



RESEARCH
REPORT

How the Compact applies to Participatory Budgeting: an analysis

July 2010

Produced by:

The Commission for the Compact in collaboration
with the Participatory Budgeting Unit



The Commission for the Compact is the independent body responsible for overseeing the Compact in England.

Acknowledgements

The Commission would like to thank the Participatory Budgeting Unit, as well as the interviewers and interviewees from Southampton, Stockton, and Newcastle who contributed to this project.

Publication date: July 2010
© Commission for the Compact

The text in this document may be reproduced free of charge in any format or media without requiring specific permission. This is subject to it not being used in a derogatory manner or in a misleading context. The source must be acknowledged as copyright of the Commission for the Compact.



How the Compact applies to Participatory Budgeting: an analysis

Contents

Foreword	3		
Summary	4		
Introduction	6		
Methodology	7		
General points about the application of the Compact to participatory budgeting	8		
How Compact principles apply to participatory budgeting	9		
How Compact commitments apply to participatory budgeting	11		
Issues for consideration	14		
Conclusion	17		
		Appendix 1: Full analysis of how the Compact applies to participatory budgeting	18
		Appendix 2: Background to the participatory budgeting projects interviewed as part of this paper	30







Foreword

by Sir Bert Massie CBE,
Commissioner for the Compact

This research report looks at how the Compact applies to a particular form of partnership working. As new ideas and trends surface, different types of partnership working become popular, and it's important that we understand how the Compact relates to them.

The report explores how the Compact applies to a form of partnership working that is increasingly taking place in neighbourhoods across the country. Participatory budgeting involves partnership working at the really local level: local residents voting on whether to distribute small amounts of public money to community groups, or public sector bodies collaborating with third sector organisations to plan how a public budget should best be allocated to a particular community.

The report uses robust analysis to explore how the Compact applies to participatory budgeting. This has also been backed up with fieldwork, looking at some successful participatory budgeting projects in Southampton, Newcastle, and Stockton-on-Tees. The result is that it has been possible to establish exactly which parts of the Compact apply to participatory budgeting and when.

I am pleased that the report takes forward our understanding of how the Compact applies to a new and different form of partnership working. The Compact is a flexible framework that is valuable and applicable to all types of partnership working between public and third sector bodies. The Commission for the Compact will continue to build the evidence base in this area, to ensure that it is always clear exactly how the Compact should be used in new and different scenarios.

I hope you find the report useful, and I look forward to receiving your comments either in writing or on the Compact website.





Summary

What is this report about?

Local people are often involved in making decisions about how public money should be spent in their areas. This process is called participatory budgeting or PB for short.

There is a lot of guidance and advice out there about how to organise PB projects. However, there has not yet been much guidance on the role of third sector organisations (otherwise known as voluntary groups) in PB. This paper looks at this issue, exploring how local public bodies and third sector organisations should treat each other when working together on PB projects.

The report particularly looks at whether the Compact agreement can be used as a framework to help local public bodies and third sector organisations to improve the way they work together during PB projects.

Who should read the report?

This report should be useful for anyone who is involved in a local PB project or who is interested in finding out more about how the Compact applies to PB. This includes people from the public sector and people from the third sector.

What does the report do?

The report looks at the national Compact agreement, which sets out ways of working that the public sector and the third sector should follow whenever they come into contact with each other. These ways of working are set out in the form of seven general principles, and 95 specific commitments.

The report examines each of the principles and commitments described in the Compact agreement, and analyses whether they can be applied to the situations that often happen during PB projects. This analysis has been backed up by interviews of people involved in PB projects in Southampton, Stockton-on-Tees, and Newcastle.

What are the findings?

It was found that the Compact is relevant for PB projects which involve third sector and public sector organisations working together.

The main body of the report explains exactly how the general Compact principles apply to PB, and it also demonstrates in detail which particular Compact commitments apply to PB projects and when. Some examples of Compact commitments that were identified as being relevant to PB are:

- If a local public body organises a PB project, it should try to involve third sector organisations in planning and keep them informed of any decisions that will affect them
- If third sector organisations are invited to propose projects for residents to vote on, the local public sector must ensure the process for doing this is accessible
- The local public sector must ensure that third sector organisations understand the responsibilities and the risks involved in delivering projects and allocating public money
- If third sector organisations offer to deliver projects, they should ensure they have appropriate systems in place to deliver them.

The report also identified some issues which can make it difficult for the Compact to be used in practice in PB projects. These included the fact that many people do not know about the Compact, and that the Compact can be quite complicated to understand and to follow.

What does this mean in practice?

The findings of this report suggest that any local public bodies that decide to use PB to allocate a budget should find out which parts of the Compact are relevant to them, and then make sure they follow them.

They also suggest that any third sector organisations choosing to participate in PB projects run by a local public body may want to find out which parts of the Compact are relevant to them, and then try to follow them as well.

Those involved in PB projects may want to find out more about the Compact, and they can do so by going to this website: www.thecompact.org.uk





1. Introduction

Participatory budgeting is increasingly being used as a way of involving local people in making decisions about how money should be spent. This paper explores how the principles and commitments of the Compact apply to participatory budgeting when it is used in local areas.

1.1 What is Participatory Budgeting (PB)?

Participatory budgeting is a process where local people are directly involved in making decisions on the spending and priorities for a defined public budget. The Government has been encouraging local areas to use PB, because it is seen as a means of passing more power to local communities and helping to reinvigorate local democracy. Often local third sector organisations are involved in PB, either through assisting with organising and promoting it, or by proposing and delivering some of the projects on which local people vote to spend the public budget.

1.2 What is the Compact?

The Compact is an agreement between government and the 'third sector'¹. The idea of the Compact is to improve the partnership working between the government and the third sector, for the benefit of the wider community. The national Compact agreement contains a set of seven general principles, and 95 specific commitments for both sectors to follow when they come into contact with each other: if they follow them it should lead to more effective partnership working.

The national Compact was first signed in 1998, and since then nearly all local authority areas have signed Local Compacts with their local third sector partners. Research has shown that following a Local Compact leads to better relationships between the third sector and public sector, as well as improvements to local services².

1.3 Why analyse how the Compact applies to PB?

PB projects often involve lots of contact between local public sector bodies and third sector organisations. As the Compact applies to partnership relationships between these two sectors, it follows that the Compact should be relevant to PB. Indeed, if PB projects followed the Compact perhaps it might lead to more effective relationships between these bodies, and even more effective PB initiatives.

¹ When used in this paper, the term 'third sector' refers to voluntary organisations, community groups, charities, faith groups, social enterprises, cooperatives, and mutuals, both large and small.

² Commission for the Compact (2008) 'What makes a successful Local Compact'



2. Methodology

The majority of this paper is based on a desk-based analysis and mapping exercise, which looked at how the principles and commitments in the Compact apply to the PB process. This is backed up by a small amount of field work, which was conducted to ensure the analysis held up in practice.

The field work was conducted in March 2010. It consisted of a series of interviews held in three local authority areas that had successfully used PB: Southampton, Stockton-on-Tees, and Newcastle. In each area, a small number of individuals involved in the PB project were interviewed – they included people from the local public sector and from the third sector. More details of the PB projects run in the three areas can be found in Appendix 2.

The views expressed by the interviewees are referenced throughout this paper, as they support the desk-based analysis and identify issues for how it can be applied in practice. However, it must be noted that given the small sample size and limited number of interviews, the data from the interviews can neither be used to draw conclusions about the views of PB projects in general, nor how well the Compact is being implemented in PB across England.





3. General points about application of the Compact to participatory budgeting

The Compact covers the relationship between the Government/public sector and the third sector in England. This includes relationships between public sector organisations and third sector organisations at a local level. As running a PB project usually involves local public bodies and third sector organisations working together, it follows that the Compact applies to PB.

The more important question is how the Compact applies to PB. Not all of the 95 commitments in the Compact will be relevant to PB projects, for example. The remainder of this paper considers how to apply the Compact to PB projects, by demonstrating which particular Compact principles and commitments are relevant during different stages of a PB project.

It is important to note that whilst many PB projects will involve partnership working between the public sector and the third sector, some will not. This means that the Compact is only relevant to PB if the local public sector is involved in the PB process, or if a local public sector body is the 'accountable body' for the funding being allocated. In other words, the Compact is not relevant to PB projects that are led by third sector organisations who are allocating their own funding.

Finally, it is important to be aware of the amounts of money being allocated by PB. These can range from £500 to £2.4m and the Compact will be far less relevant where very small amounts of money are involved. This is because some of the Compact commitments around funding and contracts are often not appropriate for very small sums. Reasonable judgement will need to be used in each PB project to decide whether the Compact commitments should be applied or not. Such judgements will need to be made without any limiting assumptions. For example, it could be assumed that £500 is an insignificant amount of money, but it may be very significant to some small community groups.



4. How Compact principles apply to participatory budgeting

This section looks at how the seven general principles of the Compact apply to PB.

Firstly, it can be seen that the principles of the Compact are very closely linked to the values of PB. The Compact is based on the idea of working together in a spirit of partnership working, with shared responsibility for achieving outcomes; and PB also focuses on the need for shared responsibility when involving different groups of people in a deliberative process. The views of the interviewees supported this link, with some people explicitly mentioning that they felt there was a broad alignment between the Compact and the values of PB.

The table below maps this link more formally by listing all seven Compact principles and showing which PB values relate to them.

Table 1

Compact Principles	PB Values ³
Respect	Shared responsibility
Honesty	Transparency
Independence	Local ownership
Diversity	Accessibility, local ownership
Equality	Representative democracy, accessibility
Citizen empowerment	Empowerment
Volunteering	Empowerment

³As outlined in Participatory Budgeting (2009). Unpacking the Values, Principles and Standards.



As the seven Compact principles are all fairly broad, it is easy to apply them in practice to PB projects. The table below shows how the principles can be applied to PB.

Table 2

Compact Principles	How to apply the principle to PB
Respect	Ensure all organisations and groups involved in PB treat each other with respect.
Honesty	Be clear and open about how the PB process will work, and who is involved. If anything goes wrong, be honest and transparent in dealing with problems.
Independence	Ensure that third sector organisations participate in the PB process freely, and are not encouraged to do anything that compromises their independence or their ability to campaign against local public bodies.
Diversity	Ensure a diverse range of groups are invited to be involved in the PB process, both in planning the overall process and in proposing projects.
Equality	Ensure that all third sector organisations that want to be involved in PB are able to do so, by making the process accessible to all types of group, and ensuring the arrangements for distributing and managing the budget are simple and fair.
Citizen empowerment	Encourage local public bodies and third sector organisations to work together to empower residents to get involved in PB projects.
Volunteering	Recognise and appreciate the role of volunteers involved in PB projects.

The interviewees in this project agreed that the principles of the Compact could be applied to the way in which a PB project was managed in practice. Indeed, many of them mentioned advantages to doing so. These included:

- The Compact can provide a useful framework for local relationships
- The Compact can help to ensure diversity in the third sector is recognised in the PB process
- The Compact can give PB credibility within the third sector
- The Compact can help the PB process to be transparent so people understand how decision-making happens.



5. How Compact commitments apply to participatory budgeting

This section describes the roles that third sector organisations often play in PB projects, and summarises the types of Compact commitments that apply if they play these roles. The four roles are:

- Organiser
- Steering group member
- Partner
- Project proposer/deliverer.

The full analysis of all the relevant Compact commitments and their reference numbers can be found in the tables in Appendix 1.

5.1 When a third sector organisation is the 'Organiser' of a PB project

The task of organising a PB project is sometimes passed from the local public sector to the local third sector network or a particular third sector organisation. Or sometimes a third sector organisation delivering programmes with responsibility for existing public sector budgets chooses to use PB to allocate part of that budget.

When this happens, there are several Compact commitments that are relevant. These are summarised below:

- When the public sector decides whether to ask a third sector organisation to lead on PB, they should consult the local third sector
- Third sector organisations should ensure they are aware of the costs involved in running a PB project, and the local public sector should consider any request for additional resources seriously
- The public sector should ensure any resources are allocated to the third sector fairly, and that terms are appropriate
- Third sector organisations should ensure they are able to manage any resources allocated to them effectively
- The public sector should ensure that financial transactions are effective and appropriate, and any problems or changes to agreements are dealt with reasonably



- Third sector organisations should ensure they manage the project well and prepare for potential problems. They should also have equalities in mind when running the PB project
- Arrangements for monitoring and evaluation should be jointly agreed, and be appropriate to the size and nature of the project.

5.2 When third sector organisation are 'Steering group members'

Third sector organisations or networks may be asked, voted on or request to be involved in the steering group which oversees and designs the PB process. When the local public sector has any influence on this process, there are several Compact commitments that are relevant. These are summarised below:

- If the local public sector is leading on the PB process, it should ensure the local third sector is involved in planning, and kept informed of decisions that will affect them
- The local public sector should try to involve third sector organisations who are representative of the local community and the range of organisations operating in the area
- Third sector organisations should be clear about who they represent when deciding to become a member of a steering group
- The local public sector should aim to ensure that the steering group operates in a way that makes it accessible to all members.

5.3 When third sector organisations are 'Partners' in a PB project

The organisers of a PB project may decide that a partnership approach to PB is needed, and invite the local third sector to be involved as part of the partnership. This may typically involve the organisers asking third sector organisations to engage with the community to raise awareness of PB, due to their existing local relationships and knowledge. Or it might involve third sector organisations assisting with the evaluation stage of the project. Another possibility is that the entire PB project could be led jointly by third sector and public sector organisations working in partnership on all aspects.

When any of the above happens, there are several Compact commitments that are relevant. These are summarised below:

- If the local public sector is leading on the PB process, it should ensure the local third sector is involved in planning and kept informed of decisions that will affect them.
- If working in partnership requires third sector organisations to do something beyond what they are doing anyway, the local public sector should ensure what they are asking does not compromise the third sector organisation's independence and that the organisation has the resources to deliver it.
- Third sector organisations should try to promote equality of opportunity where possible.

5.4 When third sector organisations are 'Project proposers/deliverers'

The local third sector may sometimes be asked to propose projects to be voted on by the community at an allocation event. Where a local third sector organisation is also a local service provider, they may also be asked (or they may offer) to work up and deliver a project or idea that has been voted for at an allocation event.

When any of the above happens, there are several Compact commitments that are relevant. These are summarised below:

- If the local public sector is leading on the PB process, it should ensure the local third sector is involved in planning and kept informed of decisions that will affect it
- The local public sector should make sure the process for proposing projects is accessible
- Third sector organisations should make sure that they propose projects that are in line with their organisational missions, and that they could deliver
- The public sector accountable body should offer delivery terms that are fair and transparent, and proportionate to the value of the project
- The third sector organisation should ensure it can deliver the project effectively and be open and transparent in keeping the accountable body informed of progress
- The local public sector must ensure everyone has a clear understanding of respective responsibilities and the risks involved in delivering projects and allocating public money
- The third sector organisation should ensure it has appropriate systems in place to deliver a project.





6. Issues for consideration

This section discusses a number of issues identified by interviewees that may affect how the Compact can be applied to PB in practice.

6.1 Awareness and strength of Local Compacts

Most of the interviewees that took part in the field work had not heard of the Compact. For example, one public sector interviewee said:

“That’s the first time I’ve ever seen it. It must have gone through council at some point but it obviously didn’t have any impact.”

Clearly the sample was too small to conclude that this is the case nationally, but it does indicate that awareness of the Compact among people involved in PB might be a problem area. It is reasonable to assume that those involved in PB projects need to be aware of the Compact, if they are to follow it.

However, it is worth noting that actually some of the interviewees thought the Compact had been followed during their PB projects, even though no one had known about the Compact at the time. One said:

“The way we work is informed subconsciously by the Compact and its principles.”

They said this was because the Compact was ingrained in their local culture. This suggests if there are people in the local area who are promoting and implementing the Local Compact, this culture may feed through to PB projects without the organisers themselves being aware of it. As one interviewee concluded:

“I’ve looked through these shared [Compact] principles and I’ve thought yes we did that and yes we did that... without having to really think about it.”

6.2 Compact principles versus commitments

When shown the full list of relevant Compact commitments (Appendix 1), most of the interviewees thought that following them during PB projects could be very complicated and unwieldy. One interviewee said:

“There is tons of paper attached to it and it is somewhat bureaucratic.”

They were concerned it would involve reviewing a lot of paperwork and spending time on processes rather than focusing on outcomes. One interviewee even felt that some of the commitments (e.g. those around timescales) could restrict creativity and progress. In contrast, nearly all of the interviewees agreed that following the principles of the Compact would be helpful and not burdensome to implement in practice.

It is important to be clear that following the principles of the Compact alone is not enough, because local public bodies are required to follow the whole Compact, not just its 'spirit'. It may be that presentation is the solution to this problem: if the Compact commitments relevant to PB could be presented as a short checklist rather than the complicated analysis presented in Appendix 1, they may be perceived as more helpful. Interviewees certainly agreed that language and presentation was important, with one saying:

"It [the Compact] could be couched a bit better. Its jargonese... I don't think I'm particularly thick but a lot of that just went straight over my head."

A simple checklist could potentially be used by PB projects to 'Compact-proof' their processes in advance of the project commencing.

6.3 National and Local Compacts

As PB projects are run on a local level, they should apply the commitments in their Local Compacts rather than the National Compact. However, some interviewees mentioned that they felt their Local Compact did not clearly state that it was relevant to PB, which made it more difficult to apply it. Including references to PB in Local Compacts might remedy this.

A second issue is that all Local Compacts are slightly different from each other (and from the National Compact), which would make any national recommendations about how to apply the Compact to PB slightly confusing. For example, the analysis in this paper looks in detail at the specific National Compact commitments that apply to PB, but Local Compacts may use very different language to express these commitments, and some may not contain all of them.

6.4 Relationships between local third sector groups

Several of the interviewees pointed out that PB was not just about the relationship between public bodies and third sector groups, saying:

"PB is about the relationships between individuals AND groups."

Others mentioned that there were difficult relationships between third sector organisations during their PB projects. For example, larger organisations could 'squeeze out' smaller groups when proposing projects, and rivalries between smaller groups could affect voting.



Some interviewees expressed dismay that the Compact did not apply to these types of relationships, and therefore was not an overall framework that could be applied to the whole PB project. Although the National Compact cannot be adapted in this way, Local Compacts could decide to include commitments covering these situations if it was agreed by all partners.

6.5 Equalities

One interviewee was concerned that their PB allocation events can often be seen as “*beauty contests*” with the most votes going to popular causes, and less going to bids aimed at minority groups. They felt that this was partly because minority groups did not tend to attend their voting events. This issue presents a potential barrier to following the Compact, as one of the important Compact commitments that applies to PB says that all third sector organisations should be able to access funding, regardless of which groups they represent. As this point was only raised by one interviewee, it is not likely to be a common issue across PB projects. However, it does suggest that if PB voting events involve all sections of the community, it is likely to make it easier to follow the Compact commitments on equalities.

6.6 The future of PB

PB has been growing in popularity and it is possible that it may be used in a more strategic way by local public bodies in the future. This would mean that bigger budgets could be distributed using PB, and as one interviewee pointed out:

“As PB moves towards the mainstream perhaps connections with the Compact become more important.”



7. Conclusion

It is clear that both the principles and many of the specific commitments in the Compact apply to PB. This paper has demonstrated how to apply Compact principles to PB, as well as which particular commitments from the National Compact apply when certain situations arise during PB projects (see Appendix 1 for full analysis).

The two important conclusions that can be drawn are:

1. All local public bodies that decide to use PB to allocate a particular budget should ensure they follow the relevant Compact commitments during the process.
2. Any third sector organisations choosing to participate in PB projects run by a local public body should ensure they follow the relevant Compact commitments.

This paper has also identified a number of issues that may prevent the Compact being followed during PB projects. Most significantly, it seems likely that many people involved in PB projects may not know about the Compact, and may not understand how it applies to PB. In order to resolve this issue and the others identified in the paper, the following suggested activities may be helpful:

1. Raising awareness that the Compact applies to PB.
2. Continuing to push for and support Local Compact implementation.
3. Encouraging Local Compacts to consider including references to PB in their documents.
4. Producing a short and generic checklist of the Compact commitments relevant to PB projects.
5. Provide guidance on the relationships between third sector organisations during PB projects.





Appendix 1: Full analysis of how the Compact applies to participatory budgeting

This section contains the full analysis of how the Compact applies to PB. The analysis identifies which specific national Compact commitments apply to the PB process and when. It is divided into four sections, each one looking at a different role that a third sector organisation can play during PB projects. The Compact commitments listed are those from the National Compact (2009).

A. Table showing how the Compact applies when a third sector organisation acts as the ‘Organiser’ of a PB project

The task of implementing the PB process is sometimes passed from the local public sector to the local third sector network or a particular third sector organisation. Or sometimes a third sector organisation delivering programmes with responsibility for existing public sector budgets chooses to use PB to allocate part of that budget. The Compact only really applies to this role, if the local public sector is significantly involved in inviting the third sector to implement PB or supporting them to do so.

Examples of the organiser role include:

- Where funding has been devolved by the local public sector to a CVS umbrella organisation to allocate to third sector projects/groups through PB. PB case studies of this include Wigan and Wansbeck.
- Where there is a partnership approach which includes the local CVS or other third sector bodies as well as local statutory agencies in the oversight or delivery of the PB process. PB case studies of this include Norfolk and Southampton.
- Where a local third sector organisation or umbrella organisation chair or run the steering group for the PB process (but the accountable body for the funding is a local statutory agency).

Table A

Possible situations that may arise when TSOs play the role of 'Organiser'	Summary of what the Compact says about each situation	Relevant Compact commitments for the public sector	Relevant Compact commitments for third sector organisations
The local public sector may decide to pass the task of implementing PB onto a third sector organisation.	The decision to ask a third sector organisation to lead on PB should be taken in consultation with the local third sector.	<p>1.1 Involve the third sector from the earliest stages of policy development, on all relevant issues likely to affect it.</p> <p>5.1 Plan new programmes and services with a focus on outcomes, providing scope for innovation, wherever possible.</p> <p>5.4 Ensure that those third sector organisations that are likely to have a view on the programme or service are involved from the beginning.</p>	
A third sector organisation may request that the local public sector give them a devolved budget to allocate using PB.	<p>The third sector organisation should ensure they are aware of the costs involved in running a PB project.</p> <p>The local public sector should consider such a request seriously.</p>	20.2 Enable infrastructure organisations representing people with protected characteristics to participate in policy development, consultation or other activities, by supporting them appropriately.	<p>15.3 Ensure they have a robust and clear understanding of the relevant overhead and associated costs to include when applying for resources.</p> <p>16.1 Be clear about the risks associated with delivering programmes and services, and agree delivery terms before a contract or funding agreement is signed.</p>



Possible situations that may arise when TSOs play the role of 'Organiser'	Summary of what the Compact says about each situation	Relevant Compact commitments for the public sector	Relevant Compact commitments for third sector organisations
<p>The local public sector may arrange to provide support for, or allocate resources to, a third sector organisation, so that it is able to implement a PB project.</p>	<p>The public sector should ensure any resources are allocated to the third sector fairly, and that terms are appropriate.</p> <p>Third sector organisations should ensure they are able to manage any resources allocated to them effectively.</p>	<p>3.1 Avoid compromising or undermining the independence of third sector organisations.</p> <p>6.1 Consider different ways of funding organisations working with government. These methods could include grants, procurement, loan finance, training, use of premises or other support. A clear rationale should be provided for the decision.</p> <p>8.1 Recognise that it is appropriate to include relevant overhead and administrative costs in grant applications.</p> <p>8.2 Accept the recovery of costs associated with volunteering, such as managing volunteers and reimbursing expenses.</p> <p>9.2 Make funding decisions and inform organisations at least three months in advance of the expected start date. Any departure from that timescale should be justified and explained.</p> <p>10.1 Discuss the risks to the project and agree delivery terms before a financial agreement is signed.</p> <p>10.2 Allocate risks to the organisation(s) best equipped to manage them. Ensure that delivery terms and risks are proportionate to the nature and value of the opportunity.</p> <p>10.3 Agree a process for managing performance and responding to changing circumstances before signing a financial agreement.</p> <p>10.4 For grants, agree how underspend or overspend will be managed.</p> <p>19.4 Be clear about any actions on equality that third sector organisations will be expected to undertake if they are funded to deliver programmes.</p> <p>20.2 Enable infrastructure organisations representing people with protected characteristics to participate in policy development, consultation or other activities, by supporting them appropriately.</p>	<p>15.2 Show that they understand how new funding will impact on their organisation, relate to its mission, and contribute to its income mix.</p> <p>15.4 Apply Compact principles when sub-contracting to other third sector organisations.</p> <p>16.1 Be clear about the risks associated with delivering programmes and services, and agree delivery terms before a contract or funding agreement is signed.</p> <p>16.2 Have appropriate governance arrangements in place and ensure that everyone involved understands and agrees to delivery terms.</p>

Possible situations that may arise when TSOs play the role of ‘Organiser’	Summary of what the Compact says about each situation	Relevant Compact commitments for the public sector	Relevant Compact commitments for third sector organisations
<p>Delivery phase: a third sector organisation may implement a PB project on the understanding that they are doing so on behalf of the local public sector, and perhaps in receipt of resources to do so.</p>	<p>The public sector should ensure that financial transactions are effective and appropriate, and any problems or changes to agreements are dealt with reasonably.</p> <p>Third sector organisations should ensure they manage the project well and prepare for potential problems. They should also have equalities in mind when running the PB project.</p>	<p>11.1 Make payments in advance of expenditure where there is a clear need and where this represents value for money.</p> <p>11.2 Make payments within 10 working days of invoices being received.</p> <p>12.7 If the project is encountering problems, discuss and agree a timetable of actions to improve performance before making a decision to end a financial relationship.</p> <p>13.1 Assess the impact on beneficiaries, service users and volunteers before deciding to reduce or end funding.</p> <p>13.2 Where there are restrictions on future resources, discuss the potential implications as early as possible with third sector organisations.</p> <p>13.3 Give a minimum of three months’ notice in writing when ending a funding relationship or other support, and provide a clear rationale for why the decision has been taken.</p> <p>13.4 Give organisations an opportunity to respond to the ending of funding and consider the response before making a final decision.</p>	<p>16.3 Be clear about payment terms and, if appropriate, demonstrate why payment in advance is required.</p> <p>16.5 Have appropriate systems in place to manage and account for finances.</p> <p>17.4 Give early notice to funders of significant changes in management, or financial or other risks.</p>
<p>The third sector organisation may evaluate the PB project.</p>	<p>Arrangements for monitoring and evaluation should be jointly agreed, and be appropriate to the size and nature of the project.</p>	<p>12.1 Discuss and agree how outcomes will be monitored before a contract or funding agreement is signed.</p> <p>12.3 Ensure that monitoring and reporting is proportionate to the nature and value of the opportunity. Focus on evidence that is meaningful to the beneficiaries of organisations, as well as to funders.</p>	<p>17.2 Recognise that monitoring, both internally and externally, is an element of good management practice.</p> <p>17.3 Ensure that systems are in place to deliver the reporting required.</p> <p>17.5 Be open and transparent in reporting.</p>



B. Table showing how the Compact applies when a third sector organisation acts as a ‘Steering group member’ of a PB project

Third sector organisations or networks may be asked, request, or be voted to be involved in the steering group which oversees and designs the PB process. If the local public sector has any influence on this process, then the Compact is relevant. If the steering group is run by residents or a third sector organisation, then the Compact is not relevant.

Examples of the ‘steering group member’ role include:

- A third sector organisation is represented on the steering group (not leading it) for a PB process, which is chaired by the local public sector or a community member.
- As a member of the steering group, the third sector organisation might be asked to shortlist applications for projects which have been submitted by other third sector organisations or even their own. There may be a conflict of interest in this situation.

Table B

Possible situations that may arise when TSOs play the role of ‘Steering group member’	Summary of what the Compact says about each situation	Relevant Compact commitments for the public sector	Relevant Compact commitments for third sector organisations
The local public sector may consider whether to approve a PB project in the area, and decide what form the project will take.	<p>If the local public sector is leading on the PB process, it should ensure the local third sector is involved in planning and kept informed of decisions that will affect them.</p> <p>The third sector should try to engage actively when asked by the public sector.</p>	<p>1.1 Involve the third sector from the earliest stages of policy development, on all relevant issues likely to affect it.</p> <p>1.2 Inform the sector of progress in developing policy.</p> <p>1.3 Identify implications for the third sector when assessing the impact of new policies, legislation and guidance.</p> <p>2.1 Identify and remove barriers, such as language barriers, which may prevent third sector organisations from contributing to policy development.</p> <p>20.3 Recognise that groups which involve people with protected characteristics at community level may be small or informal, and engage with these groups in a way that suits their working methods.</p>	<p>4.1 Involve service users, beneficiaries, members, volunteers and trustees when preparing responses to consultations.</p> <p>22.1 Be clear on who is being represented and how their views have been gathered.</p>

Possible situations that may arise when TSOs play the role of 'Steering group member'	Summary of what the Compact says about each situation	Relevant Compact commitments for the public sector	Relevant Compact commitments for third sector organisations
The local public sector may decide which third sector organisations to invite to join the PB steering group.	The local public sector should have in mind the need to involve third sector organisations who are representative of the local community and the range of organisations operating in the area.	<p>2.2 Encourage and facilitate responses from the full range of third sector organisations that are likely to have a view.</p> <p>19.2 Work with organisations in the third sector that represent people with protected characteristics, to understand their specific needs and design appropriate services.</p> <p>12.1 Discuss and agree how outcomes will be monitored before a contract or funding agreement is signed.</p> <p>12.3 Ensure that monitoring and reporting is proportionate to the nature and value of the opportunity. Focus on evidence that is meaningful to the beneficiaries of organisations, as well as to funders.</p>	<p>17.2 Recognise that monitoring, both internally and externally, is an element of good management practice.</p> <p>17.3 Ensure that systems are in place to deliver the reporting required.</p> <p>17.5 Be open and transparent in reporting.</p>
Third sector organisations may decide whether to become members of a steering group run by the local public sector.	Third sector organisations should be clear about who they represent when deciding to become a member of a steering group.		22.2 When selecting representatives from organisations and communities, be clear who they represent and with what legitimacy.
The local public sector may influence how the steering group will operate.	The local public sector should aim to ensure that the steering group operates in a way that makes it accessible to all members.	<p>2.1 Identify and remove barriers, such as language barriers, which may prevent third sector organisations from contributing to policy development.</p> <p>20.3 Recognise that groups which involve people with protected characteristics at community level may be small or informal, and engage with these groups in a way that suits their working methods.</p>	



C. Table showing how the Compact applies when a third sector organisation acts as a ‘Partner’ in a PB project

The organisers of a PB project may decide that a partnership approach to PB is needed and invite the local third sector to be involved as part of the partnership. This may typically involve the organisers asking third sector organisations to engage with the community to raise awareness of PB, due to their existing local relationships and knowledge. Or it might involve third sector organisations assisting with the evaluation stage of the project. Another possibility is that the entire PB project could be led jointly by third sector and public sector organisations working in partnership on all aspects.

Examples of the ‘partner’ role include:

- The PB organisers ask a third sector organisation or umbrella organisation to utilise their contacts and networks through their existing work to publicise and raise awareness of the PB project – and in this respect act as community development/engagement workers. Case studies of projects where this has happened include Bolton and Tameside.
- The PB organisers might ask a third sector organisation to run capacity building support for the project such as training and confidence building in giving presentations, or support in completing applications – for third sector PB project applicants or providing support to community members that are involved in evaluation or scrutiny and monitoring of funded PB projects. Examples of this include Tameside and Newcastle.
- The PB organisers may ask a third sector organisation to act as an independent evaluator for the process, or as a critical friend to an evaluation process.

Table C

Possible situations that may arise when TSOs play the role of 'Partner'	Summary of what the Compact says about each situation	Relevant Compact commitments for the public sector	Relevant Compact commitments for third sector organisations
The local public sector may consider whether to approve a PB project in the area, and decide what form the project will take.	<p>If the local public sector is leading on the PB process, it should ensure the local third sector is involved in planning and kept informed of decisions that will affect them.</p> <p>The third sector should try to engage actively when asked by the public sector.</p>	<p>1.1 Involve the third sector from the earliest stages of policy development, on all relevant issues likely to affect it.</p> <p>1.2 Inform the sector of progress in developing policy.</p> <p>1.3 Identify implications for the third sector when assessing the impact of new policies, legislation and guidance.</p> <p>2.1 Identify and remove barriers, such as language barriers, which may prevent third sector organisations from contributing to policy development.</p> <p>20.3 Recognise that groups which involve people with protected characteristics at community level may be small or informal, and engage with these groups in a way that suits their working methods.</p>	<p>4.1 Involve service users, beneficiaries, members, volunteers and trustees when preparing responses to consultations.</p>
The local public sector may decide to ask third sector organisations to help engage different groups in the community in the PB process or to help evaluate the PB project.	<p>If this requires third sector organisations to do something beyond what they are doing anyway, the local public sector should ensure what they are asking does not compromise the third sector organisation's independence and that the organisation has the resources to deliver it.</p>	<p>2.4 Identify where there are costs to third sector organisations as a result of partnership work with government and offer support on a clear and consistent basis.</p> <p>3.1 Avoid compromising or undermining the independence of third sector organisations.</p>	
Third sector organisations may use their networks to engage groups in the community.	<p>Third sector organisations should have in mind the importance of ensuring equality of opportunity.</p>		<p>21.1 Take practical action in partnership with government to eliminate discrimination, advance equality of opportunity and build community links.</p>



D. Table showing how the Compact applies when a third sector organisation acts as a ‘Project proposer/deliverer’ of a PB project

The local third sector may sometimes be asked to propose projects to meet the priorities identified by the PB process. Or, if priorities have been identified outside of the PB process, they may be asked to propose projects that meet existing priorities that would then be voted on by the community. Where a local third sector organisation is also a local service provider, they may then be asked or may offer to work up and deliver (if it receives enough votes) a project or idea that has been proposed either by themselves or by community members.

Examples of the ‘project proposer/deliverer’ role include (this is the most common role for the third sector in PB currently, due to prominence of community grant pot approaches/devolved funding to wards who allocate to a mixture of statutory and third sector service providers):

- The PB organisers publicise that they are using PB to allocate community grants pot funding and are open for applications from local third sector organisations.
- The PB organisers ask local third sector organisations to come up with projects that meet priorities identified by the local community or through other data collected by statutory agencies. The projects are then voted on through the PB process.
- The PB organisers ask local third sector organisations to work up a complete project based on an idea or solution suggested by community members to address local priorities, which will then be voted on through the PB process.
- Successful third sector organisations that apply for funding through the process or are asked to propose projects and receive funding to deliver them are then required to deliver the projects.
- Local third sector organisations are asked to act as service providers, where the service can be outsourced from the public sector, for successful ideas or projects in the PB process.

Table D

Possible situations that may arise when TSOs play the role of ‘Project proposer/deliverer’	Summary of what the Compact says about each situation	Relevant Compact commitments for the public sector	Relevant Compact commitments for third sector organisations
<p>The local public sector may consider whether to approve a PB project in the area, and decide what form the project will take.</p>	<p>If the local public sector is leading on the PB process, it should ensure the local third sector is involved in planning and kept informed of decisions that will affect them.</p> <p>The third sector should try to engage actively when asked by the public sector.</p>	<p>1.1 Involve the third sector from the earliest stages of policy development, on all relevant issues likely to affect it.</p> <p>1.2 Inform the sector of progress in developing policy.</p> <p>1.3 Identify implications for the third sector when assessing the impact of new policies, legislation and guidance.</p> <p>2.1 Identify and remove barriers, such as language barriers, which may prevent third sector organisations from contributing to policy development.</p> <p>20.3 Recognise that groups which involve people with protected characteristics at community level may be small or informal, and engage with these groups in a way that suits their working methods.</p>	<p>4.1 Involve service users, beneficiaries, members, volunteers and trustees when preparing responses to consultations.</p>
<p>The local public sector may ask third sector organisations to propose projects that meet the identified priorities.</p>	<p>The local public sector should make sure the process for proposing projects is accessible.</p>	<p>7.3 Allow enough time for organisations of all sizes to apply, as well as for consortia and partnership working bids.</p> <p>7.4 Be clear about how bids [proposals] will be assessed.</p> <p>8.1 Recognise that it is appropriate to include relevant overhead and administrative costs in grant applications.</p> <p>8.2 Accept the recovery of costs associated with volunteering, such as managing volunteers and reimbursing expenses.</p> <p>19.3 Ensure that all third sector organisations, including those that serve people with protected characteristics, have equal opportunities to access government funding programmes. This includes access to funds to build capacity, and to prepare and deliver projects.</p>	



Appendix 1: Full analysis of how the Compact applies to participatory budgeting

Possible situations that may arise when TSOs play the role of 'Project proposer/deliverer'	Summary of what the Compact says about each situation	Relevant Compact commitments for the public sector	Relevant Compact commitments for third sector organisations
<p>A third sector organisation may work up a project idea that they could deliver (if allocated).</p>	<p>Third sector organisations should make sure that they propose projects that are in line with their organisational missions, and that they could deliver.</p>		<p>15.1 Be clear on their reasons for bidding or applying to deliver programmes or services.</p> <p>15.2 Show that they understand how new funding will impact on their organisation, relate to its mission, and contribute to its income mix.</p> <p>15.3 Ensure they have a robust and clear understanding of the relevant overhead and associated costs to include when applying for resources.</p>
<p>A third sector organisation that is not constituted and/or does not have a bank account may propose to deliver a project.</p>	<p>The local public sector must ensure everyone has a clear understanding of respective responsibilities and the risks involved in delivering projects and allocating public money.</p> <p>The third sector organisation should ensure it has appropriate systems in place to deliver a project.</p>	<p>10.1 Discuss the risks to the project and agree delivery terms before a financial agreement is signed.</p> <p>10.2 Allocate risks to the organisation(s) best equipped to manage them. Ensure that delivery terms and risks are proportionate to the nature and value of the opportunity.</p> <p>10.3 Agree a process for managing performance and responding to changing circumstances before signing a financial agreement.</p>	<p>16.1 Have appropriate governance arrangements in place and ensure that everyone involved understands and agrees to delivery terms.</p> <p>16.5 Have appropriate systems in place to manage and account for finances.</p> <p>22.3 Where appropriate, support infrastructure organisations that can promote the interests of people with protected characteristics.</p>

Possible situations that may arise when TSOs play the role of 'Project proposer/deliverer'	Summary of what the Compact says about each situation	Relevant Compact commitments for the public sector	Relevant Compact commitments for third sector organisations
<p>When a third sector organisation is allocated funding to deliver a project, a contract or funding agreement may be drawn up with the public sector organisation that is the accountable body for the funding.</p>	<p>The public sector accountable body should offer delivery terms that are fair and transparent, and proportionate to the value of the project.</p> <p>The third sector organisation should ensure it can deliver the project effectively and be open and transparent in keeping the accountable body informed of progress.</p>	<p>10.1 Discuss the risks to the project and agree delivery terms before a financial agreement is signed.</p> <p>10.2 Allocate risks to the organisation(s) best equipped to manage them. Ensure that delivery terms and risks are proportionate to the nature and value of the opportunity.</p> <p>10.3 Agree a process for managing performance and responding to changing circumstances before signing a financial agreement.</p> <p>10.4 For grants, agree how underspend or overspend will be managed.</p> <p>11.1 Make payments in advance of expenditure where there is a clear need and where this represents value for money.</p> <p>11.2 Make payments within 10 working days of invoices being received.</p> <p>12.1 Discuss and agree how outcomes will be monitored before a contract or funding agreement is signed.</p> <p>12.2 Be clear about what information is being requested, why, and how it will be used.</p> <p>12.3 Ensure that monitoring and reporting is proportionate to the nature and value of the opportunity. Focus on evidence that is meaningful to the beneficiaries of organisations, as well as to funders.</p> <p>12.7 If the project is encountering problems, discuss and agree a timetable of actions to improve performance before making a decision to end a financial relationship.</p> <p>13.3 Give a minimum of three months' notice in writing when ending a funding relationship or other support, and provide a clear rationale for why the decision has been taken.</p>	<p>16.1 Be clear about the risks associated with delivering programmes and services, and agree delivery terms before a contract or funding agreement is signed.</p> <p>16.2 Have appropriate governance arrangements in place and ensure that everyone involved understands and agrees to delivery terms.</p> <p>16.3 Be clear about payment terms and, if appropriate, demonstrate why payment in advance is required.</p> <p>16.5 Have appropriate systems in place to manage and account for finances.</p> <p>17.1 Negotiate monitoring and reporting requirements before a financial agreement is made.</p> <p>17.2 Recognise that monitoring, both internally and externally, is an element of good management practice.</p> <p>17.3 Ensure that systems are in place to deliver the reporting required.</p> <p>17.4 Give early notice to funders of significant changes in management, or financial or other risks.</p> <p>17.5 Be open and transparent in reporting.</p> <p>18.1 Plan for the end of funding to reduce any potential impact on beneficiaries and the organisation.</p>



Appendix 2: Background to participatory budgeting projects interviewed as part of this paper

Southampton

PB was first trialled in the Thornhill district of Southampton in 2008 and then again in 2009. The 2010 event was due to happen days after the interviews for this project took place.

PB in Thornhill is a health-led initiative and is managed by Thornhill's Community Health Group. The group oversees an annual funding stream provided by the PCT to tackle health inequalities in Thornhill and decided to use PB to distribute it. The group comprises of residents and agency representatives from Southampton City Council, Southampton City PCT, and Thornhill Plus You.

Stockton-on-Tees

Stockton has used PB in a number of different neighbourhoods. It has been managed by a Community Partnership, 'St Ann's Development Board', which is responsible for a four-year funding stream of the Safer Stronger Communities Fund – Neighbourhood Element. The Board chose PB as a method through which to distribute £21,000 of the funding, which was targeted at new and innovative methods of youth engagement.

Since 2006, a variety of projects and initiatives have been delivered ranging from capital projects including a Multi Use Games Area, fencing to Tilery Primary School and CCTV cameras, to health projects for children aged 5-11 years and employment projects.

Newcastle

Newcastle has a history of supporting Community Development both in practice and in policy development and structures. PB has been used for a number of years and a variety of different projects have been run in different parts of the City.

PB is known locally as 'Udecide' and has its own web pages and online discussion forum. So far, over 7,000 local people have taken part in Udecide and 123 projects have been funded.



This publication is available on the Compact website at:
www.thecompact.org.uk/publications

To order a hard copy of the report or for more information
please contact:

Commission for the Compact
77 Paradise Circus Queensway
Birmingham B1 2DT
Tel: 0121 237 5900
Email: info@thecompact.org.uk

Please direct any requests for translation, interpretation,
large text or audio tape versions of this document to:
publications@thecompact.org.uk or tel: **0121 237 5918**.
All requests will be dealt with on an individual basis

PRINTED ON 70% RECYCLED
ENVIRONMENTALLY FRIENDLY PAPER.

PAPER PRODUCED AT A MILL THAT HOLDS ISO14001
CERTIFICATION FOR ENVIRONMENTAL MANAGEMENT.

TOTALLY CHLORINE FREE.

NAPM APPROVED RECYCLED PRODUCT.

FULLY RECYCLABLE AND BIODEGRADABLE.

