

FINAL VERSION APPROVED AT GMCA MEETING 27TH OCTOBER 2023

GMCA and VCFSE sector Fair Funding Protocol

PREAMBLE

Introduction

Greater Manchester Combined Authority (GMCA) greatly values the work the GM Voluntary, Community, Faith and Social Enterprise (VCFSE) Sector is doing to help people across Greater Manchester support each other during these difficult times. We know that the skill, energy and compassion of VCFSE organisations is vital in keeping our communities strong.

However, it is recognised that this puts huge pressure on staff, volunteers and budgets.

GMCA believes that the VCFSE sector is a key delivery partner of services and activities for communities. We want to reduce financial barriers in the goal that we share with the VCFSE sector – that of delivering the outcomes and commitments of the Greater Manchester Strategy and creating a greener, fairer and more prosperous Greater Manchester.

Purpose

The [GM VCFSE Accord](#) is a three-way collaboration agreement between the Greater Manchester Combined Authority (GMCA) and the Greater Manchester Integrated Care System, and the VCFSE Sector represented by the GM VCFSE Leadership Group, based on a relationship of mutual trust, working together, and sharing responsibility.

It is now proposed to put in place a principles-based '**Fair Funding**' Protocol between GMCA and the VCFSE sector, which further develops Commitment 3 of the VCFSE Accord: *We will build a financially resilient VCFSE sector that is resourced to address our biggest challenges of ending poverty and inequality in Greater Manchester.*

This supplementary agreement "Protocol" will be used to guide how the CA plans its grant funding, commissions, and manages contracts with VCFSE organisations, and will have the following benefits:

- Support improved trust, partnership working and co-creation of services between GMCA and the VCFSE sector,
- Enable fairness and transparency in the financial relationship between the VCFSE and GMCA,
- Reduce the likelihood of unrealistic financial expectations by either partner,
- Enable risk sharing between GMCA and the VCFSE sector, and
- Improve the ability of the VCFSE sector to provide publicly funded services in communities, and the resilience of those services.

Drivers

It is recognised that both the public and VCFSE sectors are facing extreme financial pressures at the current time. Many of these pressures are interlinked between the sectors.

We know that:

- There are an estimated 17,494 VCFSE organisations in Greater Manchester with a combined income of £1.2bn. Evidence from the 2021 [VCFSE State of the Sector](#) report shows that Greater Manchester local authorities were the most frequently identified sources of funding (65%).
- The VCFSE sector is currently faced with a shortage of available labour for customer facing roles as a buoyant jobs market means that people can receive higher salaries elsewhere. This situation is further heightened by recent pay awards in the public sector which have led to the movement of front-line staff away from the VCFSE sector and into better paid employment.
- VCFSE organisations in Greater Manchester have been leading the way in terms of payment of the Real Living Wage and have set a target in the GM VCFSE Accord that 100% of employees in the sector are paid at least the Real Living Wage by 2026. However, many grants and contracts were developed before the current period of inflation, and staff pay has not kept up with inflation. The uplift in the Real Living Wage to £10.90 from April 2023 is unlikely to be affordable for many VCFSE organisations.
- The VCFSE sector is facing a spike in demand for its services caused by the cumulative impact of the Covid pandemic and the cost-of-living crisis, and this builds on pressure which the sector was already experiencing as people seek alternative forms of support due to the reduction in public services over the last 13 years.
- This situation is compounded by reported energy bill increases of around 300% and volunteering being in long term decline – the growth in contributions from mutual aid was short-term around the pandemic, but many volunteers are now not able to dedicate the time to continue.
- The public sector is continuing to face budget cuts – which is compounded by the effect of previous reductions in budgets, and that public sector organisations have insufficient capacity and resource to maintain services themselves.

However, there are also opportunities to be gained from a closer financial working relationship, for example, the [Devolution Trailblazer](#) agreement, announced in March 2023, could open doors to further collaboration with the VCFSE sector. Furthermore, as new the Procurement Bill works its way through into legislation, there is an opportunity to explore how this might support our shared ambitions for change, and the VCSE ‘State of the Sector’ report showed that 75% of organisations **also** have at least one source of income from outside the public sector and so can bring in additional funding for projects and services.

Overall, there is a growing risk to the delivery of services by VCFSE organisations for the people of Greater Manchester; a perfect storm of increased demand and reduced resources which is being felt across both public and VCFSE sectors.

Scope

This Protocol relates specifically to activities and services that the VCFSE sector carries out in communities which are funded by the GMCA’s budget in Greater Manchester.

At the current time, GMCA funding for the VCFSE sector is from District contributions and grants that usually aren’t uplifted for inflation. There is often a finite budget with no option

to increase the overall amount, therefore, any increase in a single grant or contract may require a reduction in the number of organisations/projects that can be supported. **For this reason, the Protocol will apply to new agreements only and represents a shared ambition within the confines of the conditions on external funding pots.**

The Protocol also sets out our intent to further collaborate with the sector through the GM VCFSE Accord on future strategic planning and commissioning. GMCA accepts that under the current terms and conditions associated with its funding there is often little room to manoeuvre but will use this protocol to set a direction of travel for future funding negotiations.

We want to maintain an open, honest and regular dialogue about the challenges we are all facing and how we can help each other.

PROTOCOL

GMCA will honour the Commitments made in the [VCFSE Accord](#) by:

1. Helping to support a financially resilient VCFSE sector through the principle that cost pressures / pay awards and longer-term funding should be considered as part of prioritising available resources. This will include the following actions:
 - Where funding conditions allow, offering an annual uplift in contract or grant payments in line with inflation which enables VCFSE organisations to continue to pay staff at least the Real Living Wage. This is already the case in the GM VCFSE Accord grant funding agreement and those for the GM Equalities Panels, for example.
 - Where we are able and funding conditions allow, considering minimum 3-year terms for grant funding agreements. This is already the case in the GM VCFSE Accord grant funding agreement and those for the GM Culture Fund, for example.
 - Not passing on any budget cuts disproportionately to the VCFSE sector and not exceed the proportion of any cuts or limitations that have been applied to GMCA budgets.
 - Providing more regular or upfront payment of existing grants where we can.
 - Where possible within funding conditions and assuming suitable performance, carrying forward unspent funding or 'rolling over' recurrent grants between financial years without the need for lengthy applications, or including extension clauses in contracts to avoid unnecessary procurement exercises.
 - Ensuring that a minimum of three months' notice is given in writing for all major changes to contracts and grant funding agreements, where these are known.
2. Working with VCFSE Sector Leaders to explore implementation of the good practice described in the [VCFSE Commissioning Framework](#), for example working with you to explore appropriate routes to market alongside commissioning and contracting, including the strategic use of small grants.

3. This will include working with you to explore how we might:
 - Deliver our commitment to improve supplier diversity by reserving some contracts for Voluntary, Community, Faith and Social Enterprise (VCFSE) or Small and Medium Enterprise (SME) organisations.
 - Where relevant, consider VCFSE benchmarks such as relevant pay awards, inflationary / cost of living pressures and impact on the viability of VCFSE organisations alongside other delivery considerations in our budget setting and commissioning processes.
 - Explore 'Priceless Procurement' whereby the price is set, and evaluation is based purely on quality of delivery.
 - Improve access to procurement by publishing pipelines, advertising opportunities using sector communication channels, shifting compliance requirements towards development opportunities for winning bidders, and simplifying below threshold processes.
 - Build capacity by providing more pre-procurement engagement, supporting the sector to articulate their social value offer, and providing data on successful VCFSE contracts as well as those where no VCFSE organisations applied, thereby informing review processes and identifying learning for future commissioning and procurement processes.
 - Facilitating collaboration by allowing service / process co-design (building on the successful model used for GMCA Probation procurements in 2022) and creating and supporting networks that can form consortia bids.
4. Acknowledging that generating 'social value' is inherent to the work of the VCFSE sector and working with you to better understand and demonstrate that value.
5. Exploring opportunities for non-financial support for the VCFSE sector through the work of the GMCA in providing training, mentoring, guidance, taking on discrete research projects, or supporting evaluation work, for example.
6. Engaging in dialogue with VCFSE Leaders as we jointly develop the details of the new Devolution Trailblazer and single financial settlement.
7. Recognising the value of external funding that you are able to lever into our communities and places, and work with you to increase this external funding for key programmes and services, including jointly developing bids for funding from Government and external agencies, within the parameters of any time frame required by Government or other funders.
8. Exploring opportunities to build inflationary adjustments into longer term agreements. This needs to be included at the outset for anything awarded through competition and set out in detail (index linked).
9. Working with you and statutory sector partners through the GM VCFSE Accord to shift financial resources where possible from crisis support and into preventative activity.
10. Continuing to lobby Government about the importance of the sector and the support you need to enable you to undertake vital work with all our communities.

In return, GMCA asks that the VCFSE sector:

1. Works with us so that you can provide a high level of financial transparency and impact reporting, to enable a shared understanding of financial spend, outcomes, risks and issues as well as agreeing to open book accounting so that you are better able articulate the cumulative value of what you do.
2. Understands that many of the financial, contracting and reporting arrangements that we have are dictated by others, including Government. Supports wider communication that funding arrangements are often constrained by the terms and conditions that are 'red lines' from Government departments or statutory requirements.
3. Uses your networks, your relationship with your communities and your experience to provide us with information, insight and advice about what needs to happen.
4. Ensures that minimum required standards are met around aspects such as safeguarding, information governance and sub-contracting, for example.
5. Helps us to understand the collective value of GMCA spending with the VCFSE sector.
6. Takes part in strategic dialogue and partnerships, providing insight from the VCFSE sector and sharing information from these discussions about what is and isn't possible with the wider sector.
7. Engages with your locality and Greater Manchester-wide coordination activity and tell us quickly if you are finding this to be too much of a burden, being honest about capability and capacity to deliver on expectations.
8. Maintains an open and honest dialogue about the challenges you are facing, as well as asks for, and accept, help when needed.
9. Keeps us informed about any changes you make to your activity.
10. Understands that we are also facing severe pressures, with many similar demands on our finances and our time.
11. Understand that in the unlikely event that we do something wrong that we will promptly act to rectify any mistake.