

NTA/Home Office Guidance for Commissioning Drug Treatment Services from Voluntary and Community Sector Organisations, based on the principles of the Home Office Voluntary Sector Compact

1. This guidance applies to the process undertaken by partnerships in relation to the commissioning of drug treatment systems.
2. This guidance aims to provide the framework for a positive relationship between the purchaser and the service provider. A positive relationship will enable the maximum possible resources to reach the frontline, resulting in the best quality of service to be delivered.
3. The relationship between the two parties should be based on the **Compact** way of working. This refers to how partners should aim to work together, based on trust and mutual respect. Both parties must be driven by the best outcome for service users.
4. This guidance focuses on seven key principles:
 - Multi-year funding models
 - Payment in advance of delivery
 - Full cost recovery
 - Use of procurement processes
 - Proportionate monitoring
 - Fair allocation of risk
 - Meaningful consultation.

Multi-year funding models

5. Short-term funding leads to an inability for organisations to appropriately invest in their staff. It can lead to staff retention problems and can impact on the quality of service provided; in some cases it can also lead to the overall instability of the organisation. Multi-year funding models are more appropriate where it is likely that the same service will be required in future years. Organisations can benefit in a number of ways, including being able to make savings and improve the quality of provision by removing an over-reliance on temporary staff.
6. To protect the purchaser, reasonable break-clauses should be included in the contract to prevent repeat year funding if agreed service levels are breached or if differing needs emerge.

In all cases where possible, funding agreements should be made for a minimum of two years, preferably longer.

Payment in advance of delivery

7. Public sector bodies have more financial stability than voluntary and community sector (VCS) organisations. Where payment is made in arrears to VCS partners, a detrimental burden is placed on these organisations, which have to deliver services and recoup later. This can lead to instability and disruption to the quality of service provided. Therefore, payment arrangements should be negotiated in advance, and included in contract or service level agreements. In cases where the exact quantity of service is unknown or is still being negotiated reasonable agreed levels of advance payment should be made.

Payments should be made in advance of the service provision. In variable contracts, an agreed minimum payment should be made in advance.

Full cost recovery

8. Voluntary and community organisations have costs that are not all directly part of delivering a particular service. These include, for example, central administrative costs (HR function, IT), training costs, staff contingency costs (annual leave, maternity, long-term sickness) and accommodation costs. When procuring from the VCS, purchasers should allow legitimate requests for funding in addition to the direct service delivery costs to take account of these additional pressures, except where separate core funding is provided to meet these costs. Where full costs of service delivery are met, the service provider is less likely to become unstable or to rely upon charitable donations to subsidise public services.

Purchasers should fund legitimate additional costs associated with service delivery.

Use of procurement processes

9. When the public sector is delivering services through the voluntary and community sector, it should use procurement processes and contracting rather than grant funding. The focus should be on outcomes and less on the examination of management fees and overheads. Therefore, contracts or service level agreements should be drawn up that focus on outcomes and the delivery of the contracted service; this is not applicable to all functions of the VCS but should be used where ever possible. This should be the same way in which service provision is procured from the private sector.

Procurement practice should be used instead of grant funding wherever possible.

Proportionate monitoring

10. Monitoring of delivery should be outcome focused, on the basis of negotiated contracts or service level agreements that make commissioner expectations clear. For example, a known and reliable VCS organisation with good financial management structures may require less intensive monitoring than an unknown organisation. Wherever possible monitoring requirements should be joined up to match those of other funders, so as to reduce the bureaucratic burden on the delivery organisation.

Monitoring should be outcome focused and proportionate to the risks assessed. Where possible, requirements should be matched with other requirements that the organisation is already subject to.

Fair allocation of risk

11. Public sector organisations are better placed to manage risk than VCS organisations. Where risks exist within a contract (including, for example, number of service users, or availability of premises), these risks should be shared fairly between the purchaser and the provider and acknowledged in advance. Negotiation should result in the risks being reasonably placed with those best able to manage them.

Risks should be allocated fairly between purchaser and supplier.

Meaningful consultation

12. Public bodies contemplating delivery through the VCS should engage relevant organisations as early as possible, to help design the required service. Where there are any proposed changes to policy or funding which affect VCS organisations, a 12 week consultation process should be considered.

VCS organisations should be consulted on issues affecting them, allowing time to make a difference.