

TWO SIDES OF THE SAME COIN

A GUIDE TO WORKING WITH BLACK, ASIAN AND
ETHNIC MINORITY THIRD SECTOR ORGANISATIONS

for **commissioning** organisations





This guide has been produced by **iSE** and **brap** under the Routes 2 Opportunity programme.



www.advantagewm.co.uk

AWM appointed **brap** to manage a two year (2007-09), £1 million project aimed at boosting black and minority ethnic (BME) third sector activity across the West Midlands. The R2O programme is the first of its kind in the region and aims to improve BME third sector organisations' ability to access and successfully deliver public sector contracts.

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Introduction

This guide is part of the **Routes 2 Opportunity** project, funded by Advantage West Midlands to promote opportunities for and enhance the capacity of the black, Asian and ethnic minority third sector.

The guide is in two parts:

for commissioning organisations

An overview of the type of information that commissioners, or those contracting with the third sector, should know to enable the process of contracting with the third sector to be more effective.

for third sector organisations

Especially for third sector organisations to support them to be better prepared for contracting with the public sector.

This guide does not attempt to be comprehensive. It signposts other sources that readers may wish to follow up for additional information.



Contracting with the third sector

Who are we talking about?

Just to make writing this guide even more challenging, there is little agreement about definitions. The term 'Third Sector' is relatively new, and broadly speaking takes into account organisations that are 'not for profit'. This is a very wide definition, and includes everything from multi-million pound social enterprises, to very small voluntary sector organisations run entirely by volunteers.

→ **The third sector is extremely diverse.**

Business types

Third sector organisations can differ not only in their turnover, but also in their management and legal structure. Most have a voluntary management committee, or board of trustees, whose role is to provide governorship to the organisation. Third sector organisations use a number of different legal forms and the sector includes charities, companies limited by guarantee, Industrial and Provident Societies, Community Interest Companies (CICs) and co-operatives. Some may be more than one of these – for example, a company limited by guarantee and a charity. There are many variations of legal structure/accountability, which determines how the organisation runs, whether it is VAT registered, what work it will do, what work it won't do, and so on.

→ **Not all third sector organisations will be necessarily have a legal structure which meets your contracting requirements.**

→ **Third sector organisations may have differing legal status and requirements. For example, CIC's are required to submit an annual community interest report in addition to their annual accounts.**

Business function

Third sector organisations vary considerably in relation to what they do. Some deliver services to particular client groups, or within a specific geographical area. Some carry out functions, such as research, training, development and consultancy. Others advocate on behalf of service users or community groups, or campaign to raise awareness of particular issues.

There are also different ways of describing third sector organisations' activities, or their role within the broader third sector. For example, some organisations are described as 'front line'. This describes a direct relationship between the organisation and its client group or customers. Infrastructure organisations, on the other hand, support services to other third sector organisations, mostly front line. In addition, there are also umbrella organisations that represent the interests of third sector organisations.

→ **Third sector organisations undertake a variety of activities; not all work directly with their client group/customers.**

The black, Asian and ethnic minority third sector

The BME (black and ethnic minority), or BAME (black, asian and ethnic minority), third sector is also very diverse. Organisations in this sector are distinguished by the fact that they frequently work on behalf of or deliver products or services to distinct client groups comprised in the main of ethnic minorities. It should not be assumed, however, that BME organisations *only* work with BME groups, or that BME communities can only be served by BME organisations.

What makes and organisations BME ?

Organisations are considered to be 'BME' for a number of reasons – again, just to confuse things there is no standard definition.

- They employ the majority of their staff from ethnic minority groups;
- The majority of their management board, and chief executive office, are usually from ethnic minority groups;
- They work primarily with ethnic minority groups, or tailor services to this client group.

When is an organisation not BME ?

Some third sector organisations will work with BME customers, or work in geographical areas which are dominated by BME citizens. However, if their mission and objectives do not determine that they work exclusively with BME client groups, then they cannot truly be described as BME third sector organisations.

Is there a BME third sector?

Many BME third sector organisations are driven to address inequality on behalf of their client groups. Although this could be seen as a common strand across these types of organisations, in practice the BME sector doesn't 'come together' as a sector. The diversity of the sector is such, that many BME organisations may have more in common with organisations that operate in their area of specialism, for example, health, than they do with other organisations serving the same client group.

→ **BME third sector organisations are very diverse. They are likely to be members of different types of associations, not specifically those for 'BME'.**

→ **There is no universal definition of the BME third sector, nor an umbrella organisation that represents its interests.**

→ **BME third sector organisations are smaller in size than the generic third sector. This may mean that many of them may not be linked into existing communication structures or channels.**

Myths

Nevertheless, BME third sector organisations often inherit a legacy of negative stereotypes that prevent them from operating effectively within the market place.

Myth: BME third sector organisations are unprofessional

Truth: BME third sector organisations are often smaller in size than other third sector organisations. This means that they may rely heavily on volunteers or do not have the people to staff their organisation on a full-time basis.

Myth: BME Third sector organisations are dishonest.

Truth: Unfortunately, there is dishonesty in every walk of life and the BME third sector isn't less or more dishonest than our society overall. The BME third sector is often labelled because it is more visible. Because there are fewer BME third sector organisations overall, it is easier to point the finger should one go off the rails.

Myth: BME third sector organisations are less qualified or experienced.

Truth: This statement entirely depends on what you expect the organisation to be qualified and experience in! This would need to be checked out on an individual basis, and in relation to contract requirements. Organisations either meet the benchmark or they don't .

Myth: BME third sector organisations are harder to work with.

Truth: As long as your contracting processes are clear, there should be no confusion about the expectations of delivery. Having a good relationship with your provider takes time and investment – this is no different from working with any contractor.

Myth: BME Third sector organisations don't deliver.

Truth: Non-delivery is not unique to the third sector. Many public and private organisations also have delivery issues from time to time. Be careful the sector isn't being unfairly labelled for non-delivery issues.

→ **The BME third sector can be disproportionately affected by negative stereotypes about the professionalism of its organisations.**

→ **Many commissioners still have work to do on building relationships with the third sector as a whole. This is good practice and can dispel many myths.**

Benefits of working with the third sector

As a commissioner of services or contracts, you must ensure that requirements for good contracting are in place and that issues such as value for money and UK and EU requirements are adhered to. But there are some additional benefits from contracting with the third sector.

- By diversifying your supplier base, you may gain the opportunity to have a different type of service – one with greater innovation and one which may be more suited to the needs of your customers.
- In some cases, smaller/medium organisations can respond quicker.
- In some cases, third sector organisations could be closer to the client group that you want to reach.
- Third sector organisations may have more experience with particular client groups.
- The commitment to the work may be over and above the cost-benefit analysis – in other words if there's a good match between the organisation's values and what you want them to do then there may be additional benefits.
- Third sector organisations may have values and objectives which make them good to contract with for public benefit.

Things you may want to check out

Working with a particular client group, for example Asian elders, doesn't automatically make an organisation good at working in other areas of activity, however.

As stated previously, the BME third sector and the communities it works with are extremely diverse. The public sector often forgets this diversity in its desire to promote organisations, services and structures that can be said to be 'representative'.

Public commissioners should be very wary of such strategies as they are most unlikely to lead to outcomes that genuinely meet the needs of entire communities. At worst, they can also serve to reinforce tokenism, unfounded assumptions and cultural stereotypes.

Similarly, it should not be assumed that because an organisation provides excellent services for, say, African-Caribbean pre-school children, that it can also provide training, advice and guidance for unemployed African-Caribbean teenagers. It *may* be able to, but a judgement of this should be based on the organisation's *skills* and *competencies*, not its ethnicity. If in doubt, check it out!

It is not unreasonable to ask for evidence of an organisation's activities. This can be used to ensure that you are getting what you have paid for and more importantly that the customer is being well served.

Funding one area of activity – for example a religious youth group – may not give you access to all young people within that community, nor offer an inclusive service for all young people.

Greater attention also needs to be paid to factors in addition to ethnicity – age, gender, sexuality, educational achievement, for example – that play a huge part in determining where individuals go, what they do, who they associate with. So remember, it is perfectly in order to ask for evidence and to check what you are getting.

Make judgements based on skills, expertise, competencies and track record - don't assume. A clear evaluation on available evidence, rather than cultural assumptions, is far more likely to produce the desired outcomes.

Members of BME communities, like all citizens, deserve the best quality services and the most effective outcomes from those services. Determining service delivery simply by matching BME organisations to the communities you wish them to serve does not guarantee service quality or equality.

Funding the third sector

Contrary to popular belief, funding the third sector may not be a cheaper option. Third sector organisations still have to pay overheads, employ finance, human resources, administrative staff – all of which have to be paid for.

With traditional grant funding in decline, the third sector has to ensure that it gets the going rate for services it provides. National Compact Guidelines recommend that public sector funders follow the compact code of funding, which means that full cost recovery formulas should be used¹.

Third sector organisations are rarely fully funded by grants. This means that their funding will come from a variety of different sources and they may, as a consequence, have different funding accountabilities to adhere to.

Full cost recovery ensures that organisations get a fair price for their work, which includes the additional on-costs and resources that ensure that projects and contracts are run well. Without such funding purchasers' expectations may be impossible to meet.

→ **Full cost recovery is always necessary. The third sector is not a cheap option.**

¹ ACEVO, the Association of Chief Executives of Voluntary Organisations, has a website devoted to full cost recovery. See www.fullcostrecovery.org.uk

How do you ensure that your funding models are fair?

Some funding requirements are not always necessary. They can be historic, rather than necessary to ensuring the quality of the activity. It is important that you periodically check out the requirements of, say, your pre-qualification questionnaires, to ensure that everything requested is really necessary.

EU procurement rules are not always legally required. There are circumstances, for example for maximising the public value, where there are opportunities to negotiate directly with a potential supplier.

Approved suppliers lists are often exclusive by nature. Only those who are on the lists know when they are coming up for renewal and this can mean that you have little chance of diversifying your supplier base.

OJEU adverts (Official Journal of the European Union) are unlikely to be regularly monitored by many third sector organisations.

If you are really interested in fairness, transparency and good practice make sure that you:

- Leave enough time for word of mouth.
- Review approved supplier lists more regularly, or update them in between times.
- Advertise more widely – include e-mail advertising.
- Hold open days to talk to people about your tendering processes and to stimulate more interest from your supply base.
- Use other organisations' websites to advertise tenders and contracts.
- Review the quality of your procurement processes – do you get what you want and, more importantly, do your clients?

Work with providers to get commissioning right. Whilst many purchasers consider this uncomfortable or even a potential conflict of interest, it is really good practice to be clear about what you commission and the value of the activity. Providers are in a strong position to provide you with this information and should be part of the commissioning cycle.

→ If you always do what you have always done, then you always get what you've always got!

Legal requirements

Legally, public sector organisations should ensure equality through their procurement strategy. Not only does this mean that public authorities should be mindful about the work of those that they sub-contract with, to ensure that they meet their legal duties, but also that they have a role in ensuring that their own equality obligations are met with regards to commissioning activity.

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What you need to know about procurement

Introduction

The public sector accounts for 40% of the UK's Gross Domestic Product (GDP) and central civil government alone spends around £13 billion a year on goods and services. However, the competition process for letting public contracts is complicated and subject to specific rules and regulations. Suppliers, including the third sector, seeking to win contracts, often fail to understand these rules and processes and how they are applied differently by different public sector bodies. As a consequence, many third sector organisations tendering for public sector contracts have an insufficient understanding of the rules and regulations governing the procurement process.

We hope this toolkit will demystify commissioning and procurement and provide some real help to those third sector organisations that want to take advantage of new procurement opportunities.

In addition, research – undertaken by **brap** for the Finance and Performance Hubs as part of the Routes 2 Opportunity project – reveals that BME third sector organisations do face additional disadvantages in the public contracting marketplace.

For example, successive waves of race equality policies have to a large extent

determined the political and social environment in which the BME sector has emerged and many infrastructure organisations fail to understand this and are unable to tailor the support they offer so that it reflects these particular circumstances. Moving beyond a development model driven largely by 'single identity funding' requires considerable skill and strategic abilities.

Many BME organisations also still suffer from negative stereotyping and mistaken cultural assumptions. In this sense, many BME organisations face sharper strategic and business planning problems than their non-BME counterparts in the sector.

Jargon buster: terms you need to understand

Commissioning and procurement

"Commissioning and procurement are separate processes, often carried out by different people. Commissioning is the planning process, procurement is the purchasing process."

This is the view of the National Council for Voluntary Organisations (NCVO) in 'How voluntary and community organisations can transform public services'.

Commissioning covers the whole cycle of planning, including assessing needs, designing services and securing and funding delivery. According to the Treasury – in 'Improving financial relationships with the third sector: guidance to funders and purchasers' – procurement is the process of buying services:

"The acquisition of goods and services in line with the statutory agency's policy of value for money, normally achieved through competition."

Grant

A grant is a financial transfer used to fund a specific activity because that activity is in broad alignment with the funder's objectives. According to the Treasury:

“A grant maker is not contracting for a service that forms part of its own business. It is offering financial support in an area of work designed by the third sector, which it wishes to sponsor. The work would add value to the funder's overall aims and objectives. The organisation retains considerable freedom in the way in which it carries out the work.”

Grant-in-aid

According to the Treasury:

“A grant is given to an organisation that operates at arms length from government, and is providing activities that are in alignment with the funder's priorities; it usually has lighter touch monitoring.”

Service Level Agreement (SLA)

A service level agreement is somewhere between the commissioning process and grant-in-aid. The provider designs the service, but there is a binding agreement between provider and purchaser with detailed specifications for the level of outcome and output performance.

Value for money

The Treasury defines this as:

“The optimum combination of whole-life cost and quality – or fitness for purpose – to meet the user's requirement. In other words, getting the best possible outcome from any given level of input. This does not mean cheapest.”

Models for a contractual relationship or procurement contract

Long-term approach

Successful commissioning can and should be built on a long-term relationship between third sector organisations and service commissioners in which the needs of target groups are assessed, evidence of what works and what doesn't provided and the third sector is involved in helping to design appropriate commissioning specifications. This ensures not only that the right kind of service is commissioned but also that the additional benefits of contracting with the third sector are recognised.

Close working with the third sector is identified as necessary in all public sector frameworks for commissioning. To date this has tended to focus on the procurement element – the *buying* – rather than on working collaboratively with commissioners to better understand what should be commissioned. This clearly needs to change.

Providers are commissioners too

Remember, however, that there are other routes into public contracting. For example, providers are often commissioners as well.

Successful providers of large contracts may not have all the capacity, skills, reach and staff required to complete the contract and in these instances they will require dependable sub-contractors. These sub-contractors must have the ability to deliver to the quality standards specified within the main contract.

Open governance has put such information – who has been successful in securing public contracts and who is doing what – into the public domain. Skim reading board or committee papers and approaching the main contract holders can offer an additional route into contracting.

Partnerships and clusters

Working in partnership or clustering is a recent phenomenon in the third sector. This mechanism for the achievement of successful procurement contracts works through the development of a partnership or cluster of complimentary organisations that can elect a lead partner to make the application in partnership with the other agencies. The lead organisation has to have an ability to act on behalf of the partners, hold the main contract and manage the accountability, financial and monitoring aspects of the contract.

The partnership must be legally binding and everyone must be clear regarding any penalties for non-delivery, with these clearly

set out in a partnership or cluster agreement. Additionally all financial agreements, such as lead partner fees or eligible expenses should be contained with the same document.

This can be a very effective means of gaining access to public contracts, especially for smaller organisations trying to enter the public contracting marketplace at a point appropriate for their size, scope and experience.

Negotiating the contract

At the procurement stage, when you are negotiating the final contract, the following should be taken account:

- Be aware that at this stage you can negotiate with the funder on outputs and outcomes and come to a final agreement regarding the details of delivery. Many third sector organisations are unaware of this potential and can therefore end up in contractual arrangements that mean they are unable to meet the demands of the contract.
- Stability in funding relationship i.e. length of contract. The compact states you are entitled to a three year contract. If for whatever reason you agree to a contract over a shorter period the financial benefits should compensate for start up investment, short-term funding, redundancy costs

among others. Private sector companies build these costs into all their contracts.

- Full cost recovery – i.e. the inclusion of relevant overhead costs identified in a simple, proportionate and equitable manner. You are entitled to full cost recovery and in order to achieve this you must have clear detailed information that shows how you have priced this activity. A recent successful prosecution of a PCT was based on the PCT not being prepared to fund care work at full cost recovery.
- The public sector has a responsibility under the compact to reduce the burden of bureaucracy. This can be difficult when work is financed from European Union sources, which come with their own of bureaucracy.

Whilst the third sector must acknowledge that publicly-funded contracts come with significant accountability requirements, nonetheless levels of bureaucracy and the administrative paperwork entailed should be both proportionate and reasonable. You should bear in mind that:

- You will need to be able to demonstrate value for money and any additional benefits that accrue from your particular delivery of a service – for example, improved reach into deprived communities, or innovative approaches to engagement in services such as health promotion. This

may entail you assembling evidence that you have not previously tried to capture and this in itself may present an additional burden. The need to evidence added value and additional benefits however, is not going to go away – time spent developing expertise in this is not wasted.

- Public sector organisations are looking for efficiency and effectiveness, this means delivery to time scales, to agreed outputs and outcomes and within budget. Be prepared to prove that you can do this.
- Procurement officers will need to be convinced that you are a sustainable organisation and therefore you will be required to provide evidence of bank accounts and 2 years audited accounts. They will also need evidence of your ability to deliver the contract, i.e. number and skills of staff.

Getting feedback

You are entitled to feedback if you have been unsuccessful in applying for a procurement contract. You are entitled to complain should you feel you have been discriminated against within the published process. You should be responded to in accordance with a Comments, Complaints and Compliments Procedure. Details of this will be contained within the original procurement paperwork.

Doing your homework

Understand the policy drivers

The biggest gap in third sector knowledge is a lack of understanding of regional priorities, making it hard for organisations to position themselves with regard to likely commissions and funding streams. National agendas drive regional agendas which drive local agendas. You must be aware of key policy drivers and how your organisation can deliver against them. These are your market opportunities.

Understand the sector

You must understand your sector and its requirements, which can be people- or service-related, such as new quality standards or qualifications required by staff for service delivery.

Understanding 'fit for purpose'

Understand what the procurement regulations specify in terms of 'fitness for purpose'. There are very specific eligibility criteria applying for public sector contracts, including financial viability, service quality, track record, policies and procedures, governance, project management skills, knowledge of your sector and client group, staff skills, appropriate venues. These will vary according to the area of work. You must understand the requirements and develop a plan and checklist to meet the criteria.

Eligibility for tendering

If you are considering applying for a particular contract, details of how to apply will usually be given with the advertisement.

The public sector usually has five types of tendering processes:

- Open tendering
- Restricted tendering
- Closed tendering
- Negotiated tendering
- Competitive dialogue.

Open Tendering

Open tendering is a process of offering a tender opportunity to the widest number of suppliers. This usually involves issuing an invitation to tender in a number of publicly accessible journals, portals and through mailing lists. This approach is often used when the number of suppliers is felt to be limited and the purchaser is actively seeking to promote additional interest and identify new providers.

Restricted tendering

The restricted tendering opportunity is advertised in a similar manner to open tendering but suppliers are typically asked

to indicate their interest by completing a Pre-Qualification Questionnaire or PQQ.

PQQs are used to filter the applicants to those most likely to meet the financial, resource and legal requirements for undertaking the work. Only suppliers who are subsequently short-listed are invited to submit a tender.

PQQs vary widely, but typically they require you to provide information covering:

Your organisation

Details about the size of your company, your workforce, and the aims and objectives you aspire to. We should be working to ensure that information about social mission, community benefits and the aims and ethos of the third sector feature more prominently in how and why local authorities award contracts.

Technical

Information that outlines your organisation's suitability to carry out the contract in question. This will include your ability to resource the contract, whether you will be working in partnership, how you will ensure quality and the provision of suitable references.

Financial

You will normally be asked to provide your last three years audited accounts and any annual

reports or documents that demonstrate your financial stability. If you have not been trading for this length of time you should still be able to apply but you will need to be aware that you may be seen as a riskier contractor.

Legal

There will be a number of legal obligations and criteria that you will need to have in place within your company in order to be able to tender. These will include:

- Appropriate governance
- Legally constituted body
- Legal status, i.e. you are able to trade and deliver a contract.

Insurance

All local authorities will have guidelines on the types of insurances you will need in place and the amounts they will need you to be insured for as a minimum. Often organisations are required to quote policy numbers and company details.

Health and safety and sector relevant policies

There will be a requirement to provide details of your health and safety policy and any specific arrangements you may need to make for delivery of a contract. Relevant policies will need to be submitted for approval.

Equal Opportunities

This is another important area in which you will have to demonstrate that you have appropriate policies in place to ensure that the service delivery you carry out on behalf of public bodies promotes equality of opportunity. This is part of the duty that local authorities have to promote equality.

Professional Matters

You will be required to declare any criminal proceedings taken against your company relating to the professional conduct of your business. You will also need to declare any potential conflict of interest.

Environmental Matters

You will be required to submit your environmental policy, if you have one, to show that you take your environmental responsibilities seriously. Increasingly, environmental policies are essential to successful awards of procurement contracts to third sector organisations.

Closed tendering

Under 'closed tendering', invitations to tender are issued to a predetermined list of organisations. There must be at least two organisations and the scope of the work must be well defined and such that only a limited number of proposers are competent to carry out the work. This group does not have to undertake a PQQ

because they have already passed criteria for being eligible to tender. These contracts can be completed in shorter timescales. In order to be eligible to access closed tendering opportunities you need to make public sector commissioners aware of your services and skills and your uniqueness to deliver.

Negotiated tendering

This is similar to the restricted tender procedure in that it uses the pre-qualification stage, but allows the procuring body to negotiate the terms of the contract within strict guidelines prior to awarding the contract. It is only used in exceptional circumstances when a sole supplier can deliver the goods or services or when the precise specification of the service can only be determined by negotiation.

Competitive dialogue

This is most often used for 'particularly complex contracts'. Suppliers responding to advertisements submit an Expression of Interest and compete a Pre-Qualification Questionnaire. Suppliers who are short listed are then invited to participate in a dialogue with the purchaser that may involve written or verbal submissions or interviews. The dialogue may take place in stages to reduce the number of potential suppliers and at the conclusion of the dialogue the purchaser will ask the remaining potential suppliers to submit their final tender.

Frequently asked questions

How to find out about local contracts and tendering opportunities?

Most local authorities advertise their contracts through a number of outlets these will usually include:

- Local press
- Trade journals
- Public sector publications
- Council website
- West Midlands procurement portal www.wmportal.co.uk
- Official Journal of the European Union
- Networking
- Sector networks, e.g. BSSEC, VCS Matters and (where they exist) Third Sector Assemblies.

Why is the monitoring and financial paperwork so detailed and onerous?

UK legislation - The main legislative requirements are the UK Public Procurement Regulations that implement the EU Public Procurement Directives in the UK. The legislation is an extension of EC Treaty

obligations and applies to public and publicly funded bodies, including universities. The aim of this legislation is to open up the public procurement market to competition to ensure the free movement of goods and services within the European Union and to ensure equality of treatment through a standard, transparent process. The legislation is also consistent with the UK Government's agenda to ensure that publicly funded bodies make procurement decisions on the basis of value for money achieved through competition.

How do the duties of non-discrimination apply to third sector contractors?

The 'general duty' that public authorities have to promote race equality also applies to procurement itself. Where a public authority's function is carried out by an external supplier on its behalf, the public authority remains responsible for meeting the duty. If procurement of goods, services or facilities is one of the functions of an authority then it should have been assessed to see if it is relevant to the general duty. The Commission for Racial Equality (CRE) would expect procurement to have been categorised as one of the public authority's relevant functions or policies and steps must be taken to monitor the implementation of this function to see if it results in any adverse impact.

4. How do I distinguish between direct outputs and outcomes?

In general, direct outputs should meet three key tests:

1. Be measurable and verifiable
2. Be forecast for the life of the project
3. Be included in the delivery contract.

Projects also produce outcomes, the longer term impacts the project is seeking to achieve. These should be defined in the project objectives set at the beginning. Outcomes are non-contractual, occur after the contract is finished and are measured through evaluation.

For example, employment support is counted as an output once the assistance is delivered. Whether or not the support results in the person securing a job is measured as an outcome, following the end of the project (and should not be counted as a direct outcome of the activity). Clearly this evaluation measurement is the critical test of the effectiveness of the project.

Your unique selling points (added value)

The public sector recognises the value of working with the third sector. The National Audit Office cites the reasons as being:

- Understanding the needs of client groups
- Knowledge of the sector
- Innovative approaches
- Understanding of the strategic context
- Value for money
- Not-for-profit
- Values based
- Flexibility
- Independent and free from institutionalised pressures
- Established links with the community.

While we may not agree with all of these we need to understand that this is why public sector agencies want to procure services from the third sector. We are, however, moving into an environment in which increasingly we will have to prove this added value. The list above gives us some criteria to work from and use as a checklist when completing tendering documents.

Furnishing evidence of this added value will involve all of us in new approaches.

Two possible approaches to evidencing impact and added value – both relatively new to the third sector – are Social Return on Investment and Social Audit.

Social Return on Investment

Social Return on Investment analysis captures the value of wider benefits of positive social and environmental impacts that are otherwise left off the balance sheet. Depending on the exact business model, social enterprises, third sector organisations and ethical businesses deliver a far wider range of benefits than it is possible to capture using narrow conventional assessments of returns on investment.

"The key issue for both managers of social enterprises and those investing in them is whether the capital provided is generating meaningful, real returns – returns for the manager, the investor and society as a whole. SROI is one tool by which we can begin to assess the full, blended value of NGOs and for-profit corporations as both seek to maximize the full value they have the potential to create."

Jed Emerson, Senior Fellow, Generation Foundation

Supporting resources

New Economics Foundation (nef) guide – 'Measuring real value: A DIY guide to social return on investment' – provides easy, step by step instructions for organisations who want to prove

and quantify the social returns that they deliver: www.neweconomics.org/gen/z_sys_publications.aspx and click 'Publications' on the top menu.

Social Audit

The Social Accounting Network defines social accounting and audit as:

"A process to create a flexible framework which enables your organisation to:

- *account fully for its **social, environmental and economic** impact;*
- *report on its performance and*
- *provide the information essential for planning future action and improving performance."*

This process enables a better understanding of the impact your organisation has on its beneficiaries and the wider community. At the same time you will be able to build in accountability by engaging with your organisation's key stakeholders. The main benefits of social accounting to your organisation are that you will be able to prove the value of your organisation and improve its performance!

Supporting resources

The SAN social accounting and audit process consists of three steps, preceded by a getting ready stage. The guide and CD are available through the Social Audit Network at: www.socialauditnetwork.org.uk/ManCD2.htm

Full cost recovery

The ability of organisations aiming to or currently delivering public sector contracts to build full cost recovery into their tendering documents is essential to the long-term sustainability. There are a variety of tools and techniques to support full cost recovery.

Definition

The term full-cost recovery means:

“Allowing providers to include the relevant element of their overheads – including irrecoverable VAT costs – in their cost estimates for providing a given service under a service agreement or contract.”

(ACEVO 2004)

In full-cost recovery, an organisation’s overheads are shared among the different projects proportionately, according to use.

“The full costs of your project are all the costs directly relating to the project plus the project’s share of the overheads.”

Big Lottery

Resources and references:

Most of these resources are available FREE of charge. Resources you have to pay for are marked with a £ sign.

Full Cost Recovery by ACEVO £

www.acevo.org.uk/main/publications

A guide to Full Cost Recovery from ACEVO that is available as a publication and interactive CD-ROM containing a template for cost allocation. ACEVO also provide training to support their materials, see below.

Full Cost Recovery by Big Lottery Fund

www.biglotteryfund.org.uk/full_cost_recovery

A guide with various tools, including a suggested spreadsheet, for voluntary and community organisations applying to the Big Lottery Fund.

Full Cost Recovery by New Philanthropy Capital

www.philanthropycapital.org/html/full_cost_recovery

A guide to Full Cost Recovery from New Philanthropy Capital.

Full Cost Recovery by CASH

www.cash-online.org.uk/content

A guide to Full Cost Recovery from Community Accountancy Self Help (CASH).

Full Cost Recovery by NCVO

www.ncvo-vol.org.uk/sfp/fullcostrecovery

Advice and useful guides on FCR from NCVO.

Full Cost Recovery by fit4funding

www.fit4funding.org.uk/help_and_advice/preparation/full_cost_recovery_

A step-by-step guide to Full Cost Recovery from fit4funding.

ACEVO training £

www.acevo.org.uk/index.cfm/display_page/policy_FCR

The Association of Chief Executives of Voluntary Organisations (ACEVO) run professional development courses on FCR.

Checklist: Procurement development

1. Have you made formal contact with the public authority to discuss your involvement in delivering services on its behalf? This may involve more than one local authority or public sector organisation.

- Who are the key contacts for this?
- What is the primary reason the public authority wishes to work with your organisation/enterprise? Be clear about this and if unsure work on it!
- What are your current links with the 'community' intended to receive the service? Have you undertaken research and or evaluation to back up your work? You will need evidence of need.
- Do you have a knowledge base covering the resources and sensitivity of the 'community's' needs and aspirations? If not, use evidence from research undertaken by research agencies or the public sector.

2. What are your key areas of service or product delivery?

- How are these services/products currently being delivered?
- What markets are these services/products aimed at?

3. Does the organisation/enterprise have a business plan?

- Does the business plan include a risk assessment?
- Does the business plan include a marketing plan?
- Does the business plan include reference to the delivery of procurement contracts?

4. Are you able deliver contracts within your existing legal structure and memorandum and articles of association?

- Do you need to make changes to your legal structure?
- Do you have the appropriate skills for contract management on the board/within trustees?

5. Do you have experience of working in partnership with other organisations?

- Have there been any face to face discussions with the partners as to possible procurement opportunities?
- Do you understand the strategic plans of the relevant public authorities?

- Do you understand the public authority's process for a procurement contract?

6. What is the nature of the service you wish to offer?

- How can you develop it?
- Does it use innovative approaches?
- How does it meet the needs of the community?

7. Do you have a working relationship with the public authority you wish to deliver to?

- How strong is this relationship?
- Have you delivered services for them previously?

8. What are the reasons you are offering these services?

- Are you aware of what your potential customers think of this?
- What are your plans to offer employment opportunities as part of the bid?
- How will you measure your organisational performance against your social objectives?



9. Will you be bringing in other partners or sub-contractors as part of your bid?

- How will this affect your proposal?
- What does the public authority think of this?
- Does this help you to achieve your social objectives?

10. Do you require any legal advice on any aspects of the bidding process?

- Do you have access to legal advice?

11. How will the monitoring arrangements associated with the service you plan to deliver be managed?

- Will you use your own customer satisfaction/response system?
- Do you have an organisation or mentor available to provide you with advice in delivering the service?
- Do you have support systems in place to enable you to retain key staff throughout the duration of the contract?

12. How will you publicise what you are doing and what you have to offer?

- Do you have a marketing budget?
- Do you include marketing within full cost recovery?
- How will you publicise the success of your service at the end of the contract?

Checklist: Partnership/clustering/collaborative working



Key elements for collaborative working	Comment/note	Action
Identify tender or joint working opportunity		
Meet to identify whether it is possible to jointly work		
Identify from interested parties if you can deliver all the specified services required with the tender opportunity		
Identify partnership protocol for bid writing		
Identify roles and responsibilities for bid writing		
Identify roles and responsibilities for contract delivery, e.g. lead organisation		
Identify that all proposed partners have quality, skills and legal criteria for joint collaboration		
Identify mechanisms for dealing with contract compliance		
Identify clear financial arrangements, e.g. %, etc.		
Identify legal sub-contract structures on receipt of contract		
Identify capacity building joint support mechanisms		
Identify evaluation criteria		

Resources

Jargon busting

Third sector

www.ncvo-vol.org.uk/sfp/?id=3622

Adult services

www.boroughofpoole.com/go.php?ref=S4649736271B94&structureID=U46389653a04a3

Childrens services

www.idea.gov.uk/idk/aio/4533509

Health

www.tin.nhs.uk/a-z-jargon-buster

Full cost recovery

The Compact

www.thecompact.org.uk

The Compact is the agreement between government and the voluntary and community sector to improve their relationship for mutual advantage and community gain. The Funding and Procurement Code can be downloaded as a PDF from the above site.

Charity Trends 2006

www.cafonline.org

Charity Trends 2006 from CAF provides up-to-date statistics and analysis on the sector drawing on research into the top 500 fundraising charities.

CCR Voluntary Sector Review

www.treasury.gov.uk/spending_review/spend_ccr/spend_ccr_voluntary/ccr_voluntary_report

This cross cutting explored how Central and Local Government could work more effectively with the voluntary and community sector (VCS) to deliver high quality services.

Releasing resources for the frontline: Independent Review of Public Sector Efficiency

www.treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending

Sets out the conclusions from the Gershon Efficiency Review in 2004.

Stand and Deliver: the Future of Charities Delivering Public Services in 2007

www.charity-commission.gov.uk/Library/publications

The Future of Charities Delivering Public Services in 2007 is a PDF report from the Charity Commission which found both funders and charities in the sector are failing to adhere to FCR principals.

NCVO – Introductory Pack on Funding and Finance: Guide to Procurement and Contracting

www.ncvo.vol.org.uk/sfp

NCVO – Tools for Procurement and Contracting: Funding and Finance Toolkit 3

www.ncvo.vol.org.uk/sfp



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www.advantagewm.co.uk

AWM appointed **brap** to manage a two year (2007-09), £1 million project aimed at boosting black and minority ethnic (BME) third sector activity across the West Midlands. The R2O programme is the first of its kind in the region and aims to improve BME third sector organisations' ability to access and successfully deliver public sector contracts.

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