

R2O

About R2O

brap manages the £1m Routes to Opportunity (R2O) programme. Funded by **Advantage West Midlands**, the programme is helping to develop and strengthen BME-led third sector organisations so that they can compete more effectively for public sector contracts and become more sustainable. These short case studies give a flavour of what the programme is helping BME organisations to achieve.

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R2O Briefing 1

From asking to earning: the decline of grants and the rise of tendering

A briefing for BME third sector organisations and those who wish to buy services from them



R2O is issuing a series of briefing papers highlighting key lessons that have been learnt during its first year of operation.

This paper is about the decline of grant funding and the rise of commissioning and tendering – and the impact this is having on the BME third sector. It highlights the key challenges and opportunities arising from these changes and makes practical suggestions for how BME third sector organisations (TSOs) can adapt to this new environment.

The briefing also includes the R2O *Get Ready to Tender* toolkit, an action planning approach to improving your tendering capabilities and getting your organisation 'contract ready'.

Who should read this briefing?

It is aimed particularly at BME TSOs that are new to the concept of tendering and the emerging commissioning environment, but public procurement officers and service commissioners will also find it useful in understanding the impact of these policies.

Key terms

The paper uses some terms that may be new to you – here's a quick jargon-buster:

Procurement: is the acquisition of goods and services from third party suppliers under legally binding contractual terms where all the conditions necessary to form a legally binding contract have been met.

Commissioning: the Institute of Commissioning Professionals has recently defined commissioning as 'securing the services that most appropriately address the needs and wishes of the individual service user, making use of market intelligence and research, and planning accordingly.'

KEY CHALLENGES

At one time it was standard practice for voluntary and community organisations to identify a community need, work out how best that need could be met, and then identify and secure grant funding that would enable a service to be delivered. Frequently, this grant funding would come from a local authority. Those days are well and truly over and anyone now seeking funding on such a basis is unlikely to succeed. There are a number of reasons for this.

The move to 'commissioning'

Many councils were at one time significant grant-aid funders, but such funding has now disappeared almost entirely as local authorities have moved gradually from grant-aid, to 'service level agreements', to contracts and ultimately to the strategic commissioning of services.

This means a much more centralised and planned approach to how the public sector purchases services. For example, a local authority that might once have made twenty or thirty grants to, say, voluntary groups providing services for older people, might now be seeking to commission only three or four specific services for older people – and these could well be very large contracts. For many TSOs this means there is mounting pressure to group together in 'bidding and delivery' consortia as one way of achieving the kind of capacity and scale required to deliver larger contracts. It also makes for a vastly more competitive environment, with TSOs potentially competing for a limited number of contracts.

'Outcome-based' commissioning

More recent developments in commissioning practise go further still, however. There is now a move – in

health and children's services, for instance – to what is known as 'outcome-based' commissioning. This means that rather than defining the 'outputs' of a service (hours, numbers of people, length of training etc), commissioners identify the specific *outcomes* they wish to achieve and then commission services *designed* to achieve these outcomes. It also follows, of course, that services which are deemed not to contribute to these outcomes will be 'decommissioned' – i.e. no longer purchased.

You must be able to modify and 'flex' services

Taken together these changes have not just dramatically 'raised the bar' in terms of quality thresholds, financial track record, and competition; they also mean that TSOs must be able to customise and reconfigure the services they do deliver in order to meet commissioners' requirements and priority outcomes much more precisely.

The need for better evidence

And with this comes a need for better evidence and impact assessment. As commissioners' requirements and priority outcomes become more focused, there will be a mounting pressure on TSOs to be able to evidence the impact of their work, demonstrating clearly *how* it succeeds and what it achieves. This is a challenge for all TSOs – but it is a challenge for the statutory sector too, which is also grappling with how best to assess impact and effectiveness. This means there is an opportunity for TSOs and their public sector partners to work together much more closely on developing impact assessment techniques. The next R2O briefing paper is devoted to this topic.

KEY OPPORTUNITIES

While these are indeed challenging times, the best organisations are finding that they can turn this new environment to their advantage. For example, R2O has found that some BME TSOs are using commissioning as an opportunity to extend and improve the services they offer clients, which is surely a win-win situation.

Here are some other practical examples of how you can turn this emerging 'commissioning environment' to your advantage.

Reposition your organisation

This is a transitional period for the third sector – but it is also a period of transition for the statutory sector, and again BME TSOs can use this to their advantage.

For example, there is a persisting view, prevalent amongst some public purchasing officers, that BME TSOs are primarily about *representing* and giving 'voice' to BME communities rather than having access to the full range of tendering opportunities, including service delivery beyond the specialisms of their 'own' communities of origin.

The present emphasis on commissioning services from the third sector offers a huge opportunity to challenge and correct this view. You should be revising your service prospectus and making concerted efforts to market the full range of your services and expertise to purchasers. Like any enterprise, you want to make sure that your customers aren't operating on old information. Now is the time to reposition your organisation, building a new profile of its strengths and achievements, and making sure that all of your potential purchasers have an up-to-date understanding of who you are, what you do, and how it succeeds.

For many BME TSOs this will not be an over-night fix but the product of longer-

term strategic planning. It might require you to reassess your service expertise, priority client groups, your delivery methods, perhaps even the whole business model on which you operate.

Revisit your funding model

Grant funding – where it can be identified – still plays a role for many TSOs and can genuinely help in meeting your overall costs as part of a diverse and balanced 'portfolio' of funding. A more strategic approach to income-generation and income-diversification can help achieve this. For example, you may be able to 'isolate' certain 'cost centres' – activities which are always a cost to the organisation rather than a source of potential income – and in these cases make structured cases to charitable funders as part of meeting the 'social costs' inherent in your work.

With careful planning, 'asking' and 'earning' can go together as part of a planned income-diversification strategy.

Develop a tendering 'mind-set'

Tendering is **not** the same as making a grant application. It is about *selling* your services rather than seeking *funding* for them and this requires a different mind-set – one that you will need to adopt throughout your organisation. If you can do this, things will get easier. You will be able to assess how best your expertise and services can be *packaged* to meet purchasers' specifications and as a consequence will become better at responding to tenders. In addition, your organisation will also get into the habit of actively looking for opportunities to sell its services, in the process identifying new client groups, new 'markets', and new customers.

Improving your tendering skills requires a planned and systematic approach. The final part of this briefing – the R2O *Get Ready to Tender* toolkit – will help you develop this.

THE R20 GET READY TO TENDER TOOLKIT

The *Get Ready to Tender* toolkit is a systematic planning tool that you can use as part of getting ready to tender.

One of the critical difficulties facing any organisation preparing to enter the public contracting arena for the first time is knowing where to start. You can't hope to find everything out at once, so set yourself limited, achievable aims and approach things in a planned fashion.

The following prompts will help you. We suggest that you use them as part of a 'mini-business planning' process. They will help you identify areas of your enterprise – its financial systems, quality assurance, or administrative capacity, for example – that need to be developed as part of an overall strategy to move you towards being contract-ready.

STAGE 1 Getting started

First of all, identify potential public sector customers that you are interested in and that may be interested in you. How well do you know them? Do you already have existing contacts? Have you kept up-to-date with their changing commissioning and procurement arrangements? If not, then this is the place to start.

You may need to organise a meeting. Here is a short prompt list that can help you prepare the questions you'll want to ask.

1. What are the key facts about this buyer's procurement processes:
 - Do they operate an approved suppliers list or similar – and if so, how do you get added to it?
 - What are their pre-qualifying questionnaire (PQQ) criteria and thresholds?
 - What insurances do they typically require – and can you hope to meet these requirements?
 - What Quality Standards and/or Quality Assurance Systems do they expect to see in place?
 - Are there differential arrangements for contracts and/or commissioning above/below specific values?
 - What financial system requirements do they require?
2. Does the purchaser distinguish clearly between *commissioned* services from the third sector and open, competitive tenders? (You will want to position yourself in whatever stream of purchasing offers you the greatest chance of success.)
3. Does the purchaser currently publish a prospectus of services it wishes to purchase in the coming year (whether generally, or specifically from the third sector)? How do you ensure that you receive this? What is the publishing schedule and where is this information publicised?
4. Are there specific 'targetted' or priority services aimed at specific communities that the purchaser will be seeking to purchase?
5. Does the purchaser positively welcome partnership bids – if so, in what service areas?

These focused questions won't solve everything but they will begin to provide you with the basis of an action plan for the things you need to do and the areas of the organisation that might need strengthening.

Relax: you don't have to solve everything in one go. Work up your action plan, remembering to put in those key guides, What, Who, How and When:

- **What** needs to be done?
- **Who** in the organisation is best able to do it?
- **How** does it need to be done and what are the resource implications?
- **When** do we need to have done this by?

It is also worth bearing in mind that you don't need to address all public sector purchasers in one go. Again, prioritise. Decide which are the most important purchasers (and/or service areas) for you and your organisation. Set targets and schedule when (and who) will be given responsibility for finding out about each potential purchaser.

STAGE 2

Assessing specific contract opportunities

Futurebuilders has developed a contracting and procurement checklist, and in our view this can form a logical extension to the plan that the preceding questions will help you to develop. Futurebuilders' checklist is probably appropriate for use at a slightly more advanced stage – when you are considering specific contracting opportunities. You can use this to help you assess the appropriateness of specific contract opportunities to your organisation. The Futurebuilders list covers four stages:

Pre-tender:

- Be aware of the different commissioning approaches and how they may relate to the size of contract.
- Be systematic in seeking out the different locations where opportunities are advertised and in getting onto tender lists and panels.
- Understand how to be able to fulfil basic commissioning requirements including completing PQQs (the need for insurance, business plans, annual accounts etc) and ensuring you can meet these requirements.

Deciding whether to tender:

- Does the service fit with your organisation's core objectives and development plans?
- Is the contract within your capabilities (or potentially within your capabilities if you invest more or tender in partnership)?
- Is full-cost recovery possible?

Tendering:

- Are you conveying your qualifications, experience and USPs clearly and strongly?
- Are you showing clearly how you can fulfil the service specifications outlined in the tender brief?
- Have you costed properly?
- Have you analysed delivery risks and explained your contingency plans?
- Have you read the brief thoroughly and supplied all the answers, documents and information requested?

Contract management:

Ensure you have the necessary

- Organisational capability (financial management, quality systems and project management).
- Technical skills to deliver the service specified.
- Clear and regular contract reporting mechanisms to your governance structures.

OTHER USEFUL RESOURCES

Two Sides of the Same Coin: A Guide to Understanding the Commissioning process for BME Social Businesses and Third Sector Organisations, R2O (2008)
www.brap.org.uk/content/view/257/198/

BEST Procurement Project, Social Enterprise East Midlands (2007)
www.seem.uk.net/Templates/Internal.asp?NodeID=90734

Introductory Pack on Funding and Finance, NCVO/The Finance Hub (2006)
www.ncvo-vol.org.uk/publications/publication.asp?id=3257

Before signing on the dotted line: All you need to know about procuring public sector contracts, NCVO/The Finance Hub (2006)
www.ncvo-vol.org.uk/publications/publication.asp?id=3187

From Asking to Earning: Experiences of Trading, RISE (2005)
www.ncvo-vol.org.uk/sfp/?id=2855