



# Finance and Funding

Finance and Funding, a voluntary sector Code of Practice  
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**A voluntary sector  
Code of Practice**

*Working together for change*

# Introduction

This booklet sets out a Code of Practice agreed by Gateshead Council and the voluntary and community sector in relation finance and funding. It describes:

- what is meant by finance and funding;
- what it involves and;
- what the council and voluntary and community sector will undertake to do as part of their commitment to this area of work.

This is one of a series of booklets on good practice produced by Gateshead Council and GVOG (Gateshead Voluntary Organisation Council) - the others are:

**Black and Minority Ethnic Voluntary and Community Organisations**  
**Valuing Volunteers**  
**Community Participation, Consultation and Communication**

**If you would like more information on this or any of the other codes of practice please contact:**

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## Scope and application of the code

The Code of Practice is not a legally binding document. It is an enabling mechanism to enhance the relationship between the Council and the voluntary and community sector. Its authority is derived from its endorsement by the Council and the sector itself through its consultation process. The code covers all Council functions and applies to the range of organisations in the voluntary and community sector.

The Compact partners will actively encourage the extension of this code to other local public bodies, who will be invited to adopt and adapt the Compact and its associated Codes of Practice.

The development of action plans to implement the good practice guidance in this code will be the responsibility of individual agencies such as the Council and the range of organisations in the voluntary and community sector. Where they do not follow this good practice, they must satisfy themselves that, if asked, they have good reasons for not doing so.

As part of the process of making the Compact work, there will be an annual review by the Council and the sector to review the development and operation of the Compact, including this Code of Practice. A monitoring report will be presented to Gateshead Voluntary Organisations Council's AGM and the relevant committee of the Council in October of each year.

## Aim of code

To make a joint undertaking that will have a positive impact on the funding relationship that exists between the Council and the voluntary and community sector. The code should help to develop and sustain effective procedures that result in sound funding decisions to support well-delivered programmes and aims to utilise all funding sources effectively and in partnership to maximise benefit to Gateshead.

### Key points for an effective funding framework

- Value for money.
- Procedures that are consistent with the principles of good regulation and the need to provide effective protection of, and proper accountability for, public money.
- Respect for the voluntary and community sector's independence.
- Improved sustainability and longer term planning.
- Recognition of core costs and the need to contribute to these partially or fully.
- Support for the sector's infrastructure.
- Fair access to strategic, project and contract funding.
- Improved co-operation and consistency between Council functions.
- Clarity in funding conditions.
- Joint approach to monitoring and evaluation.

## The importance of Council funding

The Council provides a substantial contribution to the sector's income annually, divided between grants, contracts and other support, such as rate relief. By this means the Council helps to underwrite the capacity of voluntary and community organisations to add value by:

- using their expertise to inform and implement Council policy;
- promoting equality and social inclusion and alleviating poverty;
- fostering, supporting and empowering service users, volunteers and active communities;
- building bridges between the public sector and communities;
- providing high quality services that are complementary or additional to public services;
- identifying new needs and better ways of meeting existing needs;
- promoting the routine use of quality initiatives such as Best Value, Business Excellence and PQASSO ;
- attracting a considerable amount of funding into the borough that would not be made available to a public authority participating in partnership working.

## Contracts for partnership based initiatives

The Council contracts with voluntary and community organisations and others to deliver its policy objectives. Some of these objectives are based on partnership working between or involving the voluntary, public and private sectors. This code is concerned with grant-funding arrangements, and not payments made under contract.

## The application process

### The Council will ensure that:

- all application forms are well designed and clear;
- any changes to the forms or the process will be done in collaboration with the voluntary sector;
- there will be named Council contacts for advice and support;
- timescales will be realistic both for application and assessment of bids;
- all applicants will be notified of decisions as soon as possible;
- a signed letter of acceptance must be received before payment is made;
- the grant is only used only for the purpose it was awarded;
- when appropriate the funded organisation will be monitored;
- it is notified of any underspend and agreements made on the use of underspends;
- where applicable financial reports are received on a regular basis.

## Promoting fair access to funding

To promote fair access to funding the Council should:

- aim to publish a guide to its grant scheme;
- consult relevant voluntary and community organisations on the development of new funding schemes;
- give appropriate advance notice of new funding schemes before the application process starts;
- make details of the funding scheme as widely available as possible;
- make use of application packs for the grant scheme;
- ensure that guidance notes and application forms are made readily available to applicants, including on the internet;
- where necessary provide information in Braille, large type face, audio, and in languages other than English;
- give positive encouragement to applications from those sectors that tend to have limited access to funds, including Black and Minority Ethnic voluntary organisations;
- recognise the potential of faith communities to contribute to social inclusion;
- provide a timetable for applications which is mutually realistic;
- offer an opportunity, where practicable, to discuss potential applications with applicants;
- review regularly the adequacy of arrangements for ensuring fair access to funding.

## An effective funding framework

### Council undertakings

The Council is committed to establishing and maintaining best practice in the way in which it funds the voluntary and community sector by:

- ensuring payments are made at the beginning of the agreed funding period and notice is given of this (including BACs payments);
- helping to ensure value for money;
- applying procedures that are consistent with the principles of good regulation and the need to provide effective protection of, and proper accountability for, public money;
- respecting the sector's independence and its right to campaign, irrespective of any funding relationship that might exist;
- responding to the sector's need for greater financial stability to enable it to fulfil its full strategic role;
- improving sustainability and longer term planning;
- recognising core costs and the need to contribute to these fully or partially;
- investing in the capacity of the sector's infrastructure;
- promoting fair access to strategic, project and contract funding, and providing clarity in the objectives of grant programmes and their eligibility criteria;
- ensuring that proper consideration, and an appropriate response, is given to the needs of harder to reach groups that may have limited access to Council funds;
- providing effective arrangements for co-operation between functions over grants for activities that do not fit readily within one function's responsibilities in order to streamline procedures and reduce duplication;
- providing transparency and objectivity in administrative and assessment procedures;
- ensuring clarity and greater consistency in funding conditions;
- establishing a joint approach to monitoring and evaluation;
- strengthening partnership working.

## Voluntary and community sector undertakings

The sector undertakes to pursue good practice in the use and administration of public funds appropriate to the scale of funding and operation covering:

- clear and effective employment policies, management arrangements and procedures;
- effective and appropriate systems for the management, control and accountability of finances;
- compliance (by organisations that hold charitable status) with the accounting framework for charities and appropriate guidance from the Charity Commission, including on political activities and campaigning;
- systems for planning and implementing work programmes;
- systems for monitoring and evaluating activities against agreed objectives;
- systems for quality assurance and accountability to service users, including complaints procedures and the involvement of users, wherever possible, in the development and management of activities and services;
- policies for ensuring equality of opportunity in both employment practice and service provision;
- public acknowledgement of Council support.

## Type of funding and recognising core costs

In a competitive funding environment many voluntary and community organisations experience great difficulty in securing funding towards their core management and administration costs, which need to be met if they are to operate efficiently and effectively.

Organisations submitting applications for funding are responsible for costing and planning their work realistically, including taking account of any cost increases over time, for example, salary increase or compliance costs resulting from new legislation. Funders should encourage applicants to develop realistic budgets to help ensure that organisational or project outcomes are achieved to an appropriate standard. Examples of different types of funding are:

- Multi-year strategic funding
- Project Funding
- Development funding

## Matched funding requirements

Where match funding is appropriate, it can help secure a broader base of support for funded work; enable funding programmes to support many more applications than would otherwise be the case; and avoid an over-reliance on statutory funding.

It should be agreed between the funder and the funded organisation exactly what is eligible for matching. Consideration should be given not only to financial contributions but also to volunteer time and other in-kind contributions such as donations of equipment, premises, materials etc.

Any claims in-kind contributions should be substantiated and notional values placed on them. Care should be taken when deciding how records of volunteer time are to be kept to avoid imposing unrealistic requirements upon volunteers and the organisations they help, while maintaining a credible system of recording the contribution.