

# A

## ANNEX 7.7 WORKING WITH THE THIRD SECTOR

This annex discusses the working relationships between central government organisations and third sector bodies, with pointers to further guidance.

**A.7.7.1** The third sector encompasses a diverse community of voluntary and community organisations, charities, social enterprises, mutuals and co-operatives. The 1998 *Compact on Relations Between the Government and Voluntary and Community Sector in England* and its associated *Codes of Good Practice* aims to improve their working relationship.

**A.7.7.2** The *Compact* is a framework for partnership working between government and the third sector. It provides a template for designing or reviewing working relationships and understanding their impact on both sectors. It applies to all the public sector.

**A.7.7.3** Supporting the *Compact* is a series of codes, including the *Funding and Procurement Code*. The *Compact* and its supporting Codes should be read with this document as it is important that public resources are not misused, and that good value for money is delivered. At the same time it is important to recognise that restrictive terms can frustrate the ability of funded bodies to deliver the objectives in the round. So some flexibility is called for in designing the terms of working relationships between public sector and third sector organisations in the delivery of public and community services, provided that good value for public money can be secured. Box A.7.7A identifies some key factors to consider.

### box A.7.7A partnerships with third sector organisations: considerations

- **Proportionality:** controls over payments, information requirements, monitoring, evaluation, reporting arrangements, external inspection and audit should always be proportional to the level of, and risk to, the funds involved.
- **Risk management:** public sector funders should be aware of the dangers of excessive caution in making funding decisions. They should assess prospective partners' risk profiles and adjust the framework of control accordingly to share risk fairly.
- **Attention to outcomes:** public sector funders need to seek assurance through appropriate appraisal, evaluation and audit, but without damaging the value for money of projects.

**A.7.7.4** *Improving financial relationships with the third sector: Guidance to funders and purchasers* sets out best practice and guidance on effective and efficient use of public funds provided to the third sector consistent with proper public accountability. All public bodies should seek to follow this guidance, including where they are acting as agents for EU funding.

**A.7.7.5** Box A.7.7B provides links to other useful sources of information in dealing with third sector bodies.

**box A.7.7B sources of guidance**

- Compact - [www.thecompact.org.uk](http://www.thecompact.org.uk)
- The Compact Funding and Procurement Code, March 2005  
[www.thecompact.org.uk/information/100023/100219/publications/](http://www.thecompact.org.uk/information/100023/100219/publications/)
- Working with the Third Sector, National Audit Office, 2005  
[www.nao.org.uk/publications/nao\\_reports/05-06/050675.pdf](http://www.nao.org.uk/publications/nao_reports/05-06/050675.pdf)
- Improving Financial Relationships with the Third Sector: Guidance to Funders and Purchasers [www.hm-treasury.gov.uk/spending\\_review/spend\\_ccr/spend\\_ccr\\_guidance.cfm](http://www.hm-treasury.gov.uk/spending_review/spend_ccr/spend_ccr_guidance.cfm)
- Financial relationships with third sector organisations: a decision support tool for public bodies in England, NAO, 2006 [www.nao.org.uk/better%5funding/](http://www.nao.org.uk/better%5funding/)
- The Role of the Voluntary and Community Sector in Service Delivery: A Cross Cutting Review, HM Treasury, 2002 [www.hm-treasury.gov.uk/spending\\_review/spend\\_ccr/spend\\_ccr\\_voluntary.cfm](http://www.hm-treasury.gov.uk/spending_review/spend_ccr/spend_ccr_voluntary.cfm)
- Exploring the role of the third sector in public service delivery and reform: A discussion document, HM Treasury, 2005 [www.hm-treasury.gov.uk/media/34C/ID/vcs\\_thirdsector210205.pdf](http://www.hm-treasury.gov.uk/media/34C/ID/vcs_thirdsector210205.pdf)
- Independent Review of Public Sector Efficiency: Releasing resources to the front line, Sir Peter Gershon OBE, July 2004 [www.hm-treasury.gov.uk/spending\\_review/spend\\_sr04/associated\\_documents/spending\\_sr04\\_efficiency.cfm](http://www.hm-treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending_sr04_efficiency.cfm)
- Think Smart, think voluntary sector, OGC and Home Office, June 2004  
[www.cabinetoffice.gov.uk/third\\_sector/documents/voluntary\\_and\\_community/funding\\_guidance/think\\_smart.pdf](http://www.cabinetoffice.gov.uk/third_sector/documents/voluntary_and_community/funding_guidance/think_smart.pdf)
- Partnership in Public Services: An action plan for third sector involvement, Office of the Third Sector, December 2006  
[www.cabinetoffice.gov.uk/third\\_sector/documents/public\\_service\\_delivery/psd\\_action\\_plan.pdf](http://www.cabinetoffice.gov.uk/third_sector/documents/public_service_delivery/psd_action_plan.pdf)