the contract or Service Level Agreement, before any changes are implemented.

11. Taking the Protocol Forward

- Intended where appropriate to create a joint application process
- Where the grant has more than one funder, joint monitoring and evaluation procedures will be implemented
- The joint funding process will be evaluated by all parties within the first three years